

REPORT OF AUDIT  
SUSSEX COUNTY  
MUNICIPAL UTILITIES AUTHORITY  
NOVEMBER 30, 2013

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**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**

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**Introductory Section**

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
ROSTER OF OFFICIALS  
NOVEMBER 30, 2013

Authority Members

Title

Commissioners

Ronald Petillo	Chairman
John Sowden, IV	Vice Chairman
Andrea Cocula	Secretary
Wayne Dietz	Commissioner
Karl Meyer	Commissioner
John Drake	Commissioner
Thomas Madsen	Commissioner

Other Officials

John Hatzelis	Administrator
John Nugent	Superintendent - Upper Wallkill Facilities
James Sparnon	Superintendent - Solid Waste Facilities
Thomas Varro, P.E.	Chief Engineer
John Hatzelis	Treasurer
Patricia A. Frey	Director of Human Resources
Cornerstone Engineering Group, LLC	Consulting Engineers - Solid Waste
Hatch Mott MacDonald	Consulting Engineers - Wastewater
Cleary, Giacobbe, Alfieri, Jacobs LLC	General Counsel
Hall and Associates	Special Counsel
Archer & Greiner, P.C.	Bond Counsel
US Bank	Trustee
Ferraioli, Wielkocz, Cerullo & Cuva, P.A.	Auditors

Surety Company

Commissioners and the Authority Treasurer listed above are covered by Public Officials Legal Liability Policy in the amount of \$6,000,000 issued by Statewide Insurance Fund, Policy No. SIF2013-07848 for the period January 1, 2013 to January 1, 2014.

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**Financial Section**

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# Ferraioli, Wielkocz, Cerullo & Cuva, P.A.

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## INDEPENDENT AUDITOR'S REPORT

Honorable Chairperson and Members  
Sussex County Municipal Utilities Authority  
Lafayette, NJ 07848

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

We have audited the accompanying statements of net position of the Sussex County Municipal Utilities Authority as of November 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.



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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sussex County Municipal Utilities Authority as of November 30, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As discussed in Note 19 to the financial statements, in 2013 the Authority adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sussex County Municipal Utilities Authority's financial statements. The schedules of revenues, expenses and changes in net position - restricted and unrestricted; schedules of cash receipts, cash disbursements and changes in cash and investments - unrestricted and restricted accounts; schedules of operating revenues and costs funded by operating revenues compared to budget; and schedules of revenue bonds payable (collectively referred to as the "Supplementary Schedules") are presented for purposes of additional analysis and are not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014 on our consideration of the Sussex County Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sussex County Municipal Utilities Authority's internal control over financial reporting and compliance.

Very truly yours,

*Ferraioli, Wielkatz, Cerullo & Cova, P.A.*

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants  
Pompton Lakes, New Jersey

March 25, 2014



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## Management Discussion and Analysis

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**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
NOVEMBER 30, 2013**

*As management of the Sussex County Municipal Utilities Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal year ended November 30, 2013 and 2012. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.*

**Financial Highlights**

- The Authority's assets exceeded its liabilities by \$14,782,954 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$17,735,434 (restated).
- Total net position are comprised of the following:
  - (1) Capital assets, net of related debt, of \$(282,390) include plant and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net position of \$12,326,602 are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
  - (3) Unrestricted net position of \$2,738,742 represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority decreased by \$1,855,269 to \$82,720,824 during the fiscal year primarily due to a decrease in long-term debt combined with an increase in accrued liabilities for cell closure and post-closure costs.

**Overview of the Financial Statements**

This annual report includes this management discussion, the independent auditor's report and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

***Required Financial Statements***

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The *Statement of Net Position* includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the authority.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
NOVEMBER 30, 2013**

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Position*. This statement measures the results of the Authority operations over the past year and can be used to determine whether the Authority has recovered all its costs through its user fees and other charges, operational stability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. This statement reports cash receipts and cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as what operational sources provided cash, what was the cash used for, and what was the change in cash balance during the reporting period.

***Notes to the Financial Statements***

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

***Other Information***

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. This supplementary information follows the notes to the financial statements.

**Financial Analysis of the Authority**

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better able to fulfill its mission as a result of this years activities?" The *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* report information about the Authority's activities in a way that will help answer this question. These two statements report net position of the Authority and the changes in those assets. The reader can think of the Authority's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
NOVEMBER 30, 2013**

**Net Position**

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Authority as a whole.

The Authority's net position at fiscal year-end are \$14,782,954. This is a \$2,952,480 decrease under last year's restated net position of \$17,735,434. A summary of the Authority's statement of net position is presented in the following table:

**Condensed Statement of Net Position  
(000's)**

	<u>FY 2013</u>	<u>Restated FY 2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>FY 2011</u>
Current and Other Assets	37,122	37,051	71	0.19%	37,898
Capital Assets	59,803	64,303	(4,500)	(7.00)%	69,395
Deferred Outflows of Resources	<u>701</u>	<u>1,215</u>	<u>(514)</u>	<u>(42.30)%</u>	<u>          </u>
Total Assets and Deferred Outflows	<u>97,626</u>	<u>102,569</u>	<u>(4,943)</u>		<u>107,293</u>
Long-term Debt Outstanding	58,643	63,565	(4,922)	(7.74)%	66,756
Other Liabilities	24,078	21,010	3,068	14.60%	21,702
Deferred Inflows of Resources	<u>122</u>	<u>259</u>	<u>(137)</u>	<u>(52.90)%</u>	<u>          </u>
Total Liabilities and Deferred Inflows	<u>82,843</u>	<u>84,834</u>	<u>(1,991)</u>		<u>88,458</u>
Invested in Capital Assets, Net of Related Debt	(282)	(96)	(186)	193.75%	1,277
Restricted	12,326	16,345	(4,019)	(24.59)%	15,600
Unrestricted	<u>2,739</u>	<u>1,486</u>	<u>1,253</u>	84.32%	<u>1,958</u>
	<u>14,783</u>	<u>17,735</u>	<u>(2,952)</u>	(16.65)%	<u>18,835</u>

While the *Statement of Net Position* shows the change in financial position of nets assets, the *Statement of Revenues, Expenses and Changes in Net Position* provides answers as to the nature and source of these changes. As can be seen in the following table, net position decreased by \$2,952,480.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
NOVEMBER 30, 2013**

**Net Position (Continued)**

**Condensed Statement of Net Position  
(000's)**

	<u>FY 2013</u>	<u>Restated FY 2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>FY 2011</u>
Operating Revenues	18,380	17,916	464	2.59%	17,631
Non-Operating Revenues	<u>437</u>	<u>1,248</u>	<u>(811)</u>	(64.98)%	<u>1,648</u>
Total Revenues	<u>18,817</u>	<u>19,164</u>	<u>(347)</u>		<u>19,279</u>
Depreciation Expense	5,507	5,588	(81)	(1.45)%	5,131
Other Operating Expenses	9,557	10,329	(772)	(7.47)%	9,923
Other Non-Operating Expense	<u>6,705</u>	<u>3,983</u>	<u>2,722</u>	68.34%	<u>6,434</u>
Total Expenses	<u>21,769</u>	<u>19,900</u>	<u>1,869</u>		<u>21,488</u>
Contributions	—	—	—		<u>4</u>
Change in Net Position	(2,952)	(736)	(2,216)	301.09%	(2,205)
Beginning Net Position	<u>17,735</u>	<u>18,471</u>	<u>(736)</u>	(3.98)%	<u>21,040</u>
Ending Net Position	<u>14,783</u>	<u>17,735</u>	<u>(2,952)</u>	(16.65)%	<u>18,835</u>

The Authority's Operating Revenues increased by \$463,663 to \$18,379,860 in 2013 from \$17,916,197 in 2012 primarily due to increases in tipping fees, recycling fees, connection fees and sewer user charges. Nonoperating Revenues decreased by \$811,489 to \$436,887 from \$1,248,376 mainly due to decreases in the net appropriations for landfill closure and postclosure care, and interest on investments.

**Budgetary Highlights**

The Authority prepares and submits an annual budget to the State of New Jersey, which approves the budget for adoption by the Authority prior to the beginning of the fiscal year.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
NOVEMBER 30, 2013**

The following table provides a 2013 budget comparison:

<b>Budget vs. Actual FY 2013 (000's)</b>			
	<u><b>Budget</b></u>	<u><b>Actual</b></u>	<u><b>Variance</b></u>
<b>Revenues:</b>			
Operating	23,724	18,380	(5,344)
Non-Operating	<u>          </u>	<u>437</u>	<u>437</u>
	<u>23,724</u>	<u>18,817</u>	<u>(4,907)</u>
<b>Expenses:</b>			
Operating	9,971	9,557	414
Non-Operating	<u>13,753</u>	<u>6,705</u>	<u>7,048</u>
	<u>23,724</u>	<u>16,262</u>	<u>7,462</u>
Income Before Depreciation	<u>          0</u>	<u>2,555</u>	<u>2,555</u>

The SCMUA determines service charges for the various systems (i.e. Upper Wallkill Facilities, Hampton Commons Facility and Solid Waste Facility) based on each individual facility's annual budget needs including costs and debt service expenses. A public hearing is conducted annually in accordance with NJSA 40:14B.

The Upper Wallkill Facilities sewer users service charges are calculated based on the current year's operating budget. Anticipation of other sources of revenues (septage, sludge, hauled sewage, etc.) are determined with the remaining revenue needs divided up by the system participants based on individual Service Contracts. Each system participant Service Contract outlines the calculation method utilized by the SCMUA.

Hampton Commons Facilities sewer charges are calculated after the current annual budget requirements have been determined. Total operating and maintenance expenses are calculated for the current year. Other non-operations revenue sources are determined and subtracted from the total budget requirement. The remaining amount is billed to Hampton Township and to the Hampton Commons Homeowners Association, which subsequently bills its members.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
NOVEMBER 30, 2013**

The Solid Waste Facilities service charges are determined after the budget requirements including operating cost, debt service expenses and revenue requirements are calculated, and then reduced to "market rate" based on State/County aid received. User charges are calculated based on type of waste and class of user. Tipping fees are determined for waste class and type of user to ensure landfill space utilized equipment expense and staff resources employed are appropriately covered.



**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
NOVEMBER 30, 2013**

The following are charts for various system service charges calculated for FY 2013

**Hampton Commons Facility**

- a. Hampton Commons FY2013 Budget \$ 175,450  
 b. Investment Earnings

Earnings on Fund Balances	
R&R Fund	\$ 45,000
Operating Fund	\$ 69,000
Average Fund Balance	\$ 114,000

Estimated Interest Rate 1.0%

- |   |          |           |
|---|----------|-----------|
| Projected Investment Earnings           | \$ 1,140 |           |
| c. Appropriation from Retained Earnings | \$ 9,000 |           |
| Total Amount of Other Revenues          |          | \$ 10,140 |

- d. Amount to be Raised by User Charges \$ 165,310

- e. Calculation of Sewage Treatment Charges

The Service Agreement with Hampton Township stipulates that a guaranteed minimum flow of 7,000 GPD shall be utilized to calculate the minimum annual charge for the Lowe's Development. Therefore, Sewerage Treatment Charges are calculated as follows:

	<u>GPD</u>	<u>%</u>		<b>Est. FY2013 Annual Charges</b>
Hampton Commons Homeowners Association	32,000	82%	\$165,310 = \$	135,638.97
Township of Hampton	7,000	18%	\$165,310 = \$	29,671.03
	39,000	100%		\$ 165,310.00

Calculation of HCHA per unit charge

$$\frac{\text{O\&M Expenses}}{\text{Units}} = \text{FY2013 Estimated User Charge}$$

$$\frac{\$135,639}{300} = \boxed{\$452} \text{ per unit}$$

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
NOVEMBER 30, 2013**

**Solid Waste Facilities**

<b>a.</b>	Solid Waste FY2013 Budget		\$17,652,000
<b>b.</b>	Estimated Recycling Market Revenues:		
	Fiber, Metals and Other	\$400,000	
<b>c.</b>	Investment Earnings	165,000	
<b>d.</b>	Miscellaneous Revenues:		
	Carbon Credit Sales	25,000	
	Finance Charges	24,000	
	REA Grant	110,000	
	LFG Rent	24,000	
	Landfill Gas Sales	20,000	
	Total Solid Waste Revenues - other than tip fees		\$ 768,000
<b>e.</b>	Bond Reserve Fund		3,874,000
			3,000,000
<b>f.</b>	State/County Aid		

Revenues to be Raised by Tip Fee:

\$10,010,000
--------------

**g. Tipping Fee Calculation with \$3,000,000 County/State Aid**

$$\frac{\text{Revenues From Tip Fee}}{\text{Est. FY2013 Tonnage}} = \frac{\$10,010,000}{103,000} = \boxed{\$97.18} \text{ per ton w/\$3 million State Aid}$$

**h. Tipping Fee Calculation with Flow Control, no County/State Aid**

$$\frac{\text{Revenues Necessary From Tip Fee}}{\text{Est. FY2013 Tonnage}} = \frac{\$13,010,000}{103,000} = \boxed{\$126.31} \text{ per ton without State Aid}$$

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
NOVEMBER 30, 2013**

Upper Wallkill Facilities

Allocation of Debt Service of Sewer Users (General Charges)

Participant	GPD		FY2013 Projections	% of Total	FY2013 Gen. Charge
Hamburg Borough	314,000	actual	114,610,000	14.72%	220,313
Franklin Borough	485,000	actual	177,025,000	22.74%	340,292
Vernon Sewerage Trans. Co.	196,000	actual	71,540,000	9.19%	137,520
Wallkill Sewer Co.	83,000	actual	30,295,000	3.89%	58,236
HTMUA	236,000	GMF	86,140,000	11.07%	165,585
Sussex Borough	312,000	GMF	113,880,000	14.63%	218,910
Wantage Twp.	36,500	GMF	13,322,500	1.71%	25,610
Sparta Twp.	205,000	GMF	74,825,000	9.61%	143,835
Vernon Twp.	265,000	GMF	96,725,000	12.43%	185,933
	<u>2,132,500</u>		<u>778,362,500</u>	<u>100.00%</u>	<u>1,496,233</u>

Allocation of O&M Service of Sewer Users (Operations & Maintenance Charge)

Participant	GPD		FY2013 Projections	% of Total	FY2013 O&M Charge
Hamburg Borough	314,000	actual	114,610,000	13.99 %	454,813
Franklin Borough	485,000	actual	177,025,000	21.60 %	702,498
Vernon Sewerage Trans. Co.	196,000	actual	71,540,000	8.73 %	283,896
Wallkill Sewer Co.	83,000	actual	30,295,000	3.70 %	120,221
HTMUA	317,000	GMF	115,705,000	14.12 %	459,158
Sussex Borough	312,000	GMF	113,880,000	13.90 %	451,916
Wantage Twp.	63,000	GMF	22,995,000	2.81 %	91,252
Sparta Twp.	210,000	GMF	76,650,000	9.35 %	304,174
Vernon Twp.	265,000	GMF	96,725,000	11.80 %	383,839
	<u>2,245,000</u>		<u>819,425,000</u>	<u>100.00%</u>	<u>3,251,767</u>

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
NOVEMBER 30, 2013**

**FY2013 Estimated Total Sewer User Charges**

Participant	General Charge	Operating Charge	Proj. FY2013 User Charge	FY2012 User Charge	% Change
Hamburg Borough	220,313	454,813	675,126	669,916	0.8%
Franklin Borough	340,292	702,498	1,042,790	1,053,039	(1.0)%
Vernon Sewerage Trans. Co.	137,520	283,896	421,416	450,989	(6.6)%
Wallkill Sewer Co.	58,236	120,221	178,457	179,520	(0.6)%
HTMUA	165,585	459,158	624,744	636,167	(1.8)%
Sussex Borough	218,910	451,916	670,826	683,052	(1.8)%
Wantage Twp.	25,610	91,252	116,862	117,725	(0.7)%
Sparta Twp.	143,835	304,174	448,009	455,935	(1.7)%
Vernon Twp.	335,933	383,839	719,772(A)	680,157	5.8%
Comparison all system users	1,646,233	3,251,767	4,898,000	4,926,500	(0.6)%

(A) Added in Vernon Additional Bonds \$150,000

Upper Wallkill System, Average per 1,000 gallon, sewage treatment calculation.

$$\frac{\$4,898,000}{778,362,500} = \$0.00629 \quad \times \quad 1,000 \quad = \quad \$6.29$$

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
NOVEMBER 30, 2013**

**Capital Assets**

<b>CAPITAL ASSETS</b>				
(000's)				
	<u>FY 2013</u>	<u>FY 2012</u>	<u>Dollar Change</u>	<u>FY 2011</u>
Land	3,377	3,377	-0-	3,377
Improvements	70,653	70,598	55	70,527
Buildings	53,645	53,621	24	53,720
Machinery and Equipment	19,269	18,973	296	18,728
Total Property, Plant and Equipment	<u>146,944</u>	<u>146,569</u>	375	<u>146,352</u>
Less:				
Accumulated Depreciation	<u>(89,397)</u>	<u>(84,277)</u>	<u>(5,120)</u>	<u>(78,837)</u>
	57,547	62,292	(4,745)	67,515
Construction in Progress	<u>2,256</u>	<u>2,011</u>	245	<u>1,880</u>
Net Property, Plant and Equipment	<u>59,803</u>	<u>64,303</u>	<u>(4,500)</u>	<u>69,395</u>

The Authority's on-going capital plan is extensive and reviewed each year by the Authority's outside engineers. Several of the larger future capital improvements are listed below.

***Solid Waste Facilities***

Landfill Gas System Improvements

The SCMUA is required to manage landfill gas which is created by the decomposition of solid waste. The landfill gas is collected by a series of landfill gas wells and piping which is sold to an on-site vendor. The gas is utilized by the vendor to generate electric power for off site customers. The SCMUA has budgeted funds in 2016 and 2018 to expand and upgrade the collection system. These improvements will control landfill gas emissions.

Mobile Equipment

The SCMUA Solid Waste Facilities relies on large mobile equipment to perform its mission. The SCMUA has budgeted the replacement wheels for the Landfill Compactor, replacement Mack Truck/Tractor, and replacement of the Cat Dozer.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
NOVEMBER 30, 2013**

*Solid Waste Facilities, (continued)*

Solid Waste Planning

The current landfill is expected to reach maximum capacity by 2020. SCMUA is preparing a Solid Waste Management Plan Amendment to extend the landfill life for as long as an additional 20 years. In 2013, the plan amendment was finalized by the Board of Chosen Freeholders & NJDEP. The Authority is currently working on the design for the new landfill based on the plan amendment.

*Wastewater Facilities*

Upper Wallkill Phase III Expansion Upgrade Project

All contracts related to the Phase III Project have been closed out in 2012. In 2014, a number of relatively smaller projects are proposed utilizing capital outlays, renewal and replacement or other existing capital funds. No issuance of debt is anticipated.

The Hampton Commons Facility

The Hampton Commons Facility capital budget anticipates the authorization of contracting of a Nitrate Upgrade Feasibility Study. This Study will be required if the NJPDES Permit Renewal requires additional treatment for reducing nitrates in plant effluent.

**Debt Administration**

Included in the annual service charge the Authority charges its customers is an amount equal to the current years debt service. The allocation of debt service is based on the same formula as referenced in the Budgetary Highlights section. The Authority also maintains cash and investments in a sinking fund in an amount no less than what is required to meet the highest debt service requirement in any given year.

**Economic Factors, Future Years Budgets and Rates**

The Commissioners and management of the Authority consider many factors when preparing each years budget and service charges. Two of the main factors are growth in the Authority's system and new regulations issued by the State and Federal governments.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
NOVEMBER 30, 2013**

**Contacting the Authority**

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Sussex County Municipal Utilities Authority, 34 South Rt. 94, Lafayette, NJ 07848.

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## Basic Financial Statements

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
STATEMENT OF NET POSITION  
NOVEMBER 30, 2013

Exhibit A  
Page 1 of 2

	Business-Type Activities	
	2013	2012 (Restated)
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	2,179,652	1,203,089
Investments	52,798	140,059
Accounts Receivable (net)	1,176,129	978,125
Due from State of New Jersey	110,000	110,000
Due from Administrative Services	158,185	102,948
Prepaid Expenses	79,127	35,723
Total Current Assets	3,755,891	2,569,944
Non-Current Assets:		
Restricted		
Cash and Cash Equivalents	23,328,904	21,477,130
Investments	9,915,562	12,949,211
Due From Renewal and Replacement	121,395	
Due from Administrative Services	503	283
Due From Unrestricted Accounts		54,000
Total Non-Current Assets	33,366,364	34,480,624
Capital Assets:		
Land	3,377,143	3,377,143
Improvements	70,652,838	70,598,332
Buildings	53,645,380	53,620,999
Machinery and Equipment	19,268,623	18,972,922
Less: Accumulated Depreciation	(89,397,509)	(84,276,688)
Construction in Progress	2,256,408	2,010,643
Net Capital Assets	59,802,883	64,303,351
TOTAL ASSETS	96,925,138	101,353,919
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Unamortized Bond Discount		2,201
Unamortized Deferred Loss on Refunding	700,988	1,212,443
Total Deferred Outflows of Resources	700,988	1,214,644
<b>LIABILITIES</b>		
Current Liabilities:		
Payable from Unrestricted Assets:		
Accounts Payable	265,380	317,132
Other Accounts - Deposits	4,901	174,606
	270,281	491,738

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
STATEMENT OF NET POSITION  
NOVEMBER 30, 2013

Exhibit A  
Page 2 of 2

	Business-Type Activities	
	2013	2012 (Restated)
<b>LIABILITIES (cont.)</b>		
Payable from Restricted Assets:		
Contracts Payable		95,018
Retainage Payable	2,720	10,959
Accounts Payable	227,643	657
Accrued Interest Payable	918,667	805,266
Due to Construction Funds - Ren. And Repl.	121,395	
Current Portion of Bonds Payable	10,850,000	6,891,062
	12,120,425	7,802,962
Total Current Liabilities	12,390,706	8,294,700
Non-Current Liabilities:		
Accrued Liabilities - Closure and Postclosure Costs	15,876,041	12,940,093
Compensated Absences	746,868	752,329
Loan Payable - County of Sussex	418,658	418,658
Project Notes Payable	5,496,000	5,496,000
Bonds Payable	47,792,551	56,674,313
Total Non-Current Liabilities	70,330,118	76,281,393
<b>TOTAL LIABILITIES</b>	82,720,824	84,576,093
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Unamortized Bond Premium	122,348	259,036
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	122,348	259,036
<b>NET POSITION</b>		
Invested in Capital Assets, net of related debt	(282,390)	(96,271)
Restricted:		
Current Debt Service	10,380,593	6,415,102
Future Debt Service	1,478,933	5,352,933
Renewal and Replacement	2,014,072	2,762,790
Operations	2,576,625	2,475,750
Landfill Cell Closure	(8,142,802)	(5,065,931)
Landfill Postclosure	4,008,355	4,393,846
Construction Projects	10,826	10,826
Unrestricted		
Designated	518,897	18,439
Undesignated	2,219,845	1,467,950
	2,219,845	1,467,950
<b>TOTAL NET POSITION</b>	14,782,954	17,735,434

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
NOVEMBER 30, 2013

Assets:	Business-Type Activities										Internal Service Fund	
	Enterprise Funds											
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulins Kill Water Reclamation Project	Other Sewer Companies	Walkkill Watershed Project	Total					
Current Assets:												
Unrestricted:												
Cash and Cash Equivalents	1,746,378	28,296	58,709		4,901	341,368					2,179,652	211,360
Investments			52,798								52,798	
Accounts Receivable (Net)	362,680	813,449									1,176,129	
Prepaid Expenses	16,373	62,158	224			372					79,127	4,514
Due From Upper Walkkill Revenue		105,943									105,943	
Due from State of New Jersey		110,000									110,000	
Due from Central Services	69,991	79,364	3,269			5,561					158,185	
Total Current Assets	2,195,422	1,199,210	115,000	-	4,901	347,301					3,861,834	215,874
Non Current Assets:												
Restricted:												
Construction Account:												
Cash and Cash Equivalents				3,283,643							3,283,643	
Due from Central Services				503							503	
Phase II Construction Account:												
Cash and Cash Equivalents	98,787	14,249									113,036	
Due from Renewal and Replacement	35,950	85,445									121,395	
Phase III Construction Account:												
Cash and Cash Equivalents	401,667										401,667	
Renewal and Replacement Account:												
Cash and Cash Equivalents	1,435,950	646,727	52,790								2,135,467	
Current Debt Service Accounts:												
Cash and Cash Equivalents	1,689,991	5,669,500		82,232							7,441,723	

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
NOVEMBER 30, 2013

	Business-Type Activities							Internal Service Fund
	Enterprise Funds							
	Upper Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulins Kill Water Reclamation Project	Other Sewer Companies	Wastewater Project	Total	
Future Debt Service Account:							5,352,933	
Cash and Cash Equivalents	1,478,933	3,874,000						
Retained Percentages Account:							10,190	
Cash and Cash Equivalents		10,190					373	
Planning Fund:				373				
Cash and Cash Equivalents							2,576,625	
Operations:								
Cash and Cash Equivalents	969,375	1,607,250						
Cell Closure Account:								
Cash and Cash Equivalents		1,108,569					1,108,569	
Investments		1,142,018					1,142,018	
Landfill Postclosure Account:								
Cash and Cash Equivalents		904,678					904,678	
Investments		8,773,544					8,773,544	
Unemployment Trust Account:								
Cash and Cash Equivalents								232,301
Investments								379,198
Due From Unrestricted Funds								4,944

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
NOVEMBER 30, 2013

	Business-Type Activities										Internal Service Fund	
	Enterprise Funds											
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulins Kill Water Reclamation Project	Other Sewer Companies	Wallkill Watershed Project	Total					
Capital Assets:												
Land	573,834	2,770,568	32,741								3,377,143	
Improvements	22,920,463	47,732,375									70,652,838	
Buildings	40,203,996	12,931,153	510,231								53,645,380	
Machinery and Equipment	10,894,164	7,607,584	766,875								19,268,623	
Accumulated Depreciation	(35,366,290)	(53,121,607)	(909,612)								(89,397,509)	
Construction in Progress		10,136		2,246,272							2,256,408	
Total Non-Current Assets	45,336,820	41,766,379	453,025	5,613,023							93,169,247	616,443
Total Assets	47,532,242	42,965,589	568,025	5,613,023	4,901	347,301					97,031,081	832,317
Deferred Outflows of Resources:												
Deferred Losses on Refundings	700,988										700,988	
Total Deferred Outflows of Resources	700,988										700,988	

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
NOVEMBER 30, 2013

	Business-Type Activities							Internal Service Fund
	Enterprise Funds							
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulins Kill Water Reclamation Project	Other Sewer Companies	Walkkill Watershed Project	Total	
<b>Liabilities:</b>								
<b>Current Liabilities:</b>								
Payable from Unrestricted Assets:								
Payroll Taxes Payable		172,908	5,893			978	265,380	22,372
Accounts Payable	85,601							6,257
Due to Other Funds					4,901		4,901	182,301
Other Accounts: Escrow Deposits								
Due to Solid Waste Revenue Fund	105,943						105,943	4,944
Due to Restricted Accounts								
Total Current Liabilities Payable from Unrestricted Assets	191,544	172,908	5,893	-	4,901	978	376,224	215,874
Payable from Restricted Assets:								
Accounts Payable: Cell Closure		187,215					187,215	
Retainage Payable: Cell Closure		2,720		40,428			43,148	
Accounts Payable								
Due to Phase 2 Const. - Renewal & Repl.	35,950	85,445					121,395	
Revenue Bonds Payable - Current Portion	1,500,000	9,350,000					10,850,000	
Accrued Interest on Bonds and Notes	230,059	622,839		65,769			918,667	
Total Current Liabilities Payable from Restricted Assets	1,766,009	10,248,219	-	106,197			12,120,425	
Total Current Liabilities	1,957,553	10,421,127	5,893	106,197	4,901	978	12,496,649	215,874

See accompanying Notes to the Financial Statements.



SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
NOVEMBER 30, 2013

	Business-Type Activities Enterprise Funds							Total	Internal Service Fund
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulinus Kill Water Reclamation Project	Other Sewer Companies	Walkkill Watershed Project			
<b>Non-Current Liabilities:</b>									
Revenue and Revenue Refunding									
Bonds Payable	37,456,573	10,335,978		5,496,000				47,792,551	
Project Note Payable								5,496,000	
Loans Payable to County of Sussex:									
Planning Loan	418,658							418,658	
Accrued Liabilities - Closure and Postclosure Costs		15,876,041						15,876,041	
Accrued Liabilities - Compensated Absences	314,678	432,190						746,868	
<b>Total Non-Current Liabilities</b>	<b>38,189,909</b>	<b>26,644,209</b>	<b>-</b>	<b>5,496,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70,330,118</b>	<b>-</b>
<b>Total Liabilities</b>	<b>40,147,462</b>	<b>37,065,336</b>	<b>5,893</b>	<b>5,602,197</b>	<b>4,901</b>	<b>978</b>	<b>-</b>	<b>82,826,767</b>	<b>215,874</b>
<b>Deferred Inflows of Resources:</b>									
Bond Premium - Net	122,348							122,348	
<b>Total Deferred Inflows of Resources</b>	<b>122,348</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>122,348</b>	<b>-</b>
<b>Net Position:</b>									
Invested in Capital Assets, net of related debt	965,980	(1,648,605)	400,235					(282,390)	
Restricted:									
Current Debt Service	1,459,932	8,920,661						10,380,593	
Future Debt Service	1,478,933							1,478,933	
Renewal and Replacement	1,400,000	561,282	52,790					2,014,072	
Operations	969,375	1,607,250						2,576,625	
Landfill Cell Closure		(8,142,802)						(8,142,802)	
Landfill Postclosure		4,008,355						4,008,355	
Unemployment Insurance									616,443
Construction Projects				10,826				10,826	
Unrestricted:									
Designated	163,574		9,000				346,323	518,897	
Undesignated	1,525,626	594,112	100,107					2,219,845	
<b>Total Net Position</b>	<b>7,963,420</b>	<b>5,900,253</b>	<b>562,132</b>	<b>10,826</b>	<b>-</b>	<b>346,323</b>	<b>-</b>	<b>14,782,954</b>	<b>616,443</b>

See accompanying Notes to the Financial Statements.

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**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**FOR THE YEAR ENDED NOVEMBER 30, 2013**

	Business-Type Activities							Internal Service Fund
	Enterprise Funds							
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulins Kill Water Reclamation Project	Other Sewer Companies	Walkkill Watershed Project	Total	
<b>Operating Revenues</b>								
User Charges	4,898,000		165,310				5,063,310	1,253,000
Treatment of Sludge, Septage and Leachate	816,891						816,891	
Operating and Maintenance Charges-Municipal	78,591						78,591	
Tipping Fees		10,980,861					10,980,861	
Recycling Markets		366,215					366,215	
Connection Fees	512,662						512,662	
Operating Grants	8,092	111,200			397,164		508,364	
Finance Charges	14,918	19,950					28,042	
Other		10,006					24,924	
	<u>6,329,154</u>	<u>11,488,232</u>	<u>165,310</u>	<u>-</u>	<u>-</u>	<u>397,164</u>	<u>18,379,860</u>	<u>1,253,000</u>
<b>Operating Expenses</b>								
Administration, Operating, Maintenance and Reserves	3,354,988	5,833,856	155,161			213,116	9,557,121	1,253,000
Depreciation Expense	3,019,440	2,420,016	67,155				5,506,611	
	<u>6,374,428</u>	<u>8,253,872</u>	<u>222,316</u>	<u>-</u>	<u>-</u>	<u>213,116</u>	<u>15,063,732</u>	<u>1,253,000</u>
<b>Operating Income</b>	<u>(45,274)</u>	<u>3,234,360</u>	<u>(57,006)</u>	<u>-</u>	<u>-</u>	<u>184,048</u>	<u>3,316,128</u>	<u>-</u>

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED NOVEMBER 30, 2013

	Business-Type Activities Enterprise Funds							Internal Service Fund
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulins Kill Water Reclamation Project	Other Sewer Companies	Walkkill Watershed Project	Total	
Non-Operating Revenues (Expenses)	58,930	373,223	134				432,287	797
Interest on Investments			4,000				4,000	
Renewal and Replacement Appropriation							600	
Other Non-Operating Revenue		600						5,151
Unemployment Contributions	(260)	(25,625)					(25,885)	
Loss on Disposal of Equipment	(470,181)	(1,253,072)					(1,723,253)	
Interest Expense	(1,394,021)	(122,849)					(1,516,870)	
Accrued Interest on Capital Appreciation Bonds	4,265	130,221					134,486	
Amortization of Bond Discount, Premiums	(4,402)	(90,188)					(94,590)	
Investment Expenses								(617)
Unemployment Claims		(2,921,500)					(2,921,500)	
Cell Closure Expenditures (Net)		(557,883)					(557,883)	
Postclosure Expenditures (Net)								
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(1,805,669)</b>	<b>(4,467,073)</b>	<b>4,134</b>				<b>(6,268,608)</b>	<b>5,331</b>
Income (Loss) Before Contributions and Transfers	(1,850,943)	(1,232,713)	(52,872)			184,048	(2,952,480)	5,331
Transfers In								
Transfers Out								
Change in Net Position	(1,850,943)	(1,232,713)	(52,872)			184,048	(2,952,480)	5,331
Net Position - Beginning	9,814,363	7,132,966	615,004	10,826		162,275	17,735,434	611,112
Net Position - Ending	7,963,420	5,900,253	562,132	10,826		346,323	14,782,954	616,443

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED NOVEMBER 30, 2013

	Business-Type Activities										Internal Service Fund
	Enterprise Funds										
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulins Kill Water Reclamation Project	Other Sewer Companies	Walkill Watershed Project	Total				
<b>Cash Flows from Operating Activities:</b>											
Cash received from customers	6,247,371	11,250,805	165,310			397,164	17,663,486				1,253,000
Cash received from State of NJ											
Other operating grants		110,000									
Other operating receipts		11,806	4,000								5,151
Interest Received	58,930	373,223	134		4,200		432,287				797
Cash received from developers							4,200				
Cash payments to suppliers, employees and professional contractors	(3,364,858)	(5,899,837)	(148,402)		(11,630)	(245,641)	(9,670,368)				(1,177,570)
Cash payments for other operating expenses	(402,761)	(1,027,948)					(1,430,709)				
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>2,538,682</u>	<u>4,818,049</u>	<u>21,042</u>	<u>-</u>	<u>(7,430)</u>	<u>151,523</u>	<u>7,521,866</u>				<u>81,378</u>
<b>Cash Flows from Financing Activities:</b>											
Deposit to Refunding Escrow											
Bond Principal Payments	(1,542,198)	(5,280,000)					(6,822,198)				
<b>Net Cash Provided by (Used in) Financing Activities</b>	<u>(1,542,198)</u>	<u>(5,280,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,822,198)</u>				<u>-</u>

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED NOVEMBER 30, 2013

	Business-Type Activities Enterprise Funds							Internal Service Fund
	Upper Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulins Kill Water Reclamation Project	Other Sewer Companies	Walkkill Watershed Project	Total	
<b>Cash Flows from Investing Activities:</b>								
Capital Expenditures	(110,344)	(675,920)		(205,977)			(992,241)	
Sales (purchases) of investments	1,566,328	1,554,716	(134)				3,120,910	(775)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>1,455,984</u>	<u>878,796</u>	<u>(134)</u>	<u>(205,977)</u>	<u>-</u>	<u>-</u>	<u>2,128,669</u>	<u>(775)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>2,452,468</u>	<u>416,845</u>	<u>20,908</u>	<u>(205,977)</u>	<u>(7,430)</u>	<u>151,523</u>	<u>2,828,337</u>	<u>80,603</u>
<b>Cash and Cash Equivalents-Beginning of Year</b>	<u>5,368,613</u>	<u>13,446,614</u>	<u>90,591</u>	<u>3,572,225</u>	<u>12,331</u>	<u>189,845</u>	<u>22,680,219</u>	<u>363,058</u>
<b>Cash and Cash Equivalents-End of Year</b>	<u>7,821,081</u>	<u>13,863,459</u>	<u>111,499</u>	<u>3,366,248</u>	<u>4,901</u>	<u>341,368</u>	<u>25,508,556</u>	<u>443,661</u>
<b>Classified As:</b>								
Current Assets	1,746,378	28,296	58,709	-	4,901	341,368	2,179,652	211,360
Restricted Assets	6,074,703	13,835,163	52,790	3,366,248	-	-	23,328,904	232,301
	<u>7,821,081</u>	<u>13,863,459</u>	<u>111,499</u>	<u>3,366,248</u>	<u>4,901</u>	<u>341,368</u>	<u>25,508,556</u>	<u>443,661</u>

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED NOVEMBER 30, 2013

	Business-Type Activities									
	Enterprise Funds									
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulinus Kill Water Reclamation Project	Other Sewer Companies	Walkkill Watershed Project	Total	Internal Service Fund		
	(1,850,943)	(1,232,713)	(52,872)	-	-	184,048	(2,952,480)	5,331		
Net Cash Provided by Operating Activities:	3,089,898	2,726,528	67,155				5,883,581			
Depreciation and Amortization	260	25,625					25,885			
Loss on Disposal of Equipment	1,394,021	505,352					1,899,373			
Accrued Interest on Bonds										
Decrease (Increase) In:										
Accounts and Accrued Interest Receivable	(187,726)	(116,221)					(303,947)			
Due from Central Services	(19,963)	(28,737)	(976)			(5,561)	(55,237)			
Due from Unrestricted Accounts	50,000		4,000				54,000			
Prepaid Expenses	(534)	(42,831)	(12)			(27)	(43,404)	51		
Increase (Decrease) In:										
Due to Solid Waste	105,943						105,943			
Current Liabilities Payable from Unrestricted Assets	(39,373)	(6,046)	3,747			(26,937)	(76,039)	75,996		
Current Liabilities Payable from Restricted Assets	(2,901)	39,511					36,610			
Non-Current Liabilities		2,947,581					2,947,581			
Net Cash Provided by (Used in) Operating Activities	2,538,682	4,818,049	21,042	-	(7,430)	151,523	7,521,866	81,378		

Reconciliation of Change in Net Position to Net Cash Provided by (Used in) Operating Activities  
Change in Net Position  
Adjustments to Reconcile Change in Net Position to Net Cash Provided by Operating Activities:  
Depreciation and Amortization  
Loss on Disposal of Equipment  
Accrued Interest on Bonds  
Decrease (Increase) In:  
Accounts and Accrued Interest Receivable  
Due from Central Services  
Due from Unrestricted Accounts  
Prepaid Expenses  
Increase (Decrease) In:  
Due to Solid Waste  
Current Liabilities Payable from Unrestricted Assets  
Current Liabilities Payable from Restricted Assets  
Non-Current Liabilities

Net Cash Provided by (Used in) Operating Activities

See accompanying Notes to the Financial Statements.

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
FOR THE YEARS ENDED NOVEMBER 30, 2013 AND 2012

	<u>Administrative Services</u>	
	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	211,360	130,369
Prepaid Expenses	4,514	4,565
Total Current Assets	<u>215,874</u>	<u>134,934</u>
Restricted Assets		
Cash and Cash Equivalents	232,301	232,689
Investments	379,198	378,423
Due From Unrestricted Accounts	4,944	
Total Noncurrent Assets	<u>616,443</u>	<u>611,112</u>
Total Assets	<u>832,317</u>	<u>746,046</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	6,257	10,878
Payroll Taxes Payable	22,372	20,824
Due to Restricted Accounts	4,944	
Due to Other Funds	182,301	103,232
Total Current Liabilities	<u>215,874</u>	<u>134,934</u>
Total Liabilities	<u>215,874</u>	<u>134,934</u>
<b>NET POSITION</b>		
Restricted:		
Reserve for Unemployment Insurance	<u>616,443</u>	<u>611,112</u>
Total Net Position	<u><u>616,443</u></u>	<u><u>611,112</u></u>

See accompanying Notes to the Financial Statements.

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**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUE, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**FOR THE YEARS ENDED NOVEMBER 30, 2013 AND 2012**

	<u>Administrative Services</u>	
	<u>2013</u>	<u>2012</u>
<b>Operating Revenues:</b>		
User Charges	1,253,000	1,321,000
Other Contributions		18
Total Operating Revenue	<u>1,253,000</u>	<u>1,321,018</u>
<b>Operating Expenses:</b>		
Administrative and General Expenses	1,253,000	1,321,018
Unemployment Claims	617	630
Total Operating Expenses	<u>1,253,617</u>	<u>1,321,648</u>
<b>Operating Income</b>	<u>(617)</u>	<u>(630)</u>
<b>Non-Operating Revenue/(Expenses):</b>		
Unemployment Contributions	5,151	4,901
Interest Income	797	986
Total Non-Operating Revenue	<u>5,948</u>	<u>5,887</u>
<b>Change in Net Position</b>	5,331	5,257
<b>Net Position - Beginning</b>	<u>611,112</u>	<u>605,855</u>
<b>Net Position - Ending</b>	<u><u>616,443</u></u>	<u><u>611,112</u></u>

See accompanying Notes to the Financial Statements.

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED NOVEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>Cash Flows From Operating Activities:</b>		
Cash Received from Users	1,253,000	1,321,000
Other Operating Receipts	5,151	4,919
Interest Received	797	986
Cash Paid to Suppliers, Employees and Professional contractors	(1,177,570)	(1,289,143)
	<hr/>	<hr/>
<b>Net Cash Provided/(Required) By   Operating Activities</b>	<u>81,378</u>	<u>37,762</u>
<b>Cash Flows From Investing Activities:</b>		
Sales (Purchases) of Investments	(775)	(960)
	<hr/>	<hr/>
<b>Net Cash Provided/(Required) By   Investing Activities</b>	<u>(775)</u>	<u>(960)</u>
<b>Increase/(Decrease) In Cash And   Cash Equivalents</b>	80,603	36,802
<b>Cash And Cash Equivalents - December 1,</b>	<u>363,058</u>	<u>326,256</u>
<b>Cash And Cash Equivalents - November 30,</b>	<u><u>443,661</u></u>	<u><u>363,058</u></u>
 <b>Reconciliation of Change in Net Position to Net   Cash Provided by Operating Activities:</b>		
Change in Net Position	5,331	5,257
Items Affecting Cash from Operations:		
Decrease / (Increase) in:		
Prepaid Expenses	51	(193)
Increase / (Decrease) in:		
Accounts Payable and Accrued Liabilities	75,996	32,698
<b>Net Cash Provided/(Required) by   Operating Activities</b>	<u><u>81,378</u></u>	<u><u>37,762</u></u>

See accompanying Notes to the Financial Statements.

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**Notes to Financial Statements**

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2013

1. General

Wastewater

The Sussex County Municipal Utilities Authority was created by a resolution adopted on August 10, 1971 by the Board of Chosen Freeholders pursuant to the Municipal Utilities Authorities Law (Chapter 183, P.L. 1957).

On December 1, 1973, a service contract was entered into between the Sussex County Municipal Utilities Authority and the County of Sussex. Among other things, this contract obligated the Authority to proceed with the planning and studying of the feasibility of the construction and acquisition of such sewerage and water systems and the County to appropriate moneys for the purposes of the Authority and to lend or donate such moneys to the Authority and, after commencement of operation of any such sewerage system or water system, to pay to the Authority such sum or sums of money as may be necessary to provide for deficits (if any) resulting from failure or disability of the Authority to derive adequate revenues from the operation of any such sewerage system or water system.

The Service Contract was approved by the Authority at a meeting of the Authority held on December 19, 1973 and by the County of Sussex at a meeting of the Board of Chosen Freeholders held on December 27, 1973. The following is an extract from the 1973 Service Contract:

Section 412. Repayments to County

- A. The Authority shall repay to the County (a) all moneys lent by the County to the Authority and (b) all moneys advanced by the County for the payment of any Temporary Bonds, which repayment by the Authority to the County shall be made without interest from (i) the proceeds of bonds or Temporary Bonds issued to finance the costs of construction or acquisition of any System for which such moneys were paid by the County to the Authority, or (ii) any moneys received by the Authority from the United States of America, the State of New Jersey, or such agencies of either as grants-in-aid of financing such System.
- B. The Authority shall repay to the County all Annual Charges paid by the County to the Authority under this Agreement, which repayment by the Authority to the County shall be made without interest out of Surplus Funds of the Authority.
- C. The Authority shall repay to the County all moneys paid by the County, on or prior to the date of this agreement for or in connection with the Sewerage Systems set forth in Schedule A of the service contract, which repayment by the Authority to the County with respect to any particular Sewerage System shall be made without interest from (i) the proceeds of Bonds or Temporary Bonds issued to finance the cost of construction of such particular Sewerage System or (ii) any money received by the Authority from the United States of America, the State of New Jersey, or agencies of either as grants-in-aid of financing such particular Sewerage System.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2013  
(Continued)

1. General (continued)

Wastewater (continued)

As of November 30, 2013, the following amount is due to the County of Sussex:

Under the 1973 Service Contract	<u>\$418,658</u>
---------------------------------	------------------

Upper Wallkill System

The Sussex County Municipal Utilities Authority has entered into Service Contracts and Customer Agreements for the Upper Wallkill System as follows:

February 11, 1981	- Borough of Franklin (Local Service Contract)
February 11, 1981	- Borough of Hamburg (Local Service Contract)
November 22, 1982	- The Wallkill Sewer Co. (Customer Agreement)
December 8, 1983	- Vernon Valley Sewer Co. Inc. (Customer Agreement)
January 15, 1987	- Township of Hardyston, M.U.A. (Local Service Contract)
August 12, 1992	- Borough of Sussex (Local Service Contract)
April 4, 2001	- Township of Wantage (Local Service Contract)
July 18, 2001	- Township of Sparta (Local Service Contract)
November 2, 2005	- Township of Vernon (Local Service Contract)

Under the terms of the service contracts, participating users agree to have sewage treated and disposed of by the Authority, and to pay for same by means of Annual Charge.

Hampton Commons System

The Authority has entered into sewer contracts and customer agreements for the Hampton Commons Facility as follows:

December 15, 1983	- Hampton Commons Homeowners Association
July 20, 2005	- Township of Hampton

Paulins Kill System

Currently, all the wastewater generated by the Borough of Branchville is disposed of via individual on-site septic systems, with exception of approximately 11,000 gallons per day ("GPD") being discharged into a "package" wastewater treatment plant. Historically, individual septic systems in the Borough have been subject to high rates of failure.

The SCMUA and Borough of Branchville entered into a service contract on September 10, 2008.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2013  
(Continued)

1. General (continued)

Wastewater (continued)

Paulins Kill System (continued)

It is the intent of this project to replace the existing wastewater treatment facility and the individual subsurface sewage disposal systems with a centralized wastewater collection and treatment system, with the collection system to be implemented by the Borough and the treatment system, herein defined as the SCMUA Paulins Kill Water Reclamation System, to be implemented, owned and operated by the Authority. Due to their close proximity to the Borough and existing problematic septic systems, a number of residential and institutional facilities within the Township of Frankford would also be served by the SCMUA Paulins Kill Water Reclamation System. This will allow for the closure of existing problematic septic systems serving these facilities.

The wastewater treatment plant, to be known as the "Paulins Kill Basin Water Reclamation Facility," will consist of a 200,000 GPD tertiary wastewater treatment plant, to be located within the Township of Frankford, with groundwater recharge of treated "reclaimed water," and will be constructed, owned and operated by the Authority. It will consist of a membrane bio-reactor system to remove biochemical oxygen demand, suspended solids and nitrogen, followed by ultra-violet disinfection.

The high level of treatment to be provided, pursuant to the requirement of the New Jersey Pollutant Discharge Elimination System ("NJPDES") permit for this discharge, issued by the New Jersey Department of Environmental Protection ("NJDEP"), includes stringent limits for Total Nitrogen and Fecal Coliform. Treated "reclaimed water" will be conveyed to the Authority recharge facilities via a pumping station and a force main.

A central pumping station will be constructed within the Borough of Branchville by the Authority to receive the flow collected by the Borough of Branchville's wastewater collection system. This pumping station will be owned and operated by the Authority and will convey the collected flow, via force main, to the Authority's wastewater treatment plant in the Township of Frankford. A second pumping station will be constructed by the Authority adjacent to the Frankford Township Elementary School to allow service to the school.

Two groundwater recharge sites, located on both the east and west sides of Route 206 in the Township of Frankford, will be constructed to return treated water to the aquifer. The NJDEP approved and issued an NJDES discharge permit to the Authority for these two sites. The SCMUA's consulting engineers are designing the facilities and construction is ongoing.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2013

(Continued)

1. General (continued)

Wastewater (continued)

Developers Agreements

The Authority has entered into an escrow agreement with the Montague Sewer Company, dated March 14, 1990 designating the Authority as the sole permittee on the application to the NJDEP for a NJPDES permit of construction and operation of a 720,000 gallon per day sewerage treatment facility to serve High Point Country Club. The escrow agreement provides for the set up of an escrow account to pay for all the Authority's authorized costs in obtaining the permits.

On April 27, 1994 the Authority executed an escrow agreement with Sussex Properties limited and established the Andover Borough Planned Unit Development account for the owner/operator/permittee for a proposed 260,000 GPD sewage treatment plant.

On September 16, 2003, the Authority executed an Escrow Agreement with Frankford Township in order to pay all costs associated with the 180,000 GPD wastewater treatment and disposal needs for the Frankford Township Town Center Development. All legal, engineering, financial and environmental studies required for the project development shall be financed through the escrow account.

Solid Waste

By resolution of the Board of Chosen Freeholders of Sussex County (the "County"), duly adopted December 23, 1986, the Authority was designated by the County in the Solid Waste Management Plan as the agency which will be responsible for the acquisition, construction, maintenance and operation of facilities for the processing and disposal of solid waste in the County in an environmentally sound manner.

On April 28, 1987, an agreement was entered into, between the Sussex County Municipal Utilities Authority and the County of Sussex. Among other things, this agreement authorized the Authority to construct and operate a Solid Waste System to collect, treat, recycle and dispose of solid waste and to establish service charges and annual charges. Initial operation of the landfill was started February 20, 1990. The landfill, together with the Residence Convenience Recycling Center, Leaf Composting Facility and Bulky Waste Processing Facility located on the same site, is serving the solid waste disposal needs of the County.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2013  
(Continued)

1. General (continued)

Solid Waste, (continued)

The following is excerpt of major provisions in the Authority's service contract with the County.

Section 301. Service Charges. With respect to all Solid Waste collected by the System and for all use and services of the System, the Authority will charge Service Charges in accordance with the Act. The Authority shall give notice to the County of any rate hearings to be conducted pursuant to N.J.S.A. 40:14B-23. Said Service Charges shall be established at rates estimated to be sufficient to provide for the receipt by the Authority in each Fiscal Year (beginning with the Fiscal Year in which the Authority commences operations) the sum of money at least equal to the sum of all the amounts necessary in such Fiscal Year (to the extent not provided from other funds including Bond proceeds) (1) to pay or provide for the expenses of operation and maintenance of the System and the principal of and interest on any and all Bonds as the same become due and (2) to maintain such reserves or sinking funds as may be required by the terms of any contract of the Authority or any Bond Resolution, or as may be deemed necessary or desirable by the Authority, and (3) to comply in all respects with the terms and provisions of any Bond Resolution and with the Act, but nothing contained in this section or in this Agreement shall be less than sufficient to comply with the foregoing requirement, provided that the County shall have given its written consent in the manner herein provided to such lesser Service Charges.

Section 302. Annual Charges. For the initiation of the Project and for the collection, treatment, recycling and disposal of Solid Waste originating in the County and to assure continuance of such collection, treatment, recycling and disposal of Solid Waste at reasonable rates of Service Charges the Authority will charge the County and the County shall make payment to the Authority of Annual Charges computed and to be paid as set forth in this Agreement. Annual Charges shall be payable with respect to each year the Agreement is in effect. The Annual Charges made and to be charged by the Authority to, and payable by, the County for or with respect to each year shall be the sum of money equal to the excess (if any) of:

- (A) The sum of all of the amounts expended in the Fiscal Year of the Authority ending in such year (1) to pay or provide for the expenses of construction, acquisition, operation and maintenance of the System, as well as administrative and other expenses of the Authority related to the system prior to placing the System in operation, and the principal of and interest on all Bonds as the same become due, and (2) to maintain such reserves or sinking funds as may be required by the terms of any contract of the Authority or any Bond Resolution, or as may be deemed necessary by the Authority, and (3) to comply in all respects with the terms of the Bond Resolution and with the Act; over

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2013**  
**(Continued)**

1. **General (continued)**

Solid Waste, (continued)

- (B) The sum of the following amounts to the extent used to pay or provide for the amounts described in subparagraph A of this Section: (1) Service Charges collected by the Authority, (2) the proceeds of bonds received by or for the account of the Authority, (3) the proceeds of insurance awards received by or for the account of the Authority with respect to the System, (4) contributions received by or for the account of the Authority with respect to the System and not under any circumstances repayable by the Authority until after the payment in full of other obligations of the Authority including its Bonds, original or refunding or both, or (5) any other funds on hand and available therefore. The Authority is obligated to apply all such sums to pay or provide for the amounts described in subparagraph A of the service contract

2. **Summary of Significant Accounting Policies**

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

A. Basis of Financial Statements

The Authority's financial transactions are recorded in accounts that are created by various resolutions adopted by the Authority to meet bond covenant requirements (more fully defined in Note 2G).

The financial statements of the Sussex County Municipal Utilities Authority have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant of the Authority's accounting policies are described as follows.

B. Fund Accounting

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounting records that comprise its assets, liabilities, net position, revenues and expenses. Government resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into one generic fund type and one broad fund category, as follows:

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2013  
(Continued)

2. Summary of Significant Accounting Policies, (continued)

B. Fund Accounting, (continued)

Proprietary Fund Types

The focus of Proprietary Fund measurement is upon determination of net income, changes in net position, financial position and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. Proprietary funds are classified as enterprise or internal services. The following is a description of the Proprietary Funds of the Authority:

Enterprise Funds

The Enterprise funds are used to account for governmental operations which are financed and operated in a manner similar to private enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to its users on a continuing bases be financed or recovered primarily through user charges.

Internal Service Fund

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

C. Grants

Contributions received from various sources as grants are recorded in the period received. Developer-financed construction is recorded in the period in which applicable construction costs are incurred. Grants not externally restricted and utilized to finance operations are identified as non-operating revenues.

Grants externally restricted for non-operating purposes are recorded as contributed capital and identified as grants in aid.

D. Measurement Focus

Government-wide Financial Statements

The government-wide statements (i.e., the statement of net position) are prepared using the economic resources measurements focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the Authority are included on the statement of net position.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2013  
(Continued)

2. Summary of Significant Accounting Policies, (continued)

D. Measurement Focus, (continued)

Fund Financial Statements

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its proprietary activities.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The government-wide financial statements and the financial statements of the proprietary and fiduciary funds are prepared using the accrual basis of accounting.

F. Property, Plant and Equipment

Property, Plant and Equipment represents an accumulation of payments made for capital purposes, since the inception of the Authority.

Property placed in service prior to November 30, 1988, were inventoried and valued by an independent appraisal consultant. Where known, actual original costs were used. When invoices or other supporting data were not readily available, standard costing or normal costing were used. In standard costing, property units/groups not reconciled to an historical cost receive an estimated cost, where possible, based on a standard cost - a known average installed cost for a like unit at the estimated acquisition date. The unit's age is estimated based on observed condition, manufacturer's name, model, serial number, age of the facility, and other factors. In normal costing, where the preceding technique cannot be employed to apply historical cost, cost is estimated based on a present cost of reproduction newly indexed by a reciprocal factor of the price increase from the estimated date acquired to the appraisal date.

The appraised values are based on construction replacement costs and do not include "soft costs" consisting mainly of architect, engineering, legal, financing and site preparation costs. The appraised values have been adjusted to include identifiable "soft costs." All property placed into service subsequent to November 30, 1988 is valued at cost. Land is valued at cost.



**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2013**  
**(Continued)**

**2. Summary of Significant Accounting Policies, (continued)**

**F. Property, Plant and Equipment, (continued)**

Property, plant and equipment includes:

	Upper Wallkill Facilities Fund	Hampton Commons Facilities Fund	Solid Waste Facilities Fund	Paulins Kill Water Reclamation Project	Total
Capital Assets Not Being Depreciated:					
Land	573,834	32,741	2,770,568		3,377,143
Construction in Progress			10,136	2,246,272	2,256,408
Total Capital Assets, Not Being Depreciated	<u>573,834</u>	<u>32,741</u>	<u>2,780,704</u>	<u>2,246,272</u>	<u>5,633,551</u>
Capital Assets Being Depreciated:					
Improvements	22,920,463		47,732,375		70,652,838
Buildings	40,203,996	510,231	12,931,153		53,645,380
Machinery and Equipment	10,894,164	766,875	7,607,584		19,268,623
Total Capital Assets, Being Depreciated	74,018,623	1,277,106	68,271,112		143,566,841
Less:					
Accumulated Depreciation	(35,366,290)	(909,612)	(53,121,607)		(89,397,509)
Total Capital Assets Being Depreciated, Net	<u>38,652,333</u>	<u>367,494</u>	<u>15,149,505</u>		<u>54,169,332</u>
Total Capital Assets, Net	<u>39,226,167</u>	<u>400,235</u>	<u>17,930,209</u>	<u>2,246,272</u>	<u>59,802,883</u>

A summary of the Authority's property, plant and equipment activity is as follows:

	Balance Nov. 30, 2012	Additions	Disposals	Balance Nov. 30, 2013
Upper Wallkill Facilities Fund:				
Capital Assets Not Being Depreciated:				
Land	573,834			573,834
Total Capital Assets, Not Being Depreciated	<u>573,834</u>			<u>573,834</u>
Capital Assets Being Depreciated:				
Improvements	22,895,823	24,640		22,920,463
Buildings	40,184,303	19,693		40,203,996
Machinery and Equipment	10,834,701	66,011	(6,548)	10,894,164
Total Capital Assets, Being Depreciated	73,914,827	110,344	(6,548)	74,018,623
Less:				
Accumulated Depreciation	(32,353,137)	(3,019,440)	6,287	(35,366,290)
Total Capital Assets Being Depreciated, Net	<u>41,561,690</u>	<u>(2,909,096)</u>	<u>(261)</u>	<u>38,652,333</u>
Total Capital Assets, Net	<u>42,135,524</u>	<u>(2,909,096)</u>	<u>(261)</u>	<u>39,226,167</u>

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2013**  
**(Continued)**

2. Summary of Significant Accounting Policies, (continued)

F. Property, Plant and Equipment, (continued)

	Balance Nov. 30, 2012	Additions	Disposals	Balance Nov. 30, 2013
<u>Hampton Commons Facilities Fund:</u>				
Capital Assets Not Being Depreciated:				
Land	<u>32,741</u>	_____	_____	<u>32,741</u>
Total Capital Assets, Not Being Depreciated	<u>32,741</u>	_____	_____	<u>32,741</u>
Capital Assets Being Depreciated:				
Buildings	510,231	_____	_____	510,231
Machinery and Equipment	<u>766,875</u>	_____	_____	<u>766,875</u>
Total Capital Assets, Being Depreciated	1,277,106			1,277,106
Less:				
Accumulated Depreciation	<u>(842,457)</u>	<u>(67,155)</u>	_____	<u>(909,612)</u>
Total Capital Assets Being Depreciated, Net	<u>434,649</u>	<u>(67,155)</u>	_____	<u>367,494</u>
Total Capital Assets, Net	<u>467,390</u>	<u>(67,155)</u>	=====	<u>400,235</u>
	Balance Nov. 30, 2012	Additions	Disposals	Balance Nov. 30, 2013
<u>Solid Waste Facilities Fund:</u>				
Capital Assets Not Being Depreciated:				
Land	2,770,568			2,770,568
Construction in Progress	<u>10,136</u>	_____	_____	<u>10,136</u>
Total Capital Assets, Not Being Depreciated	<u>2,780,704</u>	_____	_____	<u>2,780,704</u>
Capital Assets Being Depreciated:				
Improvements	47,702,509	29,866		47,732,375
Buildings	12,926,465	4,688		12,931,153
Machinery and Equipment	<u>7,371,346</u>	<u>641,365</u>	<u>(405,127)</u>	<u>7,607,584</u>
Total Capital Assets, Being Depreciated	68,000,320	675,919	<u>(405,127)</u>	68,271,112
Less:				
Accumulated Depreciation	<u>(51,081,094)</u>	<u>(2,420,016)</u>	<u>379,503</u>	<u>(53,121,607)</u>
Total Capital Assets Being Depreciated, Net	<u>16,919,226</u>	<u>(1,744,097)</u>	<u>(25,624)</u>	<u>15,149,505</u>
Total Capital Assets, Net	<u>19,699,930</u>	<u>(1,744,097)</u>	<u>(25,624)</u>	<u>17,930,209</u>
<u>Paulins Kill Water Reclamation Project:</u>				
Capital Assets Not Being Depreciated:				
Construction in Progress	<u>2,000,507</u>	<u>245,765</u>	_____	<u>2,246,272</u>
Total Capital Assets, Not Being Depreciated	<u>2,000,507</u>	<u>245,765</u>	=====	<u>2,246,272</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2013  
(Continued)

2. Summary of Significant Accounting Policies, (continued)

F. Property, Plant and Equipment, (continued)

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

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

Buildings	45 years
Land improvements (fencing, roadways, etc.)	20 years
Sewer, water, electric utility lines	30 years
Machinery and equipment	5-15 years
Vehicles	6 years
Landfill Cell #1	8 years
Landfill Phase 2A	6 years
Landfill Phase 2B	6 years
Landfill Phase 3	8 years

G. Restricted Accounts

Upper Wallkill Facilities Fund:

In accordance with the bond resolutions, (Section 502-513), the Authority has established the following cash and investment accounts for the deposit, in the priority of the order listed, of all revenues received by the Authority:

<u>Account</u>	<u>Amount</u>	<u>Use for which restricted</u>
Revenue	All revenue received by the Authority. (Section 502-507)	Authorized operating expenses and, as of the first day of each month, transfers to the various accounts described below.
Construction	Proceeds of debt issued and construction grants-in-aid. (Section 513)	Constructions costs of the project system, including improvements and additions.
Bond Service (Current Debt Service)	Amount needed to pay matured principal and interest due on or before the following December 1st. (Section 508)	Principal and interest on the bonds.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2013**  
**(Continued)**

2. Summary of Significant Accounting Policies, (continued)

G. Restricted Accounts, (continued)

Upper Wallkill Facilities Fund, (continued):

<u>Account</u>	<u>Amount</u>	<u>Use for which restricted</u>
Bond Reserve (Future Debt Service)	Amount needed to equal the reserve requirement. (Section 510)	Transfers to meet minimum levels required in the bond service or sinking accounts. Any excess may be transferred into the revenue account.
Renewal and Replacement	Amount required to equal the reserve requirement. (Section 510)	Reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals.
General	Amount needed to increase the balance to equal the requirements as defined by the resolution	Transfers to meet deficiencies in any fund or account, after which funds may be expended for lawful corporate purpose of the Authority.

In addition, the Authority has also established the following restricted accounts:

1. Retained percentage account into which is deposited amounts withheld from construction contracts.
2. Escrow accounts being held for planning, design and construction of specific projects.
3. Trust accounts to be held in reserve for payroll-related liabilities, such as Unemployment Insurance.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2013  
(Continued)

2. Summary of Significant Accounting Policies, (continued)

G. Restricted Accounts, (continued)

Hampton Commons Facilities Fund:

In accordance with the Authority policies, the Authority has established the following cash and investments accounts for the deposit, in the priority of the order listed, of all revenues received by the Authority:

<u>Account</u>	<u>Amount</u>	<u>Use for which restricted</u>
Operating	All Revenue received by the Authority.	Authorized Operating Expenses.
Renewal and Replacement	Amount determined annually by the Authority.	Reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals.

Other Sewer Companies:

Escrow deposits are being held for the Montague Sewer Co., Andover Borough, Frankford Township, Sparta Plaza and Luke/Lovey's.

Solid Waste Facility:

In accordance with the Bond resolutions, (Sections 401-406 and 502-512), the Authority has established the following cash and investments accounts for the deposit, in the priority of the order listed, of all revenues received by the Authority:

<u>Account</u>	<u>Amount</u>	<u>Use for which restricted</u>
Construction	Proceeds of debt issued. (Sections 401-406)	Construction costs of the project system, including improvements and additions.
Revenue	All revenue received by the Authority. (Sections 502-505)	Authorized operating expenses and, as of the first day of each month, transfers to the various accounts.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2013

(Continued)

2. Summary of Significant Accounting Policies, (continued)

G. Restricted Accounts, (continued)

Solid Waste Facility, (continued):

<u>Account</u>	<u>Amount</u>	<u>Use for which restricted</u>
Operating	All revenue received by the Authority. (Section 506)	Authorized operating expenses.
Bond Service	Amount needed to pay matured principal, interest and redemption premium, if any. (Section 507)	Principal, interest and redemption premium on the bonds and notes.
Bond Reserve (Future Reserve Service)	Amount needed to equal the reserve requirement. (Section 509)	Transfers to meet minimum levels required in the bond service or sinking accounts. Any excess may be transferred into the revenue account.
Renewal and Replacement	Amount required to equal the reserve requirement. (Section 510)	Reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals.
General	Amount needed to increase the balance to equal the requirements as defined by the resolution (Section 511)	Transfers to meet deficiencies in any fund or account, after which funds may be expended for any lawful corporate purpose of the Authority.
Rebate	All monies subject to rebated to the U.S. Government (Section 512)	Rebates to the U.S. Government for non-compliance with I.R.S. Code Code and Arbitrage Regulations.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2013  
(Continued)

2. Summary of Significant Accounting Policies, (continued)

G. Restricted Accounts, (continued)

Solid Waste Facility, (continued):

In addition, the Authority has also established the following restricted account:

A Cell Closure Account has been established to set aside moneys to provide for the landfill cell closure.

A Postclosure Account has been established to set aside funds for postclosure monitoring and care.

Retained percentage account derived from amounts withheld from construction contracts.

Paulins Kill Water Reclamation Project:

<u>Account</u>	<u>Amount</u>	<u>Use for which restricted</u>
Construction Account	Proceeds of note issued.	Construction costs of the project system.
Debt Service Account	Amount needed to pay principal and interest due on project note.	Payment of principal and interest on project notes.

H. Interest Income from Operating Investments:

These amounts include interest earned on all of the Authority's accounts except as described below:

Upper Wallkill Facilities Fund	- Renewal and Replacement Account.
Solid Waste Facilities Fund	- Cell Closure Escrow, Postclosure Care Escrow and Renewal and Replacement Account.
Hampton Commons Facilities Fund	- Renewal and Replacement Account.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2013**  
**(Continued)**

2. **Summary of Significant Accounting Policies, (continued)**

I. Total (Memo) Columns

Total columns on the Business-Type Activities are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis.

J. Accrued Liability for Closure and Postclosure Costs

The accrued liability for closure and postclosure costs represent funds collected as part of the solid waste tariff, which are required to be established to pay for the cost of closure and postclosure of landfills. These amounts are based upon engineering studies which are revised on a yearly basis. These studies are the basis for any adjustments to these accruals at year end.

At November 30, 2013, there is a deficit of \$8,142,802 in the Authority's Cell Closure Fund. The Authority plans to reduce this deficit through budgeted contributions to the Cell Closure Escrow Account.

K. Accumulated Unpaid Vacation and Sick Pay

Sussex County Municipal Utilities Authority employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation days up to the actual days accrued in accordance with the Authority's personnel manual. Reimbursement for accumulated sick leave is provided to employees upon termination or retirement, based upon conditions explained in the Sussex County Municipal Utilities Authority's personnel manual. Employees hired prior to January 1, 2009 shall be paid one-half of unused sick leave to a maximum of \$20,000. Employees hired after January 1, 2009 are limited to a maximum of \$15,000 for one-half of unused sick leave.

Accumulated unpaid vacation and sick days are accrued when incurred in all funds.

L. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.



SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
- NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2013  
(Continued)

2. Summary of Significant Accounting Policies, (continued)

M. Interfunds Receivable and Payable

During the course of its operations, the Authority has numerous transactions between funds to finance operations, provide services, construct assets, and service debts. To the extent that certain transactions between the accounts had not been paid or received as of the balance sheet dates, balances of interfund amounts receivable and payable have not been recorded.

N. Inventory

The Authority does not record inventory on its balance sheets. The costs of inventory items are deemed immaterial and are recognized as expenditures when purchased.

O. Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

P. Recent Accounting Pronouncements

The Government Accounting Standards Board issued GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Inflows of Resources, and Net Position. This Statement provides financial reporting guidance for deferred outflows of resources, inflows of resources, and net position as defined under the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The Authority has implemented the provisions of this Statement for the fiscal year ended November 30, 2013.

The Government Accounting Standards Board issued GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty of swap counterparty's credit support provider. The Authority has determined that this Statement is not applicable for the reporting period ending November 30, 2013.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2013  
(Continued)

2. Summary of Significant Accounting Policies, (continued)

P. Recent Accounting Pronouncements, (continued)

The Government Accounting Standards Board issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Authority has implemented the provisions of this Statement for the fiscal year ended November 30, 2013.

The Government Accounting Standards Board issued GASB Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statement No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a government financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting Guidance Contained in Pre-November 20, 1989 FASB and AICPA Pronouncements*. This Statement is effective for periods beginning after December 15, 2012. The Authority does not believe this Statement will materially affects its current practice.

The Government Accounting Standards Board issued GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local government pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision - useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2013**  
**(Continued)**

2. Summary of Significant Accounting Policies, (continued)

P. Recent Accounting Pronouncements, (continued)

The Government Accounting Standards Board issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve financial reporting by state and local government for pensions. It also improves information provided by state and local governmental employees about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating transparency. This Statement is effective for financial statements for fiscal years beginning after June 15, 2014. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 69, Government Combinations and Disposals of Government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term "government combinations" includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement is effective for financial statements beginning after December 15, 2013. The Authority does not believe this Statement will materially affect its current practice.

In April of 2013, the Government Accounting Standards Board issued GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement is effective for reporting periods beginning after June 15, 2013. The Authority does not believe this Statement will materially affect its current practice.

3. Cash and Cash Equivalents

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, and short term investments with original maturities of three months or less.

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 Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2013  
(Continued)

3. Cash and Cash Equivalents, (continued)

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 full amount of their deposits to the Governmental Units.

As of November 30, 2013, cash and cash equivalents of the Sussex County Municipal Utilities Authority consisted of the following:

Upper Wallkill Facilities Fund

	<u>Cash</u> <u>on Hand</u>	<u>Checking</u> <u>Accounts</u>	<u>Savings/</u> <u>Money</u> <u>Market</u> <u>Accounts</u>	<u>Total</u>
Petty Cash	400			400
Revenue Account			1,454,665	1,454,665
Operating Account		182,067		182,067
General Planning Replacement		86		86
Vernon Twp. Rate Stabilization Fund		154,134		154,134
Current Debt Service			1,582,757	1,582,757
Phase III Construction		401,667		401,667
Future Debt Service			1,681,906	1,681,906
Renewal and Replacement			1,569,535	1,569,535
Phase II Construction			98,787	98,787
Series 2008 Bond Service			618,935	618,935
Series 2012 Bond Service			76,142	76,142
	<u>400</u>	<u>737,954</u>	<u>7,082,727</u>	<u>7,821,081</u>
<u>Balance Sheet Classification</u>				
Unrestricted Assets				1,746,378
Restricted Assets				<u>6,074,703</u>
				<u>7,821,081</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2013  
(Continued)

3. Cash and Cash Equivalents, (continued)

Solid Waste Facilities Fund

	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Savings/ Money Market Accounts</u>	<u>Total</u>
Petty Cash	2,100			2,100
Revenue Account			858,930	858,930
Operating Account		1,667,348		1,667,348
Construction Fund		9,143	5,106	14,249
Current Debt Service Fund			4,810,571	4,810,571
Bond Reserve Fund			3,874,000	3,874,000
Renewal and Replacement Fund			646,727	646,727
Cell Closure Account		1,108,569		1,108,569
Landfill Postclosure Account			816,315	816,315
Retained Percentages Account		10,190		10,190
Planning Account		54,459		54,459
General Fund			<u>1</u>	<u>1</u>
	<u>2,100</u>	<u>2,849,709</u>	<u>11,011,650</u>	<u>13,863,459</u>

Balance Sheet Classification

Unrestricted Assets				28,296
Restricted Assets				13,835,163
				<u>13,863,459</u>

Hampton Commons Facilities Fund

Operating Account		58,709		58,709
Renewal and Replacement Fund		<u>52,790</u>		<u>52,790</u>
		<u>111,499</u>		<u>111,499</u>

Balance Sheet Classification

Unrestricted Assets				58,709
Restricted Assets				52,790
				<u>111,499</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2013  
(Continued)

3. Cash and Cash Equivalents, (continued)

	<u>Cash</u> <u>on Hand</u>	<u>Checking</u> <u>Accounts</u>	<u>Savings/</u> <u>Money</u> <u>Market</u> <u>Accounts</u>	<u>Total</u>
<u>Paulins Kill Water Reclamation Project</u>				
Planning Fund		373		373
Construction Fund		12,684	3,151,548	3,164,232
Operating Fund			119,411	119,411
Debt Service Fund	---		<u>82,232</u>	<u>82,232</u>
	====	<u>13,057</u>	<u>3,353,191</u>	<u>3,366,248</u>
 <u>Balance Sheet Classification</u>				
Restricted Assets				<u>3,366,248</u>
 <u>Internal Service Fund</u>				
Revenue Operating Account		61,906		61,906
Payroll Account		149,454		149,454
Unemployment Trust Fund	---	<u>206,525</u>	<u>25,776</u>	<u>232,301</u>
	====	<u>417,885</u>	<u>25,776</u>	<u>443,661</u>
 <u>Balance Sheet Classification</u>				
Unrestricted Assets				211,360
Restricted Assets				<u>232,301</u>
				<u>443,661</u>
 <u>Other Sewer Companies</u>				
Escrow Accounts	---	<u>4,901</u>	---	<u>4,901</u>
 <u>Balance Sheet Classification</u>				
Unrestricted Assets				<u>4,901</u>
 <u>Wallkill Watershed Fund</u>				
Escrow Accounts	---	<u>341,638</u>	---	<u>341,638</u>
 <u>Balance Sheet Classification</u>				
Unrestricted Assets				<u>341,368</u>
 <u>Grand Total</u>				
Unrestricted				2,391,012
Restricted				<u>23,561,205</u>
				<u>25,952,217</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2013  
(Continued)

3. Cash and Cash Equivalents, (continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits. The Authority's policy is based on New Jersey Statutes that require cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a). As of November 30, 2013, \$-0- of the Authority's bank balance of \$26,397,504 was exposed to custodial credit risk.

4. Investments

Investments are stated at cost, which approximates market. The Authority classifies certificates of deposit which have maturity dates of more than three months from the date of purchase, as investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment maturities are limited by its bond indentures as described below as a means of managing its exposure to interest rate risk. Additionally, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Monies in the funds established under the Resolutions may be invested at the Authority's direction in Investment Obligations, which are defined by the Resolutions.

Monies in the funds established under the Resolution, on instructions signed by an officer of the Authority, shall be so invested as aforesaid but only within the following limitations of maturity computed from the date of purchase or deposit:

Upper Wallkill Facilities Fund

Revenue Fund: a maximum of 180 days.

Bond Service Fund or Sinking Fund: In the amounts and at the times necessary to provide funds when needed to make the applicable payments, as determined by the Trustee.

Bond Reserve Fund: a maximum of 15 years but not to exceed the final term of any Bonds issued under the Resolution.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2013  
(Continued)

4. Investments, (continued)

Upper Wallkill Facilities Fund, (continued)

Renewal and Replacement Fund: a maximum of 3 years.

General Fund: no limitation.

Construction Fund: In the amounts and at the times necessary to provide funds when needed for the payments stated in the certificate of the Consulting Engineer.

Solid Waste Facilities Fund

Operating Fund: No Limitation.

Bond Service Fund or Sinking Fund: In the amounts and at the times necessary to permit funds to be available for the payment of the principal or the redemption premium, if any, and the interest on the Revenue Bonds.

Construction Fund: In the amounts and at the times necessary to provide funds when needed to pay the costs of the project.

Rebate Fund: In the amounts and at such times as will permit funds to be available when needed to make payments to the United States Government.

Bond Reserve Fund: Equal to the lesser of maximum Bond Service and the maximum amount permitted under the code.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The types of allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States; obligations of federal agencies not exceeding 397 days; bonds or other obligations of the local unit or school districts of which the local unit is a part; government money market mutual funds; local government investment pools; the State of New Jersey Cash Management Fund or agreements to repurchase fully collateralized securities as described in the Statutes.

Concentration of Credit Risk

The Authority places no limit on the amount it may invest in any one issuer.



**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2013**  
**(Continued)**

**5. Bonds Payable**

As of November 30, 2013 and 2012, the Authority has the following principal amount of debt outstanding and unamortized losses from refunding transactions.

	<u>Balance</u> <u>11/30/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>11/30/13</u>	<u>Amount Due</u> <u>Within</u> <u>One Year</u>
<u>Upper Walkill Facilities Fund:</u>					
2003 Series Wastewater Treatment Trust Refunding Bonds	227,198		227,198	0	\$0
2003 Series G Wastewater Revenue Bonds	3,390,000		1,030,000	2,360,000	1,155,000
2008 Series A Wastewater Revenue Bonds	3,950,000		75,000	3,875,000	80,000
2008 Series B Wastewater Revenue Bonds	28,372,552	1,394,021	200,000	29,566,573	250,000
2012 Wastewater Revenue Refunding Bonds	<u>3,165,000</u>		<u>10,000</u>	<u>3,155,000</u>	<u>15,000</u>
	<u>39,104,750</u>	<u>1,394,021</u>	<u>1,542,198</u>	<u>38,956,573</u>	<u>1,500,000</u>

Interest expense on Bonds, including amortization of deferred losses on refundings is comprised of the following:

	<u>2013</u>	<u>2012</u>
1993 Series Wastewater Treatment Trust Loan		15,327
2001 Series F		59,625
2003 Series G	97,233	146,253
Series 2008 A	177,344	180,157
Series 2008 B	15,475	11,431
Series 2012	<u>105,406</u>	<u>41,108</u>
	<u>395,458</u>	<u>453,901</u>
Amortization of Deferred (Gains)/Losses on Refunding:		
1986 Refunding	50,533	50,533
2003 NJWWTT Refunding	(12,802)	(10,938)
1993 Refunding		50,650
2012 Refunding	<u>36,992</u>	<u>15,413</u>
	<u>470,181</u>	<u>559,559</u>

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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**(Continued)**

**5. Bonds Payable, (continued)**

Series 2003G Wastewater Revenue Refunding Bonds

On October 3, 2003, the Authority issued \$11,270,000 of Wastewater Facilities Revenue Refunding Bonds, Series 2003 G. The bonds were issued to provide funds to: (i) currently refund \$9,360,000 principal amount of Wastewater Facilities Revenue Bonds, Refunding Series 1993D; (ii) currently refund \$1,615,000 principal amount of Wastewater Facilities Revenue Bonds, Refunding Series 1993 E; and (iii) pay the costs and expenses associated with the issuance of the 2003 bonds.

\$700,000 of the Authority's remaining outstanding \$4,090,000 Series 2003 G were refunded by the Series 2012 Wastewater Facilities Revenue Refunding Bonds transaction described below.

The remaining unrefunded Series G Bonds are dated October 1, 2003 and will mature in annual installments on December 1 in each year as set forth in the following table:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2013	480,000	3.50	3.75
2013	675,000	4.00	3.75
2014	505,000	3.65	3.86
2014	700,000	5.00	3.86

Series 2008 Wastewater Revenue Bonds

On September 15, 2009, the Authority issued \$4,095,000 Wastewater Facilities Revenue Bonds Series 2008A and \$23,403,738 Wastewater Facilities Revenue Bonds Series 2008B. These bonds were issued to provide funds that will be used, together with other available funds of the Authority, to: (i) finance planned expansion and upgrades to the Authority's wastewater facilities system; and (ii) pay the costs of issuance of the Bonds.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
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5. Bonds Payable, (continued)

The 2008 Series A Bonds are dated September 15, 2008, bear interest at rates ranging from 3.50% to 5.00% and mature in various principal amounts as described below on December 1 of each year from December 1, 2010 to 2039 inclusive. Interest on the Series A Bonds is payable on June 1 and December 1.

<u>Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>
80,000	2013	3.750%	110,000	2021	4.000%
85,000	2014	3.750	115,000	2022	4.125
85,000	2015	4.000	120,000	2023	4.125
90,000	2016	4.000	120,000	2024	4.250
95,000	2017	4.000	125,000	2025	4.250
95,000	2018	4.000	730,000	2030	4.500
100,000	2019	4.000	1,820,000	2039	5.000
105,000	2020	4.000			

Optional Redemption

The Series A Bonds that mature on or before December 1, 2018 are not subject to redemption prior to maturity. The Series A Bonds that mature on and after December 1, 2019 are subject to redemption prior to maturity at the option of the Authority, commencing on December 1, 2018 as a whole or in part, at any time (by lot within any maturity) upon notice, as provided in the Resolution, at par, plus accrued interest thereon to the date of redemption.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
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(Continued)

5. Bonds Payable, (continued)

Sinking Fund Redemption

The Series A Bonds maturing on December 1, 2030 and December 1, 2039 are subject to mandatory sinking fund redemption by lot at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest thereon to the date of redemption, on December 1 in each year and in the principal amount set forth below:

<u>Term Bond Maturing December 1, 2030</u>		<u>Term Bond Maturing December 1, 2039</u>	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2026	135,000	2031	165,000
2027	140,000	2032	175,000
2028	145,000	2033	180,000
2029	150,000	2034	190,000
2030	160,000 (final maturity)	2035	200,000
		2036	210,000
		2037	220,000
		2038	235,000
		2039	245,000 (final maturity)

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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**(Continued)**

5. **Bonds Payable, (continued)**

The Series B Bonds are dated September 15, 2008 and are issued as capital appreciation bonds in the aggregate principal amount of \$23,403,738. The Series B Bonds will accrue interest beginning on the date of delivery, and will have interest rates and will mature in various principal amounts as described in the following table with interest payable only at maturity.

<u>Date</u>	<u>Original Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Maturity Amount</u>
12/1/13	209,933	3.380%	40,067	250,000
12/1/14	280,255	3.610%	69,745	350,000
12/1/15	981,935	3.820%	308,065	1,290,000
12/1/16	973,941	3.970%	371,059	1,345,000
12/1/17	1,037,128	4.120%	472,872	1,510,000
12/1/18	1,045,824	4.270%	564,176	1,610,000
12/1/19	1,128,900	4.430%	716,100	1,845,000
12/1/20	1,147,604	4.580%	847,396	1,995,000
12/1/21	1,138,242	4.690%	961,758	2,100,000
12/1/22	1,069,141	4.790%	1,025,859	2,095,000
12/1/23	1,263,940	4.830%	1,356,060	2,620,000
12/1/24	1,193,410	4.910%	1,426,590	2,620,000
12/1/25	1,125,500	4.970%	1,494,500	2,620,000
12/1/26	1,060,209	5.030%	1,559,791	2,620,000
12/1/27	997,565	5.090%	1,622,435	2,620,000
12/1/28	937,515	5.150%	1,682,485	2,620,000
12/1/29	881,866	5.200%	1,738,134	2,620,000
12/1/30	826,924	5.260%	1,793,076	2,620,000
12/1/31	776,254	5.310%	1,843,746	2,620,000
12/1/32	782,176	5.360%	2,032,824	2,815,000
12/1/33	735,124	5.390%	2,074,876	2,810,000
12/1/34	693,480	5.410%	2,116,520	2,810,000
12/1/35	609,926	5.700%	2,205,074	2,815,000
12/1/36	572,425	5.720%	2,237,575	2,810,000
12/1/37	540,452	5.730%	2,274,548	2,815,000
12/1/38	506,868	5.750%	2,303,132	2,810,000
12/1/39	478,936	5.750%	2,331,064	2,810,000
	<u>22,995,473</u>		<u>37,469,527</u>	<u>60,465,000</u>

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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(Continued)

5. **Bonds Payable, (continued)**

A reconciliation of original payment amounts to carrying value for the 2008 Series B Capital Appreciation Bonds is provided below:

<u>Maturity</u>	<u>Original Principal</u>	<u>Accreted Principal 11/30/13</u>	<u>Carrying Value 11/30/13</u>
12/1/13	209,933	40,067	250,000
12/1/14	280,255	57,442	337,697
12/1/15	981,935	214,037	1,195,972
12/1/16	973,941	221,428	1,195,369
12/1/17	1,037,128	245,587	1,282,715
12/1/18	1,045,824	257,568	1,303,392
12/1/19	1,128,900	289,554	1,418,454
12/1/20	1,147,604	305,434	1,453,038
12/1/21	1,138,242	311,031	1,449,273
12/1/22	1,069,141	299,104	1,368,245
12/1/23	1,263,940	358,547	1,622,487
12/1/24	1,193,410	343,220	1,536,630
12/1/25	1,125,500	328,128	1,453,628
12/1/26	1,060,209	313,274	1,373,483
12/1/27	997,565	298,680	1,296,245
12/1/28	937,515	284,427	1,221,942
12/1/29	881,866	270,462	1,152,328
12/1/30	826,924	256,918	1,083,842
12/1/31	776,254	243,764	1,020,018
12/1/32	782,176	248,227	1,030,403
12/1/33	735,124	234,776	969,900
12/1/34	693,480	222,439	915,919
12/1/35	609,926	207,550	817,476
12/1/36	572,425	195,576	768,001
12/1/37	540,452	185,030	725,482
12/1/38	506,868	174,220	681,088
12/1/39	478,936	164,610	643,546
	<u>22,995,473</u>	<u>6,571,100</u>	<u>29,566,573</u>

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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**(Continued)**

5. **Bonds Payable, (continued)**

Redemption

The Series B Bonds that mature on or before December 1, 2034 are not subject to redemption prior to maturity at the option of the Authority. The Series B Bonds that mature on and after December 1, 2035 are subject to redemption prior to maturity at the option of the Authority, commencing on December 1, 2018 as a whole or in part, at any time (by lot within any maturity) upon notice, as provided in the Resolution, at 103% of the accreted value on the date of redemption.

Series 2012 Wastewater Revenue Refunding Bonds

On July 11, 2012, the Sussex County issued \$3,165,000 in Wastewater Revenue Refunding Bonds, Series 2012. The Bonds were issued to provide funds to finance: (a) the current refunding of all of the Authority's \$2,400,000 outstanding Series 2001 Wastewater Facilities Revenue Bonds, Series F, (b) the advance refunding of \$700,000 of the Authority's \$4,090,000 outstanding Series 2003 Wastewater Facilities Revenue Bonds, Series G and (c) the costs and expenses incurred in connection with the issuance of the Bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$702,859. This difference, reported in the financial statements as a deferred outflow of resources as required by GASB Statement No. 65, is being amortized as a component of interest expense through the year 2027 using the straight-line method.

The Series 2012 Revenue Refunding Bonds are dated July 11, 2012, have interest rates ranging from 3.000% to 4.000%, and will mature in annual installments on December 1, in each year as set forth in the following table:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2013	15,000	3.000%	2023	140,000	3.125%
2014	20,000	3.000%	2024	145,000	3.125%
2015	290,000	3.000%	2025	150,000	3.125%
2016	290,000	3.000%	2026	155,000	3.375%
2017	290,000	3.000%	2027	160,000	3.375%
2018	295,000	3.000%	2028	165,000	3.375%
2019	120,000	4.000%	2029	170,000	3.625%
2020	125,000	4.000%	2030	175,000	3.625%
2021	130,000	4.000%	2031	185,000	3.625%
2022	135,000	4.000%			

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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(Continued)

5. **Bonds Payable, (continued)**

	Balance 11/30/12	Increases	Decreases	Balance 11/30/13	Amount Due Within One Year
<u>Solid Waste Facilities Fund</u>					
2003 Series Revenue Refunding Bonds	11,365,000		3,625,000	7,740,000	7,740,000
2006 Series Revenue Bonds	<u>13,095,626</u>	<u>505,352</u>	<u>1,655,000</u>	<u>11,945,978</u>	<u>1,610,000</u>
	<u>24,460,626</u>	<u>505,352</u>	<u>5,280,000</u>	<u>19,685,978</u>	<u>9,350,000</u>

Interest expense on Bonds, including amortization of deferred losses on refundings is comprised of the following:

	<u>2013</u>	<u>2012</u>
2003 Series	387,000	568,250
2006 Series	<u>429,339</u>	<u>382,504</u>
	816,339	950,754
Amortization of Deferred Loss on Refunding	<u>436,732</u>	<u>436,732</u>
	<u>1,253,071</u>	<u>1,387,486</u>

On April 4, 2003, the Authority issued \$38,740,000 of Solid Waste Revenue Bonds, Refunding Series 2003 ("The 2003 Bonds").

The 2003 Bonds were issued to provide funds that will be used, together with other available funds of the Authority, to (i) currently refund \$39,035,000 aggregate principal amount of Solid Waste Revenue Bonds, Refunding Series B originally issued in the aggregate principal amount of \$41,525,000 dated December 1, 1992, (ii) fund a Bond Reserve Fund, a Renewal and Replacement Fund and capitalized interest until June 1, 2003, and (iii) pay the costs and expenses associated with the issuance of the 2003 Bonds.



**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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**(Continued)**

5. **Bonds Payable, (continued)**

The 2003 Bonds are dated April 1, 2003 and have the following interest rates and maturities:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2013	7,740,000	5.00

On June 21, 2006, the Authority issued \$14,997,820 of Solid Waste Revenue Bonds, Series 2006.

The 2006 Bonds were issued to provide funds that will be used, with other available funds of the Authority, to finance planned expansion and upgrades to the Authority's solid waste system, and to pay the costs of issuance of the Bonds. The 2006 Bonds are capital appreciation bonds which were issued by the Authority in the aggregate principal amount of \$14,997,820. The Bonds will accrue interest beginning on the date of delivery, and will have interest rates and will mature in various principal amounts as described in the following table with interest payable at maturity.

<u>Date</u>	<u>Original Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Maturity Amount</u>
12/1/13	1,180,661	4.210%	429,339	1,610,000
12/1/14	2,612,550	4.310%	1,132,450	3,745,000
12/1/15	2,492,692	4.400%	1,267,308	3,760,000
12/1/16	<u>2,373,404</u>	4.480%	<u>1,396,596</u>	<u>3,770,000</u>
	<u>8,659,307</u>		<u>4,225,693</u>	<u>12,885,000</u>

A reconciliation of original principal amounts to carrying value for the 2006 capital appreciation bonds is provided below:

<u>Maturity</u>	<u>Original Principal</u>	<u>Accreted Principal 11/30/13</u>	<u>Carrying Value 11/30/13</u>
12/1/13	1,180,661	429,339	1,610,000
12/1/14	2,612,550	976,109	3,588,659
12/1/15	2,492,692	953,852	3,446,544
12/1/16	<u>2,373,404</u>	<u>927,371</u>	<u>3,300,775</u>
	<u>8,659,307</u>	<u>3,286,671</u>	<u>11,945,978</u>

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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5. **Bonds Payable, (continued)**

Principal and interest due on outstanding bonds is as follows:

Upper Wallkill Facilities Fund

<u>Fiscal Year</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	3.00-3.75%	1,500,000	356,358	1,856,358
2015	3.00-3.75%	1,647,697	314,426	1,962,123
2016	3.00-4.00%	1,570,972	363,491	1,934,463
2017	3.00-4.00%	1,575,369	406,894	1,982,263
2018	3.00-4.27%	1,667,715	472,148	2,139,863
2019-2023	3.125-4.85%	8,322,402	3,715,464	12,037,866
2024-2028	3.125-5.15%	8,672,473	6,635,140	15,307,613
2029-2033	3.625-5.39%	6,998,533	8,307,464	15,305,997
2034-2038	5.00-5.75%	5,196,778	10,113,222	15,310,000
2039-2040	5.00-5.75%	<u>1,804,634</u>	<u>4,319,616</u>	<u>6,124,250</u>
		<u>38,956,573</u>	<u>35,004,223</u>	<u>73,960,796</u>

Solid Waste Facilities Fund

<u>Fiscal Year</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	4.210-5.000%	9,350,000	193,500	9,543,500
2015	4.310%	3,588,659	156,341	3,745,000
2016	4.400%	3,446,544	313,456	3,760,000
2017	4.480%	<u>3,300,775</u>	<u>469,225</u>	<u>3,770,000</u>
		<u>19,685,978</u>	<u>1,132,522</u>	<u>20,818,500</u>

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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(Continued)

6. **Note Payable**

On February 15, 2013, the Authority issued \$5,496,000 Paulins Kill Basin Water Reclamation System Project Note, Series 2013. The Note was issued to provide funds, together with other funds of the Authority, to finance: (a) the current refunding of the Authority's \$5,496,000 Paulins Kill Basin Water Reclamation System Project Note, Series 2012, dated February 15, 2012 that matured February 15, 2013, which was issued to finance the construction of a central wastewater collection and treatment system to serve the needs of the Borough of Branchville and the surrounding area within the Township of Frankford; (b) the capitalized interest on the Note; and (c) the costs of issuance of the Note. The Note bears interest at a rate of 1.50% and matures on February 14, 2014.

7. **Pension Plans**

**Description of Plan** - All required employees of the Authority are covered by the Public Employees' Retirement System which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate.

**Public Employees' Retirement System (PERS)** - Established in January 1955, under provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the state or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

**Defined Contribution Retirement Program (DCRP)** - Established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

**Other Pension Funds**

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS is funded directly by the respective system and are considered in the annual actuarial calculation of the required State contribution for the system.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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**(Continued)**

**7. Pension Plans, (continued)**

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/treasurey/pensions](http://www.state.nj.us/treasurey/pensions).

**Basis of Accounting**

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

**Investment Valuation**

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of early retirement benefit without a reduction of 1/4 to 1 percent for each month that the member is under age 65.

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**(Continued)**

7. **Pension Plans, (continued)**

- The eligibility age to qualify for a service retirement in the PERS is increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PERS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.
- Active member contribution rates will increase. PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

**Funding Status and Funding Progress**

The funded status and funding progress of the retirement system is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the July 1, 2012 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 7.90 percent for investment rate or return for the retirement systems and (2) 4.22 percent for projected salary increased for the PERS.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
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7. **Pension Plans, (continued)**

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.64% for PERS and 5.50% for DCRP of the employee's annual compensation.

**Annual Pension Costs (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012 for PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. PERS employer contributions are made annually by the Authority to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

<b><u>Three Year Trend Information for PERS</u></b>			
<b>Year</b>	<b>Annual</b>	<b>Percentage</b>	<b>Net</b>
<b><u>Funding</u></b>	<b><u>Pension</u></b>	<b><u>of APC</u></b>	<b><u>Pension</u></b>
	<b><u>Cost (APC)</u></b>	<b><u>Contributed</u></b>	<b><u>Obligation</u></b>
11/30/13	\$292,699	100%	\$ 0
11/30/12	289,855	100%	0
11/30/11	282,479	100%	0

8. **Post-retirement Medical Benefits**

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating local government employees including the Authority.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and the Teacher's Pension and Annuity (TPAF) are combined and reported as Pension and Other Employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as Health Benefits Program Fund - State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health benefits Program Fund - Local Government classified as a cost sharing multiple-employer plan.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2013**  
**(Continued)**

8. **Post-retirement Medical Benefits, (continued)**

The State of New Jersey sponsors and administers the following health benefit program covering substantially all local government employees from local participating employers.

**Health Benefits Program Fund (HBPF) - Local Government** (including Prescription Drug Program Fund) - Certain local employers who participate in the State Health Benefits Program provide health insurance coverage to their employees at retirement. Under provisions of P.L. 1997, c.330, the State of New Jersey provides partially funded benefits to local police officers and firefighters who retire with 25 years of service (or on disability) from an employer who does not provide coverage. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Also, local employees are eligible for the PDP coverage after 60 days of employment.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Basis of Accounting**

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

**Investment Valuation**

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

**Significant Legislation**

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2013**  
(Continued)

8. **Post-retirement Medical Benefits, (continued)**

**Funded Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the State had a 60.1 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$29.2 billion for state and local active and retired members and \$30.9 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the July 1, 2011 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

**Post-Retirement Medical Benefits Contribution**

P.L. 1987, c.384 and P.L. 1990, c.6 required the Public Employees' Retirement System to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2012, there were 97,661 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.



**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2013**  
**(Continued)**

8. **Post-retirement Medical Benefits, (continued)**

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Authority's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended November 30, 2013, 2012 and 2011 were \$277,909, \$244,281 and \$179,916, respectively, which equaled the required contributions for each year. In addition, the Authority's reimbursements to eligible retired employees for Medicare Part B insurance coverage for the years ended November 30, 2013, 2012 and 2011 were \$14,286, \$9,379 and \$10,422, respectively.

9. **Deferred Compensation Plan**

Employees of the Sussex County Municipal Utilities Authority may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Government). The deferred compensation plan is available to all employees of the Authority. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation plan is administered by an unrelated financial institution. The employees' contributions to the Plan and all income attributable to those amounts have been transferred to the exclusive benefit of the participating employees and their beneficiaries.

10. **Unamortized Bond Premiums**

The Authority received a net premium of \$34,954 on its issuance of the Series 2008 A and B Bonds and \$100,730 on the issuance of the Series 2012 Wastewater Revenue Refunding Bonds. At November 30, 2013, the balance which remains to be amortized over the life of the Bonds using the straight-line method is \$122,348. Under the requirements of GASB Statement No. 65, the unamortized balance is reported in the financial statements as a deferred inflow of resources.

11. **Closure and Postclosure Care Cost**

State and federal laws and regulations require the Authority to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure of its entire landfill operations. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Authority reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2013**  
**(Continued)**

**11. Closure and Postclosure Care Cost, (continued)**

As of November 30, 2013, the Authority reported \$4,008,355 as landfill postclosure care reserve and an unfunded deficit of (\$8,142,802) on its cell closure reserve. A comparison of the Closure Account balance and the current total closure liability calculation clearly demonstrates that the Authority cannot finance the entire closure liability through the Closure Account. Therefore, the Authority is considering options for alternative financing of the closures. At this point, the most feasible alternative is to extend the life of the facility by reestablishing the solid waste transfer station and fund the planned cell closures through the New Jersey Environmental Infrastructure Trust, in conjunction with the establishment of waste flow control. By extending the life of the facility, the debt can be extended over a longer period of time.

If the Authority's planning alternatives of financing the deficit in the cell closure account do not come to fruition, then the Authority would have to call on its service contract with the County of Sussex to fund the deficiency.

The cell closure account was established in accordance with GASB #18 requiring the cost associated with the closure of the landfill should be recognized based on the Authority Solid Waste Landfill use rather than on the passage of time, using a formula provided by the GASB statement. The Authority began funding this liability in fiscal year ending November 30, 1993. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Based upon the latest projections, the Authority does not anticipate utilizing Phase 3B of the landfill until mid-2014.

As its November 23, 2011 meeting, the Authority approved a transfer of \$1,541,128 from its Landfill Cell Closure Account to be used for its November 30, 2012 bond payment and in November 2013, the Authority transferred \$157,883 from its Landfill Cell Closure Account to be used for its November 30, 2013 bond payment. This further increased the unfunded deficit in the cell closure account.

The Authority is required by state and federal laws and regulations to make annual contributions to a trust account to finance postclosure care. The Authority is in compliance with these requirements, and, at November 30, 2013, cash and cash equivalents, investments and receivables of \$9,678,222 are held for these purposes. These are reported as restricted assets on the balance sheet. The Authority calculates future inflation costs in determining the annual contributions. This calculation is required to be performed every two years and submitted to the DEP for its approval.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2013**  
**(Continued)**

**12. Reserves Required by Bond Resolution**

Upper Wallkill Facilities Fund:

The following reserves are required by the bond resolution:

Operating Requirement:	\$969,375
Funded by:	
Cash, Cash Equivalents and Investments	<u>969,375</u>
Excess/(Deficit)	<u>-0-</u>
Future Debt Service Requirement:	3,072,750
Funded by:	
Cash, Cash Equivalents and Investments	1,478,933
Insurance Policy with Financial Security Assistance	<u>1,593,817</u>
Excess/(Deficit)	<u>-0-</u>
Renewal and Replacement Requirement:	1,400,000
Funded by:	
Cash, Cash Equivalents and Investments	<u>1,400,000</u>
Excess/(Deficit)	<u>-0-</u>
Current Debt Service Requirement:	1,459,932
Funded by:	
Cash, Cash Equivalents and Investments	<u>1,459,932</u>
Excess/(Deficit)	<u>-0-</u>

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2013**  
**(Continued)**

12. **Reserves Required by Bond Resolution, (continued)**

Solid Waste Facilities Fund:

The following cash reserves are required by the bond resolution:

Future Debt Service (Bond Reserve) Requirement:	\$1,499,782
Funded by:	
Cash, Cash Equivalents and Investments	-0-
Insurance Policy with MBIA Insurance <sup>(1)</sup>	1,499,782
Excess/(Deficit)	<u>-0-</u>
 Revenue Fund Requirement:	 1,607,250
Funded by:	
Cash, Cash Equivalents and Investments	1,607,250
Excess/(Deficit)	<u>-0-</u>
 Renewal and Replacement Requirement:	 1,290,000
Funded by:	
Cash, Cash Equivalents and Investments	646,727
Excess/(Deficit)	<u>(643,273)</u>
 Current Debt Service Requirement:	 8,920,661
Funded by:	
Cash, Cash Equivalents and Investments	8,920,661
Excess/(Deficit)	<u>-0-</u>

<sup>(1)</sup> In addition to the cash reserve, the Authority has obtained a Debt Service Reserve Surety Bond issued by MBIA Insurance Corporation on its Series 2006 Bonds. This bond guarantees the full and complete payments that are to be applied to payment of principal and interest on the Series 2006 Bonds, provided that the amount available for payment pursuant to any one demand for payment shall not exceed \$1,499,782.01.

For the fiscal year ended November 30, 2013, the Authority received \$-0- in Debt Service Aid from the State of New Jersey to offset its FY 2013 debt service.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2013**  
**(Continued)**

**13. Commitments and Contingent Liabilities**

The Authority's general and special counsels advised us that there is no pending litigation that would have a material affect on the Authority's financial statements.

**14. Other Matters**

Solid Waste Facilities

The Authority's Solid Waste Facilities, as a result of a 1994 Supreme Court decision which began the dismantling of legal solid waste flow direction control, has realized a significant drop in revenue from reduced tipping fees. This reduction is the result of a combination of factors. In order to attempt to make the Authority competitive, the tipping fee was initially reduced by approximately 50%. However, market conditions allowed for some increases in the tipping fees. In 2008, the U.S. Supreme Court clarified the 1994 opinion which overruled flow control. It was determined by the Court that publicly owned and operated solid waste facilities could be provided flow control. Flow control was re-established in June 2010. Tonnage and tipping fees have improved with this court ruling and the County Solid Waste Management Plan Amendment to re-establish flow control. The tipping fee revenue and tonnage for the last five years was as follows:

	Tipping Fee	
	<u>Revenues</u>	<u>Tonnage</u>
2009	7,732,865	90,103 tons
2010	9,544,710	96,931 tons
2011	10,646,315	108,512 tons
2012	10,713,626	102,229 tons
2013	10,980,880	103,732 tons

**15. Flow Control**

In 2009, the County Solid Waste Management Plan was amended to reestablish solid waste flow control as per the 2007 Supreme Court United Haulers decision. The NJDEP certified the Plan Amendment on January 15, 2010. The County of Sussex Department of Health has developed a Solid Waste Flow Control Enforcement Program. With the stabilization of solid waste revenues and the reduction in annual debt service from \$5.8 million to \$3.8 million beginning in 2014, the SCMUA will no longer anticipate State/County aid.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2013**  
(Continued)

**16. Risk Management**

The Authority 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.

**Property and Liability Insurance** - The Authority is currently enrolled in the Statewide Insurance Fund. The Fund provides members with Property, Liability, Workers Compensation, and Automobile insurance. The Authority also maintains other liability insurance and surety bonds as listed below:

	<u>Coverage</u>
Commercial Package Policy	
Commercial General Liability/Automobile Liability	10,000,000
Workers Compensation	Statutory
Public Officials Liability	6,000,000
Pollution - Legal	1,000,000
Underground Storage Tank	1,000,000

**New Jersey Unemployment Compensation Insurance** - The Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Authority is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Authority is billed quarterly for amounts due to the State. The following is a summary of Authority contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Authority's expendable trust fund for the current and prior year:

Fiscal Year	Authority	Employee		Amount	Ending
<u>Ending</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Interest</u>	<u>Reimbursed</u>	<u>Balance</u>
11-30-11	-0-	4,809	1,255	609	605,855
11-30-12	-0-	4,901	986	630	611,112
11-30-13	-0-	5,151	797	617	616,443

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2013**  
(Continued)

**17. Designation of Unrestricted Net Position**

As of November 30, 2013, the Authority's accounts maintain funds that, although may be spent for any lawful purpose by the Authority, have been designated by the Board for the following purposes and amounts:

	<u>Upper Wallkill Facilities</u>	<u>Solid Waste Facilities</u>	<u>Hampton Commons Facilities</u>	<u>Total</u>
Workers Compensation	9,439			9,439
Vernon Twp. Rate Stabilization	154,135			154,135
Appropriated in subsequent year's budget			<u>9,000</u>	<u>9,000</u>
	<u>163,574</u>	<u>-0-</u>	<u>9,000</u>	<u>172,574</u>

**18. Prior Period Adjustments and Reclassifications**

On December 1, 2012, the Authority adopted the provisions of Governmental Accounting Standards Board Statement ("GASB") No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB No. 65 requires, among other things, that debt issuance costs, except any portion related to prepaid issuance costs, to be recognized as an expense in the period incurred. Additionally, the following reclassification adjustments were made to the November 30, 2012 financial statements:

**Upper Wallkill Facilities**

	<u>Reported Balance 11-30-12</u>	<u>Adjustments</u>	<u>Restated Balance 11-30-12</u>
<u>Other Assets:</u>			
Unamortized Debt Discount	2,201	(2,201)	-0-
Unamortized Debt Issue Costs	408,670	(408,670)	-0-
<u>Deferred Outflows of Resources:</u>			
Unamortized Debt Discount	-0-	2,201	2,201
Deferred Losses on Refundings	-0-	775,711	775,711
<u>Non-Current Liabilities:</u>			
Unamortized Bond Premiums	128,815	(128,815)	-0-
Revenue Bonds Payable - Long Term	36,717,977	775,711	37,493,688
<u>Deferred Inflows of Resources:</u>			
Unamortized Bond Premiums	-0-	128,815	128,815
<u>Net Position:</u>			
Invested in Capital Assets, Net of Debt	4,190,030	(408,670)	3,781,360

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2013**  
(Continued)

18. Prior Period Adjustments and Reclassifications, (continued)

Solid Waste Facilities

	Reported Balance <u>11-30-12</u>	<u>Adjustments</u>	Restated Balance <u>11-30-12</u>
<u>Other Assets:</u>			
Unamortized Debt Issue Costs	117,439	(117,439)	-0-
<u>Deferred Outflows of Resources:</u>			
Deferred Losses on Refundings	-0-	436,732	436,732
<u>Non-Current Liabilities:</u>			
Revenue Bonds Payable - Long Term	18,743,893	436,732	19,180,625
<u>Net Position:</u>			
Invested in Capital Assets, Net of Debt	(4,229,582)	(117,439)	(4,347,021)

Additionally, the following opening balances were reclassified from the Upper Wallkill Facilities to the Wallkill Watershed Project in fiscal year 2013:

Cash - Unrestricted	188,845
Prepaid Expenses	345
Accounts Payable - Unrestricted	27,915
Escrow Deposits	162,275

19. Subsequent Events

On February 15, 2013, the Authority issued \$5,496,000 Paulins Kill Basin Water Reclamation System Project Note, Series 2014. The Series 2014 Project Note was issued to refinance the Series 2013 Project Note that matures on February 15, 2014. The Series 2014 Project Note has an interest rate of 1.50% and matures on February 13, 2015.

The Authority has evaluated subsequent events through March 25, 2014, the date which the financial statements were available to be issued and no additional items, except as noted above, were noted for disclosure.



**Supplementary Schedules**

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

UPPER WALKKILL FACILITIES FUND

SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
RESTRICTED AND UNRESTRICTED

	Restricted						Totals (Memo)	
	Unrestricted	Invested in Capital Assets	Restricted			2013	2012 (Restated)	
			Future Debt Service	Current Debt Service	Renewal and Replacement			Operations
<b>Operating Revenue:</b>								
User Charges - Sewer	4,898,000					4,898,000	4,974,690	
Treatment of Sludge	87,115					87,115	87,674	
Treatment of Septage	515,176					515,176	375,323	
Treatment of Leachate	214,600					214,600	215,560	
Operating and Maintenance Charges	78,591					78,591	75,089	
Connection Fees	512,662					512,662	214,904	
Other	14,918					14,918	22,057	
Operating Grant						0	412,211	
Finance Charges	8,092					8,092	3,301	
	<u>6,329,154</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,329,154</u>	<u>6,380,809</u>	
<b>Operating Expenses:</b>								
Cost of Providing Services	2,700,005					2,700,005	3,189,251	
Administrative and General Expense	654,983					654,983	678,915	
Depreciation	3,019,440					3,019,440	3,060,528	
	<u>6,374,428</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,374,428</u>	<u>6,928,694</u>	
<b>Operating Income</b>	<u>(45,274)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(45,274)</u>	<u>(547,885)</u>	

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
UPPER WALLKILL FACILITIES FUND  
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
RESTRICTED AND UNRESTRICTED

	Restricted						Totals (Memo)	
	Unrestricted	Invested in Capital Assets	Future Debt Service	Current Debt Service	Renewal and Replacement	Operations	2013	2012 (Restated)
Non-Operating Revenue:			58,930				58,930	66,258
Interest Income							(470,181)	(559,559)
Non-Operating Expenses:							(1,394,021)	(1,333,591)
Interest Expense	(470,181)	(1,394,021)					0	(42,806)
Accretion							(260)	(44,853)
Bad Debt Expense	(260)						(4,402)	(8,805)
Loss on Disposal of Equipment	(4,402)						4,265	(18,883)
Other Expenses	4,265							
Amortization								
Net Income/(Loss) Before Transfers	(515,852)	(1,394,021)	58,930	0	0	0	(1,850,943)	(2,490,124)
Transfers:								
Interest Income	58,930		(58,930)				0	0
Other	1,454,908	(1,421,359)		(57,674)	(4,000)	28,125	0	0
Increase (Decrease) in Net Position	997,986	(2,815,380)	0	(57,674)	(4,000)	28,125	(1,850,943)	(2,490,124)
Net Position - December 1, as previously reported	691,214	3,781,360	1,478,933	1,517,606	1,404,000	941,250	9,814,363	12,713,157
Prior Period Adjustment:								
Cumulative effect of change in accounting principle - implementation of GASB No. 65							0	(408,670)
Net Position - December 1, as restated	691,214	3,781,360	1,478,933	1,517,606	1,404,000	941,250	9,814,363	12,304,487
Net Position - November 30,	1,689,200	965,980	1,478,933	1,459,932	1,400,000	969,375	7,963,420	9,814,363
Designated	163,574							
Undesignated	1,525,626							
	1,689,200							

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

UPPER WALLKILL FACILITIES FUND  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN CASH AND INVESTMENTS  
UNRESTRICTED AND RESTRICTED ACCOUNTS  
FOR THE YEAR ENDED NOVEMBER 30, 2013

	Trustee Revenue Account	Revenue Operating Account	General Planning Replacement	Petty Cash	Renewal and Replacement
Cash, Cash Equivalents and Investments - December 1, 2012	1,304,214	352,275	86	400	1,379,875
<b>Cash Receipts:</b>					
User and Other Charges		6,146,378			
Interest on Investments					
Other	105,943	26,867			200,000
Transfers	6,343,162	3,877,119			
<b>Total Cash Receipts</b>	<u>6,449,105</u>	<u>10,050,364</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
<b>Cash and Investments Available</b>	<u>7,753,319</u>	<u>10,402,639</u>	<u>86</u>	<u>400</u>	<u>1,579,875</u>
<b>Cash Disbursements:</b>					
Operations		3,877,410			
Bond Interest Payments					
Bond Principal Payments					
Other					
Transfers	6,298,654	6,343,162			10,340
<b>Total Cash Disbursements</b>	<u>6,298,654</u>	<u>10,220,572</u>	<u>-</u>	<u>-</u>	<u>10,340</u>
<b>Cash, Cash Equivalents and Investments - November 30, 2013</b>	<u>1,454,665</u>	<u>182,067</u>	<u>86</u>	<u>400</u>	<u>1,569,535</u>
<b>Analysis of Balance:</b>					
Unrestricted	485,290	182,067	86	400	133,585
Restricted	969,375	-	-	-	1,435,950
	<u>1,454,665</u>	<u>182,067</u>	<u>86</u>	<u>400</u>	<u>1,569,535</u>
Cash and Cash Equivalents Investments	1,454,665	182,067	86	400	1,569,535
	<u>1,454,665</u>	<u>182,067</u>	<u>86</u>	<u>400</u>	<u>1,569,535</u>
<b>Analysis of Restricted Accounts:</b>					
Operations	969,375				
	<u>969,375</u>				

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

UPPER WALLKILL FACILITIES FUND  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN CASH AND INVESTMENTS  
UNRESTRICTED AND RESTRICTED ACCOUNTS  
FOR THE YEAR ENDED NOVEMBER 30, 2013

	Phase II Construction	Debt Service	Future Debt Service	Phase III Construction	Retainage Account
Cash, Cash Equivalents and Investments - December 1, 2012	126,494	1,338,782	1,622,976	385,410	8,243
<b>Cash Receipts:</b>					
User and Other Charges			58,930		
Interest on Investments				16,257	
Other	18,583	1,631,373			
Transfers					
<b>Total Cash Receipts</b>	<u>18,583</u>	<u>1,631,373</u>	<u>58,930</u>	<u>16,257</u>	<u>-</u>
<b>Cash and Investments Available</b>	<u>145,077</u>	<u>2,970,155</u>	<u>1,681,906</u>	<u>401,667</u>	<u>8,243</u>
<b>Cash Disbursements:</b>					
Operations		125,798			
Bond Interest Payments		1,257,199			
Bond Principal Payments		4,401			
Other	46,290				8,243
Transfers					
<b>Total Cash Disbursements</b>	<u>46,290</u>	<u>1,387,398</u>	<u>-</u>	<u>-</u>	<u>8,243</u>
<b>Cash, Cash Equivalents and Investments - November 30, 2013</b>	<u>98,787</u>	<u>1,582,757</u>	<u>1,681,906</u>	<u>401,667</u>	<u>-</u>
<b>Analysis of Balance:</b>					
Unrestricted	-	587,843	202,973	-	-
Restricted	98,787	994,914	1,478,933	401,667	-
	<u>98,787</u>	<u>1,582,757</u>	<u>1,681,906</u>	<u>401,667</u>	<u>-</u>
Cash and Cash Equivalents	98,787	1,582,757	1,681,906	401,667	-
Investments	-	-	-	-	-
	<u>98,787</u>	<u>1,582,757</u>	<u>1,681,906</u>	<u>401,667</u>	<u>-</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
UPPER WALKILL FACILITIES FUND  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN CASH AND INVESTMENTS  
UNRESTRICTED AND RESTRICTED ACCOUNTS  
FOR THE YEAR ENDED NOVEMBER 30, 2013

	Series 2008 A&B Bond Service Fund	Series 2012 Bond Service Fund	Vernon Twp Stabilization Fund	Total
Cash, Cash Equivalents and Investments - December 1, 2012	365,078	51,108	-	6,934,941
<b>Cash Receipts:</b>				
User and Other Charges				6,146,378
Interest on Investments				58,930
Other			154,134	503,201
Transfers	707,607	128,845		12,706,689
<b>Total Cash Receipts</b>	<u>707,607</u>	<u>128,845</u>	<u>154,134</u>	<u>19,415,198</u>
<b>Cash and Investments Available</b>	<u>1,072,685</u>	<u>179,953</u>	<u>154,134</u>	<u>26,350,139</u>
<b>Cash Disbursements:</b>				
Operations				3,877,410
Bond Interest Payments	203,342	93,811		422,951
Bond Principal Payments	250,408	10,000		1,517,607
Other				4,401
Transfers				12,706,689
<b>Total Cash Disbursements</b>	<u>453,750</u>	<u>103,811</u>	<u>-</u>	<u>18,529,058</u>
<b>Cash, Cash Equivalents and Investments - November 30, 2013</b>	<u>618,935</u>	<u>76,142</u>	<u>154,134</u>	<u>7,821,081</u>
<b>Analysis of Balance:</b>				
Unrestricted	-	-	154,134	1,746,378
Restricted	618,935	76,142	-	6,074,703
	<u>618,935</u>	<u>76,142</u>	<u>154,134</u>	<u>7,821,081</u>
Cash and Cash Equivalents	618,935	76,142	154,134	7,821,081
Investments	-	-	-	-
	<u>618,935</u>	<u>76,142</u>	<u>154,134</u>	<u>7,821,081</u>

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

UPPER WALLKILL FACILITIES FUND  
SCHEDULE OF OPERATING REVENUES AND COST  
FUNDED BY OPERATING REVENUES COMPARED TO  
BUDGET YEAR ENDED NOVEMBER 30, 2013

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2012

	<u>2012-2013</u> <u>Budget</u>	<u>2012-2013</u> <u>Budget After</u> <u>Modifications</u>	<u>2012-2013</u> <u>Actual</u>	<u>2011-2012</u> <u>Actual</u>
<b>Revenues:</b>				
User Charges - Sewers	4,898,000	4,898,000	4,898,000	4,974,690
Interest Income from Operating Investments	94,000	94,000	58,930	66,258
Treatment of Sludge	65,000	65,000	87,115	87,674
Treatment of Septage	294,000	294,000	515,176	375,323
Treatment of Leachate	215,000	215,000	214,600	215,560
Connection Fees	215,000	215,000	512,662	214,904
Operating and Maintenance Charges to Municipalities	90,000	90,000	78,591	75,089
Other	26,000	26,000	14,918	22,057
Operating Grants				412,211
Finance Charges			8,092	3,301
<b>Total Operating Revenue</b>	<u>5,897,000</u>	<u>5,897,000</u>	<u>6,388,084</u>	<u>6,447,067</u>
<b>Expenses:</b>				
<b>Cost of Providing Services:</b>				
(1) Salaries, Operating Staff	992,000	992,000	923,699	969,124
(2) Fringe Benefits, Operating Staff	606,000	606,000	527,247	526,587
(3) Utilities	652,000	652,000	525,274	578,668
(4) Motor Vehicles & Equipment	16,000	16,000	12,855	28,152
(5) Stationary Equipment	62,000	62,000	39,728	53,621
(6) Electrical Equipment Maintenance Repair, Operating	27,000	27,000	20,512	17,673
(7) Insurance, Plant Operations	198,000	198,000	195,938	189,479
(8) Testing Services	13,500	13,500	10,938	13,102
(10) Outside Services	110,000	110,000	140,773	117,911
(11) Safety Equipment	6,000	6,000	3,309	11,730
(12) Chemicals & Wood Chips	189,000	189,000	190,985	177,859
(13) Miscellaneous Plant Supplies	17,000	17,000	23,162	19,409
(14) Taxes and Fees	55,000	55,000	51,064	54,208

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

UPPER WALLKILL FACILITIES FUND  
SCHEDULE OF OPERATING REVENUES AND COST  
FUNDED BY OPERATING REVENUES COMPARED TO  
BUDGET YEAR ENDED NOVEMBER 30, 2013

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2012

	<u>2012-2013</u> <u>Budget</u>	<u>2012-2013</u> <u>Budget After</u> <u>Modifications</u>	<u>2012-2013</u> <u>Actual</u>	<u>2011-2012</u> <u>Actual</u>
(15) Laboratory Supplies	10,000	10,000	7,406	9,620
(16) Custodial Supplies	6,000	6,000	4,638	1,977
(17) Purchases Related to Operating and Maintenance Services	15,000	15,000	22,477	7,920
<b>Subtotal Cost of Providing Services</b>	<u>2,974,500</u>	<u>2,974,500</u>	<u>2,700,005</u>	<u>2,777,040</u>
<b>Administrative Expenses:</b>				
Publications and Subscriptions	100	100		
Seminars and Dues	3,000	3,000	2,275	3,752
Indirect Administrative Expenses	599,000	599,000	586,013	603,081
Engineering Consulting Fees	42,000	42,000	34,386	42,189
Trustee Fees	11,000	11,000	16,887	10,387
General Legal Fees	35,000	35,000	6,048	12,955
Office Supplies	3,000	3,000	2,695	1,874
Printing	400	400	291	762
Travel & Expenses, Administrative Staff	1,000	1,000	158	250
General Advertising	1,000	1,000	1,964	
Personnel Services	4,000	4,000	4,266	3,665
<b>Subtotal Administrative Expenses</b>	<u>699,500</u>	<u>699,500</u>	<u>654,983</u>	<u>678,915</u>
<b>Capital Outlay</b>	<u>91,000</u>	<u>91,000</u>	<u>51,742</u>	<u>56,450</u>
<b>Reserves:</b>				
Renewal and Replacement	150,000	150,000	150,000	50,000
Vernon Rate Stabilization			154,134	
Reserve for Watershed Operating Grants				412,211
<b>Subtotal Reserves</b>	<u>150,000</u>	<u>150,000</u>	<u>304,134</u>	<u>462,211</u>
<b>Debt Service:</b>				
Interest Expense	522,000	522,000	395,457	453,901
Bond Principal	1,460,000	1,460,000	1,460,000	1,528,000
<b>Subtotal Debt Service</b>	<u>1,982,000</u>	<u>1,982,000</u>	<u>1,855,457</u>	<u>1,981,901</u>
<b>Total Costs Funded by Operating Revenues</b>	<u>5,897,000</u>	<u>5,897,000</u>	<u>5,566,321</u>	<u>5,956,517</u>

(1) Does not include accreted interest on capital appreciation bonds.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
UPPER WALLKILL FACILITIES FUND  
SCHEDULE OF OPERATING REVENUES AND COST  
FUNDED BY OPERATING REVENUES COMPARED TO  
BUDGET YEAR ENDED NOVEMBER 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2012

	<u>2012-2013</u> <u>Budget</u>	<u>2012-2013</u> <u>Budget After</u> <u>Modifications</u>	<u>2012-2013</u> <u>Actual</u>	<u>2011-2012</u> <u>Actual</u>
Excess or (Deficit) in Actual Revenues and Expenses			821,763	490,550
Reconciliation of Budgetary Basis To Change in Net Position:				
Depreciation			(3,019,440)	(3,060,528)
Amortization of:				
Bond Discount			(2,201)	(27,608)
Deferred Gains/Losses on Early Extinguishment of Debt			(74,725)	(105,658)
Bond Premiums			6,467	8,725
Accreted Interest - Capital Appreciation Bonds			(1,394,021)	(1,333,591)
Capital Outlay			51,742	56,450
Bad Debt Expense				(42,806)
Loss on Disposal of Equipment			(260)	(44,853)
Other Non-Operating Expenses			(4,402)	(8,805)
Vernon Rate Stabilization			154,134	
Budget Appropriation-Renewal & Replacement			150,000	50,000
Bond Principal Payments			1,460,000	1,528,000
			<u>(2,672,706)</u>	<u>(2,980,674)</u>
Change in Net Position			<u>(1,850,943)</u>	<u>(2,490,124)</u>

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

UPPER WALLKILL FACILITIES FUND  
SCHEDULE OF REVENUE BONDS PAYABLE  
NOVEMBER 30, 2013

<u>Description</u>	<u>Original Issue</u>		<u>Maturities</u>		<u>Balance</u> <u>Dec. 1, 2012</u>	<u>Issued</u> <u>2012-2013</u>	<u>Accreted</u> <u>Principal</u>	<u>Paid or</u> <u>Refunded</u> <u>2012-2013</u>	<u>Balance</u> <u>Nov. 30, 2013</u>
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Rate</u>					
Wastewater Treatment Trust Refunding Bonds (Series 2003)	05/07/03	2,935,000			227,198			227,198	0
2003 Wastewater Revenue Refunding Bonds (Series G)	10/12/03	11,270,000	12/01/13	3.792%					
			12/01/14	4.434%					
					3,390,000			1,030,000	2,360,000

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
UPPER WALLKILL FACILITIES FUND  
SCHEDULE OF REVENUE BONDS PAYABLE  
NOVEMBER 30, 2013

<u>Description</u>	<u>Original Issue</u>		<u>Maturities Interest</u>		<u>Amount</u>	<u>Balance Dec. 1, 2012</u>	<u>Issued 2012-2013</u>	<u>Accreted Principal</u>	<u>Paid or Refunded 2012-2013</u>	<u>Balance Nov. 30, 2013</u>
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Rate</u>						
2008 Wastewater Revenue Bonds (Series A)	09/15/08	4,095,000	12/01/13	3.750%	80,000					
			12/01/14	3.750%	85,000					
			12/01/15	4.000%	85,000					
			12/01/16	4.000%	90,000					
			12/01/17	4.000%	95,000					
			12/01/18	4.000%	95,000					
			12/01/19	4.000%	100,000					
			12/01/20	4.000%	105,000					
			12/01/21	4.000%	110,000					
			12/01/22	4.125%	115,000					
			12/01/23	4.125%	120,000					
			12/01/24	4.250%	120,000					
			12/01/25	4.250%	125,000					
			12/01/26	4.500%	135,000					
			12/01/27	4.500%	140,000					
			12/01/28	4.500%	145,000					
			12/01/29	4.500%	150,000					
			12/01/30	4.500%	160,000					
			12/01/31	5.000%	165,000					
			12/01/32	5.000%	175,000					
			12/01/33	5.000%	180,000					
			12/01/34	5.000%	190,000					
			12/01/35	5.000%	200,000					
			12/01/36	5.000%	210,000					
			12/01/37	5.000%	220,000					
			12/01/38	5.000%	235,000					
			12/01/39	5.000%	245,000					
						3,950,000			75,000	3,875,000

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
UPPER WALLKILL FACILITIES FUND  
SCHEDULE OF REVENUE BONDS PAYABLE  
NOVEMBER 30, 2013

<u>Description</u>	<u>Original Issue</u>		<u>Maturities</u>			<u>Balance</u> <u>Dec. 1, 2012</u>	<u>Issued</u> <u>2012-2013</u>	<u>Accreted</u> <u>Principal</u>	<u>Paid or</u> <u>Refunded</u> <u>2012-2013</u>	<u>Balance</u> <u>Nov. 30, 2013</u>
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Rate</u>	<u>Amount</u>					
2008 Wastewater Revenue Bonds (Series B)	09/15/08	23,403,738	12/01/13	3.380%	250,000					
			12/01/14	3.610%	337,697					
			12/01/15	3.820%	1,195,972					
			12/01/16	3.970%	1,195,369					
			12/01/17	4.120%	1,282,715					
			12/01/18	4.270%	1,303,392					
			12/01/19	4.430%	1,418,454					
			12/01/20	4.580%	1,453,038					
			12/01/21	4.690%	1,449,273					
			12/01/22	4.790%	1,368,245					
			12/01/23	4.850%	1,622,487					
			12/01/24	4.910%	1,536,630					
			12/01/25	4.970%	1,453,628					
			12/01/26	5.030%	1,373,483					
			12/01/27	5.090%	1,296,245					
			12/01/28	5.150%	1,221,942					
			12/01/29	5.200%	1,152,328					
			12/01/30	5.260%	1,083,842					
			12/01/31	5.310%	1,020,018					
			12/01/32	5.360%	1,030,403					
			12/01/33	5.390%	969,900					
			12/01/34	5.410%	915,919					
			12/01/35	5.700%	817,476					
			12/01/36	5.720%	768,001					
			12/01/37	5.730%	725,482					
			12/01/38	5.750%	681,088					
			12/01/39	5.750%	643,546					
						28,372,552		1,394,021	200,000	29,566,573

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

UPPER WALLKILL FACILITIES FUND  
SCHEDULE OF REVENUE BONDS PAYABLE  
NOVEMBER 30, 2013

<u>Description</u>	<u>Original Issue</u>		<u>Maturities</u>		<u>Balance</u> <u>Dec. 1, 2012</u>	<u>Issued</u> <u>2012-2013</u>	<u>Accreted</u> <u>Principal</u>	<u>Paid or</u> <u>Refunded</u> <u>2012-2013</u>	<u>Balance</u> <u>Nov. 30, 2013</u>
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Interest</u> <u>Rate</u>					
2012 Wastewater Revenue Refunding Bonds	07/11/12	3,165,000	12/01/13	3.000%	15,000				
			12/01/14	3.000%	20,000				
			12/01/15	3.000%	290,000				
			12/01/16	3.000%	290,000				
			12/01/17	3.000%	290,000				
			12/01/18	3.000%	295,000				
			12/01/19	4.000%	120,000				
			12/01/20	4.000%	125,000				
			12/01/21	4.000%	130,000				
			12/01/22	4.000%	135,000				
			12/01/23	3.125%	140,000				
			12/01/24	3.125%	145,000				
			12/01/25	3.125%	150,000				
			12/01/26	3.375%	155,000				
			12/01/27	3.375%	160,000				
			12/01/28	3.375%	165,000				
			12/01/29	3.625%	170,000				
			12/01/30	3.625%	175,000				
			12/01/31	3.625%	185,000				
					3,165,000			10,000	3,155,000
					39,104,750	0	1,394,021	1,542,198	38,956,573



SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

HAMPTON COMMONS FACILITIES FUND  
SCHEDULE OF REVENUE, EXPENSES AND  
CHANGES IN NET POSITION  
RESTRICTED AND UNRESTRICTED

	<u>Unrestricted</u>	<u>Invested in Capital Assets</u>	<u>Restricted Renewal and Replacement</u>	<u>Total November 30,</u>	
				<u>2013</u>	<u>2012</u>
<b>Operating Revenue:</b>					
Sewer Charges	165,310			165,310	164,480
	<u>165,310</u>	<u>-</u>	<u>-</u>	<u>165,310</u>	<u>164,480</u>
<b>Operating Expenses:</b>					
Operating, Maintenance and Reserves	155,161			155,161	158,049
Depreciation		67,155		67,155	67,075
	<u>155,161</u>	<u>67,155</u>	<u>-</u>	<u>222,316</u>	<u>225,124</u>
<b>Operating Income</b>	10,149	(67,155)	-	(57,006)	(60,644)
<b>Non-Operating Revenue/(Expenses):</b>					
Other Income				-	-
Other Expenses				-	-
Budget Appropriation			4,000	4,000	4,000
Interest Income	134			134	288
	<u>134</u>	<u>-</u>	<u>4,000</u>	<u>4,134</u>	<u>4,288</u>
<b>Net Income/(Loss) Before Transfers</b>	10,283	(67,155)	4,000	(52,872)	(56,356)
Transfers:					
Other				-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Increase (Decrease) in Net Position</b>	10,283	(67,155)	4,000	(52,872)	(56,356)
<b>Net Position - December 1,</b>	98,824	467,390	48,790	615,004	671,360
<b>Net Position - November 30,</b>	<u>109,107</u>	<u>400,235</u>	<u>52,790</u>	<u>562,132</u>	<u>615,004</u>
Designated	9,000				
Undesignated	100,107				
	<u>109,107</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
HAMPTON COMMONS FACILITIES FUND  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN CASH AND INVESTMENTS  
UNRESTRICTED AND RESTRICTED ACCOUNTS  
FOR THE YEAR ENDED NOVEMBER 30, 2013

	Revenue Operating Account	Renewal and Replacement Account	Total
<b>Cash, Cash Equivalents and Investments-</b> December 1, 2012	98,465	44,790	143,255
<b>Cash Receipts:</b>			
Sewer Charges	165,310		165,310
Interest on Investments	134		134
Other		8,000	8,000
<b>Total Cash Receipts</b>	<u>165,444</u>	<u>8,000</u>	<u>173,444</u>
<b>Total Cash And Investments Available</b>	<u>263,909</u>	<u>52,790</u>	<u>316,699</u>
<b>Cash Disbursements:</b>			
Operating and Maintenance Costs	152,402		152,402
Renewal and Replacement Expenses			-
<b>Total Cash Disbursements</b>	<u>152,402</u>	<u>-</u>	<u>152,402</u>
<b>Cash, Cash Equivalents and Investments-</b> November 30, 2013	<u>111,507</u>	<u>52,790</u>	<u>164,297</u>
<b>Analysis of Balance:</b>			
Unrestricted	111,507	-	111,507
Restricted	-	52,790	52,790
	<u>111,507</u>	<u>52,790</u>	<u>164,297</u>
<b>Cash and Cash Equivalents</b>	58,709	52,790	111,499
<b>Investments</b>	52,798	-	52,798
	<u>111,507</u>	<u>52,790</u>	<u>164,297</u>

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

HAMPTON COMMONS FACILITIES FUND  
SCHEDULE OF OPERATING REVENUES AND  
COSTS FUNDED BY OPERATING REVENUES  
COMPARED TO BUDGET, YEAR ENDED NOVEMBER 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS  
FOR THE YEAR ENDED NOVEMBER 30, 2012

	2012-2013 <u>Budget</u>	2012-2013 <u>Budget After Modification</u>	2012-2013 <u>Actual</u>	2011-2012 <u>Actual</u>
<b>Revenue:</b>				
Retained Earnings Appropriated	9,000	9,000	9,000	12,000
Service Agreements (Hampton Commons Homeowners Association) (Lowe's)	135,639	135,639	135,639	134,958
Interest on Investments and Deposits	29,671	29,671	29,671	29,522
Miscellaneous	1,140	1,140	134	288
<b>Total Operating Revenue</b>	<u>175,450</u>	<u>175,450</u>	<u>174,444</u>	<u>176,768</u>
<b>Expenses:</b>				
<b>Operating and Maintenance</b>				
(1) Payment to Upper Walkkill for Operating and Maintenance Services	46,500	46,500	46,500	44,000
(2) Utilities	27,700	27,700	23,461	22,951
(3) Outside Services	23,500	23,500	11,481	11,700
(4) Testing Services	3,500	3,500	4,408	2,763
(5) Engineering Fees	1,500	1,500	767	4,168
(6) Legal Fees	1,000	1,000	2,485	1,194
(7) Plant Supplies	1,000	1,000	545	879
(8) Chemicals	3,500	3,500	2,539	3,011
(9) Electrical and Mechanical Equipment Repair	500	500	66	
(10) Equipment Purchases	3,000	3,000	4,412	9,646
(11) Laboratory Supplies	1,000	1,000	728	826
(12) Insurance	3,000	3,000	2,680	2,524
(13) Safety Equipment	750	750	93	405
(14) Taxes and Fees	6,000	6,000	6,868	5,275
(15) Printing Expenses			103	
(16) Indirect Administration, Legal and Fiscal Expenses	45,000	45,000	44,025	44,707
<b>Total Operating and Maintenance Expenses</b>	<u>167,450</u>	<u>167,450</u>	<u>151,161</u>	<u>154,049</u>
<b>Capital Outlay</b>	<u>4,000</u>	<u>4,000</u>		<u>4,865</u>
<b>Renewal and Replacement</b>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
	<u>175,450</u>	<u>175,450</u>	<u>155,161</u>	<u>162,914</u>
<b>Excess or (Deficit) in Actual Revenues and Expenses</b>			19,283	13,854
<b>Reconciliation of Budgetary Basis To Change in Net Position:</b>				
Retained Earnings Appropriated			(9,000)	(12,000)
Depreciation			(67,155)	(67,075)
Capital Outlay				4,865
Renewal and Replacement Appropriation			4,000	4,000
			<u>(72,155)</u>	<u>(70,210)</u>
<b>Change in Net Position</b>			<u>(52,872)</u>	<u>(56,356)</u>

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
 SOLID WASTE FACILITIES FUND  
 SCHEDULE OF REVENUE, EXPENSES AND  
 CHANGES IN NET POSITION  
 RESTRICTED AND UNRESTRICTED  
 NOVEMBER 30, 2013

	Unrestricted	Invested in Capital Assets	Restricted				Totals (Memo)			
			Cell Closure	Current Debt Service	Future Debt Service	Renewal and Replacement	Operations	Landfill Postclosure	2013	2012 (Restated)
Operating Revenue:										
Tipping Fees	10,980,861									10,713,626
Recycle Markets	366,215									472,342
Operating Grant	111,200									110,000
Sale of Greenhouse Gas Reduction Credits	19,950									40,877
Interest from Users	10,006									26,127
Miscellaneous									10,006	7,936
Operating Expenses:										
Administration, Operations, Maintenance and Reserves	11,488,232	0	0	0	0	0	0	0	11,488,232	11,370,908
Depreciation	5,833,856								5,833,856	6,303,239
	2,420,016								2,420,016	2,466,546
	8,253,872	0	0	0	0	0	0	0	8,253,872	8,763,785
Operating Income	3,234,360	0	0	0	0	0	0	0	3,234,360	2,607,123
Non-Operating Revenue And (Expenses):										
Interest Income	167,148									395,063
Miscellaneous		2,020							204,055	10,267
Budget Appropriation - Postclosure Escrow		600							0	0
Budget Appropriation - Cell Closure Escrow									0	772,500
Investment Expenses	(58,417)								(90,188)	(76,248)
Amortization of Bond Premiums	130,221								130,221	80,603
Cell Closure Expenditures (Net)		(2,921,500)							(2,921,500)	156,098
Postclosure Expenditures (Net)									(557,883)	(515,393)
Loss on Disposal of Fixed Assets	(25,625)								(25,625)	
Accretion		(122,849)							(122,849)	(231,556)
Interest Expense	(870,569)	(382,503)							(1,253,072)	(1,387,486)
Income or (Loss) Before Transfers	2,577,118	(505,352)	(2,918,988)	0	0	0	0	0	(1,232,713)	1,810,971
Transfers:										
Other	(2,519,082)	3,203,768	(157,883)	4,023,165	(3,874,000)			72,750	0	0
Increase/(Decrease) in Net Position	58,036	2,698,416	(3,076,871)	4,023,165	(3,874,000)			72,750	(1,232,713)	1,810,971
Net Assets - December 1, as previously reported	536,076	(4,347,021)	(5,065,931)	4,897,496	3,874,000		1,310,000	1,514,500	7,132,966	5,439,434
Prior Period Adjustment:										
Cumulative effect of change in accounting principle - implementation of GASB No. 65.										(117,439)
Net Assets - December 1, as restated	536,076	(4,347,021)	(5,065,931)	4,897,496	3,874,000		1,310,000	1,514,500	7,132,966	5,321,995
Net Assets - November 30,	594,112	(1,648,605)	(8,142,802)	8,920,661	0		561,282	1,607,250	5,900,233	7,132,966
Designated	0									
Undesignated	594,112									
	594,112									

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

SOLID WASTE FACILITIES FUND  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN CASH AND INVESTMENTS  
UNRESTRICTED AND RESTRICTED ACCOUNTS  
FOR THE YEAR ENDED NOVEMBER 30, 2013

	Trustee Revenue Account	Revenue Operating Account	Petty Cash	General Fund
<b>Cash, Cash Equivalents and Investments - December 1, 2012</b>	46,548	1,826,644	2,100	1
<b>Cash Receipts:</b>				
Solid Waste Revenues		11,494,119		
Interest on Investments				
Budget				
Other		53,053		
Transfers	12,055,984	6,133,588		
<b>Total Cash Receipts</b>	<u>12,055,984</u>	<u>17,680,760</u>	<u>-</u>	<u>-</u>
<b>Cash and Investments Available</b>	<u>12,102,532</u>	<u>19,507,404</u>	<u>2,100</u>	<u>1</u>
<b>Cash Disbursements:</b>				
Operations		6,050,685		
Bond Interest Payments				
Bond Principal Payments				
Other	105,943	58,416		
Construction Expenditures				
Transfers	11,137,659	11,730,955		
<b>Total Cash Disbursements</b>	<u>11,243,602</u>	<u>17,840,056</u>	<u>-</u>	<u>-</u>
<b>Cash, Cash Equivalents and Investments - November 30, 2013</b>	<u>858,930</u>	<u>1,667,348</u>	<u>2,100</u>	<u>1</u>
<b>Analysis of Balance:</b>				
Unrestricted	-	-	2,100	1
Restricted	858,930	1,667,348	-	-
	<u>858,930</u>	<u>1,667,348</u>	<u>2,100</u>	<u>1</u>
Cash and Cash Equivalents	858,930	1,667,348	2,100	1
Investments	-	-	-	-
	<u>858,930</u>	<u>1,667,348</u>	<u>2,100</u>	<u>1</u>
<b>Analysis of Restricted Accounts:</b>				
Renewal and Replacement				
Current Debt Service	770,567	60,098		
Operations		1,607,250		
Cell Closure	88,363			
	<u>858,930</u>	<u>1,667,348</u>		

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

SOLID WASTE FACILITIES FUND  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN CASH AND INVESTMENTS  
UNRESTRICTED AND RESTRICTED ACCOUNTS  
FOR THE YEAR ENDED NOVEMBER 30, 2013

	<u>Construction</u>	<u>Current Debt Service</u>	<u>Renewal and Replacement</u>	<u>Bond Reserve</u>
<b>Cash, Cash Equivalents and Investments - December 1, 2012</b>	99,693	5,564,125	1,155,572	3,874,001
<b>Cash Receipts:</b>				
Solid Waste Revenues				167,145
Interest on Investments				
Budget				
Other				
Transfers	<u>1,103,134</u>	<u>5,004,071</u>	<u>                    </u>	<u>                    </u>
<b>Total Cash Receipts</b>	<u>1,103,134</u>	<u>5,004,071</u>	<u>                    </u>	<u>167,145</u>
<b>Cash and Investments Available</b>	<u>1,202,827</u>	<u>10,568,196</u>	<u>1,155,572</u>	<u>4,041,146</u>
<b>Cash Disbursements:</b>				
Operations		477,625		
Bond Interest Payments		5,280,000		
Bond Principal Payments				
Other				
Construction Expenditures	594,289			
Transfers	<u>594,289</u>	<u>                    </u>	<u>508,845</u>	<u>167,146</u>
<b>Total Cash Disbursements</b>	<u>1,188,578</u>	<u>5,757,625</u>	<u>508,845</u>	<u>167,146</u>
<b>Cash, Cash Equivalents and Investments - November 30, 2013</b>	<u>14,249</u>	<u>4,810,571</u>	<u>646,727</u>	<u>3,874,000</u>
<b>Analysis of Balance:</b>				
Unrestricted	14,249	4,810,571	646,727	3,874,000
Restricted	<u>14,249</u>	<u>4,810,571</u>	<u>646,727</u>	<u>3,874,000</u>
<b>Cash and Cash Equivalents</b>	14,249	4,810,571	646,727	3,874,000
<b>Investments</b>	-	-	-	-
	<u>14,249</u>	<u>4,810,571</u>	<u>646,727</u>	<u>3,874,000</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

SOLID WASTE FACILITIES FUND  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN CASH AND INVESTMENTS  
UNRESTRICTED AND RESTRICTED ACCOUNTS  
FOR THE YEAR ENDED NOVEMBER 30, 2013

	Series 2003 Subordinated Indebtedness	Planning Fund	Retained Percentages	Cell Closure Account
Cash, Cash Equivalents and Investments - December 1, 2012	-	54,459	18,429	2,962,756
<b>Cash Receipts:</b>				
Solid Waste Revenues				2,021
Interest on Investments				
Budget				
Other				
Transfers			2,720	600
<b>Total Cash Receipts</b>	-	-	2,720	2,621
<b>Cash and Investments Available</b>	-	54,459	21,149	2,965,377
<b>Cash Disbursements:</b>				
Operations				
Bond Interest Payments				556,907
Bond Principal Payments				
Other				
Construction Expenditures			10,959	
Transfers				
<b>Total Cash Disbursements</b>	-	-	10,959	714,790
<b>Cash, Cash Equivalents and Investments - November 30, 2013</b>	-	54,459	10,190	2,250,587
<b>Analysis of Balance:</b>				
Unrestricted	-	26,195	-	-
Restricted	-	28,264	10,190	2,250,587
	-	54,459	10,190	2,250,587
Cash and Cash Equivalents	-	54,459	10,190	1,108,569
Investments	-	-	-	1,142,018
	-	54,459	10,190	2,250,587
<b>Analysis of Restricted Accounts:</b>				
Construction			7,470	
Current Debt Service		28,264	-	
Cell Closure			2,720	
		28,264	10,190	

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

SOLID WASTE FACILITIES FUND  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN CASH AND INVESTMENTS  
UNRESTRICTED AND RESTRICTED ACCOUNTS  
FOR THE YEAR ENDED NOVEMBER 30, 2013

	Landfill Postclosure Account	Total
Cash, Cash Equivalents and Investments - December 1, 2012	9,312,564	24,916,892
<b>Cash Receipts:</b>		11,496,140
Solid Waste Revenues		371,200
Interest on Investments	204,055	-
Budget		161,276
Other	104,903	24,296,777
Transfers		
<b>Total Cash Receipts</b>	<u>308,958</u>	<u>36,325,393</u>
<b>Cash and Investments Available</b>	<u>9,621,522</u>	<u>61,242,285</u>
<b>Cash Disbursements:</b>		6,607,592
Operations		477,625
Bond Interest Payments		5,280,000
Bond Principal Payments		206,981
Other	31,663	594,289
Construction Expenditures		24,296,777
Transfers		
<b>Total Cash Disbursements</b>	<u>31,663</u>	<u>37,463,264</u>
Cash, Cash Equivalents and Investments - November 30, 2013	<u>9,589,859</u>	<u>23,779,021</u>
<b>Analysis of Balance:</b>		28,296
Unrestricted		23,750,725
Restricted	9,589,859	
	<u>9,589,859</u>	<u>23,779,021</u>
Cash and Cash Equivalents	816,315	13,863,459
Investments	8,773,544	9,915,562
	<u>9,589,859</u>	<u>23,779,021</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITYSOLID WASTE FACILITIES FUNDSCHEDULE OF OPERATING REVENUESCOMPARED TO BUDGET, YEAR ENDED NOVEMBER 30, 2013WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2012

	2012-2013 Budget	2012-2013 Budget after Modifications	2012-2013 Actual	2011-2012 Actual
<b>Revenue:</b>				
Tipping Fees	9,883,000	9,883,000	10,980,861	10,713,626
State Aid	3,000,000	3,000,000		
Gross Sales on Recycle Markets	400,000	400,000	366,215	472,342
Interest on Investment and Deposits	165,000	165,000	167,147	164,730
Bond Reserve Fund	3,874,000	3,874,000	3,874,000	
Interest from Users			19,950	26,127
Landfill Gas Sales	20,000	20,000		
Sale of Greenhouse Gas Emission Reduction Credits	25,000	25,000		40,877
Operating Grant	110,000	110,000	111,200	110,000
Miscellaneous	175,000	175,000	10,006	7,936
<b>Total Revenue</b>	<b>17,652,000</b>	<b>17,652,000</b>	<b>15,529,379</b>	<b>11,535,638</b>
<b>Expenses:</b>				
Operating and Maintenance (LF)				
(1) Salaries	1,500,000	1,500,000	1,549,063	1,480,836
(2) Benefits	832,000	832,000	815,004	755,189
(3) Personnel Services	18,000	18,000	20,600	17,117
(4) Engineering and Consulting	105,000	105,000	137,571	120,282
(5) Legal Fees	20,000	20,000	9,280	61,213
(6) Indirect Administrative	599,000	599,000	586,013	603,081
(7) Trustee and Banking Fees	15,000	15,000	15,085	15,085
(8) Insurance	248,000	248,000	197,873	192,865
(9) Auditing/Accounting Fees	2,000	2,000	2,800	2,700
(10) Seminars and Dues	3,000	3,000	3,764	3,012
(11) Travel and Expenses	1,000	1,000	1,820	220
(12) Office Supplies	9,000	9,000	4,971	5,629
(14) Advertising	7,000	7,000	4,200	5,324
(15) Printing	6,000	6,000	5,679	4,890
(16) Publications and Subscriptions	500	500	259	
(17) Custodial Supplies	9,000	9,000	8,871	9,071
(18) Safety Equipment	10,000	10,000	11,348	8,213
(19) Chemicals and Woodchips	236,500	236,500	205,049	167,002
(21) Plant Supplies	20,000	20,000	21,623	20,025
(22) Testing Services	32,000	32,000	29,370	27,358
(23) Outside Services	189,000	189,000	191,857	150,866
(24) Utilities	499,000	499,000	459,003	427,516
(25) Motor Vehicles and Equipment	173,000	173,000	182,619	157,524
(26) Equipment/Stationary	14,000	14,000	13,023	9,936
(27) Electrical Equipment Repairs	20,000	20,000	14,165	9,600
(28) Leachate Disposal	205,000	205,000	204,400	204,960
(29) Recycling Services	40,000	40,000	28,570	27,997
(30) Landfill Gas System	64,500	64,500	45,403	33,863
(31) Host Community Benefit Payments	515,000	515,000	508,508	500,678
(32) Taxes and Fees	455,500	455,500	452,335	406,505
(33) Enforcement Program	100,000	100,000		
	<b>5,948,000</b>	<b>5,948,000</b>	<b>5,730,126</b>	<b>5,428,557</b>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITYSOLID WASTE FACILITIES FUNDSCHEDULE OF OPERATING REVENUESCOMPARED TO BUDGET, YEAR ENDED NOVEMBER 30, 2013WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2012

	<u>2012-2013</u> <u>Budget</u>	<u>2012-2013</u> <u>Budget after</u> <u>Modifications</u>	<u>2012-2013</u> <u>Actual</u>	<u>2011-2012</u> <u>Actual</u>
<b>Capital Outlay</b>	87,000	87,000	73,245	53,840
<b>Debt Service:</b>				
Bond Principal	8,921,000	8,921,000	8,921,000	4,898,000
Interest on Bonds	816,000	816,000	816,339 <sup>(1)</sup>	950,754 <sup>(1)</sup>
	<u>9,737,000</u>	<u>9,737,000</u>	<u>9,737,339</u>	<u>5,848,754</u>
<b>Reserves:</b>				
Renewal and Replacement	150,000	150,000		
Cell Closure Escrow	1,627,000	1,627,000		772,500
Post Closure Care Fund	103,000	103,000	103,730	102,182
	<u>1,880,000</u>	<u>1,880,000</u>	<u>103,730</u>	<u>874,682</u>
<b>Total Solid Waste Appropriations</b>	<u>17,652,000</u>	<u>17,652,000</u>	<u>15,644,440</u>	<u>12,205,833</u>
<b>Excess or Deficit in Actual Revenues and Expenses</b>			(115,061)	(670,195)
<b>Reconciliation of Budgetary Basis</b>				
<b>To Change in Net Position:</b>				
Depreciation Expense			(2,420,016)	(2,460,546)
Amortization			(306,512)	(356,129)
Loss on Disposal of Fixed Assets			(25,625)	
Accreted Interest - Capital Appreciation Bonds			(122,849)	(231,556)
Interest on Non-Operating Investments			206,076	230,333
Other Non-Operating Income			600	10,267
Capital Outlay			73,245	53,840
Investment Expenses			(90,188)	(76,248)
Net Closure/Postclosure Care Expenses			(3,479,383)	413,205
Bond Reserve Fund Balance Anticipated			(3,874,000)	
Bond Principal Payments			<u>8,921,000</u>	<u>4,898,000</u>
Change in Net Position			<u>(1,232,713)</u>	<u>1,810,971</u>

(1) Does not include accreted interest on capital appreciation bonds.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

SOLID WASTE FACILITIES FUND  
SCHEDULE OF REVENUE BONDS PAYABLE  
NOVEMBER 30, 2013

Description	Original Issue		Date	Interest Rate	Amount	Balance Dec. 1, 2012	Issued	Accreted Principal	Refunded or Paid	Balance Nov. 30, 2013
	Date	Amount								
Solid Waste Revenue Bonds, Refunding Series 2003	4/04/03	38,740,000	12/01/2013	5.000%	7,740,000	11,365,000			3,625,000	7,740,000
Solid Waste Revenue Bonds, Series 2006	06/21/06	14,997,820	12/01/2013	4.210%	1,610,000					
			12/01/2014	4.310%	3,588,659					
			12/01/2015	4.400%	3,446,544					
			12/01/2016	4.480%	3,300,775	13,095,625		505,353	1,655,000	11,945,978
GRAND TOTAL						24,460,625	0	505,353	5,280,000	19,685,978

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

OTHER SEWER COMPANIES  
STATEMENT OF NET POSITION  
FOR THE YEAR ENDED NOVEMBER 30, 2013

	<u>Andover Borough</u>	<u>Frankford Township</u>	<u>Luke/ Lovey's</u>	<u>Montague Sewer Co.</u>	<u>Sparta Plaza</u>	<u>Total</u>
<u>Assets:</u>						
Cash and Cash Equivalents	188	4,191	2	461	60	4,902
<b>Total Assets</b>	<u>188</u>	<u>4,191</u>	<u>2</u>	<u>461</u>	<u>60</u>	<u>4,902</u>
<u>Liabilities And Net Position:</u>						
Escrow Deposits Payable	188	4,191	2	461	60	4,902
<b>Total Liabilities And Net Position</b>	<u>188</u>	<u>4,191</u>	<u>2</u>	<u>461</u>	<u>60</u>	<u>4,902</u>

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

PAULINS KILL WATER RECLAMATION PROJECT  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN CASH AND INVESTMENTS  
UNRESTRICTED AND RESTRICTED ACCOUNTS  
FOR THE YEAR ENDED NOVEMBER 30, 2013

	Planning Fund	Construction Fund	Acq. & Imp. Fund	2012 Bond Service Fund	2012 Operating Fund	2013 Operating Fund	Total
Cash, Cash Equivalents and Investments- December 1, 2012	373	12,342	3,417,054	82,449	60,007	-	3,572,225
Cash Receipts:							
Interest on Investments			469	12	3	11	495
Other		450				35,559	36,009
Transfers		159,933		82,211		83,841	325,985
Total Cash Receipts	-	160,383	469	82,223	3	119,411	362,489
Total Cash And Investments Available	373	172,725	3,417,523	164,672	60,010	119,411	3,934,714
Cash Disbursements:							
Construction in Progress		160,041		82,440			160,041
Interest on Note			265,975		60,010		82,440
Transfers							325,985
Total Cash Disbursements	-	160,041	265,975	82,440	60,010	-	568,466
Cash, Cash Equivalents and Investments- November 30, 2013	373	12,684	3,151,548	82,232	-	119,411	3,366,248
Analysis of Balance:							
Unrestricted	373	12,684	3,151,548	82,232	-	119,411	3,366,248
Restricted	373	12,684	3,151,548	82,232	-	119,411	3,366,248
Cash and Cash Equivalents Investments	373	12,684	3,151,548	82,232	-	119,411	3,366,248
	373	12,684	3,151,548	82,232	-	119,411	3,366,248

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY  
WALLKILL WATERSHED PROJECT FUND  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN CASH AND INVESTMENTS  
FOR THE YEAR ENDED NOVEMBER 30, 2013

Cash, Cash Equivalents and Investments- December 1, 2012	189,845
<b>Cash Receipts:</b>	
Grants	397,164
<b>Total Cash Receipts</b>	<u>397,164</u>
<b>Total Cash And Investments Available</b>	<u>587,009</u>
<b>Cash Disbursements:</b>	
Project Expenses	245,641
<b>Total Cash Disbursements</b>	<u>245,641</u>
<b>Cash, Cash Equivalents and Investments- November 30, 2013</b>	<u><u>341,368</u></u>
<b>Analysis of Balance:</b>	
Unrestricted	341,368
Restricted	-
	<u>341,368</u>
Cash and Cash Equivalents	341,368
Investments	-
	<u><u>341,368</u></u>

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

Schedule of Expenditures of Federal Awards  
Fiscal Year Ended November 30, 2013

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity ID Number	Program Amount	Grant Period		Cash Received		Program Expenditures		
				From	To	Prior Years	Current Year	Prior Years	Current Year	Total
U.S. Environmental Protection Agency: Pass Through New Jersey Department of Environmental Protection: Performance Partnership Grants: Watershed Restoration Grant Paulins Kill Headwaters	66.605	042-4801-100-442	\$ 611,776	06/19/07	09/30/13	567,202	25,132	560,629	49,331	609,960
Section 319H Pollution Control and Management Implementation Grant	66.605	042-4801-100-442	\$ 1,400,000	06/18/09	04/17/16	532,200	140,000	329,186	124,661	453,847
Section 319H Pollution Control and Management Implementation Grant	66.605	042-4801-100-442	\$ 700,000	09/03/13	09/02/18		126,000		45,787	45,787
U.S. Department of Agriculture: Emergency Watershed Protection Program: Natural Resources Conservation Service Grant	10.923	2000004632236	\$ 100,031	03/07/12	08/24/12	-	100,031	100,031		100,031
						1,099,402	391,163	989,846	219,779	1,209,625

Note: This schedule was not subject to an audit in accordance with Federal OMB Circular A-133.

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

Schedule of Expenditures of State Financial Assistance  
Fiscal Year Ended November 30, 2013

State Grantor/Pass-Through Grantor/Program	Pass Through Entity ID No.	State Account Number	Program Amount	Grant Period		Prior Years	Cash Received		Prior Years	Program Expenditures		
				From	To		Current Year	Total		Current Year	Total	
<u>New Jersey Department of Environmental Protection:</u>												
Recycling Enhancement Act Tax Fund	n/a	042-4900-752-008	\$ 110,000	06/01/12	05/31/13		110,000	110,000		110,000	110,000	
Recycling Enhancement Act Tax Fund	n/a	042-4900-752-008	\$ 110,000	06/01/13	05/31/14			0			0	
<b>Total State Financial Assistance</b>							<u>0</u>	<u>110,000</u>	<u>0</u>	<u>110,000</u>	<u>110,000</u>	

Note: This schedule was not subject to an audit in accordance with NJOMB Circular 04-04.

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

Honorable Chairperson and Members  
Sussex County Municipal Utilities Authority  
Lafayette, New Jersey 07848

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Sussex County Municipal Utilities Authority, as of and for the year ended November 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated March 25, 2014.

### *Internal Control Over Financial Reporting*

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

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



Honorable Chairperson and Members  
Sussex County Municipal Utilities Authority  
Page 2.

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

### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Sussex County Municipal Utilities Authority'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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2013-1 and 2013-2.

This report is intended solely for the information of the governing body, management, The Division of Local Government Services, Department of Community Affairs, State of New Jersey, Federal Awarding Agencies and Pass Through Entities and is not intended to be and should not be used by anyone other than these specified parties.

### *Purpose of this Report*

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

*Ferraioli, Wielkatz, Cerullo & Cova, P.A.*

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants  
Pompton Lakes, New Jersey

March 25, 2014



**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**

**SCHEDULE OF FINDINGS AND RESPONSES**  
**NOVEMBER 30, 2013**

**2013-1**

**CONDITION**

The Authority has a deficiency in the funding of its Solid Waste Facilities Renewal and Replacement Reserve requirement.

**CRITERIA**

Section 624 of the Authority's Solid Waste Facilities Bond Resolutions require the Authority to maintain in its Renewal and Replacement Reserve Account an amount to be stated on the Consulting Engineer's Certificate stating the amount that, as of the beginning of the fiscal year, is reasonably required as a Renewal and Replacement requirement.

**EFFECT**

The Authority is not in compliance with Section 624 of its Solid Waste Facilities Bond Resolutions.

**CAUSE**

The Authority does not have sufficient cash in its Solid Waste Facilities accounts to reserve the appropriate amount for Renewal and Replacement.

**RECOMMENDATION**

That the Authority take steps to restore its Renewal and Replacement Fund to the amount reported in the Engineer's Certificate as required by its Bond Resolution.

**VIEWS OF RESPONSIBLE OFFICIALS/CORRECTIVE ACTIONS**

The Authority will take the necessary steps to restore the Solid Waste Renewal and Replacement Account to the required balance.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

NOVEMBER 30, 2013

(Continued)

2013-2

CONDITION

The Authority has a shortfall in the funding of its Solid Waste Facilities Cell Closure reserve.

CRITERIA

Governmental Accounting Standards Board (GASB) Statement No. 18, which is based on U.S. Environmental Protection Agency "Solid Waste Disposal Facility Criteria" rules, require that Municipal Solid Waste Landfills to recognize a portion of the estimated cost of landfill closure in each period that solid waste is accepted.

EFFECT

The Authority has not fully funded its accrued cell closure liabilities.

CAUSE

The Authority does not have sufficient cash in its Solid Waste Facilities accounts to properly fund its accrued cell closure liabilities.

RECOMMENDATION

That the Authority implement steps to fully fund its cell closure liabilities.

VIEWS OF RESPONSIBLE OFFICIALS/CORRECTIVE ACTIONS

The Authority will evaluate methods and take steps to fully fund its cell closure liabilities.

**Comments and Recommendations**

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

GENERAL COMMENTS

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term 'competitive contracting', which is defined as "the method described in sections 1 through 5 of P.L. 1999, c.440 (C.40:11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors' formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received."

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations." If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

N.J.S.A. 40A:11-4 states that every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act of specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder.

Effective July 1, 2010, the bid threshold, in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$26,000 and with a qualified purchasing agent the threshold may be up to \$36,000.

Effective January 1, 2011, P.L., 2009, c.166 eliminated the previous lower non-qualified purchasing agent threshold of \$26,000. Thus a contracting unit without a qualified purchasing agent now has a maximum bid threshold of \$17,500.

N.J.S.A. 40A:11-15 was amended with P.L. 1999, c.440 to extend the base contract period. "Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months."

The governing body of the Authority has the responsibility of determining whether the expenditures in any category will exceed the statutory threshold within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Authority Counsel's opinion should be sought before a commitment is made.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

GENERAL COMMENTS, (continued)

Resolutions were adopted authorizing the awarding of contracts and agreements for "Professional Services" N.J.S. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any material or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violation existed. No violations were disclosed.

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 40A:11-4.

Our review of the Authority's minutes indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
NOVEMBER 30, 2013

A review was performed on all prior year recommendations and corrective action was taken on all recommendations.

Problems and weaknesses noted in our review were not of such magnitude that they would effect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments or recommendations, or should you desire assistance in implementing our recommendations, do not hesitate to call us.

We would like to express our gratitude to the management and staff of the Authority for their assistance extended to us throughout the audit.

*Ferraioli, Wielkotz, Cerullo & Cova, P.A.*

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants  
Pompton Lakes, New Jersey

