

REPORT OF AUDIT
SUSSEX COUNTY
MUNICIPAL UTILITIES AUTHORITY
NOVEMBER 30, 2015

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

TABLE OF CONTENTS

<u>Page</u>		<u>Exhibit</u>
INTRODUCTORY SECTION		
1	Roster of Officials	
FINANCIAL SECTION		
2	Independent Auditor's Report	
6	Management Discussion and Analysis	
Basic Financial Statements:		
18	Comparative Statements of Net Position	A
21	Comparative Statements of Revenues, Expenses and Changes in Net Position	B
23	Comparative Statements of Cash Flows	C
25	Notes to Financial Statements	
REQUIRED SUPPLEMENTARY INFORMATION		
78	Schedules of the Authority's Share of Net Pension Liability - PERS	L-1
79	Schedule of the Authority's Contributions - (PERS)	L-2
80	Notes to Required Schedules of Supplementary Information	L-3
SUPPLEMENTAL SCHEDULES		
		<u>Schedule</u>
81	Combining Statement of Net Position - Proprietary Funds	1
86	Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	2
88	Combining Statement of Cash Flows - Proprietary Funds	3
91	Upper Wallkill Facilities Fund - Schedule of Revenue, Expenses and Changes in Net Position - Restricted and Unrestricted	4

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

TABLE OF CONTENTS, (continued)

<u>Page</u>		<u>Schedule</u>
93	Upper Wallkill Facilities Fund - Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments	5
95	Upper Wallkill Facilities Fund - Schedule of Operating Revenues and Cost Funded by Operating Revenues Compared to Budget Year Ended November 30, 2015	6
98	Upper Wallkill Facilities Fund - Schedule of Revenue Bonds Payable	7
101	Hampton Commons Facilities Fund - Schedule of Revenues, Expenses and Changes in Net Position - Restricted and Unrestricted	8
102	Hampton Commons Facilities Fund - Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Unrestricted and Restricted Accounts	9
103	Hampton Commons Facilities Fund - Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget Year Ended November 30, 2015 with Comparative Actual Amounts for the Year ended November 30, 2014	10
104	Solid Waste Facilities Fund - Schedule of Revenue, Expenses and Changes in Net Position - Restricted and Unrestricted	11
105	Solid Waste Facilities Fund - Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Unrestricted and Restricted Accounts	12
108	Solid Waste Facilities Fund - Schedule of Operating Revenues Compared to Budget Year Ended November 30, 2015 with Comparative Actual Amounts for Year ended November 30, 2014	13
110	Solid Waste Facilities Fund - Schedule of Revenue Bonds Payable	14
111	Other Sewer Companies - Statement of Net Position for the Year ended November 30, 2015	15
112	Paulins Kill Water Reclamation Project - Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Unrestricted and Restricted Accounts	16

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

TABLE OF CONTENTS, (continued)

<u>Page</u>		<u>Schedule</u>
113	Wallkill Watershed Project Fund - Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments	17
114	Internal Service Funds - Combining Statement of Net Position	18
115	Internal Service Funds - Combining Statement of Revenue, Expenses and Changes in Fund Net Position	19
116	Internal Service Funds - Combining Statement of Cash Flows	20
117	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 Services	
119	Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and N.J. OMB Circular 04-04	
122	Schedule of Expenditures of Federal Awards	21
123	Schedule of Expenditures of State Financial Assistance	22
124	Notes to the Schedules of Expenditures of Federal and State Awards	
125	Schedule of Findings and Questioned Costs	
127	Summary Schedule of Prior Audit Findings	
128	General Comments	
130	Summary Schedule of Prior Audit Finds	

Introductory Section

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
ROSTER OF OFFICIALS
NOVEMBER 30, 2015

Authority Members

Title

Commissioners

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

Other Officials

John Hatzelis	Administrator
John Nugent	Superintendent - Wasterwater 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
Laddey Clark & Ryan LLC	Special Counsel
Archer & Greiner, P.C.	Bond Counsel
US Bank	Trustee
Ferraioli, Wielkotz, 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, 2015 to January 1, 2016.

Financial Section

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973-579-3212
Fax 973-579-7128

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, 2015 and 2014, 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, 2015 and 2014, 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

Adoption of New Accounting Principles

As discussed in Note 2 to the financial statements, during the fiscal year ended November 30, 2015, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Prior Period Restatement

Because of the implementation of GASB Statements No. 68 and No. 71, beginning net position on the statement of revenues, expenses and changes in net position has been restated for fiscal year November 30, 2015, as discussed in Note 19 to the financial statements. Our opinion is not modified with respect to this matter.

Honorable Chairperson and Members
Sussex County Municipal Utilities Authority
Page 3.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the schedule of the Authority's proportionate share of the net pension liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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 comprises the Sussex County Municipal Utilities Authority's financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards, as required by OMB Circular A-133 Compliance Supplements, the schedule of expenditures of state financial assistance as required by NJ OMB Circular 04-04 and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents and the schedule of expenditures of federal awards, as required by OMB Circular A-133 Compliance Supplements and the schedule of expenditures of state financial assistance as required by NJ OMB Circular 04-04 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, schedule of expenditures of federal awards, as required by OMB Circular A-133 Compliance Supplements, and the schedule of expenditures of state financial assistance as required by NJ OMB Circular 04-04 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Honorable Chairperson and Members
Sussex County Municipal Utilities Authority
Page 4.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2016 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

May 12, 2016



Management Discussion and Analysis

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2015 and 2014. 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 \$3,454,943 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$4,105,924.
- Total net position are comprised of the following:
 - (1) Capital assets, net of related debt, of \$3,558,596 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 \$2,834,580 are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$(2,938,233) represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority increased by \$2,268,243 to \$88,322,855 during the fiscal year primarily due to increases in long-term debt and the Authority's net pension liability.

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)**

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)**

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 \$3,454,943. This is a \$650,981 decrease under last year's net position of \$4,105,924. 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 2015</u>	<u>Restated FY 2014</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>FY 2013</u>
Current and Other Assets	33,739	32,958	781	2.37%	37,122
Capital Assets	56,066	55,753	313	0.56%	59,803
Deferred Outflows of Resources	<u>2,757</u>	<u>2,061</u>	<u>696</u>	<u>33.77%</u>	<u>701</u>
Total Assets and Deferred Outflows	<u>92,562</u>	<u>90,772</u>	<u>1,790</u>		<u>97,626</u>
Long-term Debt Outstanding	46,134	49,707	(3,573)	(7.19)%	58,643
Other Liabilities	42,189	36,347	5,842	16.07%	24,078
Deferred Inflows of Resources	<u>784</u>	<u>612</u>	<u>172</u>	<u>28.10%</u>	<u>122</u>
Total Liabilities and Deferred Inflows	<u>89,107</u>	<u>86,666</u>	<u>2,441</u>		<u>82,843</u>
Invested in Capital Assets, Net of Related Debt	3,559	5,001	(1,442)	(28.83)%	(282)
Restricted	2,834	2,968	(134)	(4.51)%	12,326
Unrestricted	<u>(2,938)</u>	<u>(3,863)</u>	<u>925</u>	<u>(23.95)%</u>	<u>2,739</u>
	<u>3,455</u>	<u>4,106</u>	<u>(651)</u>	<u>(15.85)%</u>	<u>14,783</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 \$650,981.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Net Position (Continued)

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

	<u>FY 2015</u>	<u>Restated FY 2014</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>FY 2013</u>
Operating Revenues	19,301	19,361	(60)	(0.31)%	18,380
Non-Operating Revenues	<u>513</u>	<u>720</u>	<u>(207)</u>	<u>(28.75)%</u>	<u>437</u>
Total Revenues	<u>19,814</u>	<u>20,081</u>	<u>(267)</u>		<u>18,817</u>
Depreciation Expense	5,530	5,349	181	3.38%	5,507
Other Operating Expenses	12,004	12,220	(216)	(1.77)%	9,557
Other Non-Operating Expense	<u>2,931</u>	<u>6,431</u>	<u>(3,500)</u>	<u>(54.42)%</u>	<u>6,705</u>
Total Expenses	<u>20,465</u>	<u>24,000</u>	<u>(3,535)</u>		<u>21,769</u>
Change in Net Position	(651)	(3,919)	3,268	(83.39)%	(2,952)
Beginning Net Position	<u>4,106</u>	<u>8,025</u>	<u>(3,919)</u>	<u>(48.83)%</u>	<u>17,735</u>
Ending Net Position	<u>3,455</u>	<u>4,106</u>	<u>(651)</u>	<u>(15.85)%</u>	<u>14,783</u>

The Authority's Operating Revenues decreased by \$59,494 to \$19,301,112 in 2015 from \$19,360,606 in 2014 primarily due to decreases in tipping fees. Nonoperating Revenues decreased by \$207,074 to \$513,304 from \$720,378 mainly due to decreases in renewal and replacement appropriations and Vernon Rate Stabilization.

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)**

The following table provides a 2015 budget comparison:

Budget vs. Actual FY 2015 (000's)			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	17,080	19,301	2,221
Non-Operating	<u> </u>	<u> 416</u>	<u> 416</u>
	<u>17,080</u>	<u>19,717</u>	<u>2,637</u>
Expenses:			
Operating	10,911	12,004	(1,093)
Non-Operating	<u>6,169</u>	<u>2,833</u>	<u>3,336</u>
	<u>17,080</u>	<u>14,837</u>	<u>2,243</u>
Income Before Depreciation	<u> 0</u>	<u>4,880</u>	<u>4,880</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.

The Solid Waste Facilities service charges are determined after the budget requirements including operating cost, debt service expenses and revenue requirements are calculated. 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)**

The following are charts for various system service charges calculated for FY 2016

Hampton Commons Facility

a. Hampton Commons FY2016 Budget \$174,700
b. Investment Earnings

Earnings on Fund Balances	
R&R Fund	\$ 53,000
Operating Fund	\$ 80,000
Average Fund Balance	\$ 133,000
Estimated Interest Rate	0.5%

Projected Investment Earnings	\$ 665	
c. Appropriation from Retained Earnings	\$5,000	
Total Amount of Other Revenues		\$ 5,665

d. Amount to be Raised by User Charges \$169,035

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>		<u>Estimated FY12 Annual Charge</u>
Hampton Common Homeowners Assoc.	32,000	82.05%	\$169,035 =	\$138,695
Township of Hampton	<u>7,000</u>	<u>17.95%</u>	\$169,035 =	<u>\$ 30,340</u>
	39,000	100.00%		\$169,035

Calculation of HCHA per unit charge

$$\frac{\text{O\&M Expenses}}{\text{Units}} = \text{FY2016 Estimated User Charge}$$

$$\frac{\$138,695}{300} = \boxed{\$462} \text{ per unit}$$

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Solid Waste Facilities

a. Solid Waste FY2016 Budget		\$10,811,600
b. Estimated Recycling Market Revenues:		
Fiber, Metals and Other	\$300,000	
c. Investment Earnings		
d. Miscellaneous Revenues:		
Landfill Gas Sales	130,500	
Finance Charges	24,000	
REA Grant	114,000	
LFG Rent	24,000	
Miscellaneous Income	10,500	
	303,000	

\$

Revenues to be Raised by Tip Fee:

\$10,208,600

e. Tipping Fee Calculation with Flow Control

$$\frac{\text{Revenues Necessary From Tip Fee}}{\text{Est. FY2015 Tonnage}} = \$ \text{ } = \boxed{\$108.60} \text{ per ton}$$

$$\frac{\$10,208,600}{94,000} = \$108.60 \text{ per ton}$$

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Upper Wallkill Facilities

Allocation of Debt Service of Sewer Users (General Charges)

Participant	GPD		FY2016 Projections	% of Total	FY2016 Gen. Charge
Hamburg Borough	210,000	actual	76,650,000	10.94%	132,743
Franklin Borough	398,000	actual	145,270,000	20.73%	251,580
Wallkill Sewer Co.	72,000	actual	26,280,000	3.75%	45,512
HTMUA	225,000	actual(a)	82,125,000	11.72%	142,225
Sussex Borough	312,000	GMF	113,880,000	16.25%	197,218
Wantage Twp.	36,500	GMF	13,322,500	1.90%	23,072
Sparta Twp.	205,000	GMF	74,825,000	10.68%	129,583
Vernon Twp.	461,000	GMF	168,265,000	24.03%	291,403
	<u>1,919,500</u>		<u>700,617,500</u>	<u>100.00%</u>	<u>1,213,336</u>

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

Participant	GPD		FY2016 Projections	% of Total	FY2016 O&M Charge
Hamburg Borough	210,000	actual	76,650,000	10.29%	341,203
Franklin Borough	398,000	actual	145,270,000	19.50%	646,660
Wallkill Sewer Co.	72,000	actual	26,280,000	3.53%	116,984
HTMUA	315,000	actual(b)	114,975,000	15.43%	511,804
Sussex Borough	312,000	GMF	113,880,000	15.29%	506,929
Wantage Twp.	63,000	GMF	22,995,000	3.09%	102,361
Sparta Twp.	210,000	GMF	76,650,000	10.29%	341,203
Vernon Twp.	461,000	GMF	168,265,000	22.58%	749,020
	<u>2,041,000</u>		<u>744,965,000</u>	<u>100.00%</u>	<u>3,316,164</u>

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

FY2016 Estimated Total Sewer User Charges

Participant	General Charge	Operating Charge	Proj. FY2016 User Charge	FY2015 Estimated User Charge	% Change
Hamburg Borough	132,743	341,203	473,946	506,386	(6.4%)
Franklin Borough	251,580	646,660	898,240	919,080	(2.3%)
Walkill Sewer Co.	45,512	116,984	162,496	167,308	(2.9%)
HTMUA	142,225	511,804	654,029	645,761	1.3%
Sussex Borough	197,218	506,929	704,147	696,002	1.2%
Wantage Twp.	23,072	102,361	125,433	123,775	1.3%
Sparta Twp.	129,583	341,203	470,786	465,300	1.2%
Vernon Twp.	741,403	749,020	1,490,423 (A)	1,428,388	4.3%
Comparison all system users	1,663,336	3,316,164	4,979,500	4,952,000	.6%

(A) Added in Vernon Additional Bonds \$450,000, a \$50,000 increase from FY15

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

$$\frac{\$ 4,979,500}{700,617,500} = \$0.00711 \quad \times \quad 1,000 \quad \$7.11/\text{per } 1,000$$

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Capital Assets

CAPITAL ASSETS				
(000's)				
	<u>FY 2015</u>	<u>FY 2014</u>	<u>Dollar Change</u>	<u>FY 2013</u>
Land	3,829	3,377	452	3,377
Improvements	71,287	70,741	546	70,653
Buildings	53,197	53,681	(484)	53,645
Machinery and Equipment	20,719	19,403	1,316	19,269
Total Property, Plant and Equipment	<u>149,032</u>	<u>147,202</u>	1,830	146,944
Less:				
Accumulated Depreciation	(100,142)	(94,633)	(5,509)	(89,397)
	<u>48,890</u>	<u>52,569</u>	(3,679)	57,547
Construction in Progress	<u>7,176</u>	<u>3,184</u>	3,992	2,256
Net Property, Plant and Equipment	<u>56,066</u>	<u>55,753</u>	313	59,803

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. In 2014, the SCMUA completed installation of a temporary landfill cap to reduce leachate volume and improve landfill gas collection. 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 for a replacement Lube Truck and Replacement Roll-off Containers in 2016.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Solid Waste Facilities, (continued)

Solid Waste Planning

The current landfill is expected to reach maximum capacity by 2021. SCMUA received approval for a Waste Management Plan Amendment to extend the landfill life for as long as an additional 40 years. In 2013, the plan amendment was finalized by the Board of Chose Freeholders & NJDEP. In 2016, the Authority received a NJDEP permit to allow construction of the landfill expansion. The landfill expansion project will be financed through the NJ Environmental Infrastructure Trust Program in 2017.

Wastewater Facilities

Upper Wallkill Capital Program

In 2016, a number of projects are proposed utilizing capital outlays, renewal and replacement or other existing capital funds. These projects include: Microstrainer, Unit Replacement, Upgrade UV Unit, and Maintenance Building Improvements. No issuance of debt is anticipated.

Debt Administration

Included in the annual service charge the Authority charges its customers 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 year's 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.

The Solid Waste Facilities service charges are determined after the budget requirements including operating cost, debt service expenses and revenue requirements are calculated. 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 appropriated covered.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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 (website: www.scmua.org).

Basic Financial Statements

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF NOVEMBER 30, 2015 AND 2014

Exhibit A
Page 1 of 3

	<u>2015</u>	<u>(Restated)</u> <u>2014</u>
ASSETS		
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 5,017,050	\$ 4,038,328
Investments	52,995	52,903
Accounts Receivable (net of allowance for uncollectibles)	1,075,052	1,117,928
Prepaid Expenses	43,808	63,693
Due From State of New Jersey	143,320	114,000
Total Unrestricted Current Assets	6,332,225	5,386,852
Restricted Current Assets		
Construction Fund		
Cash and Cash Equivalents	2,481,872	2,382,994
Phase 2 Construction Fund		
Cash and Cash Equivalents	1,506,363	1,531,592
Phase 3 Construction Fund		
Cash and Cash Equivalents	386,667	401,667
Renewal and Replacement Fund		
Cash and Cash Equivalents	2,822,741	2,748,790
Current Debt Service Fund		
Cash and Cash Equivalents	5,966,431	5,653,603
Retained Percentages Account		
Cash and Cash Equivalents	173,652	7,470
Planning Fund		
Cash and Cash Equivalents	373	373
Operations		
Cash and Cash Equivalents	2,748,525	2,686,250
Cell Closure Account		
Cash and Cash Equivalents	620,866	1,713,932
Landfill Postclosure Account		
Cash and Cash Equivalents	148,476	101,323
Investments	9,926,693	9,726,640
Unemployment Trust Fund		
Cash and Cash Equivalents	243,833	236,952
Investments	380,340	379,808
Total Restricted Current Assets	27,406,832	27,571,394
Total Current Assets	33,739,057	32,958,246

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF NOVEMBER 30, 2015 AND 2014

Exhibit A
Page 2 of 3

	<u>2015</u>	<u>(Restated)</u> <u>2014</u>
Non-Current Assets		
Capital Assets		
Land	3,829,724	3,377,143
Improvements	71,287,069	70,740,939
Buildings	53,196,777	53,681,330
Machinery and Equipment	20,719,124	19,402,667
Accumulated Depreciation	(100,142,218)	(94,632,865)
Construction in Progress	<u>7,175,354</u>	<u>3,183,828</u>
Total Non-Current Assets	<u>56,065,830</u>	<u>55,753,042</u>
Total Assets	<u>89,804,887</u>	<u>88,711,288</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - PERS	2,180,520	1,447,815
Deferred Loss on Refunding of Debt	<u>576,468</u>	<u>613,461</u>
Total Deferred Outflows of Resources	<u>2,756,988</u>	<u>2,061,276</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 92,561,875</u>	<u>\$ 90,772,564</u>
LIABILITIES		
Current Liabilities (Payable from Unrestricted Assets)		
Payroll Taxes Payable	\$ 23,953	\$ 24,370
Accounts Payable	339,936	703,315
Escrow Deposits	<u>4,646</u>	<u>4,714</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>368,535</u>	<u>732,399</u>
Current Liabilities (Payable from Restricted Assets)		
Accounts Payable - Cell Closure	17,515	466,133
Accounts Payable	48,281	36,117
Accounts Payable - Pension	353,818	366,577
Retainage Payable	166,215	
Lease Payable	888,225	
Bonds Payable - Current Portion	5,425,000	5,405,000
Accrued Interest on Bonds	<u>1,801,979</u>	<u>1,434,513</u>
Total Current Liabilities Payable from Restricted Assets	<u>8,701,033</u>	<u>7,708,340</u>
Total Current Liabilities	<u>9,069,568</u>	<u>8,440,739</u>

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF NOVEMBER 30, 2015 AND 2014

	<u>2015</u>	(Restated) <u>2014</u>
Non-Current Liabilities		
Net Pension Liability - PERS	9,238,352	8,325,381
Project Note Payable	10,210,000	5,496,000
Planning Loan - County of Sussex	418,658	418,658
Accrued Liabilities - Closure and Postclosure Costs	17,863,500	18,301,138
Accrued Liabilities - Compensated Absences	813,359	770,542
Project Bonds Payable	<u>40,709,418</u>	<u>44,302,154</u>
 Total Non-Current Liabilities	 <u>79,253,287</u>	 <u>77,613,873</u>
 Total Liabilities	 <u>88,322,855</u>	 <u>86,054,612</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - PERS	674,663	496,147
Bond Premiums - Net	<u>109,414</u>	<u>115,881</u>
 Total Deferred Inflows of Resources	 <u>784,077</u>	 <u>612,028</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>89,106,932</u>	 <u>86,666,640</u>
 NET POSITION		
Net Investment in Capital Assets	3,558,596	5,001,292
Restricted For:		
Debt Service	3,889,627	4,202,805
Renewal and Replacement	2,737,296	2,663,345
Operations	2,748,525	2,686,250
Landfill Cell Closure	(10,808,416)	(10,899,294)
Landfill Postclosure	3,624,788	3,674,687
Unemployment Trust	624,173	621,977
Construction Projects	18,587	18,572
Unrestricted		
Designated	529,239	508,696
Undesignated	<u>(3,467,472)</u>	<u>(4,372,406)</u>
 Total Net Position	 <u>\$ 3,454,943</u>	 <u>\$ 4,105,924</u>

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2015 AND 2014

Exhibit B
Page 1 of 2

	<u>2015</u>	<u>(Restated)</u> <u>2014</u>
OPERATING REVENUES		
User Charges	\$ 6,510,168	\$ 6,421,744
Treatment of Sludge, Septage and Leachate	1,023,366	882,097
Operating and Maintenance Charges - Municipal	79,500	61,500
Tipping Fees	10,206,407	10,670,725
Recycling Markets	256,190	305,070
Connection Fees	243,655	688,351
Operating Grants	399,633	136,786
Finance Charges	40,805	29,985
Interest	636	731
Miscellaneous	540,752	163,617
	<u>19,301,112</u>	<u>19,360,606</u>
OPERATING EXPENSES		
Administration, Operating, Maintenance and Reserves	12,003,718	12,219,981
Depreciation	5,530,807	5,349,056
	<u>17,534,525</u>	<u>17,569,037</u>
	<u>1,766,587</u>	<u>1,791,569</u>
OPERATING INCOME (LOSS)		
NON-OPERATING REVENUES (EXPENSES)		
Interest on Investments	182,493	167,249
Renewal and Replacement Appropriation	100,000	356,000
Budget Appropriation - Vernon Rate Stabilization	120,429	189,262
Other Non-Operating Revenue	13,037	1,400
Bond Insurance Premiums		(54,065)
Interest Expense	(1,002,128)	(1,153,048)
Accreted Interest on Capital Appreciation Bonds	(1,515,820)	(1,914,603)
Amortization of Bond Discount, Premiums	6,467	6,467
Investment Expenses	(68,888)	(78,679)

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2015 AND 2014

Exhibit B
Page 2 of 2

	<u>2015</u>	(Restated) <u>2014</u>
NON-OPERATING REVENUES (EXPENSES), cont.		
Unemployment Claims	(4,011)	(639)
Renewal and Replacement Expenses	(26,050)	
Loss on Disposal of Equipment	(12,365)	
Other Non-Operating Expenses	(100,000)	
Cell Closure Expenditures (Net)	90,878	(2,759,455)
Postclosure Expenditures (Net)	(201,610)	(470,807)
	(2,417,568)	(5,710,918)
CHANGE IN NET POSITION	(650,981)	(3,919,349)
Net Position, January 1, as previously reported	4,105,924	15,399,397
Prior Period Adjustment		
Cumulative Effect of Change in Accounting Principle- Implementation of GASB Statement No. 68		(7,374,124)
Net Position, January 1, as restated	4,105,924	8,025,273
Net Position, December 31,	\$ 3,454,943	\$ 4,105,924

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
AS OF NOVEMBER 30, 2015 AND 2014

Exhibit C
Page 1 of 2

	<u>2015</u>	<u>(Restated)</u> <u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 18,402,967	\$ 19,117,673
Cash Received from State of New Jersey	114,000	110,000
Cash Received from Grants	256,313	22,786
Other Operating Receipts	774,218	515,126
Interest Received	183,129	167,980
Cash Paid to Suppliers, Employees and Professional Contractors	(11,962,662)	(11,204,083)
Other Operating Payments	<u>(1,470,648)</u>	<u>(1,158,381)</u>
Net Cash Provided by Operating Activities	<u>6,297,317</u>	<u>7,571,101</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Project Notes Issued	4,714,000	
Bond Insurance Premiums		(54,065)
Principal Payments on Bonds	<u>(5,405,000)</u>	<u>(10,850,000)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(691,000)</u>	<u>(10,904,065)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(4,766,016)	(1,304,186)
Renewal and Replacement Expenditures	(26,049)	
Sales (Purchases) of Investments	<u>(200,677)</u>	<u>188,207</u>
Net Cash Provided by Investing Activities	<u>(4,992,742)</u>	<u>(1,115,979)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	613,575	(4,448,943)
Cash and Cash Equivalents, January 1,	<u>21,503,274</u>	<u>25,952,217</u>
Cash and Cash Equivalents, December 31,	<u>\$ 22,116,849</u>	<u>\$ 21,503,274</u>
ANALYSIS OF BALANCE AT DECEMBER 31		
Unrestricted - Cash and Cash Equivalents	5,017,050	4,038,328
Restricted - Cash and Cash Equivalents	<u>17,099,799</u>	<u>17,464,946</u>
	<u>\$ 22,116,849</u>	<u>\$ 21,503,274</u>

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
 COMPARATIVE STATEMENTS OF CASH FLOWS
 AS OF NOVEMBER 30, 2015 AND 2014

Exhibit C
 Page 2 of 2

	<u>2015</u>	(Restated) <u>2014</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ <u>1,766,587</u>	\$ <u>1,791,569</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	5,530,807	5,430,116
Accreted Interest on Bonds		1,914,603
Pension Adjustment - PERS	346,023	366,166
Unemployment Claims	(4,011)	(639)
Interest Paid	(648,689)	(642,086)
Renewal & Replacement Appropriation	100,000	356,000
Cell Closure/Post Closure Expenses (Net)	(548,370)	(3,230,262)
Other Non-Operating Income	315,959	357,911
Other Non-Operating Expenses	(168,888)	(78,679)
(Increase)/Decrease in Accounts Receivable	42,876	164,144
(Increase)/Decrease in Due From Central Services	(25,243)	(5,703)
(Increase)/Decrease in Due From State of New Jersey	(29,320)	(4,000)
(Increase)/Decrease in Prepaid Expenses	19,885	19,948
Increase/(Decrease) in Current Liabilities Payable from Unrestricted Assets	(339,066)	316,478
Increase/(Decrease) in Current Liabilities Payable from Unrestricted Assets	(104,050)	791,861
Increase/(Decrease) in Non-Current Liabilities	<u>42,817</u>	<u>23,674</u>
Total Adjustments	<u>4,530,730</u>	<u>5,779,532</u>
Net Cash Provided by Operating Activities	\$ <u><u>6,297,317</u></u>	\$ <u><u>7,571,101</u></u>

See accompanying Notes to the Financial Statements.

Notes to Financial Statements

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015

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, 2015
(Continued)

1. General (continued)

Wastewater (continued)

As of November 30, 2015, 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)
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, 2015
(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 170,000 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.

One groundwater recharge site, located on the east side 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 this site. The SCMUA's consulting engineers are designing the facilities and construction is ongoing.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(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 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, 2015
(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, 2015
(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, 2015
(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, 2015
(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 position. 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, 2015
(Continued)

2. Summary of Significant Accounting Policies, (continued)

F. Property, Plant and Equipment, (continued)

Property, plant and equipment includes:

<u>Fiscal Year Ended Nov. 30, 2015:</u>	<u>Upper Wallkill Facilities Fund</u>	<u>Hampton Commons Facilities Fund</u>	<u>Solid Waste Facilities Fund</u>	<u>Paulins Kill Water Reclamation Project</u>	<u>Total</u>
Capital Assets Not Being Depreciated:					
Land	573,834	32,741	2,770,568	452,581	3,829,724
Construction in Progress	<u>98,901</u>	<u> </u>	<u>10,136</u>	<u>7,066,317</u>	<u>7,175,354</u>
Total Capital Assets, Not Being Depreciated	<u>672,735</u>	<u>32,741</u>	<u>2,780,704</u>	<u>7,518,898</u>	<u>11,005,078</u>
Capital Assets Being Depreciated:					
Improvements	22,956,362	510,231	47,820,476		71,287,069
Buildings	40,294,624		12,902,153		53,196,777
Machinery and Equipment	<u>11,175,768</u>	<u>775,225</u>	<u>8,768,131</u>	<u> </u>	<u>20,719,124</u>
Total Capital Assets, Being Depreciated	74,426,754	1,285,456	69,490,760		145,202,970
Less:					
Accumulated Depreciation	<u>(41,123,038)</u>	<u>(1,042,384)</u>	<u>(57,976,796)</u>	<u> </u>	<u>(100,142,218)</u>
Total Capital Assets Being Depreciated, Net	<u>33,303,716</u>	<u>243,072</u>	<u>11,513,964</u>	<u> </u>	<u>45,060,752</u>
Total Capital Assets, Net	<u>33,976,451</u>	<u>275,813</u>	<u>14,294,668</u>	<u>7,518,898</u>	<u>56,065,830</u>
<u>Fiscal Year Ended Nov. 30, 2014:</u>	<u>Upper Wallkill Facilities Fund</u>	<u>Hampton Commons Facilities Fund</u>	<u>Solid Waste Facilities Fund</u>	<u>Paulins Kill Water Reclamation Project</u>	<u>Total</u>
Capital Assets Not Being Depreciated:					
Land	573,834	32,741	2,770,568		3,377,143
Construction in Progress	<u>23,231</u>	<u> </u>	<u>10,136</u>	<u>3,150,461</u>	<u>3,183,828</u>
Total Capital Assets, Not Being Depreciated	<u>597,065</u>	<u>32,741</u>	<u>2,780,704</u>	<u>3,150,461</u>	<u>6,560,971</u>
Capital Assets Being Depreciated:					
Improvements	22,920,463		47,820,476		70,740,939
Buildings	40,239,946	510,231	12,931,153		53,681,330
Machinery and Equipment	<u>11,041,823</u>	<u>775,225</u>	<u>7,585,619</u>	<u> </u>	<u>19,402,667</u>
Total Capital Assets, Being Depreciated	74,202,232	1,285,456	68,337,248		143,824,936
Less:					
Accumulated Depreciation	<u>(38,232,264)</u>	<u>(977,045)</u>	<u>(55,423,556)</u>	<u> </u>	<u>(94,632,865)</u>
Total Capital Assets Being Depreciated, Net	<u>35,969,968</u>	<u>308,411</u>	<u>12,913,692</u>	<u> </u>	<u>49,192,071</u>
Total Capital Assets, Net	<u>36,567,033</u>	<u>341,152</u>	<u>15,694,396</u>	<u>3,150,461</u>	<u>55,753,042</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

2. Summary of Significant Accounting Policies, (continued)

F. Property, Plant and Equipment, (continued)

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

	Balance Nov. 30, 2014	Additions	Disposals	Balance Nov. 30, 2015
Upper Wallkill Facilities Fund:				
Capital Assets Not Being Depreciated:				
Land	573,834			573,834
Construction in Progress	<u>23,231</u>	<u>75,670</u>	_____	<u>98,901</u>
Total Capital Assets, Not Being Depreciated	<u>597,065</u>	<u>75,670</u>	_____	<u>672,735</u>
Capital Assets Being Depreciated:				
Improvements	22,920,463	35,899		22,956,362
Buildings	40,239,946	54,678		40,294,624
Machinery and Equipment	<u>11,041,823</u>	<u>133,945</u>	_____	<u>11,175,768</u>
Total Capital Assets, Being Depreciated	74,202,232	224,522	_____	74,426,754
Less:				
Accumulated Depreciation	<u>(38,232,264)</u>	<u>(2,890,774)</u>	_____	<u>(41,123,038)</u>
Total Capital Assets Being Depreciated, Net	<u>35,969,968</u>	<u>(2,666,252)</u>	_____	<u>33,303,716</u>
Total Capital Assets, Net	<u>36,567,033</u>	<u>(2,590,582)</u>	_____	<u>33,976,451</u>
	Balance			Balance
Hampton Commons Facilities Fund:	Nov. 30, 2014	Additions	Disposals	Nov. 30, 2015
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>775,225</u>	_____	_____	<u>775,225</u>
Total Capital Assets, Being Depreciated	1,285,456			1,285,456
Less:				
Accumulated Depreciation	<u>(977,045)</u>	<u>(65,339)</u>	_____	<u>(1,042,384)</u>
Total Capital Assets Being Depreciated, Net	<u>308,411</u>	<u>(65,339)</u>	_____	<u>243,072</u>
Total Capital Assets, Net	<u>341,152</u>	<u>(65,339)</u>	=====	<u>275,813</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

2. Summary of Significant Accounting Policies, (continued)

F. Property, Plant and Equipment, (continued)

	Balance Nov. 30, 2014	Additions	Disposals	Balance Nov. 30, 2015
<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	47,820,476			47,820,476
Buildings	12,931,153		(29,000)	12,902,153
Machinery and Equipment	<u>7,585,619</u>	<u>1,187,334</u>	<u>(4,822)</u>	<u>8,768,131</u>
Total Capital Assets, Being Depreciated	68,337,248	1,187,334	(33,822)	69,490,760
Less:				
Accumulated Depreciation	<u>(55,423,556)</u>	<u>(2,574,697)</u>	<u>21,457</u>	<u>(57,976,796)</u>
Total Capital Assets Being Depreciated, Net	<u>12,913,692</u>	<u>(1,387,363)</u>	<u>(12,365)</u>	<u>11,513,964</u>
Total Capital Assets, Net	<u>15,694,396</u>	<u>(1,387,363)</u>	<u>(12,365)</u>	<u>14,294,668</u>
 <u>Paulins Kill Water Reclamation Project:</u>				
Capital Assets Not Being Depreciated:				
Land		452,581		452,581
Construction in Progress	<u>3,150,461</u>	<u>3,915,856</u>	_____	<u>7,066,317</u>
Total Capital Assets, Not Being Depreciated	<u>3,150,461</u>	<u>4,368,437</u>	_____	<u>7,518,898</u>

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

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

G. Deferred Outflows and Deferred Inflows of Resources

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

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

Defined Benefit Pension Plans - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Authority's proportion of expenses and liabilities to the pension as a whole, differences between the Authority's pension contribution and its proportionate share of contributions, and the Authority's pension contributions subsequent to the pension valuation measurement date.

Deferred Loss on Refunding of Bonds - Deferred loss on refunding arising from the issuance of revenue refunding bonds, is recorded as a deferred outflow of resources. The deferred loss is amortized in a systematic and rational method as a component of interest expense.

H. 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.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

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

H. Restricted Accounts, (continued)

Upper Wallkill Facilities Fund, (continued):

<u>Account</u>	<u>Amount</u>	<u>Use for which restricted</u>
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.
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.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

2. Summary of Significant Accounting Policies, (continued)

H. Restricted Accounts, (continued)

Upper Wallkill Facilities Fund, (continued):

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.

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., Frankford Township and Sparta Plaza.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

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

H. Restricted Accounts, (continued)

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.
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.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

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

H. Restricted Accounts, (continued)

Solid Waste Facility, (continued):

<u>Account</u>	<u>Amount</u>	<u>Use for which restricted</u>
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.

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.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

2. Summary of Significant Accounting Policies, (continued)

I. 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.

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, 2015, there is a deficit of \$10,808,416 in the Authority's Cell Closure Fund. The Authority plans to reduce this deficit through budgeted contributions to the Cell Closure Escrow Account.

Additionally, the Sussex County Municipal Utilities Authority has submitted a Major SWF Permit Modification Application to the NJDEP that proposes a vertical and horizontal expansion of the existing SCMUA landfill that will increase the landfill's solid waste disposal capacity and optimize the landfill's lifespan for an approximate additional 50 years. Because the application is presently under review and pending, impact of the proposed expansion upon long-term funding cannot be relied upon until a revised facility permit is issued. As such, although the application is pending NJDEP review and approval, the existing approved plan is still effective.

The Sussex County Municipal Utilities Authority will require a solid waste Revenue Bond of approximately \$19,370,000 to be issued prior to the end of the first quarter of 2021 to provide funding for the Section 4 Cap design and construction. The bond plus projected current accounts and revenue, will be sufficient to cover C/PCC costs through 2051.

As noted earlier, SCMUA has applied for a Major Permit Modification that proposes a vertical and horizontal expansion of the existing SCMUA landfill that will increase the landfill's solid waste disposal capacity and optimize the landfill's lifespan approximate an additional 50 years – up to 2064. Once this Application is approved, the financial projections will need to be revised.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

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

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 preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine the useful lives of depreciable assets, and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

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.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

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

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. Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Q. Recent Accounting Pronouncements

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

Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides also provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Statement is effective for periods beginning after June 15, 2015. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. Components of this Statement are effective for periods beginning after June 15, 2015 and 2016. Management does not expect this Statement will have an impact on the financial statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

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

Q. **Recent Accounting Pronouncements, (continued)**

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Statement is effective for periods beginning after June 15, 2016. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement is effective for periods beginning after June 15, 2017. Management has not yet determined the impact of this Statement on the financial statements.

The Government Accounting Standards Board issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. 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. 77, *Tax Abatement Disclosures*, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The Authority believes this Statement will have no impact on future financial statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

2. Summary of Significant Accounting Policies, (continued)

Q. Recent Accounting Pronouncements, (continued)

The Government Accounting Standards Board issued GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which establishes the criteria for identifying the applicable pension plans and addresses measurement and recognition for pension liabilities, expense and expenditures; note disclosures of descriptive information about the plan, benefit terms, and contributions items; and required supplementary information presenting required contribution amounts for the past 10 fiscal years. The Authority is currently reviewing what effect this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participation*, which permits qualifying external investment pools to measure pool investments at amortized cost for financial reporting purposes. The Authority is currently reviewing what effect this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which provides clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The Authority does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Authority does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Authority does not believe this Statement will have any effect on future financial statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

2. Summary of Significant Accounting Policies, (continued)

R. Recently Issued and Adopted Accounting Pronouncements

For the fiscal year ended November 30, 2015, the Authority adopted GASB 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. As a result of adopting such Statements, the Authority was required to measure and recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their defined benefit pensions. The cumulative effect of adopting GASB Statements No. 68 and No. 71 totaled \$7,374,124, and was recognized as a restatement of the Authority's November 30, 2014 net position on the statements of net position (see Note 19).

S. Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for services. Operating expenses include the cost of operations and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses. State and federal grants for the operation of the Authority are considered operating revenues. Transactions or other events that are both unusual in nature and infrequent in occurrence are reported as extraordinary items.

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

3. Cash and Cash Equivalents, (continued)

federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

As of November 30, 2015, cash and cash equivalents of the Sussex County Municipal Utilities Authority consisted of the following:

Upper Wallkill Facilities Fund

	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Savings/ Money Market Accounts</u>	<u>Total</u>
Petty Cash	400			400
Revenue Account			1,519,021	1,519,021
Operating Account		167,680		167,680
General Planning Replacement		86		86
Vernon Twp. Rate Stabilization Fund		363,672		363,672
Current Debt Service			1,833,104	1,833,104
Phase III Construction		386,667		386,667
General Fund			1,951,073	1,951,073
Renewal and Replacement			1,439,754	1,439,754
Phase II Construction			1,492,303	1,492,303
Future Debt Service			<u>1</u>	<u>1</u>
	<u>400</u>	<u>918,105</u>	<u>8,235,256</u>	<u>9,153,761</u>
<u>Balance Sheet Classification</u>				
Unrestricted Assets				3,043,910
Restricted Assets				<u>6,109,851</u>
				<u>9,153,761</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(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			984,413	984,413
Operating Account		1,321,211		1,321,211
Construction Fund		9,143	4,917	14,060
Current Debt Service Fund			3,760,000	3,760,000
Renewal and Replacement Fund			1,390,000	1,390,000
Cell Closure Account		532,503		532,503
Landfill Postclosure Account			148,476	148,476
Retained Percentages Account		7,437		7,437
Planning Account		54,459		54,459
General Fund			1,027,494	1,027,494
	<u>2,100</u>	<u>1,924,753</u>	<u>7,315,300</u>	<u>9,242,153</u>
 <u>Balance Sheet Classification</u>				
Unrestricted Assets				1,540,914
Restricted Assets				<u>7,701,239</u>
				<u>9,242,153</u>
 <u>Hampton Commons Facilities Fund</u>				
Operating Account		68,683		68,683
Renewal and Replacement Fund		32,741		32,741
		<u>101,424</u>		<u>101,424</u>
 <u>Balance Sheet Classification</u>				
Unrestricted Assets				68,683
Restricted Assets				<u>32,741</u>
				<u>101,424</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

3. Cash and Cash Equivalents, (continued)

	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Savings/ Money Market Accounts</u>	<u>Total</u>
<u>Paulins Kill Water Reclamation Project</u>				
Planning Fund		373		373
Construction Fund		23,430	2,227,809	2,251,239
Operating Fund			230,633	230,633
Debt Service Fund			363,675	363,675
Retainage Fund	—	166,215		166,215
	=	<u>190,018</u>	<u>2,822,117</u>	<u>3,012,135</u>
<u>Balance Sheet Classification</u>				
Restricted Assets				<u>3,012,135</u>
<u>Internal Service Fund</u>				
Revenue Operating Account		655		655
Payroll Account		210,533		210,533
Unemployment Trust Fund	—	243,833	—	243,833
	=	<u>455,021</u>	=	<u>455,021</u>
<u>Balance Sheet Classification</u>				
Unrestricted Assets				211,188
Restricted Assets				<u>243,833</u>
				<u>455,021</u>
<u>Other Sewer Companies</u>				
Escrow Accounts	—	4,646	—	4,646
	=		=	<u>4,646</u>
<u>Balance Sheet Classification</u>				
Unrestricted Assets				<u>4,646</u>
<u>Wallkill Watershed Fund</u>				
Escrow Accounts	—	147,709	—	147,709
	=		=	<u>147,709</u>
<u>Balance Sheet Classification</u>				
Unrestricted Assets				<u>147,709</u>
<u>Grand Total</u>				
Unrestricted				5,017,050
Restricted				<u>17,099,799</u>
				<u>22,116,849</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(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, 2015, \$-0- of the Authority's bank balance of \$23,059,750 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, 2015
(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, 2015
(Continued)

4. Investments, (continued)

At November 30, 2015, the Authority had the following investments:

Investment Type	Average Credit/Quality Ratings (1)	Face Amount	Carrying Amount	Investment Maturities (in Years)		
				<1	1-5	6-10
FHLMC	AAA	\$190,000	\$189,847	\$94,921	\$94,926	
FHLMC MTN	AA+	100,000	99,825	34,939	64,886	
FHLMC Multiclass Mtg Part	N/A	143,629	145,746		145,746	
FICO Strips Ser E	N/A	65,000	62,807		62,807	
FNMA	AAA	255,000	254,390		254,390	
FNMA	AA+	65,000	64,940		64,940	
FNMA MTN	AAA	55,000	54,522		54,522	
FNMA MTN	AA-	35,000	30,635		30,635	
FNMA MTN Zero Coupon	N/A	20,000	17,337		17,337	
FNMA Deb	AA+	95,000	94,846		94,846	
FNMA Deb	AAA	310,000	327,804	109,639	218,165	
FNMA Gtd REMIC	N/A	73,756	73,733		73,733	
FNMA MTN	AAA	110,000	109,837		109,837	
Federal Farm Credit Banks	AAA	705,000	722,659	220,292	438,471	63,896
Federal Home Loan Banks Financing Corp.	AAA	1,050,000	1,057,872	159,335	403,301	495,236
GNMA Pass-Thru Cert.	N/A	25,000	33,578		33,578	
Tennessee Valley Authority	AA+	8,853	8,820		2,217	6,603
Tennessee Valley Authority	AAA	55,000	66,307		66,307	
Tennessee Valley Authority	AAA	135,000	171,360		171,360	
US Treasury Bonds	AAA	535,000	709,313		441,155	268,158
US Treasury Notes	AAA	<u>5,545,000</u>	<u>5,630,514</u>	<u>909,913</u>	<u>1,866,999</u>	<u>2,853,602</u>
		<u>9,576,238</u>	<u>9,926,692</u>	<u>1,529,039</u>	<u>4,710,158</u>	<u>3,687,495</u>

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

5. Bonds Payable

As of November 30, 2015 and 2014, the Authority has the following principal amount of debt outstanding and unamortized losses from refunding transactions.

	Balance 11/30/14	Increases	Decreases	Balance 11/30/15	Amount Due Within One Year
<u>Upper Wallkill Facilities Fund:</u>					
2003 Series G Wastewater Revenue Bonds	\$1,205,000		\$1,205,000	\$0	\$
2008 Series A Wastewater Revenue Bonds	3,795,000		85,000	3,710,000	85,000
2008 Series B Wastewater Revenue Bonds	30,771,985	1,515,820	350,000	31,937,805	1,290,000
2012 Wastewater Revenue Refunding Bonds	<u>3,140,000</u>		<u>20,000</u>	<u>3,120,000</u>	<u>290,000</u>
	<u>38,911,985</u>	<u>1,515,820</u>	<u>1,660,000</u>	<u>38,767,805</u>	<u>1,665,000</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

5. Bonds Payable, (continued)

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

	<u>2015</u>	<u>2014</u>
2003 Series G	\$ -0-	\$53,433
Series 2008 A	171,156	174,344
Series 2008 B	238,321	29,677
Series 2012	<u>104,356</u>	<u>104,956</u>
	<u>513,833</u>	<u>362,410</u>
Amortization of Deferred (Gains)/Losses on Refunding:		
1986 Refunding		50,534
2003 NJWTT Refunding		
2012 Refunding	<u>36,993</u>	<u>36,993</u>
	<u>550,826</u>	<u>449,937</u>

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.

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>
\$85,000	2015	3.750%	\$115,000	2022	4.125%
90,000	2016	4.000	120,000	2023	4.125
95,000	2017	4.000	120,000	2024	4.250
95,000	2018	4.000	125,000	2025	4.250
100,000	2019	4.000	730,000	2030	4.500
105,000	2020	4.000	1,820,000	2039	5.000
110,000	2021	4.000			

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

5. Bonds Payable, (continued)

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.

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
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(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>
12/1/15	\$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>22,505,285</u>		<u>37,359,715</u>	<u>59,865,000</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(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 11/30/15</u>	<u>Carrying Value 11/30/15</u>
12/1/15	\$981,935	\$308,065	1,290,000
12/1/16	973,941	319,209	1,293,150
12/1/17	1,037,128	354,594	1,391,722
12/1/18	1,045,824	372,506	1,418,330
12/1/19	1,128,900	419,479	1,548,379
12/1/20	1,147,604	443,169	1,590,773
12/1/21	1,138,242	451,836	1,590,078
12/1/22	1,069,141	434,964	1,504,105
12/1/23	1,263,940	521,747	1,785,687
12/1/24	1,193,410	499,765	1,693,175
12/1/25	1,125,500	478,071	1,603,571
12/1/26	1,060,209	456,745	1,516,954
12/1/27	997,565	435,785	1,433,350
12/1/28	937,515	415,244	1,352,759
12/1/29	881,866	395,070	1,276,936
12/1/30	826,924	375,525	1,202,449
12/1/31	776,254	356,503	1,132,757
12/1/32	782,176	363,219	1,145,395
12/1/33	735,124	343,635	1,078,759
12/1/34	693,480	325,623	1,019,103
12/1/35	609,926	304,808	914,734
12/1/36	572,425	287,266	859,691
12/1/37	540,452	271,816	812,268
12/1/38	506,868	255,991	762,859
12/1/39	478,936	241,885	720,821
	<u>22,505,285</u>	<u>9,432,520</u>	<u>31,937,805</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(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>
2015	\$290,000	3.000%	2024	\$145,000	3.125%
2016	290,000	3.000%	2025	150,000	3.125%
2017	290,000	3.000%	2026	155,000	3.375%
2018	295,000	3.000%	2027	160,000	3.375%
2019	120,000	4.000%	2028	165,000	3.375%
2020	125,000	4.000%	2029	170,000	3.625%
2021	130,000	4.000%	2030	175,000	3.625%
2022	135,000	4.000%	2031	185,000	3.625%
2023	140,000	3.125%			

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

5. Bonds Payable, (continued)

	Balance 11/30/14	Increases	Decreases	Balance 11/30/15	Amount Due Within One Year
<u>Solid Waste Facilities Fund</u>					
2006 Series Revenue Bonds	<u>\$10,795,169</u>	<u>\$316,444</u>	<u>\$3,745,000</u>	<u>\$7,366,613</u>	<u>\$3,760,000</u>

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

	<u>2015</u>	<u>2014</u>
2006 Series	<u>\$451,302</u>	<u>\$703,111</u>

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>
12/1/15	\$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>\$4,866,096</u>		<u>\$2,663,904</u>	<u>\$7,530,000</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 11/30/15</u>	<u>Carrying Value 11/30/15</u>
12/1/15	\$2,492,692	\$1,267,308	\$3,760,000
12/1/16	<u>2,373,404</u>	<u>1,233,209</u>	<u>3,606,613</u>
	<u>\$4,866,096</u>	<u>\$2,500,517</u>	<u>\$7,366,613</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

5. Bonds Payable, (continued)

Principal and interest due on outstanding bonds is as follows:

Upper Walkkill Facilities Fund

<u>Fiscal Year</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	3.00-4.00%	\$1,665,000	\$269,463	\$1,934,463
2017	3.00-4.00%	1,673,150	309,113	1,982,263
2018	3.00-4.27%	1,776,722	363,141	2,139,863
2019	3.00-4.27%	1,808,330	423,958	2,232,288
2020		1,768,379	518,184	2,286,563
2021-2025	3.125-4.85%	9,408,818	4,232,832	13,641,650
2026-2030	3.125-5.15%	8,678,570	6,624,324	15,302,894
2031-2035	3.625-5.39%	6,808,463	8,499,368	15,307,831
2036-2040	5.00-5.75%	<u>5,180,373</u>	<u>10,134,127</u>	<u>15,314,500</u>
		<u>38,767,805</u>	<u>31,374,510</u>	<u>70,142,315</u>

Solid Waste Facilities Fund

<u>Fiscal Year</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	4.400%	\$3,599,862	\$160,138	\$3,760,000
2017	4.480%	<u>3,450,307</u>	<u>319,693</u>	<u>3,770,000</u>
		<u>\$7,050,169</u>	<u>\$479,831</u>	<u>\$7,530,000</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

6. Note Payable

On February 14, 2015, the Authority issued \$10,210,000 Paulins Kill Basin Water Reclamation System Project Note, Series 2015.

The Note is being issued to provide funds, together with other funds of the Authority, to finance: (i) the current refunding of the Authority's \$5,496,000 Paulins Kill Basin Water Reclamation System Project Note, Series 2014, dated February 14, 2014 and maturing February 13, 2015 (the "Prior Note"), which Prior Note was issued to currently refund the Authority's \$5,496,000 Paulins Kill Basin Water Reclamation System Project Note, Series 2013, dated February 15, 2013 and maturing February 14, 2014 which was issued to currently refund the Authority's \$5,496,000 Paulins Kill Basin Water Reclamation System Project Note, Series 2012, dated February 15, 2012 and maturing February 15, 2013 which was issued to currently refund the Authority's \$5,496,000 Paulins Kill Basin Water Reclamation System Project Note, Series 2009, dated February 27, 2009 and maturing February 15, 2012 (the "Original Note"), which Original Note was issued to finance the construction of a central wastewater collection and treatment system to serve the needs of the Borough of Branchville, in the County of Sussex, State of New Jersey (the "Borough") and the surrounding area within the Township of Frankford, in the County of Sussex, State of New Jersey, capitalized interest and costs of issuance; (ii) additional funds for the completion of the central wastewater collection and treatment system; (iii) capitalized interest on the note; and (iv) the costs of issuance of the Note.

The Note bears interest at a rate of 2.00% and matures December 1, 2016.

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) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medicals benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

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

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 43:15C-1 et seq). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq.

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.

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. Prudential Financial jointly administers the DCRP investments with the New Jersey Division of Pensions and Benefits. As a general rule, all full-time employees are eligible to join the PERS. However, if an employee is ineligible to enroll in the PERS, the employee may be eligible to enroll in DCRP.

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.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

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

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.

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.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS of the employee's annual compensation. Pursuant to the provisions of Chapter 78, P.L. 2011, this amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning in the first year. For fiscal year 2012, the member rate will increase in October 2011. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS. In the PERS, the employer contribution includes funding for post-retirement medical premiums. Employee contributions for DCRP are based on 5.50% of employee's annual compensation and are matched by a 3% employer contribution.

During the year ended June 30, 2012 for PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997. PERS employer contributions are made annually by the Authority to the pension system in accordance with Chapter 114, P.L. 1997.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

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

Annual Pension Costs (APC)

<u>Three Year Trend Information for PERS</u>		
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>
11/30/15	\$353,818	100%
11/30/14	335,581	100%
11/30/13	279,694	100%

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68

Public Employees Retirement System (PERS)

At November 30, 2015, the Authority reported a liability of \$9,238,352 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2015, the Authority's proportion was .0411544622 percent, which was a decrease of .0033122304 percent from its proportion measured as of June 30, 2014.

For the year ended November 30, 2015, the Authority recognized pension expense of \$701,146. At November 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferreds</u> <u>Inflows of</u> <u>Resources</u>
Changes of assumptions	\$992,125	\$
Net difference between projected and actual earnings on pension plan investments	220,395	148,535
Changes in proportion and differences between Authority contributions and proportionate share of contributions	<u>968,000</u>	<u>526,128</u>
Total	<u>2,180,520</u>	<u>674,663</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

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

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

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

Year ended November 30:

2016	\$193,699
2017	193,699
2018	193,699
2019	308,496
2020	174,392

Additional Information

Local Group Collective balances at December 31, 2014 and 2015 are as follows:

	<u>Dec. 31, 2014</u>	<u>Dec. 31, 2015</u>
Collective deferred outflows of resources	\$952,194,675	\$3,578,755,666
Collective deferred inflows of resources	1,479,224,662	993,410,455
Collective net pension liability	18,722,735,003	22,447,996,119
Authority's Proportion	0.0444666926%	0.0411544622%

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

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

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which rolled forward to June 30, 2015. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.04 Percent
Salary Increases:	
2012-2021	2.15-4.40 Percent (based on age)
Thereafter	3.15-5.40 Percent (based on age)
Investment Rate of Return	7.90 Percent

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Mortality Rates

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

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

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Returns	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

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

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2014 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	<u>June 30, 2015</u>		
	<u>1%</u> Decrease <u>3.90%</u>	<u>At Current</u> Discount Rate <u>4.90%</u>	<u>1%</u> Increase <u>5.90%</u>
Authority's proportionate share of the pension liability	\$11,482,140	\$9,238,352	\$7,357,175

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS).

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

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.

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.

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.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

8. Post-retirement Medical Benefits, (continued)

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.

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.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

8. Post-retirement Medical Benefits, (continued)

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.

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, 2015, 2014 and 2013 were \$333,579, \$260,665 and \$277,909, 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, 2015, 2014 and 2013 were \$31,246, \$25,596 and \$14,286, 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, 2015, the balance which remains to be amortized over the life of the Bonds using the straight-line method is \$109,414. Under the requirements of GASB Statement No. 65, the unamortized balance is reported in the financial statements as a deferred inflow of resources.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

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.

As of November 30, 2015, the Authority reported \$3,624,788 as landfill postclosure care reserve and an unfunded deficit of (\$10,808,416) 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.

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, 2015, cash and cash equivalents, investments and receivables of \$10,075,169 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, 2015
(Continued)

12. Reserves Required by Bond Resolution

Upper Wallkill Facilities Fund:

The following reserves are required by the bond resolution:

Operating Requirement:	\$988,125
Funded by:	
Cash, Cash Equivalents and Investments	<u>988,125</u>
Excess/(Deficit)	<u>-0-</u>
Future Debt Service Requirement:	3,072,750
Funded by:	
Cash, Cash Equivalents and Investments	
Insurance Policy with Assured Guarantee Municipal Corp.	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:	1,396,935
Funded by:	
Cash, Cash Equivalents and Investments	<u>1,396,935</u>
Excess/(Deficit)	<u>-0-</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(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:	
Insurance Policy with MBIA Insurance ⁽¹⁾	<u>1,499,782</u>
Excess/(Deficit)	<u>-0-</u>
Revenue Fund Requirement:	1,760,400
Funded by:	
Cash, Cash Equivalents and Investments	<u>1,760,040</u>
Excess/(Deficit)	<u>-0-</u>
Renewal and Replacement Requirement:	1,390,000
Funded by:	
Cash, Cash Equivalents and Investments	<u>1,390,000</u>
Excess/(Deficit)	<u>-0-</u>
Current Debt Service Requirement:	3,760,000
Funded by:	
Cash, Cash Equivalents and Investments	<u>3,760,000</u>
Excess/(Deficit)	<u>-0-</u>

⁽¹⁾ 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, 2015, the Authority received \$-0- in Debt Service Aid from the State of New Jersey to offset its FY 2015 debt service.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(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 has experienced a reduction in tonnage and revenues for the last few years. This reduction in tonnage is the result of a number of factors including; current economic conditions, competition from an in-county Construction and Demolition Waste Recycling Facility and that haulers are violating the Sussex County District Solid Waste Management Plan, as it relates to flow control. The reduction in tonnage/revenue has been offset by a reduction in expenditures. All Solid Waste Facility Bonds will be retired in 2016. A planned expansion of the sanitary landfill will be financed through the NJ Environmental Infrastructure Trust in 2016/2017, however annual debt service requirements are projected to be significantly less than current debt service requirements. The tipping fee revenue and tonnage for the last five years was as follows:

	Tipping Fee	
	<u>Revenues</u>	<u>Tonnage</u>
2011	\$10,646,315	108,512 tons
2012	10,713,626	102,229 tons
2013	10,980,880	103,732 tons
2014	10,670,725	99,902 tons
2015	10,206,407	95,114 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, 2015
(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>
11-30-13	\$-0-	\$5,151	\$797	\$617	\$616,443
11-30-14	-0-	5,554	619	639	621,977
11-30-15	-0-	5,662	546	4,012	624,173

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

17. Designation of Unrestricted Net Position

As of November 30, 2015, 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>Wallkill Watershed Project</u>	<u>Total</u>
Workers Compensation	9,439				9,439
Vernon Twp. Rate Stabilization	363,672				363,672
Wallkill Watershed Projects				151,128	151,128
Appropriated in subsequent year's budget	_____	_____	5,000	_____	5,000
	<u>373,111</u>	<u>-0-</u>	<u>5,000</u>	<u>151,128</u>	<u>529,239</u>

At November 30, 2015, the Authority reported a total amount of \$529,239 of Unrestricted Net Position - Designated for the purposes described above.

The remaining, undesignated portion of the Authority's net position was comprised of the following at November 30, 2015 and 2014:

<u>2015</u>	<u>Upper Wallkill</u>	<u>Solid Waste</u>	<u>Hampton Commons</u>	<u>Total</u>
Accrued Unfunded Pension Liability	(\$2,749,244)	(\$5,336,769)	\$ -	(\$8,086,013)
Available for Use in Future Budgets	<u>2,639,787</u>	<u>1,855,594</u>	<u>123,160</u>	<u>4,618,541</u>
Total	<u>(\$109,457)</u>	<u>(\$3,481,175)</u>	<u>\$123,160</u>	<u>(\$3,467,472)</u>
<u>2014</u>	<u>Upper Wallkill</u>	<u>Solid Waste</u>	<u>Hampton Commons</u>	<u>Total</u>
Accrued Unfunded Pension Liability	(\$2,631,699)	(\$5,108,591)	\$ -	(\$7,740,290)
Available for Use in Future Budgets	<u>2,347,204</u>	<u>905,180</u>	<u>115,500</u>	<u>3,367,884</u>
Total	<u>(\$284,495)</u>	<u>(\$4,203,411)</u>	<u>\$115,500</u>	<u>(\$4,372,406)</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)

18. Subsequent Events

On June 18, 2016, the Authority issued \$8,365,058 in bonds consisting of \$3,390,000 Wastewater Facilities Revenue Refunding Bonds, Series 2016A and \$4,975,058 Wastewater Facilities Revenue Refunding Bonds, Series 2016B (Capital Appreciation Bonds). The Bonds are being issued to provide funds to finance: (i) the advance refunding of a portion of the Authority's Wastewater Facilities Revenue Bonds, Series 2008A; (ii) the advance refunding of a portion of the Authority's Wastewater Facilities Revenue Bonds, Series 2008B (Capital Appreciation Bonds); (iii) the premium for the Bond Reserve Surety Bonds to satisfy the Bond Reserve Requirement; and (iv) the costs and expenses incurred in connection with the issuance of the Bonds. The Series 2016A Bonds bear interest at rates ranging from 2.00% to 4.00% payable on June 1 and December 1 annually. The 2016B Bonds are being issued as capital appreciation bonds and pay interest only at maturity.

In April of 2016, the Authority received a final modified Solid Waste Facility Permit for the lateral and vertical expansion, continued construction and operation of its landfill facility. This modification includes both a horizontal and vertical expansion. The vertical expansion will increase the overall elevation by approximately 67 feet. The horizontal expansion will utilize existing areas of the complex owned by Sussex County Municipal Utilities Authority but not presently part of the sanitary landfill.

The Authority has evaluated subsequent events through May 12, 2016, the date which the financial statements were available to be issued and no additional items, except as noted above, were noted for disclosure.

19. Prior Period Adjustments

On December 1, 2014, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. This statement requires, among other things, the recognition of unfunded net pension obligations and related deferred outflows and inflows in the financial statements of an entity. As a result, the following prior period adjustments have been made on the 2014 financial statements:

	Balance 11/30/14 as Previously <u>Reported</u>	Retroactive <u>Adjustments</u>	Balance 11/30/14 as Restated
Deferred Outflows of Resources:			
Deferred Pension-Related Costs	\$ -	\$1,447,815	\$1,447,815
Liabilities:			
Net Pension Liability	-	8,325,381	8,325,381
Accounts Payable - Pension Related	-	366,577	366,577
Deferred Inflows of Resources:			
Deferred Pension-Related Inflows	-	496,147	496,147
Net Position:			
Unrestricted: Undesignated	3,367,884.00	(7,740,290)	(4,372,406)

REQUIRED SUPPLEMENTARY INFORMATION

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
 Schedules of Required Supplementary Information
 Schedule of Authority's Share of Net Pension Liability - PERS
 Last 10 Fiscal Years*

	2015	2014
Authority's proportion of the net pension liability (asset)	0.0411544622%	0.0444666926%
Authority's proportionate share of the net pension liability (asset)	\$ 9,238,352	\$ 8,325,381
Authority's covered payroll - PERS	\$ 2,988,385	\$ 2,824,420
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	309.14%	294.76%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%

* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
 Schedules of Required Supplementary Information
 Schedule of Authority's Contributions - PERS
 Last 10 Fiscal Years*

	2015	2014
Contractually required contribution	\$ 353,818.00	\$ 335,581.00
Contributions in relation to the contractually required contribution	<u>\$ (353,818.00)</u>	<u>\$ (335,581.00)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll - PERS	\$ 2,988,385	\$ 2,824,420
Contributions as a percentage of covered payroll	11.84%	11.88%

* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
Note to Required Schedules of Supplementary Information
For the Fiscal Year Ended November 30, 2015

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date to the current measurement date, resulting in a change in the discount rate from 5.39% to 4.90%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

Supplementary Schedules

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2015

	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								
Assets:															
Current Assets:															
Unrestricted:															
Cash and Cash Equivalents	3,043,910	1,540,914	68,683		4,646	147,709	4,805,862								211,188
Investments			52,995				52,995								
Accounts Receivable (Net)	454,752	612,754	7,546			461	1,075,052								5,177
Prepaid Expenses	16,937	20,996	237				38,631								
Due from State of New Jersey		143,320					143,320								
Due from Central Services	73,456	100,071	2,025			12,227	187,779								
Total Unrestricted Current Assets:	3,589,055	2,418,055	131,486	-	4,646	160,397	6,303,639								216,365
Restricted:															
Construction Account:															
Cash and Cash Equivalents				2,481,872			2,481,872								
Due from Central Services				900			900								
Phase II Construction Account:															
Cash and Cash Equivalents	1,492,303	14,060					1,506,363								
Due from Central Services															
Due from Renewal and Replacement															
Phase III Construction Account:															
Cash and Cash Equivalents	386,667	85,445					85,445								
Renewal and Replacement Account:															
Cash and Cash Equivalents	1,400,000	1,390,000	32,741				386,667								
Current Debt Service Accounts:															
Cash and Cash Equivalents	1,842,756	3,760,000		363,675			5,966,431								

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2015

	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	Wallkill Watershed Project	Total					
Retained Percentages Account:												
Cash and Cash Equivalents		7,437		166,215							173,652	
Planning Fund:				373							373	
Cash and Cash Equivalents	988,125	1,760,400									2,748,525	
Operations:												
Cash and Cash Equivalents												
Cell Closure Account:												
Cash and Cash Equivalents												
Due from Central Services												
Landfill Postclosure Account:												
Cash and Cash Equivalents												
Investments												
Unemployment Trust Account:												
Cash and Cash Equivalents												243,833
Investments												380,340
Due From Unrestricted Funds												
Total Restricted Current Assets:	6,109,851	17,714,729	32,741	3,013,035	-	-	26,870,356					
Total Current Assets	9,698,906	20,132,784	164,227	3,013,035	4,646	160,397	33,173,995					840,538

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2015

	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				
Non-Current Assets											
Capital Assets:											
Land	573,834	2,770,568	32,741	452,581			3,829,724				
Improvements	22,956,362	47,820,476	510,231				71,287,069				
Buildings	40,294,624	12,902,153					53,196,777				
Machinery and Equipment	11,175,768	8,768,131	775,225				20,719,124				
Accumulated Depreciation	(41,123,038)	(57,976,796)	(1,042,384)				(100,142,218)				
Construction in Progress	98,901	10,136		7,066,317			7,175,354				
Total Non-Current Assets	33,976,451	14,294,668	275,813	7,518,898			56,065,830				
Total Assets	43,675,357	34,427,452	440,040	10,531,933	4,646	160,397	89,239,825			840,538	
Deferred Outflows of Resources:											
Deferred Outflows - PERS	765,265	1,415,255					2,180,520				
Deferred Losses on Refundings	576,468						576,468				
Total Deferred Outflows of Resources	1,341,733	1,415,255					2,756,988				

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2015

	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	Wallkill Watershed Project	Total	
Liabilities:								
Current Liabilities:								
Payable from Unrestricted Assets:								
Payroll Taxes Payable	134,492	190,468	3,326			9,269	337,555	23,953
Accounts Payable	126,102	227,716					353,818	2,381
Accounts Payable - PERS								
Due to Other Funds								190,031
Other Accounts: Escrow Deposits					4,646		4,646	
Due to Restricted Accounts								
Total Current Liabilities Payable from Unrestricted Assets	260,594	418,184	3,326		4,646	9,269	696,019	216,365
Payable from Restricted Assets:								
Accounts Payable: Cell Closure		17,515					17,515	
Accounts Payable				48,281			48,281	
Retainage Payable				166,215			166,215	
Lease Payable		888,225					888,225	
Due to Phase 2 Const. - Renewal & Repl.		85,445					85,445	
Revenue Bonds Payable - Current Portion	1,665,000	3,760,000					5,425,000	
Accrued Interest on Bonds and Notes	445,821	1,267,308		88,850			1,801,979	
Total Current Liabilities Payable from Restricted Assets	2,110,821	6,018,493		303,346			8,432,660	
Total Current Liabilities	2,371,415	6,436,677	3,326	303,346	4,646	9,269	9,128,679	216,365

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2015

	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	Wallkill Watershed Project	Total	
Non-Current Liabilities:								
Revenue and Revenue Refunding								
Bonds Payable	37,102,805	3,606,613		10,210,000			40,709,418	
Project Note Payable							10,210,000	
Loans Payable to County of Sussex:								
Planning Loan	418,658						418,658	
Net Pension Liability	3,274,343	5,964,009					9,238,352	
Accrued Liabilities - Closure and Postclosure Costs	318,248	17,863,500					17,863,500	
495,111							813,359	
Accrued Liabilities - Compensated Absences								
Total Non-Current Liabilities	41,114,054	27,929,233	-	10,210,000	-	-	79,253,287	-
Total Liabilities	43,483,469	34,365,910	3,326	10,513,346	4,646	9,269	88,381,966	216,365
Deferred Inflows of Resources:								
Deferred Inflows - PERS	237,482	437,181					674,663	
Bond Premium - Net	109,414						109,414	
Total Deferred Inflows of Resources	346,896	437,181	-	-	-	-	784,077	-
Net Position:								
Invested in Capital Assets, net of related debt	(2,863,989)	6,146,772	275,813				3,558,596	
Restricted:								
Current Debt Service	1,396,935	2,492,692					3,889,627	
Renewal and Replacement	1,400,000	1,304,555	32,741				2,737,296	
Operations	988,125	1,760,400					2,748,525	
Landfill Cell Closure		(10,808,416)					(10,808,416)	
Landfill Postclosure		3,624,788					3,624,788	
Unemployment Insurance								624,173
Construction Projects				18,587			18,587	
Unrestricted:								
Designated	373,111		5,000			151,128	529,239	
Undesignated	(109,457)	(3,481,175)	123,160				(3,467,472)	
Total Net Position	1,184,725	1,039,616	436,714	18,587	-	151,128	2,830,770	624,173

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2015

	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	Wallkill Watershed Project	Total	
Operating Revenues								
User Charges	4,952,000		168,168				5,120,168	1,390,000
Treatment of Sludge, Septage and Leachate	1,023,366						1,023,366	
Operating and Maintenance Charges-Municipal	79,500						79,500	
Tipping Fees		10,206,407					10,206,407	
Recycling Markets		256,190					256,190	
Connection Fees	243,655						243,655	
Operating Grants	18,120	143,320			256,313		399,633	
Finance Charges		22,685					40,805	
Interest			91				91	545
Other	25,846	509,229		15			535,090	5,662
	<u>6,342,487</u>	<u>11,137,831</u>	<u>168,259</u>	<u>15</u>	<u>-</u>	<u>256,313</u>	<u>17,904,905</u>	<u>1,396,207</u>
Operating Expenses								
Administration, Operating, Maintenance and Reserves	3,801,768	6,395,153	158,599			258,198	10,613,718	1,390,000
Depreciation Expense	2,890,773	2,574,696	65,338				5,530,807	
	<u>6,692,541</u>	<u>8,969,849</u>	<u>223,937</u>	<u>-</u>	<u>-</u>	<u>258,198</u>	<u>16,144,525</u>	<u>1,390,000</u>
Operating Income	<u>(350,054)</u>	<u>2,167,982</u>	<u>(55,678)</u>	<u>15</u>	<u>-</u>	<u>(1,885)</u>	<u>1,760,380</u>	<u>6,207</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2015

	Business-Type Activities							Internal Service Fund
	Enterprise Funds							
	Upper Walkkill Wastewater System	Hampton Commons Wastewater System	Paulins Kill Water Reclamation Project	Other Sewer Companies	Walkkill Watershed Project	Total		
Non-Operating Revenues (Expenses)								
Interest on Investments		182,493				182,493		
Renewal and Replacement Appropriation		100,000				100,000		
Budget Approp. - Vernon Rate Stabilization	120,429					120,429		
Other Non-Operating Revenue	13,037					13,037		
Interest Expense	(550,826)	(451,302)				(1,002,128)		
Accreted Interest on Capital Appreciation Bonds	(1,515,820)					(1,515,820)		
Amortization of Bond Discount, Premiums	6,467					6,467		
Investment Expenses		(68,888)				(68,888)		
Unemployment Claims							(4,011)	
Renewal and Replacement Expenses				(26,050)		(26,050)		
Cell Closure Expenditures (Net)		90,878				90,878		
Postclosure Expenditures (Net)		(201,610)				(201,610)		
Other Non-Operating Expenses	(100,000)					(100,000)		
Loss on Disposal of Fixed Assets		(12,365)				(12,365)		
Total Non-Operating Revenues (Expenses)	(2,026,715)	(360,794)	-	-	-	(2,413,557)	(4,011)	
Income (Loss) Before Contributions and Transfers	(2,376,767)	1,807,188	15	-	(1,885)	(653,177)	2,196	
Transfers In								
Transfers Out								
Change in Net Position	(2,376,767)	1,807,188	15	-	(1,885)	(653,177)	2,196	
Net Position - Beginning	3,561,492	(767,572)	18,572	-	153,013	3,483,947	621,977	
Net Position - Ending	1,184,725	1,039,616	18,587	-	151,128	2,830,770	624,173	

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2015

	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	Wallkill Watershed Project	Total	
	6,223,115	10,629,230	160,622				17,012,967	1,390,000
		114,000					114,000	
	159,312	609,229		15		256,313	256,313	5,662
		182,493	91				768,556	545
							182,584	
	(3,830,189)	(6,335,933)	(170,655)			(251,779)	(10,588,556)	(1,374,106)
	(404,121)	(1,066,459)				(68)	(1,470,648)	
	2,148,117	4,132,560	(9,942)	15		4,534	6,275,216	22,101
	(1,660,000)	(3,745,000)		4,714,000			4,714,000	
	(1,660,000)	(3,745,000)	-	4,714,000			(691,000)	-

Cash Flows from Operating Activities:

Cash received from customers
Cash received from State of NJ
Other operating grants
Other operating receipts
Interest Received
Cash payments to suppliers, employees and professional contractors
Cash payments for other operating expenses
Net Cash Provided by (Used in)
Operating Activities

Cash Flows from Financing Activities:

Project Notes Issued
Bond Principal Payments
Net Cash Provided by (Used in) Financing
Activities

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2015

	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	
Cash Flows from Investing Activities:								
Capital Expenditures	(299,423)	(299,109)	(26,049)	(4,167,484)			(4,766,016)	
Renewal and Replacement Expenditures		(200,053)	(92)				(26,049)	
Sales (purchases) of investments							(200,145)	(532)
Net Cash Provided by (Used in) Investing Activities	(299,423)	(499,162)	(26,141)	(4,167,484)	-	-	(4,992,210)	(532)
Net Increase (Decrease) in Cash and Cash Equivalents	188,694	(111,602)	(36,083)	546,531	(68)	4,534	592,006	21,569
Cash and Cash Equivalents-Beginning of Year	8,965,067	9,353,755	137,507	2,465,604	4,714	143,175	21,069,822	433,452
Cash and Cash Equivalents-End of Year	9,153,761	9,242,153	101,424	3,012,135	4,646	147,709	21,661,828	455,021
Classified As:								
Current Assets	3,053,562	1,540,914	68,683	-	4,646	147,709	4,815,514	211,188
Restricted Assets	6,100,199	7,701,239	32,741	3,012,135	-	-	16,846,314	243,833
	9,153,761	9,242,153	101,424	3,012,135	4,646	147,709	21,661,828	455,021

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2015

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
	(350,054)	2,167,982	(55,678)	15	-	(1,885)	1,760,380	6,207
	2,890,773	2,574,696	65,338				5,530,807	
	118,073	227,950					346,023	
	(513,832)	(134,857)					(648,689)	(4,011)
	133,466	100,000					100,000	
		182,493					315,959	
		(548,370)					(548,370)	
		(68,888)					(168,888)	
	(93,526)	143,948	(7,546)				42,876	
	(7,434)	(15,281)	264			(2,792)	(25,243)	
		(29,320)					(29,320)	
	133	20,690	2			(43)	20,782	(897)
	(143,081)	(213,651)	(12,322)		(68)	9,254	(359,868)	20,802
	209,711	(313,761)					(104,050)	
	3,888	38,929					42,817	
	2,148,117	4,132,560	(9,942)	15	(68)	4,534	6,275,216	22,101

Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities
 Operating Income
 Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:
 Depreciation and Amortization
 Pension Adjustment - PERS
 Unemployment Claims
 Interest Paid
 Renewal & Replacement Appropriation
 Other Non-Operating Income
 Cell Closure/Postclosure Expenses (Net)
 Other Non-Operating Expenses
 Decrease (Increase) In:
 Accounts and Accrued Interest Receivable
 Due from Central Services
 Due from State of New Jersey
 Prepaid Expenses
 Increase (Decrease) In:
 Current Liabilities Payable from Unrestricted Assets
 Current Liabilities Payable from Restricted Assets
 Non-Current Liabilities

Net Cash Provided by (Used in) Operating Activities

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

UPPER WALLKILL FACILITIES FUND

SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

RESTRICTED AND UNRESTRICTED

FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015

	Invested in				Total
	Unrestricted	Capital Assets	Current Debt Service	Renewal and Replacement	
Operating Revenue:					
User Charges - Sewer	4,952,000				4,952,000
Treatment of Sludge	85,661				85,661
Treatment of Septage	710,265				710,265
Treatment of Leachate	227,440				227,440
Operating and Maintenance Charges	79,500				79,500
Connection Fees	243,655				243,655
Other	25,846				25,846
Finance Charges	18,120				18,120
	6,342,487	0	0	0	6,342,487
Operating Expenses:					
Cost of Providing Services	3,034,162				3,034,162
Administrative and General Expense	647,177				647,177
Reserves	120,429				120,429
Depreciation	2,890,773				2,890,773
	6,692,541	0	0	0	6,692,541
Operating Income	(350,054)	0	0	0	(350,054)

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
UPPER WALL KILL FACILITIES FUND
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
RESTRICTED AND UNRESTRICTED
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015

	Unrestricted	Invested in Capital Assets	Current Debt Service	Renewal and Replacement	Operations	Total
Non-Operating Revenue:						
Interest Income						0
Budget Appropriation - Reserve for Vernon Rate Stabilization	120,429					120,429
Other Non-Operating Revenue	13,037					13,037
Non-Operating Expenses:						
Interest Expense	(550,826)					(550,826)
Accretion		(1,515,820)				(1,515,820)
Bond Insurance Premiums						0
Other Expenses	(100,000)					(100,000)
Amortization	6,467					6,467
Net Income/(Loss) Before Transfers	(860,947)	(1,515,820)	0	0	0	(2,376,767)
Transfers:						
Other	1,179,303	(1,002,107)	(193,321)		16,125	0
Increase (Decrease) in Net Position	318,356	(2,517,927)	(193,321)	0	16,125	(2,376,767)
Net Position - December 1,	(54,702)	(346,062)	1,590,256	1,400,000	972,000	3,561,492
Net Position - November 30,	263,654	(2,863,989)	1,396,935	1,400,000	988,125	1,184,725
Designated	373,112					
Undesignated	(109,458)					
	<u>263,654</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, 2015

	Trustee Revenue Account	Revenue Operating Account	General Planning Replacement	Petty Cash	Renewal and Replacement	Vernon Twp Stabilization Fund
Cash, Cash Equivalents and Investments - December 1, 2014	1,830,509	53,380	86	400	1,466,010	343,243
Cash Receipts:						
User and Other Charges		6,154,244				
Other		71,336			100,000	120,429
Transfers	6,315,411	4,496,129				
Total Cash Receipts	6,315,411	10,721,709	-	-	100,000	120,429
Cash and Investments Available	8,145,920	10,775,089	86	400	1,566,010	463,672
Cash Disbursements:						
Operations		4,291,998				
Bond Interest Payments					126,256	100,000
Bond Principal Payments						
Other		6,315,411				
Transfers	6,626,899	10,607,409			126,256	100,000
Total Cash Disbursements	6,626,899	10,607,409	-	-	126,256	100,000
Cash, Cash Equivalents and Investments - November 30, 2015	1,519,021	167,680	86	400	1,439,754	363,672
Analysis of Balance:						
Unrestricted	521,244	167,680	86	400	39,754	363,672
Restricted	997,777	-	-	-	1,400,000	-
Cash and Cash Equivalents Investments	1,519,021	167,680	86	400	1,439,754	363,672
	1,519,021	167,680	86	400	1,439,754	363,672
	1,519,021	167,680	86	400	1,439,754	363,672
Analysis of Restricted Accounts:						
Debt Service	9,652					
Operations	988,125					
	997,777					

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, 2015

	Phase II Construction	Debt Service	Future Debt Service	Phase III Construction	General	Total
Cash, Cash Equivalents and Investments - December 1, 2014	1,517,532	1,826,366	1	401,667	1,525,873	8,965,067
Cash Receipts:						
User and Other Charges	13,805					6,154,244
Other Transfers	126,256	1,970,860			425,200	305,570
						13,333,856
Total Cash Receipts	140,061	1,970,860	-	-	425,200	19,793,670
Cash and Investments Available	1,657,593	3,797,226	1	401,667	1,951,073	28,758,737
Cash Disbursements:						
Operations						4,291,998
Bond Interest Payments		304,122				304,122
Bond Principal Payments		1,660,000				1,660,000
Other Transfers	165,290			15,000		15,000
						13,333,856
Total Cash Disbursements	165,290	1,964,122	-	15,000	-	19,604,976
Cash, Cash Equivalents and Investments - November 30, 2015	1,492,303	1,833,104	1	386,667	1,951,073	9,153,761
Analysis of Balance:						
Unrestricted	1,492,303	-	1	-	1,951,073	3,043,910
Restricted	-	1,833,104	-	386,667	-	6,109,851
	1,492,303	1,833,104	1	386,667	1,951,073	9,153,761
Cash and Cash Equivalents Investments	1,492,303	1,833,104	1	386,667	1,951,073	9,153,761
	1,492,303	1,833,104	1	386,667	1,951,073	9,153,761

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2014

	<u>FY 2015 Budget</u>	<u>FY 2015 Budget After Modifications</u>	<u>FY 2015 Actual</u>	<u>FY 2014 Actual</u>
Revenues:				
User Charges - Sewers	4,952,000	4,952,000	4,952,000	4,950,934
Interest Income from Operating Investments	9,000	9,000		1
Treatment of Sludge	76,000	76,000	85,661	96,807
Treatment of Septage	436,000	436,000	710,265	566,690
Treatment of Leachate	235,000	235,000	227,440	218,600
Connection Fees	250,000	250,000	243,655	688,351
Operating and Maintenance Charges to Municipalities	95,000	95,000	79,500	61,500
Other	27,000	27,000	25,846	34,964
Finance Charges			18,120	13,679
Total Operating Revenue	<u>6,080,000</u>	<u>6,080,000</u>	<u>6,342,487</u>	<u>6,631,526</u>
Expenses:				
Cost of Providing Services:				
(1) Salaries, Operating Staff	979,000	979,000	929,008	935,366
(2) Fringe Benefits, Operating Staff	523,500	523,500	405,974	402,661
(2) PERS	95,000	95,000	90,530	79,992
(3) Utilities	535,000	535,000	483,745	489,689
(4) Motor Vehicles & Equipment	16,000	16,000	14,215	16,733
(5) Stationary Equipment	62,000	62,000	56,184	34,355
(6) Electrical Equipment Maintenance Repair, Operating	22,000	22,000	13,509	13,256
(7) Insurance, Plant Operations	216,000	216,000	203,383	204,148
(8) Testing Services	7,500	7,500	6,471	7,689
(10) Outside Services	401,000	401,000	476,289	389,834
(11) Safety Equipment	6,000	6,000	2,358	3,633
(12) Chemicals & Wood Chips	128,000	128,000	131,986	138,096
(13) Miscellaneous Plant Supplies	20,500	20,500	22,142	19,916
(14) Taxes and Fees	55,500	55,500	60,458	50,768
(15) Laboratory Supplies	10,000	10,000	8,269	9,252
(16) Custodial Supplies	6,000	6,000	2,384	1,709
(17) Purchases Related to Operating and Maintenance Services	12,000	12,000	9,184	13,913
Subtotal Cost of Providing Services	<u>3,095,000</u>	<u>3,095,000</u>	<u>2,916,089</u>	<u>2,811,010</u>

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2014

	<u>FY 2015 Budget</u>	<u>FY 2015 Budget After Modifications</u>	<u>FY 2015 Actual</u>	<u>FY 2014 Actual</u>
Administrative Expenses:				
Seminars and Dues	3,200	3,200	2,226	1,583
Indirect Administrative Expenses	615,000	615,000	596,875	568,523
Engineering Consulting Fees	32,500	32,500	37,300	28,883
Trustee Fees	15,000	15,000	988	5,388
General Legal Fees	20,000	20,000	616	6,307
Office Supplies	3,000	3,000	1,720	1,316
Printing	400	400	129	299
Travel & Expenses, Administrative Staff	1,000	1,000	1,031	199
General Advertising	900	900	1,164	261
Personnel Services	5,000	5,000	5,128	4,327
Subtotal Administrative Expenses	<u>696,000</u>	<u>696,000</u>	<u>647,177</u>	<u>617,086</u>
Capital Outlay	<u>97,000</u>	<u>97,000</u>	<u>224,522</u>	<u>179,506</u>
Reserves:				
Renewal and Replacement	100,000	100,000		
Vernon Rate Stabilization	150,000	150,000	120,429	189,262
Subtotal Reserves	<u>250,000</u>	<u>250,000</u>	<u>120,429</u>	<u>189,262</u>
Debt Service:				
Interest Expense	585,000	585,000	513,833 ⁽¹⁾	362,410
Bond Principal	1,357,000	1,357,000	1,357,000	1,590,000
Subtotal Debt Service	<u>1,942,000</u>	<u>1,942,000</u>	<u>1,870,833</u>	<u>1,952,410</u>
Total Costs Funded by Operating Revenues	<u>6,080,000</u>	<u>6,080,000</u>	<u>5,779,050</u>	<u>5,749,274</u>

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITYUPPER WALLKILL FACILITIES FUNDSCHEDULE OF OPERATING REVENUES AND COST
FUNDED BY OPERATING REVENUES COMPARED TO
BUDGET YEAR ENDED NOVEMBER 30, 2015WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2014

	<u>FY 2015 Budget</u>	<u>FY 2015 Budget After Modifications</u>	<u>FY 2015 Actual</u>	<u>FY 2014 Actual</u>
Excess or (Deficit) in Actual Revenues and Expenses			563,437	882,252
Reconciliation of Budgetary Basis To Change in Net Position:				
Depreciation			(2,890,773)	(2,897,822)
Amortization of:				
Bond Discount				
Deferred Gains/Losses on Early Extinguishment of Debt			(36,993)	(87,527)
Bond Premiums			6,467	6,467
Accreted Interest - Capital Appreciation Bonds			(1,515,820)	(1,455,412)
Adjustment for Pension Expense			(118,073)	(130,376)
Capital Outlay			224,522	179,506
Other Non-Operating Revenues			13,037	
Other Non-Operating Expenses			(100,000)	(54,065)
Vernon Rate Stabilization			120,429	189,262
Bond Principal Payments			1,357,000	1,590,000
			<u>(2,940,204)</u>	<u>(2,659,967)</u>
Change in Net Position			<u>(2,376,767)</u>	<u>(1,777,715)</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

UPPER WALL KILL FACILITIES FUND
SCHEDULE OF REVENUE BONDS PAYABLE
NOVEMBER 30, 2015

Description	Original Issue		Maturities			Balance Dec. 1, 2014	Issued 2014-2015	Accreted Principal	Paid or Refunded 2014-2015	Balance Nov. 30, 2015
	Date	Amount	Date	Rate	Amount					
2003 Wastewater Revenue Refunding Bonds (Series G)	10/12/03	11,270,000				1,205,000			1,205,000	0
			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					
						3,795,000			85,000	3,710,000

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

**UPPER WALLKILL FACILITIES FUND
SCHEDULE OF REVENUE BONDS PAYABLE
NOVEMBER 30, 2015**

Description	Original Issue		Date	Maturities		Balance Dec. 1, 2014	Issued 2014-2015	Accreted Principal	Paid or Refunded 2014-2015	Balance Nov. 30, 2015
	Date	Amount		Rate	Amount					
2008 Wastewater Revenue Bonds (Series B)	09/15/08	23,403,738								
	12/01/15		3.820%	1,290,000						
	12/01/16		3.970%	1,293,150						
	12/01/17		4.120%	1,391,722						
	12/01/18		4.270%	1,418,330						
	12/01/19		4.430%	1,548,379						
	12/01/20		4.580%	1,590,773						
	12/01/21		4.690%	1,590,078						
	12/01/22		4.790%	1,504,105						
	12/01/23		4.850%	1,785,687						
	12/01/24		4.910%	1,693,175						
	12/01/25		4.970%	1,603,571						
	12/01/26		5.030%	1,516,954						
	12/01/27		5.090%	1,433,350						
	12/01/28		5.150%	1,352,759						
	12/01/29		5.200%	1,276,936						
	12/01/30		5.260%	1,202,449						
	12/01/31		5.310%	1,132,757						
	12/01/32		5.360%	1,145,395						
	12/01/33		5.390%	1,078,759						
	12/01/34		5.410%	1,019,103						
	12/01/35		5.700%	914,734						
	12/01/36		5.720%	859,691						
	12/01/37		5.730%	812,268						
	12/01/38		5.750%	762,859						
	12/01/39		5.750%	720,821						
						30,771,985		1,515,820	350,000	31,937,805

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
UPPER WALKILL FACILITIES FUND
SCHEDULE OF REVENUE BONDS PAYABLE
NOVEMBER 30, 2015

Description	Original Issue		Maturities			Balance Dec. 1, 2014	Issued 2014-2015	Accreted Principal	Paid or Refunded 2014-2015	Balance Nov. 30, 2015
	Date	Amount	Date	Rate	Amount					
2012 Wastewater Revenue Refunding Bonds	07/11/12	3,165,000	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					
						3,140,000			20,000	3,120,000
						<u>38,911,985</u>	<u>0</u>	<u>1,515,820</u>	<u>1,660,000</u>	<u>38,767,805</u>

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</u>
Operating Revenue:				
Sewer Charges	168,168			168,168
Interest Income	92			92
	<u>168,260</u>	<u>-</u>	<u>-</u>	<u>168,260</u>
Operating Expenses:				
Operating, Maintenance and Reserves	158,600		26,049	184,649
Depreciation	65,338			65,338
	<u>223,938</u>	<u>-</u>	<u>26,049</u>	<u>249,987</u>
Operating Income	(55,678)	-	(26,049)	(81,727)
Non-Operating Revenue/(Expenses):				
Budget Appropriation				-
Net Income/(Loss) Before Transfers	(55,678)	-	(26,049)	(81,727)
Transfers:				
Other	65,338	(65,338)		-
Increase (Decrease) in Net Position	9,660	(65,338)	(26,049)	(81,727)
Net Position - December 1,	<u>118,500</u>	<u>341,152</u>	<u>58,790</u>	<u>518,442</u>
Net Position - November 30,	<u>128,160</u>	<u>275,814</u>	<u>32,741</u>	<u>436,715</u>
Designated	5,000			
Undesignated	<u>123,160</u>			
	<u>128,160</u>			

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, 2015

	Revenue Operating Account	Renewal and Replacement Account	Total
Cash, Cash Equivalents and Investments- December 1, 2014	137,620	52,790	190,410
Cash Receipts:			
Sewer Charges	160,622		160,622
Interest on Investments	92		92
Other	2,289	6,000	8,289
Total Cash Receipts	<u>163,003</u>	<u>6,000</u>	<u>169,003</u>
Total Cash And Investments Available	<u>300,623</u>	<u>58,790</u>	<u>359,413</u>
Cash Disbursements:			
Operating and Maintenance Costs	178,945		178,945
Renewal and Replacement Expenses		26,049	26,049
Total Cash Disbursements	<u>178,945</u>	<u>26,049</u>	<u>204,994</u>
Cash, Cash Equivalents and Investments- November 30, 2015	<u>121,678</u>	<u>32,741</u>	<u>154,419</u>
Analysis of Balance:			
Unrestricted	121,678	-	121,678
Restricted	-	32,741	32,741
	<u>121,678</u>	<u>32,741</u>	<u>154,419</u>
Cash and Cash Equivalents	68,683	32,741	101,424
Investments	52,995	-	52,995
	<u>121,678</u>	<u>32,741</u>	<u>154,419</u>

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED NOVEMBER 30, 2014

	FY 2015 <u>Budget</u>	FY 2015 <u>Budget After Modification</u>	FY 2015 <u>Actual</u>	FY 2014 <u>Actual</u>
Revenue:				
Retained Earnings Appropriated	3,000	3,000	3,000	9,000
Service Agreements (Hampton Commons Homeowners Association)	137,984	137,984	137,984	137,690
(Lowe's)	30,184	30,184	30,184	30,120
Interest on Investments and Deposits	332	332	92	106
Miscellaneous				
Total Operating Revenue	<u>171,500</u>	<u>171,500</u>	<u>171,260</u>	<u>176,916</u>
Expenses:				
Operating and Maintenance				
(1) Payment to Upper Wallkill for Operating and Maintenance Services	48,500	48,500	46,500	46,500
(2) Utilities	25,700	25,700	19,261	23,052
(3) Outside Services	21,500	21,500	17,256	11,767
(4) Testing Services	3,500	3,500	3,885	3,795
(5) Engineering Fees	2,000	2,000	5,937	
(6) Legal Fees	1,000	1,000		
(7) Plant Supplies	1,000	1,000	8,318	720
(8) Chemicals	3,000	3,000	1,500	1,215
(9) Electrical and Mechanical Equipment Repair	500	500	415	136
(10) Equipment Purchases	3,000	3,000	3,323	5,161
(11) Laboratory Supplies	1,000	1,000	564	850
(12) Insurance	3,000	3,000	2,841	2,854
(13) Safety Equipment	800	800	93	695
(14) Taxes and Fees	6,000	6,000	5,620	4,717
(15) Printing Expenses			112	
(16) Indirect Administration, Legal and Fiscal Expenses	45,000	45,000	42,975	42,711
Total Operating and Maintenance Expenses	<u>165,500</u>	<u>165,500</u>	<u>158,600</u>	<u>144,173</u>
Renewal and Replacement	<u>6,000</u>	<u>6,000</u>		<u>6,000</u>
	<u>171,500</u>	<u>171,500</u>	<u>158,600</u>	<u>150,173</u>
Excess or (Deficit) in Actual Revenues and Expenses			12,660	26,743
Reconciliation of Budgetary Basis To Change in Net Position:				
Retained Earnings Appropriated			(3,000)	(9,000)
Depreciation			(65,338)	(67,433)
Renewal and Replacement Expenditures			(26,049)	6,000
			<u>(94,387)</u>	<u>(70,433)</u>
Change in Net Position			<u>(81,727)</u>	<u>(43,690)</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
SOLID WASTE FACILITIES FUND
SCHEDULE OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
RESTRICTED AND UNRESTRICTED
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015

	Unrestricted	Invested in Capital Assets	Cell Closure	Current Debt Service	Restricted Renewal and Replacement	Operations	Landfill Postclosure	Total
Operating Revenues:								
Tipping Fees	10,206,407							10,206,407
Recycle Markets	256,190							256,190
Operating Grant	143,320							143,320
Interest from Users	22,685							22,685
Landfill Gas Sales	474,857							474,857
Miscellaneous	34,372							34,372
	<u>11,137,831</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,137,831</u>
Operating Expenses:								
Administration, Operations, Maintenance and Reserves	6,395,153							6,395,153
Depreciation	2,574,696							2,574,696
	<u>8,969,849</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,969,849</u>
Operating Income	<u>2,167,982</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,167,982</u>
Non-Operating Revenue And (Expenses):								
Interest Income							182,493	182,493
Budget Appropriation - Renewal & Replacement Investment Expenses	(38,106)			100,000			(30,782)	100,000
Cell Closure Expenditures (Net)			90,878				(201,610)	(68,888)
Postclosure Expenditures (Net)	(12,365)							90,878
Loss on Disposal of Fixed Assets	(451,302)							(201,610)
Interest Expense								(12,365)
	<u>1,666,209</u>	<u>0</u>	<u>90,878</u>	<u>0</u>	<u>100,000</u>	<u>0</u>	<u>(49,899)</u>	<u>(451,302)</u>
Income or (Loss) Before Transfers	<u>1,666,209</u>	<u>0</u>	<u>90,878</u>	<u>0</u>	<u>100,000</u>	<u>0</u>	<u>(49,899)</u>	<u>1,807,188</u>
Transfers:								
Other	(1,066,863)	1,140,570		(119,857)		46,150		0
	<u>599,346</u>	<u>1,140,570</u>	<u>90,878</u>	<u>(119,857)</u>	<u>100,000</u>	<u>46,150</u>	<u>(49,899)</u>	<u>1,807,188</u>
Increase/(Decrease) in Net Position	<u>(4,080,521)</u>	<u>5,006,202</u>	<u>(10,899,294)</u>	<u>2,612,549</u>	<u>1,204,555</u>	<u>1,714,250</u>	<u>3,674,687</u>	<u>(767,572)</u>
Net Assets - December 1,	<u>(3,481,175)</u>	<u>6,146,772</u>	<u>(10,808,416)</u>	<u>2,492,692</u>	<u>1,304,555</u>	<u>1,760,400</u>	<u>3,624,788</u>	<u>1,039,616</u>
Net Assets - November 30,	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Designated	<u>(3,481,175)</u>							<u>(3,481,175)</u>
Undesignated	<u>(3,481,175)</u>							<u>(3,481,175)</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, 2015**

	Trustee Revenue Account	Revenue Operating Account	Petty Cash	General Fund
Cash, Cash Equivalents and Investments - December 1, 2014	884,979	1,563,446	2,100	65,349
Cash Receipts:				
Solid Waste Revenues		10,601,313		
Interest on Investments				
Budget Appropriation				
Landfill Gas Purchase		498,857		
Other		121,917		
Transfers	11,252,818	6,431,239		962,145
Total Cash Receipts	<u>11,252,818</u>	<u>17,653,326</u>	-	<u>962,145</u>
Cash and Investments Available	<u>12,137,797</u>	<u>19,216,772</u>	2,100	<u>1,027,494</u>
Cash Disbursements:				
Operations		6,642,743		
Bond Principal Payments				
Other				
Transfers	11,153,384	11,252,818		
Total Cash Disbursements	<u>11,153,384</u>	<u>17,895,561</u>	-	-
Cash, Cash Equivalents and Investments - November 30, 2015	<u>984,413</u>	<u>1,321,211</u>	<u>2,100</u>	<u>1,027,494</u>
Analysis of Balance:				
Unrestricted	-	456,861	2,100	1,027,494
Restricted	984,413	864,350	-	-
	<u>984,413</u>	<u>1,321,211</u>	<u>2,100</u>	<u>1,027,494</u>
Cash and Cash Equivalents	984,413	1,321,211	2,100	1,027,494
Investments	-	-	-	-
	<u>984,413</u>	<u>1,321,211</u>	<u>2,100</u>	<u>1,027,494</u>
Analysis of Restricted Accounts:				
Operations	896,050	864,350		
Cell Closure	88,363	-		
	<u>984,413</u>	<u>864,350</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, 2015

	<u>Construction</u>	<u>Current Debt Service</u>	<u>Renewal and Replacement</u>	<u>Planning Fund</u>
Cash, Cash Equivalents and Investments - December 1, 2014	14,060	3,745,000	1,290,000	54,459
Cash Receipts:				
Solid Waste Revenues				
Interest on Investments				
Budget Appropriation			100,000	
Landfill Gas Purchase				
Other				
Transfers		3,760,000		
Total Cash Receipts	-	3,760,000	100,000	-
Cash and Investments Available	14,060	7,505,000	1,390,000	54,459
Cash Disbursements:				
Operations				
Bond Principal Payments		3,745,000		
Other				
Transfers				
Total Cash Disbursements	-	3,745,000	-	-
Cash, Cash Equivalents and Investments - November 30, 2015	14,060	3,760,000	1,390,000	54,459
Analysis of Balance:				
Unrestricted	-	-	-	54,459
Restricted	14,060	3,760,000	1,390,000	-
	14,060	3,760,000	1,390,000	54,459
Cash and Cash Equivalents	14,060	3,760,000	1,390,000	54,459
Investments	-	-	-	-
	14,060	3,760,000	1,390,000	54,459

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, 2015

	Retained Percentages	Cell Closure Account	Landfill Postclosure Account	Total
Cash, Cash Equivalents and Investments - December 1, 2014	7,470	1,625,569	9,827,963	19,080,395
Cash Receipts:				
Solid Waste Revenues				10,601,313
Interest on Investments			182,492	182,492
Budget Appropriation		84,000		184,000
Landfill Gas Purchase				498,857
Other	19,984	769	95,496	238,166
Transfers				22,406,202
Total Cash Receipts	19,984	84,769	277,988	34,111,030
Cash and Investments Available	27,454	1,710,338	10,105,951	53,191,425
Cash Disbursements:				
Operations				6,642,743
Bond Principal Payments				3,745,000
Other	20,017	1,177,835	30,782	1,228,634
Transfers				22,406,202
Total Cash Disbursements	20,017	1,177,835	30,782	34,022,579
Cash, Cash Equivalents and Investments - November 30, 2015	7,437	532,503	10,075,169	19,168,846
Analysis of Balance:				
Unrestricted	-	-	-	1,540,914
Restricted	7,437	532,503	10,075,169	17,627,932
	7,437	532,503	10,075,169	19,168,846
Cash and Cash Equivalents	7,437	532,503	148,476	9,242,153
Investments	-	-	9,926,693	9,926,693
	7,437	532,503	10,075,169	19,168,846
Analysis of Restricted Accounts:				
Construction	7,437			
Cell Closure	-			
	7,437			

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITYSOLID WASTE FACILITIES FUNDSCHEDULE OF OPERATING REVENUESCOMPARED TO BUDGET, YEAR ENDED NOVEMBER 30, 2015WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2014

	FY 2015 Budget	FY 2015 Budget after Modifications	FY 2015 Actual	FY 2014 Actual
Revenue:				
Tipping Fees	10,207,500	10,207,500	10,206,407	10,670,725
Gross Sales on Recycle Markets	325,000	325,000	256,190	305,070
Interest on Investment and Deposits	1,500	1,500		
Interest from Users			22,685	16,306
Operating Grant	110,000	110,000	143,320	114,000
Landfill Gas Sales			474,857	
Miscellaneous	184,000	184,000	34,372	108,305
Total Revenue	10,828,000	10,828,000	11,137,831	11,214,406
Expenses:				
Operating and Maintenance (LF)				
(1) Salaries	1,777,000	1,777,000	1,793,520	1,692,976
(2) Benefits	863,000	863,000	729,031	713,460
(2) PERS	160,000	160,000	183,865	132,295
(3) Personnel Services	20,500	20,500	27,133	20,210
(4) Engineering and Consulting	111,000	111,000	142,085	173,938
(5) Legal Fees	20,000	20,000	26,398	22,582
(6) Indirect Administrative	615,000	615,000	596,875	568,523
(7) Trustee and Banking Fees	8,000	8,000	8,081	8,081
(8) Insurance	192,200	192,200	209,491	204,963
(9) Auditing/Accounting Fees	3,000	3,000	5,800	
(10) Seminars and Dues	4,000	4,000	4,877	3,611
(11) Travel and Expenses	1,000	1,000	615	1,064
(12) Office Supplies	9,000	9,000	9,380	10,583
(14) Advertising	5,000	5,000	3,942	1,967
(15) Printing	6,000	6,000	7,653	6,132
(16) Publications and Subscriptions	500	500		
(17) Custodial Supplies	9,000	9,000	10,453	10,472
(18) Safety Equipment	15,000	15,000	17,301	12,459
(19) Chemicals and Woodchips	303,500	303,500	218,615	236,298
(21) Plant Supplies	34,000	34,000	26,798	25,340
(22) Testing Services	30,000	30,000	30,295	28,566
(23) Outside Services	214,200	214,200	164,954	193,030
(24) Utilities	491,000	491,000	322,511	468,264
(25) Motor Vehicles and Equipment	412,000	412,000	229,132	203,868
(26) Equipment/Stationary	23,000	23,000	25,195	11,739
(27) Electrical Equipment Repairs	20,000	20,000	13,266	16,972
(28) Leachate Disposal	225,000	225,000	225,536	204,400
(29) Recycling Services	36,000	36,000	19,079	23,203
(30) Landfill Gas System	68,600	68,600	45,491	61,887
(31) Host Community Benefit Payments	505,000	505,000	469,419	492,448
(32) Taxes and Fees	454,500	454,500	404,528	476,422
(33) Enforcement Program				
	6,636,000	6,636,000	5,971,319	6,025,753

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

SOLID WASTE FACILITIES FUND
SCHEDULE OF OPERATING REVENUES
COMPARED TO BUDGET, YEAR ENDED NOVEMBER 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2014

	<u>FY 2015 Budget</u>	<u>FY 2015 Budget after Modifications</u>	<u>FY 2015 Actual</u>	<u>FY 2014 Actual</u>
Capital Outlay	120,000	120,000		
Debt Service:				
Bond Principal	2,373,000	2,373,000	2,373,000	2,615,000
Interest on Bonds	1,397,000	1,397,000	451,302 ⁽¹⁾	703,111 ⁽¹⁾
	<u>3,770,000</u>	<u>3,770,000</u>	<u>2,824,302</u>	<u>3,318,111</u>
Reserves:				
Renewal and Replacement	100,000	100,000	100,000	350,000
Cell Closure Escrow	101,000	101,000		84,000
Post Closure Care Fund	101,000	101,000	95,884	100,382
	<u>302,000</u>	<u>302,000</u>	<u>195,884</u>	<u>534,382</u>
Total Solid Waste Appropriations	<u>10,828,000</u>	<u>10,828,000</u>	<u>8,991,505</u>	<u>9,878,246</u>
Excess or Deficit in Actual Revenues and Expenses			2,146,326	1,336,160
Reconciliation of Budgetary Basis				
To Change in Net Position:				
Depreciation Expense			(2,574,696)	(2,383,801)
Loss on Disposal of Fixed Assets			(12,365)	
Accreted Interest - Capital Appreciation Bonds				(459,191)
Adjustment to Pension Expense			(227,950)	(235,790)
Interest on Non-Operating Investments			182,493	167,249
Other Non-Operating Income				1,400
Investment Expenses			(68,888)	(78,679)
Net Closure/Postclosure Care Expenses			(110,732)	(3,230,262)
Budget Appropriation - Ren. & Repl.			100,000	350,000
Bond Principal Payments			<u>2,373,000</u>	<u>2,615,000</u>
Change in Net Position			<u>1,807,188</u>	<u>(1,917,914)</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, 2015

Description	Original Issue Date	Amount	Date	Interest Rate	Amount	Balance Dec. 1, 2014	Issued	Accreted Principal	Refunded or Paid	Balance Nov. 30, 2015
Solid Waste Revenue Bonds, Series 2006	06/21/06	14,997,820	12/01/2015	4.400%	3,760,000			316,444	3,745,000	7,366,613
			12/01/2016	4.480%	3,606,613	10,795,169				
GRAND TOTAL						10,795,169	0	316,444	3,745,000	7,366,613

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

OTHER SEWER COMPANIES
STATEMENT OF NET POSITION
FOR THE YEAR ENDED NOVEMBER 30, 2015

	<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	4,123	2	461	60	4,646
Total Assets	<u>4,123</u>	<u>2</u>	<u>461</u>	<u>60</u>	<u>4,646</u>
<u>Liabilities And Net Position:</u>					
Escrow Deposits Payable	4,123	2	461	60	4,646
Total Liabilities And Net Position	<u>4,123</u>	<u>2</u>	<u>461</u>	<u>60</u>	<u>4,646</u>

**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, 2015**

	Planning Fund	Construction Fund	Acq. & Imp. Fund	Bond Service Fund	Retainage Fund	Operating Fund	Total
Cash, Cash Equivalents and Investments- December 1, 2014	373	21,087	2,191,287	82,237	-	170,620	2,465,604
Cash Receipts:							
Interest on Investments			265	17		13	295
Note Proceeds			4,506,616	5,859,632		60,000	10,426,248
Other		2,376			166,215		168,591
Transfers		4,017,777					4,017,777
Total Cash Receipts	-	4,020,153	4,506,881	5,859,649	166,215	60,013	14,612,911
Total Cash And Investments Available	373	4,041,240	6,698,168	5,941,886	166,215	230,633	17,078,515
Cash Disbursements:							
Construction in Progress		4,017,810	452,582				4,470,392
Note Principal				5,496,000			5,496,000
Interest on Note				82,211			82,211
Transfers			4,017,777				4,017,777
Total Cash Disbursements	-	4,017,810	4,470,359	5,578,211	-	-	14,066,380
Cash, Cash Equivalents and Investments- November 30, 2014	373	23,430	2,227,809	363,675	166,215	230,633	3,012,135
Analysis of Balance:							
Unrestricted	373	23,430	2,227,809	363,675	166,215	230,633	3,012,135
Restricted	373	23,430	2,227,809	363,675	166,215	230,633	3,012,135
Cash and Cash Equivalents Investments	373	23,430	2,227,809	363,675	166,215	230,633	3,012,135

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, 2015

Cash, Cash Equivalents and Investments- December 1, 2014	143,175
Cash Receipts:	
Grants	256,312
Reimbursements	9,435
Total Cash Receipts	<u>265,747</u>
Total Cash And Investments Available	<u>408,922</u>
Cash Disbursements:	
Project Expenses	261,213
Total Cash Disbursements	<u>261,213</u>
Cash, Cash Equivalents and Investments- November 30, 2015	<u><u>147,709</u></u>
Analysis of Balance:	
Unrestricted	147,709
Restricted	-
	<u>147,709</u>
Cash and Cash Equivalents	147,709
Investments	-
	<u><u>147,709</u></u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015

	<u>Administrative Services</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	211,188
Prepaid Expenses	<u>5,177</u>
Total Current Assets	<u>216,365</u>
Restricted Assets	
Cash and Cash Equivalents	243,833
Investments	380,340
Due From Unrestricted Accounts	<u> </u>
Total Noncurrent Assets	<u>624,173</u>
Total Assets	<u>840,538</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	2,381
Payroll Taxes Payable	23,953
Due to Restricted Accounts	<u> </u>
Due to Other Funds	<u>190,031</u>
Total Current Liabilities	<u>216,365</u>
Total Liabilities	<u>216,365</u>
NET POSITION	
Restricted:	
Reserve for Unemployment Insurance	<u>624,173</u>
Total Net Position	<u><u>624,173</u></u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015

	<u>Administrative Services</u>
Operating Revenues:	
User Charges	1,390,000
Interest Income	545
Unemployment Contributions	<u>5,662</u>
Total Operating Revenue	<u>1,396,207</u>
Operating Expenses:	
Administrative and General Expenses	1,390,000
Unemployment Claims	<u>4,011</u>
Total Operating Expenses	<u>1,394,011</u>
Operating Income	<u>2,196</u>
Net Position - Beginning	<u>621,977</u>
Net Position - Ending	<u><u>624,173</u></u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015

	Administrative Services
Cash Flows From Operating Activities:	
Cash Received from Users	1,390,000
Other Operating Receipts	5,662
Interest Received	545
Cash Paid to Suppliers, Employees and Professional contractors	(1,374,106)
Net Cash Provided/(Required) By Operating Activities	22,101
Cash Flows From Investing Activities:	
Sales (Purchases) of Investments	(532)
Net Cash Provided/(Required) By Investing Activities	(532)
Increase/(Decrease) In Cash And Cash Equivalents	21,569
Cash And Cash Equivalents - December 1,	433,452
Cash And Cash Equivalents - November 30,	455,021
Classified As:	
Unrestricted Assets	211,188
Restricted Assets	243,833
	455,021
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	6,207
Unemployment Claims	(4,011)
Items Affecting Cash from Operations:	
Decrease / (Increase) in:	
Prepaid Expenses	(897)
Increase / (Decrease) in:	
Accounts Payable and Accrued Liabilities	20,802
Net Cash Provided/(Required) by Operating Activities	22,101

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

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkocz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973-579-3212
Fax 973-579-7128

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, 2015, and the related notes to the financial statements, and have issued our report thereon dated May 12, 2016.

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.



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 questioned costs as item 2015-1.

Sussex County Municipal Utilities Authority's Response to Findings

Sussex County Municipal Utilities Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and responses.

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

May 12, 2016

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973-579-3212
Fax 973-579-7128

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND N.J. OMB CIRCULAR 04-04

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

Report on Compliance for Each Major Federal and State Program

We have audited the Sussex County Municipal Utilities Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Sussex County Municipal Utilities Authority's major federal and state programs for the year ended November 30, 2015. The Sussex County Municipal Utilities Authority's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Sussex County Municipal Utilities Authority's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133 and N.J. OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of



compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Sussex County Municipal Utilities Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Sussex County Municipal Utilities Authority's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Sussex County Municipal Utilities Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended November 30, 2015.

Report on Internal Control Over Compliance

Management of the Sussex County Municipal Utilities Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Sussex County Municipal Utilities Authority's internal control over compliance with the type of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and N.J. OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sussex County Municipal Utilities Authority's internal control over compliance.

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

Honorable Chairman and Members of the
Sussex County Municipal Utilities Authority
Page 3.

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

Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133

We have audited the financial statements of the Sussex County Municipal Utilities Authority as of and for the year ended November 30, 2015, and have issued our report there dated May 12, 2016 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and N.J. OMB Circular 04-04 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 schedule of expenditure of federal and state awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information of the management and the New Jersey State Department of Community Affairs, other state and 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.

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

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

May 12, 2016



SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

Schedule of Expenditures of Federal Awards
Fiscal Year Ended November 30, 2015

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 Paulinus Kill Headwaters	66.605	042-4801-100-442	\$ 611,776	06/19/07	09/30/13	592,334		609,960	609,960	
Section 319H Pollution Control and Management Implementation Grant	66.605	042-4801-100-442	\$ 1,409,000	06/18/09	04/17/16	672,200	65,000	520,766	84,244	605,010
Section 319H Pollution Control and Management Implementation Grant	66.605	042-4801-100-442	\$ 700,000	09/03/13	09/02/18	126,000	126,000	160,539	96,449	256,988
U.S. Department of Agriculture: Water and Waste Disposal Systems for Rural Communities Loan Program	10.760	N/A	\$ 7,825,000	12/01/14	11/30/15	-	-	-	7,746,110	7,746,110
Grant Program	10.760	N/A	\$ 5,629,500	12/01/14	11/30/15	-	-	-	-	-
Natural Resources Conservation Service Contribution Agreement 68-2B29-14-222	10.902	N/A	\$ 75,000	09/25/14	09/30/17	-	24,246	2,676	26,526	29,202
Contribution Agreement 68-2B29-14-223	10.902	N/A	\$ 25,000	09/25/14	09/14/15	-	12,156	3,336	14,598	17,934
U.S. Department of the Interior - National Fish and Wildlife Foundation: Pass Through The Nature Conservancy: Restoring Paulinus Kill Floodplain Forests and Functions	15.663	1308503805-WRWMG-FY15	\$ 30,322	04/01/14	08/31/16	-	11,346	3,804	20,025	23,829
						1,390,534	238,748	1,301,081	7,987,952	9,389,033

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

Schedule of Expenditures of State Financial Assistance
Fiscal Year Ended November 30, 2015

State Grantor/Pass-Through Grantor/Program	Pass Through Entity ID No.	State Account Number	Program Amount	Grant Period		Cash Received		Program Expenditures		
				From	To	Prior Years	Current Year	Prior Years	Current Year	Total
<u>New Jersey Department of Environmental Protection:</u>										
Recycling Enhancement Act Tax Fund	n/a	042-4910-100-224	\$ 114,000	06/01/14	05/31/15		114,000		114,000	114,000
Recycling Enhancement Act Tax Fund	n/a	042-4910-100-224	\$ 143,320	06/01/15	05/31/16					0
Total State Financial Assistance							<u>0</u>	<u>114,000</u>	<u>114,000</u>	<u>114,000</u>

Note: This schedule was not subject to an audit in accordance with NJOMB Circular 15-08.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

**NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
NOVEMBER 30, 2015**

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance present the activity of all federal and state award programs of the Sussex County Municipal Utilities Authority. The Authority is defined in Note 1 to the Authority's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state financial assistance passed through other government agencies is included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented on the accrual basis of accounting. This basis of accounting is described in Note 2(A) to the Authority's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Awards and financial assistance revenues are reported in the Authority's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Enterprise Fund	<u>\$7,987,952</u>	<u>\$114,000</u>	<u>\$8,101,952</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED NIVEMBER 30, 2015**

Section I--Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? _____ yes _____ X no

2) Significant deficiency(ies) identified that are not considered to be material weaknesses reported? _____ yes _____ X none

Noncompliance material to general-purpose financial statements noted? _____ X yes _____ no

Federal Awards

Internal Control over major programs:

1) Material weakness(es) identified? _____ yes _____ X no

2) Significant deficiencies identified that are not considered to be material weaknesses reported? _____ yes _____ X none

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133? _____ yes _____ X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ yes _____ X no

State Awards

Not Applicable

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED NOVEMBER 30, 2015

Section II--Financial Statement Findings

2015-1

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, that is based on U.S. Environmental Protection Agency "Solid Waste Disposal Facility Criteria" rules, requires that Municipal Solid Waste Landfills recognize a portion of the estimated cost of landfill closure in 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 procedures to properly fund its accrued cell closure liabilities

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

Section III--Federal Awards and State Financial Assistance Findings and Questioned Costs

No matters were reported.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED NOVEMBER 30, 2015

Status of Prior Year Findings

A review was performed on prior audit findings and corrective action was not taken on the following item:

2014-1:

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

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, 2015

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 & Cura, P.A.

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