

REPORT OF AUDIT
SUSSEX COUNTY
MUNICIPAL UTILITIES AUTHORITY
NOVEMBER 30, 2017

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

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Introductory Section

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
ROSTER OF OFFICIALS
NOVEMBER 30, 2017

Authority Members

Title

Commissioners

Thomas Madsen	Chairman
John Drake	Vice Chairman
Andrea Cocula	Secretary
Wayne Dietz	Commissioner
Karl Meyer	Commissioner
Ronald Petillo	Commissioner
Daniel Perez	Commissioner

Other Officials

John Hatzelis	Administrator
Angelo Baron	Superintendent - Wasterwater Facilities
James Sparnon	Superintendent - Solid Waste Facilities
Thomas Varro, P.E.	Chief Engineer
John Hatzelis	Treasurer
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, 2017 to January 1, 2017.

Financial Section

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of net position of the Sussex County Municipal Utilities Authority as of November 30, 2017 and 2016, 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, 2017 and 2016, 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.

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 comprise the Sussex County Municipal Utilities Authority's basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards, as required by

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2018 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, Wielkotz, Cerullo & Cova, P.A.

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

May 2, 2018



Required Supplementary Information

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, 2017 and 2016. 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 \$15,407,115 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$13,722,512.
- Total net position are comprised of the following:
 - (1) Capital assets, net of related debt, of \$6,556,946 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 \$10,213,611 are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$(1,363,442) represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority decreased by \$7,528,754 to \$82,928,703 during the fiscal year primarily due to a decrease in the Authority's net pension liability for the State of New Jersey Public Employees' Retirement System and the redemption of the Authority's Paulinskill Project Note.

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 \$15,407,115. This is a \$1,684,603 increase over last year's net position of \$13,722,512. 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 2017</u>	<u>FY 2016</u>	Dollar Change	Percent Change	<u>FY 2015</u>
Current and Other Assets	35,126	42,542	(7,416)	(17.43)%	33,739
Capital Assets	60,823	56,856	3,967	6.98%	56,066
Deferred Outflows of Resources	<u>5,256</u>	<u>5,641</u>	<u>(385)</u>	(6.83)%	<u>2,757</u>
Total Assets and Deferred Outflows	<u>101,205</u>	<u>105,039</u>	<u>(3,834)</u>		<u>92,562</u>
Long-term Debt Outstanding	55,400	51,032	4,368	8.56%	46,134
Other Liabilities	27,528	39,426	(11,898)	(30.18)%	42,189
Deferred Inflows of Resources	<u>2,871</u>	<u>859</u>	<u>2,012</u>	234.23%	<u>784</u>
Total Liabilities and Deferred Inflows	<u>85,799</u>	<u>91,317</u>	<u>(5,518)</u>		<u>89,107</u>
Invested in Capital Assets, Net of Related Debt	6,557	7,047	(490)	(6.95)%	3,559
Restricted	10,213	9,894	319	3.22%	2,834
Unrestricted	<u>(1,363)</u>	<u>(3,218)</u>	<u>1,855</u>	(57.64)%	<u>(2,938)</u>
	<u>15,407</u>	<u>13,723</u>	<u>1,684</u>	12.27%	<u>3,455</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 increased by \$1,684,603.

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

Net Position (Continued)

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

	<u>FY 2017</u>	<u>FY 2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>FY 2015</u>
Operating Revenues	20,953	19,361	1,592	8.22%	19,361
Non-Operating Revenues	<u>3,134</u>	<u>7,229</u>	<u>(4,095)</u>	(56.65)%	<u>720</u>
Total Revenues	<u>24,087</u>	<u>26,590</u>	<u>(2,503)</u>		<u>20,081</u>
Depreciation Expense	5,330	5,504	(174)	(3.16)%	5,349
Other Operating Expenses	16,220	13,050	3,170	24.29%	12,220
Other Non-Operating Expense	<u>1,726</u>	<u>2,525</u>	<u>(799)</u>	(31.64)%	<u>6,431</u>
Total Expenses	<u>23,276</u>	<u>21,079</u>	<u>2,197</u>		<u>24,000</u>
Contributions	<u>873</u>	<u>4,757</u>	<u>(3,884)</u>	(81.65)%	_____
Change in Net Position	1,684	10,268	(8,584)	(83.60)%	(3,919)
Beginning Net Position	<u>13,723</u>	<u>3,455</u>	<u>10,268</u>	297.19%	<u>8,025</u>
Ending Net Position	<u>15,407</u>	<u>13,723</u>	<u>1,684</u>	12.27%	<u>4,106</u>

The Authority's Operating Revenues increased by \$1,593,032 to \$20,953,781 in 2017 from \$19,360,749 in 2016 primarily due to increases in user charges and tipping fees. Nonoperating Revenues decreased by \$4,094,822 to \$3,134,172 from \$7,228,994 mainly due to decreases in net cell closure and postclosure revenues.

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 2017 budget comparison:

**Budget vs. Actual
FY 2017
(000's)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	18,066	20,953	2,887
Non-Operating		<u>3,134</u>	<u>3,134</u>
	<u>18,066</u>	<u>24,087</u>	<u>6,021</u>
Expenses:			
Operating	14,644	16,220	(1,576)
Non-Operating	<u>3,422</u>	<u>9,723</u>	<u>(6,301)</u>
	<u>18,066</u>	<u>25,943</u>	<u>(7,877)</u>
Income Before Depreciation and Capital Contributions	<u>0</u>	<u>(1,856)</u>	<u>(1,856)</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.

The Paulinskill Facilities sewer user charges are calculated based on best estimates of all operating expenses, reserve requirements and USDA loan payment obligations. The calculated user charges will be billed to Branchville and Frankford system participants based on individual service contracts.

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

The following are charts for various system service charges calculated for FY 2018

Hampton Commons Facility

a. Hampton Commons FY2018 Budget		\$180,500
b. Investment Earnings		
Earnings on Fund Balances		
R&R Fund	\$ 40,000	
Operating Fund	\$ 80,000	
Average Fund Balance	\$ 120,000	
Estimated Interest Rate	0.50%	
Projected Investment Earnings	\$ 600	
c. Appropriation from Retained Earnings	\$7,000	
Total Amount of Other Revenues		\$ 7,600
d. Amount to be Raised by User Charges		\$172,900
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 FY18 Annual Charge</u>
Hampton Common Homeowners Assoc.	32,000	82.05%	\$172,900	\$141,866.67
Township of Hampton	7,000	17.95%	\$172,900 =	\$ 31,033.33
	39,000	100.00%		\$172,900.00

Calculation of HCHA per unit charge

<u>O&M Expenses</u>	=	FY2018 Estimated User Charge
Units		
<u>\$141,867</u>	=	\$473 per unit
300		

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

Solid Waste Facilities

Tipping Fee Calculation/Analysis:

FY 2018 Solid Waste Facilities Budget	\$10,606,000
Less: Projected Revenues (other than Tipping Fees):	
A. Recycling Market Revenues	\$190,000
C. Non-Operating Revenues	\$260,000
Total "other" Revenues	<u>\$ 450,000</u>
Amount to be raised by Tipping Fees	\$10,156,000

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

$$\frac{\text{Revenues Necessary from Tip Fee}}{\text{Est. FY2018 Tonnage}} = \frac{\$10,156,000}{100,000} = \boxed{\$101.56} \text{ per ton}$$

**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		FY2018 Projections	% of Total	FY2018 Gen. Charge
Hamburg Borough	210,000	GMF	76,650,000	11.04%	127,980
Franklin Borough	385,000	GMF	140,525,000	20.24%	234,630
Wallkill Sewer Co.	66,000	actual	24,090,000	3.47%	40,222
HTMUA	227,000	actual(a)	82,855,000	11.93%	138,341
Sussex Borough	312,000	GMF	113,880,000	16.40%	190,142
Wantage Twp.	36,500	GMF	13,322,500	1.92%	22,244
Sparta Twp.	205,000	GMF	74,825,000	10.78%	124,933
Vernon Twp.	461,000	GMF	168,265,000	24.23%	280,948
	<u>1,902,500</u>		<u>694,412,500</u>	<u>100.00%</u>	<u>1,159,440</u>

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

Participant	GPD		FY2018 Projections	% of Total	FY2018 O&M Charge
Hamburg Borough	210,000	GMF	76,650,000	10.40%	348,290
Franklin Borough	385,000	GMF	140,525,000	19.07%	638,530
Wallkill Sewer Co.	66,000	actual	24,090,000	3.27%	109,463
		GMF/			
HTMUA	312,000	actual(b)	113,880,000	15.45%	517,460
Sussex Borough	312,000	GMF	113,880,000	15.45%	517,460
Wantage Twp.	63,000	GMF	22,995,000	3.12%	104,487
Sparta Twp.	210,000	GMF	76,650,000	10.40%	348,290
Vernon Twp.	461,000	GMF	168,265,000	22.83%	764,580
	<u>2,019,000</u>		<u>736,935,000</u>	<u>100.00%</u>	<u>3,348,560</u>

(a) Debt Service – HTMUA/WVRHS Actual. YMCA 8,000 GMF 2017

(b) O&M Charges – HTMUA GMF (302,000 gpd) + YMCA Actual 4,000 gpd) + WVRHS Actual (6,000 gpd)

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

FY2018 Estimated Total Sewer User Charges

Participant	General Charge	Operating Charge	Proj. FY2018 User Charge	FY2017 Estimated User Charge	% Change
Hamburg Borough	\$127,980	\$348,290	\$476,270	\$480,105	-0.8%
Franklin Borough	234,630	638,530	873,160	880,194	-0.8%
Walkill Sewer Co.	40,222	109,463	149,685	155,463	-3.7%
HTMUA	138,341	517,460	655,801	658,365	-0.4%
Sussex Borough	190,142	517,460	707,602	713,300	-0.8%
Wantage Twp.	22,244	104,487	126,731	127,618	-0.7%
Sparta Twp.	124,933	348,290	473,223	477,009	-0.8%
Vernon Twp. (A)	<u>980,948</u>	<u>764,580</u>	<u>1,745,528</u>	<u>1,653,946</u>	<u>5.5%</u>
Comparison all system users	\$1,859,440	\$3,348,560	\$5,208,000	\$5,146,000	1.2%

(A) Added in Vernon Additional Bonds \$700,000, a \$100,000 increase from FY17

Note: Due to system calculations, rounding error may occur

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

$$\frac{\$4,508,000}{694,412,500} = \$0.00649 \quad \times \quad 1,000 \quad \$6.49$$

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

Paulinskill Facility – FY2018

a. Paulinskill Facility Proposed FY 2018 Budget

Debt Service	\$ 318,500	
O&M	<u>\$ 282,300</u>	
Total Budget		\$600,800

b. Investment Earnings \$ -

c. Appropriation from Retained Earnings \$ -

d. Connection Fees \$ -

Connection Fee Calculation:

Debt Service Paid:		FY16	\$ -	
		FY17	<u>\$ 318,500</u>	
Total D/S Paid			\$ 318,500	
Total Number of EDU’s in Paulinskill System			732.72	
Connection Fee Calculation =	$\frac{\text{D/S Paid}}{\text{EDU's}}$	$\frac{\$ 318,500}{\$ 733} =$	435	Per EDU

Total Amount of Other Revenues \$ -0-

e. Amount to be Raised by User Charges \$600,800

f. Calculation of Sewage Treatment Charges

The Service Agreement with Frankford Township indicates that the estimated charge for the Township shall be based on the “Committed Flows” or 47 edu’s.

The Service Agreement with Branchville indicates that their Assigned Minimum Flow is 144,000 gpd or (144,000 / 210 = 685.72 edu’s)

	EDU’S	Gals/ EDU	GPD	%	Debt Service	O&M	Est.FY2018 Annual Charges
Branchville Borough	685.72	210	144,000	93.59%	\$298,070	\$264,192	\$562,262
Township of Frankford	<u>47.00</u>	210	<u>9,870</u>	<u>6.41%</u>	<u>\$ 20,430</u>	<u>\$ 18,108</u>	<u>\$ 38,538</u>
	732.72		153,870	100.00%	\$318,500	\$282,300	\$600,800

Calculation of Branchville Borough's Est. FY2018 per EDU Charge

$$\begin{array}{rcl} \frac{\text{D/S \& O\&M Expenses}}{\text{Units}} & = & \text{FY2018 Estimated User Charges} \\ \\ \frac{\$562,262}{685.715 \text{ EDU's}} & = & \boxed{\$820} \text{ per unit} \end{array}$$

Calculation of Frankford Township's Est. FY2018 per EDU Charge

$$\begin{array}{rcl} \frac{\text{D/S \& O\&M Expenses}}{\text{Units}} & = & \text{FY2017 Estimated User Charges} \\ \\ \frac{\$38,538}{47 \text{ EDU's}} & = & \boxed{\$820} \text{ per unit} \end{array}$$

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

Capital Assets

	<u>FY 2017</u>	<u>FY 2016</u>	<u>Dollar Change</u>	<u>2015</u>
Land	3,834	3,832	2	3,829
Improvements	70,842	70,842	0	71,287
Buildings	66,049	53,707	12,342	53,197
Machinery and Equipment	19,781	19,349	432	20,719
Total Property, Plant and Equipment	<u>160,506</u>	<u>147,730</u>	<u>12,776</u>	<u>149,032</u>
Less:				
Accumulated Depreciation	(108,702)	(103,372)	(5,330)	(100,142)
	<u>51,804</u>	<u>44,358</u>	<u>7,446</u>	<u>48,890</u>
Construction in Progress	<u>9,020</u>	<u>12,497</u>	<u>(3,477)</u>	<u>7,176</u>
Net Property, Plant and Equipment	<u>60,824</u>	<u>56,855</u>	<u>3,969</u>	<u>56,066</u>

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

Solid Waste Facilities

Landfill Gas System Improvements

The SCMUA is required to manage landfill gas which is created by the decomposition of solid waste. The landfill gas is collected by a series of landfill gas wells and piping which is sold to an on-site vendor. The gas is utilized by the vendor to generate electric power for off site customers. 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 2018 and 2019 to expand and upgrade the collection system. These improvements are designed to control landfill gas emissions.

Mobile Equipment

The SCMUA Solid Waste Facilities relies on a large amount of mobile equipment to perform its mission. In 2018, the SCMUA has budgeted for: a replacement & roll-off truck, replacement & utility loader and upgrades to the facility truck scale system.

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

Solid Waste Facilities, (continued)

Leachate Pump Station/Forcemain

In 2018, the SCMUA will be designing a leachate pumping station & forcemain project to convey landfill leachate to the Upper Wallkill Facility. This project will be more cost efficient and reduce risks associated with hauling leachate via tanker trucks. This project will be funded through the N.J. Infrastructure Bank and is anticipated to be completed in 2020.

Solid Waste Planning

In 2017, the SCMUA completed construction of a landfill expansion project which is anticipated to allow acceptance of solid waste until 2028. The NJDEP approved Sussex County District Solid Waste Management Plan provides for additional landfill expansions in future years which are projected to extend the landfill life to 2060.

Wastewater Facilities

Upper Wallkill Capital Program

In 2018, a number of projects are proposed utilizing existing Capital Funds. The projects include: SCADA System Upgrade, Replace Belt Filter Press, Replace Utility Truck and various concrete repairs to the Upper Wallkill Treatment Units and Franklin Regional Pumping Station. 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.

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

Economic Factors, Future Years Budgets and Rates, (continued)

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.

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, 2017 AND 2016

Exhibit A
Page 1 of 3

	<u>2017</u>	<u>2016</u>
ASSETS		
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 8,482,931	\$ 6,032,903
Accounts Receivable (net of allowance for uncollectibles)	846,548	899,846
Prepaid Expenses	57,262	42,739
Due From Central Services	215,139	
Due From State of New Jersey	286,640	143,320
	9,888,520	7,118,808
Total Unrestricted Current Assets		
Restricted Current Assets		
Construction Fund		
Cash and Cash Equivalents	56,900	
Due From NJEIT	324,719	
Phase 2 Construction Fund		
Cash and Cash Equivalents	643,865	1,497,465
Phase 3 Construction Fund		
Cash and Cash Equivalents	260,521	259,588
Renewal and Replacement Fund		
Cash and Cash Equivalents	3,488,089	2,697,974
Cost of Issuance Account		
Cash and Cash Equivalents	8,602	8,583
Current Debt Service Fund		
Cash and Cash Equivalents	2,173,061	15,655,694
Due From USDA		553,123
Retained Percentages Account		
Cash and Cash Equivalents	162,660	365,975
Planning Fund		
Cash and Cash Equivalents	373	
Operations		
Cash and Cash Equivalents	3,096,750	3,051,250
Cell Closure Account		
Cash and Cash Equivalents	2,275,448	381,714
Due From NJEIT	1,566,689	
Due From Central Services	3,012	
Landfill Postclosure Account		
Cash and Cash Equivalents	252,051	97,070
Investments	10,288,776	10,224,923
Unemployment Trust Fund		
Cash and Cash Equivalents	254,490	249,261
Investments	381,849	380,874
	25,237,855	35,423,494
Total Restricted Current Assets		
	35,126,375	42,542,302
Total Current Assets		

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF NOVEMBER 30, 2017 AND 2016

Exhibit A
Page 2 of 3

	<u>2017</u>	<u>2016</u>
Non-Current Assets		
Capital Assets		
Land	3,833,925	3,832,424
Improvements	70,841,936	70,841,936
Buildings	66,048,655	53,707,008
Machinery and Equipment	19,781,570	19,348,805
Accumulated Depreciation	(108,701,848)	(103,371,536)
Construction in Progress	9,019,687	12,496,908
	60,823,925	56,855,545
Total Non-Current Assets	60,823,925	56,855,545
Total Assets	95,950,300	99,397,847
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - PERS	3,820,336	4,124,999
Deferred Loss on Refunding of Debt	1,435,695	1,516,261
	5,256,031	5,641,260
Total Deferred Outflows of Resources	5,256,031	5,641,260
Total Assets and Deferred Outflows of Resources	\$ 101,206,331	\$ 105,039,107
 LIABILITIES		
Current Liabilities (Payable from Unrestricted Assets)		
Payroll Taxes Payable	\$ 12,902	\$ 1,618
Accounts Payable	539,103	467,549
Accounts Payable - Pension	425,179	371,458
Due to Other Funds	218,151	
Escrow Deposits	4,646	4,646
	1,199,981	845,271
Total Current Liabilities Payable from Unrestricted Assets	1,199,981	845,271
Current Liabilities (Payable from Restricted Assets)		
Accounts Payable - Cell Closure	193,236	8,274
Accounts Payable		128,608
Retainage Payable	162,660	358,538
Lease Payable	831,038	1,149,686
Bonds Payable - Current Portion	2,022,114	5,552,437
Project Note Payable		10,210,000
Accrued Interest on Bonds	682,753	2,272,638
	3,891,801	19,680,181
Total Current Liabilities Payable from Restricted Assets	3,891,801	19,680,181
Total Current Liabilities	5,091,782	20,525,452

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF NOVEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Non-Current Liabilities		
Net Pension Liability - PERS	10,683,895	12,383,721
Planning Loan - County of Sussex	343,599	343,599
Accrued Liabilities - Closure and Postclosure Costs	12,690,615	10,909,315
Accrued Liabilities - Compensated Absences	740,685	815,972
USDA Loans Payable	7,650,449	7,767,563
NJEIT Loans Payable	8,437,000	
Project Bonds Payable	<u>37,290,678</u>	<u>37,711,835</u>
 Total Non-Current Liabilities	 <u>77,836,921</u>	 <u>69,932,005</u>
 Total Liabilities	 <u>82,928,703</u>	 <u>90,457,457</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - PERS	2,447,737	414,660
Bond Premiums - Net	<u>422,776</u>	<u>444,478</u>
 Total Deferred Inflows of Resources	 <u>2,870,513</u>	 <u>859,138</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>85,799,216</u>	 <u>91,316,595</u>
 NET POSITION		
Net Investment in Capital Assets	6,556,946	7,046,673
Restricted For:		
Debt Service	1,490,308	3,727,345
Renewal and Replacement	3,488,089	2,697,974
Operations	3,096,750	3,051,250
Landfill Cell Closure/Postclosure	1,502,125	(212,482)
Unemployment Trust	636,339	630,135
Unrestricted		
Designated	678,308	642,224
Undesignated	<u>(2,041,750)</u>	<u>(3,860,607)</u>
 Total Net Position	 <u>\$ 15,407,115</u>	 <u>\$ 13,722,512</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, 2017 AND 2016

Exhibit B
Page 1 of 2

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
User Charges	\$ 7,382,401	\$ 6,592,538
Treatment of Sludge, Septage and Leachate	1,134,811	961,595
Operating and Maintenance Charges - Municipal	173,500	83,500
Tipping Fees	11,094,406	10,619,026
Recycling Markets	268,790	210,276
Connection Fees	193,398	154,402
Operating Grants	487,328	494,789
Finance Charges	17,203	12,718
Interest	38,662	607
Miscellaneous	163,282	231,298
	<u>20,953,781</u>	<u>19,360,749</u>
OPERATING EXPENSES		
Administration, Operating, Maintenance and Reserves	16,219,894	13,050,077
Depreciation	5,330,313	5,504,046
	<u>21,550,207</u>	<u>18,554,123</u>
	<u>(596,426)</u>	<u>806,626</u>
OPERATING INCOME (LOSS)		
NON-OPERATING REVENUES (EXPENSES)		
Interest on Investments	153,295	178,265
Renewal and Replacement Appropriation	815,000	106,000
Cell Closure Appropriation	2,104,000	
Budget Appropriation - Vernon Rate Stabilization	61,877	52,774
Other Non-Operating Revenue		52,322
Interest Expense	(522,318)	(662,395)
Accreted Interest on Capital Appreciation Bonds	(87,247)	(1,505,520)
Amortization of Bond Discount, Premiums	(58,864)	15,354
Investment Expenses	(100,952)	(78,291)

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, 2017 AND 2016

Exhibit B
Page 2 of 2

	<u>2017</u>	<u>2016</u>
NON-OPERATING REVENUES (EXPENSES), cont.		
Unemployment Claims	(1,429)	(778)
Renewal and Replacement Expenses	(11,860)	(44,655)
Loss on Disposal of Equipment		(5,560)
Other Non-Operating Expenses		(227,331)
Cell Closure Expenditures (Net)	(596,256)	4,475,282
Postclosure Expenditures (Net)	(1,141,123)	2,348,997
Prior Year Landfill Expansion	793,885	
	1,408,008	4,704,464
Income (Loss) Before Contributions and Transfers	811,582	5,511,090
Capital Contributions	873,021	4,756,479
CHANGE IN NET POSITION	1,684,603	10,267,569
Net Position, December 1,	13,722,512	3,454,943
Net Position, November 30,	\$ 15,407,115	\$ 13,722,512

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
AS OF NOVEMBER 30, 2017 AND 2016

Exhibit C
Page 1 of 2

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 20,317,807	\$ 18,809,261
Cash Received from State of New Jersey		143,320
Cash Received from Grants		351,469
Other Operating Receipts	514,727	384,072
Interest Received	191,957	178,871
Cash Paid to Suppliers, Employees and Professional Contractors	(13,977,502)	(10,529,172)
Other Operating Payments	<u>(6,742,879)</u>	<u>(2,000,021)</u>
Net Cash Provided by Operating Activities	<u>304,110</u>	<u>7,337,800</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Bond Sale Proceeds		117,317
Bond Issue Costs Paid		(108,734)
USDA Grants/Loans Received	1,101,425	12,028,356
Received from NJEIT	6,870,311	
County Loan Repayments		(75,059)
Principal Payments on Notes	(10,210,000)	
Principal Payments on Bonds	<u>(5,552,437)</u>	<u>(5,425,000)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(7,790,701)</u>	<u>6,536,880</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(2,356,383)	(5,461,950)
Retainage Received	12,926	
Renewal and Replacement Expenditures	753,140	13,667
Sales (Purchases) of Investments	<u>(64,828)</u>	<u>(245,769)</u>
Net Cash Provided by Investing Activities	<u>(1,655,145)</u>	<u>(5,694,052)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(9,141,736)	8,180,628
Cash and Cash Equivalents, December 1,	<u>30,297,477</u>	<u>22,116,849</u>
Cash and Cash Equivalents, November 30,	<u>\$ 21,155,741</u>	<u>\$ 30,297,477</u>
ANALYSIS OF BALANCE AT NOVEMBER 30		
Unrestricted - Cash and Cash Equivalents	8,482,931	6,032,903
Restricted - Cash and Cash Equivalents	<u>12,672,810</u>	<u>24,264,574</u>
	<u>\$ 21,155,741</u>	<u>\$ 30,297,477</u>

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
AS OF NOVEMBER 30, 2017 AND 2016

Exhibit C
Page 2 of 2

	<u>2017</u>	<u>2016</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (596,426)	\$ 806,626
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	5,330,313	5,504,046
Interest Received on Non-operating Investments	153,295	178,265
Pension Adjustment - PERS	691,635	958,527
Unemployment Claims		(778)
Interest Paid	(323,232)	(307,309)
Other Non-Operating Income	111,877	152,774
Other Non-Operating Expenses	(5,157,591)	(267,388)
(Increase)/Decrease in Accounts Receivable	53,298	175,206
(Increase)/Decrease in Due From Central Services	(17,165)	(11,855)
(Increase)/Decrease in Due From State of New Jersey	(143,320)	
(Increase)/Decrease in Prepaid Expenses	(14,524)	1,069
Increase/(Decrease) in Current Liabilities Payable from Unrestricted Assets	98,838	117,399
Increase/(Decrease) in Current Liabilities Payable from Restricted Assets	192,399	28,605
Increase/(Decrease) in Non-Current Liabilities	(75,287)	2,613
Total Adjustments	<u>900,536</u>	<u>6,531,174</u>
Net Cash Provided by Operating Activities	<u>\$ 304,110</u>	<u>\$ 7,337,800</u>

See accompanying Notes to the Financial Statements.

Notes to Financial Statements

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017

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, 2017
(Continued)

1. General (continued)

Wastewater (continued)

As of November 30, 2017, the following amount is due to the County of Sussex:

Under the 1973 Service Contract	<u>\$343,599</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.

The SCMUA and Township of Frankford entered into a service contract on November 24, 2010.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(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, 2017
(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, 2017
(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 2H).

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, 2017
(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, 2017
(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, 2017
(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, 2017:</u>	<u>Upper Walkill Facilities Fund</u>	<u>Hampton Commons Facilities Fund</u>	<u>Solid Waste Facilities Fund</u>	<u>Paulins Kill Water Reclamation Project</u>	<u>Walkill Watershed Project</u>	<u>Total</u>
Capital Assets Not Being Depreciated:						
Land	573,834	32,741	2,770,568	456,782		3,833,925
Construction in Progress	<u>1,012,535</u>	<u> </u>	<u>8,007,152</u>	<u> </u>	<u> </u>	<u>9,019,687</u>
Total Capital Assets, Not Being Depreciated	<u>1,586,369</u>	<u>32,741</u>	<u>10,777,720</u>	<u>456,782</u>	<u> </u>	<u>12,853,612</u>
Capital Assets Being Depreciated:						
Improvements	22,977,261		47,864,675			70,841,936
Buildings	40,294,624	510,231	12,902,153	12,341,647		66,048,655
Machinery and Equipment	<u>11,073,135</u>	<u>742,270</u>	<u>7,857,645</u>	<u>102,306</u>	<u>6,214</u>	<u>19,781,570</u>
Total Capital Assets, Being Depreciated	74,345,020	1,252,501	68,624,473	12,443,953	6,214	156,672,161
Less:						
Accumulated Depreciation	<u>(46,361,275)</u>	<u>(1,099,082)</u>	<u>(60,925,190)</u>	<u>(315,990)</u>	<u>(311)</u>	<u>(108,701,848)</u>
Total Capital Assets Being Depreciated, Net	<u>27,983,745</u>	<u>153,419</u>	<u>7,699,283</u>	<u>12,127,963</u>	<u>5,903</u>	<u>47,970,313</u>
Total Capital Assets, Net	<u>29,570,114</u>	<u>186,160</u>	<u>18,477,003</u>	<u>12,584,745</u>	<u>5,903</u>	<u>60,823,925</u>

<u>Fiscal Year Ended Nov. 30, 2016:</u>	<u>Upper Walkill 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	455,281	3,832,424
Construction in Progress	<u>213,379</u>	<u> </u>	<u>10,136</u>	<u>12,273,393</u>	<u>12,496,908</u>
Total Capital Assets, Not Being Depreciated	<u>787,213</u>	<u>32,741</u>	<u>2,780,704</u>	<u>12,728,674</u>	<u>16,329,332</u>
Capital Assets Being Depreciated:					
Improvements	22,977,261		47,864,675		70,841,936
Buildings	40,294,624	510,231	12,902,153		53,707,008
Machinery and Equipment	<u>11,073,135</u>	<u>742,270</u>	<u>7,533,400</u>	<u> </u>	<u>19,348,805</u>
Total Capital Assets, Being Depreciated	74,345,020	1,252,501	68,300,228		143,897,749
Less:					
Accumulated Depreciation	<u>(43,720,523)</u>	<u>(1,063,602)</u>	<u>(58,587,411)</u>	<u> </u>	<u>(103,371,536)</u>
Total Capital Assets Being Depreciated, Net	<u>30,624,497</u>	<u>188,899</u>	<u>9,712,817</u>	<u> </u>	<u>40,526,213</u>
Total Capital Assets, Net	<u>31,411,710</u>	<u>221,640</u>	<u>12,493,521</u>	<u>12,728,674</u>	<u>56,855,545</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(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:

	<u>Balance</u> <u>Nov. 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>Nov. 30, 2017</u>
<u>Upper Wallkill Facilities Fund:</u>				
Capital Assets Not Being Depreciated:				
Land	573,834			573,834
Construction in Progress	<u>213,379</u>	<u>799,156</u>	<u> </u>	<u>1,012,535</u>
Total Capital Assets, Not Being Depreciated	<u>787,213</u>	<u>799,156</u>	<u> </u>	<u>1,586,369</u>
Capital Assets Being Depreciated:				
Improvements	22,977,261			22,977,261
Buildings	40,294,624			40,294,624
Machinery and Equipment	<u>11,073,135</u>	<u> </u>	<u> </u>	<u>11,073,135</u>
Total Capital Assets, Being Depreciated	74,345,020			74,345,020
Less:				
Accumulated Depreciation	<u>(43,720,523)</u>	<u>(2,640,752)</u>	<u> </u>	<u>(46,361,275)</u>
Total Capital Assets Being Depreciated, Net	<u>30,624,497</u>	<u>(2,640,752)</u>	<u> </u>	<u>27,983,745</u>
Total Capital Assets, Net	<u>31,411,710</u>	<u>(1,841,596)</u>	<u> </u>	<u>29,570,114</u>
	<u>Balance</u> <u>Nov. 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>Nov. 30, 2017</u>
<u>Hampton Commons Facilities Fund:</u>				
Capital Assets Not Being Depreciated:				
Land	<u>32,741</u>	<u> </u>	<u> </u>	<u>32,741</u>
Total Capital Assets, Not Being Depreciated	<u>32,741</u>	<u> </u>	<u> </u>	<u>32,741</u>
Capital Assets Being Depreciated:				
Buildings	510,231			510,231
Machinery and Equipment	<u>742,270</u>	<u> </u>	<u> </u>	<u>742,270</u>
Total Capital Assets, Being Depreciated	1,252,501			1,252,501
Less:				
Accumulated Depreciation	<u>(1,063,602)</u>	<u>(35,480)</u>	<u> </u>	<u>(1,099,082)</u>
Total Capital Assets Being Depreciated, Net	<u>188,899</u>	<u>(35,480)</u>	<u> </u>	<u>153,419</u>
Total Capital Assets, Net	<u>221,640</u>	<u>(35,480)</u>	<u> </u>	<u>186,160</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

2. Summary of Significant Accounting Policies, (continued)

F. Property, Plant and Equipment, (continued)

	Balance			Balance
<u>Solid Waste Facilities Fund:</u>	<u>Nov. 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Nov. 30, 2017</u>
Capital Assets Not Being Depreciated:				
Land	2,770,568			2,770,568
Construction in Progress	<u>10,136</u>	<u>7,997,016</u>	<u> </u>	<u>8,007,152</u>
Total Capital Assets, Not Being Depreciated	<u>2,780,704</u>	<u>7,997,016</u>	<u> </u>	<u>10,777,720</u>
Capital Assets Being Depreciated:				
Improvements	47,864,675			47,864,675
Buildings	12,902,153			12,902,153
Machinery and Equipment	<u>7,533,400</u>	<u>324,245</u>	<u> </u>	<u>7,857,645</u>
Total Capital Assets, Being Depreciated	68,300,228	324,245		68,624,473
Less:				
Accumulated Depreciation	<u>(58,587,411)</u>	<u>(2,337,779)</u>	<u> </u>	<u>(60,925,190)</u>
Total Capital Assets Being Depreciated, Net	<u>9,712,817</u>	<u>(2,013,534)</u>	<u> </u>	<u>7,699,283</u>
Total Capital Assets, Net	<u><u>12,493,521</u></u>	<u><u>5,983,482</u></u>	<u><u> </u></u>	<u><u>18,477,003</u></u>
	Balance			Balance
<u>Paulins Kill Water Reclamation Project::</u>	<u>Nov. 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Nov. 30, 2017</u>
Capital Assets Not Being Depreciated:				
Land	455,281	1,501		456,782
Construction in Progress	<u>12,273,393</u>	<u> </u>	<u>(12,273,393)</u>	<u>0</u>
Total Capital Assets, Not Being Depreciated	<u>12,728,674</u>	<u>1,501</u>	<u>(12,273,393)</u>	<u>456,782</u>
Capital Assets Being Depreciated:				
Buildings		12,341,647		12,341,647
Machinery and Equipment	<u> </u>	<u>102,306</u>	<u> </u>	<u>102,306</u>
Total Capital Assets, Being Depreciated		12,443,953		12,443,953
Less:				
Accumulated Depreciation	<u> </u>	<u>(315,990)</u>	<u> </u>	<u>(315,990)</u>
Capital Assets Being Depreciated, Net	<u> </u>	<u>12,127,963</u>	<u> </u>	<u>12,127,963</u>
Total Capital Assets, Net	<u><u>12,728,674</u></u>	<u><u>12,129,464</u></u>	<u><u>(12,273,393)</u></u>	<u><u>12,584,745</u></u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

2. Summary of Significant Accounting Policies, (continued)

F. Property, Plant and Equipment, (continued)

<u>Wallkill Watershed Project::</u>	<u>Balance</u> <u>Nov. 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>Nov. 30, 2017</u>
Capital Assets Not Being Depreciated:				
Machinery and Equipment	_____	<u>6,214</u>	_____	<u>6,214</u>
Total Capital Assets, Not Being Depreciated		6,214		<u>6,214</u>
Less:				
Accumulated Depreciation	_____	<u>(311)</u>	_____	<u>(311)</u>
Capital Assets Being Depreciated, Net	_____	_____	_____	_____
Total Capital Assets, Net	<u>_____</u>	<u>5,903</u>	<u>_____</u>	<u>5,903</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

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:

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

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

G. Deferred Outflows and Deferred Inflows of Resources, (continued)

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.
Construction	Proceeds of debt issued and construction grants-in-aid. (Section 513)	Constructions costs of the project system, including improvements and additions.
Bond Service (Current Debt Service)	Amount needed to pay matured principal and interest due on or before the following December 1st (Section 508)	Principal and interest on the bonds.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(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>
Bond Reserve (Future Debt Service)	Amount needed to equal the reserve requirement. (Section 510)	Transfers to meet minimum levels required in the bond service or sinking accounts. Any excess may be transferred into the revenue account.
Renewal and Replacement	Amount required to equal the reserve requirement. (Section 510)	Reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals.
General	Amount needed to increase the balance to equal the requirements as defined by the resolution	Transfers to meet deficiencies in any fund or account, after which funds may be expended for lawful corporate purpose of the Authority.

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

2. Summary of Significant Accounting Policies, (continued)

H. Restricted Accounts, (continued)

Hampton Commons Facilities Fund:

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

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

Other Sewer Companies:

Escrow deposits are being held for the Montague Sewer Co., Frankford Township and Sparta Plaza.

Solid Waste Facility:

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(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>
Operating	All revenue received by the Authority. (Section 506)	Authorized operating expenses.
Bond Service	Amount needed to pay matured principal, interest and redemption premium, if any. (Section 507)	Principal, interest and redemption premium on the bonds and notes.
Bond Reserve (Future Reserve Service)	Amount needed to equal the reserve requirement. (Section 509)	Transfers to meet minimum levels required in the bond service or sinking accounts. Any excess may be transferred into the revenue account.
Renewal and Replacement	Amount required to equal the reserve requirement. (Section 510)	Reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals.
General	Amount needed to increase the balance to equal the requirements as defined by the resolution (Section 511)	Transfers to meet deficiencies in any fund or account, after which funds may be expended for any lawful corporate purpose of the Authority.
Rebate	All monies subject to rebated to the U.S. Government (Section 512)	Rebates to the U.S. Government for non-compliance with I.R.S. Code Code and Arbitrage Regulations.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

2. Summary of Significant Accounting Policies, (continued)

H. Restricted Accounts, (continued)

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

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

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

Retained percentage account derived from amounts withheld from construction contracts.

Paulins Kill Water Reclamation Project:

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

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.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

2. Summary of Significant Accounting Policies, (continued)

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, 2017, there is \$1,502,125 in the Authority's Cell Closure/Postclosure Reserve.

Additionally, the Sussex County Municipal Utilities Authority has obtained a Major SWF Permit Modification Application to the NJDEP that authorizes 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. Based on this permit approval, the Sussex County Municipal Utilities Authority in 2017 entered into a construction contract to expand the landfill life. This project was financed through the New Jersey Environmental Infrastructure Trust. The project was completed in late 2017 which will extend the landfill life to 2028. Additional landfill expansion phases will be necessary to realize the additional 50 years of landfill life.

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.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

2. Summary of Significant Accounting Policies, (continued)

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, remaining life of landfill for closure and cell closure liabilities, 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.

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.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

2. Summary of Significant Accounting Policies, (continued)

Q. Recent Accounting Pronouncements

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

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. The Authority believes this Statement will have no impact on future financial statements.

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 impact, if any, this Statement might have.

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 believes this Statement will have no impact on future financial statements.

In January 2017, the Government Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities. The Authority is currently evaluating the effects, if any, this Statement may have on future financial statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

2. Summary of Significant Accounting Policies, (continued)

Q. Recent Accounting Pronouncements, (continued)

In March 2017, the Government Accounting Standards Board issued GASB Statement No. 85, Omnibus 2017, which addresses practice issues that have been identified during the implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, Certain Debt Extinguishment Issues, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, Leases, which is intended to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, as a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities. 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. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement. The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This Statement is effective for reporting periods beginning after June 15, 2018. The Authority believes this may impact the disclosures relating to debt in the notes to the financial statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

2. Summary of Significant Accounting Policies, (continued)

R. 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 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, 2017, cash and cash equivalents of the Sussex County Municipal Utilities Authority consisted of the following:

Upper Wallkill Facilities Fund

	<u>Cash</u> <u>on Hand</u>	<u>Checking</u> <u>Accounts</u>	<u>Savings/</u> <u>Money</u> <u>Market</u> <u>Accounts</u>	<u>Total</u>
Petty Cash	400			400
Revenue Account			1,784,673	1,784,673
Operating Account		168,260		168,260
General Planning Replacement		86		86

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(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>
Vernon Twp. Rate Stabilization Fund		478,323		478,323
Current Debt Service			2,015,941	2,015,941
Phase III Construction		260,521		260,521
General Fund			3,119,391	3,119,391
Renewal and Replacement			1,553,408	1,553,408
Phase II Construction			544,082	544,082
Future Debt Service			1	1
Retainage Account		12,926		12,926
Cost of Issuance Account			8,602	8,602
	<u>400</u>	<u>920,116</u>	<u>9,026,098</u>	<u>9,946,614</u>
<u>Balance Sheet Classification</u>				
Unrestricted Assets				4,500,472
Restricted Assets				<u>5,446,142</u>
				<u>9,946,614</u>

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			899,095	899,095
Operating Account		907,016		907,016
Construction Fund		9,100	90,683	99,783
Renewal and Replacement Fund			1,900,133	1,900,133
Cell Closure Account			2,187,084	2,187,084
Landfill Postclosure Account			252,051	252,051
Retained Percentages Account		123,134		123,134
Planning Account		54,459		54,459
General Fund			3,379,507	3,379,507
	<u>2,100</u>	<u>1,093,709</u>	<u>8,708,553</u>	<u>9,804,362</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(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>Balance Sheet Classification</u>				
Unrestricted Assets				3,109,813
Restricted Assets				<u>6,694,549</u>
				<u>9,804,362</u>
 <u>Hampton Commons Facilities Fund</u>				
Operating Account		159,828		159,828
Renewal and Replacement Fund	—	<u>34,548</u>	—	<u>34,548</u>
	=	<u>194,376</u>	=	<u>194,376</u>
 <u>Balance Sheet Classification</u>				
Unrestricted Assets				159,828
Restricted Assets				<u>34,548</u>
				<u>194,376</u>
 <u>Paulins Kill Water Reclamation Project</u>				
Planning Fund		373		373
Construction Fund		20,429	36,471	56,900
Revenue Fund		312,057		312,057
Debt Service Fund			159,208	159,208
Retainage Fund	—	<u>26,600</u>	—	<u>26,600</u>
	=	<u>359,459</u>	=	<u>555,138</u>
 <u>Balance Sheet Classification</u>				
Unrestricted Assets				312,057
Restricted Assets				<u>243,081</u>
				<u>555,138</u>
 <u>Internal Service Fund</u>				
Revenue Operating Account		11,829		11,829
Payroll Account		214,873		214,873
Unemployment Trust Fund	—	<u>254,490</u>	—	<u>254,490</u>
	=	<u>481,192</u>	=	<u>481,192</u>
 <u>Balance Sheet Classification</u>				
Unrestricted Assets				226,702
Restricted Assets				<u>254,490</u>
				<u>481,192</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(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>Other Sewer Companies</u>				
Escrow Accounts	<u> </u>	<u>4,646</u>	<u> </u>	<u>4,646</u>
<u>Balance Sheet Classification</u>				
Unrestricted Assets				<u>4,646</u>
<u>Wallkill Watershed Fund</u>				
Escrow Accounts	<u> </u>	<u>169,413</u>	<u> </u>	<u>169,413</u>
<u>Balance Sheet Classification</u>				
Unrestricted Assets				<u>169,413</u>
<u>Grand Total</u>				
Unrestricted				8,482,931
Restricted				<u>12,672,810</u>
				<u>21,155,741</u>

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, 2017, \$-0- of the Authority's bank balance of \$22,501,776 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.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

4. Investments, (continued)

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.

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.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

4. Investments, (continued)

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.

At November 30, 2017, 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	AA+	\$85,000	\$84,912	\$84,912		
FHLMC MTN	AA+	725,000	723,709	279,747	\$443,962	
FHLMC Multiclass Mtg Part	N/A	119,496	121,110	60,360	60,750	
FNMA	Aaa	620,000	618,013		399,324	\$218,689
FNMA MTN	Aaa	165,000	164,358	109,837	54,521	
FNMA MTN	AA-	35,000	30,635		30,635	
FNMA MTN Zero Coupon	AA-	20,000	17,338		17,338	
FNMA Deb	Aaa	355,000	353,508	158,796	194,712	
FNMA Gtd REMIC	N/A	739	739	739		
Federal Farm Credit Banks	Aaa	360,000	358,615	99,729	258,886	
Federal Home Loan Banks Financing Corp.	Aaa	1,500,000	1,502,974	159,751	1,037,201	306,022
GNMA Pass-Thru Cert.	N/A	25,000	33,578	33,578		
Tennessee Valley Authority	AA+	6,012	5,951			5,951
US Treasury Bonds	AA+	55,000	66,307	66,307		
US Treasury Notes	Aaa	535,000	709,313	205,885	503,428	
		<u>5,490,000</u>	<u>5,497,716</u>	<u>471,186</u>	<u>2,365,930</u>	<u>2,660,600</u>
		<u>10,096,247</u>	<u>10,288,776</u>	<u>1,730,827</u>	<u>5,366,687</u>	<u>3,191,262</u>

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

5. Bonds Payable

As of November 30, 2017 and 2016, the Authority has the following principal amount of debt outstanding and unamortized losses from refunding transactions.

	<u>Balance</u> <u>11/30/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>11/30/17</u>	<u>Amount Due</u> <u>Within</u> <u>One Year</u>
<u>Upper Walkkill Facilities Fund:</u>					
2008 Series A Wastewater Revenue Bonds	280,000		90,000	190,000	95,000
2008 Series B Wastewater Revenue Bonds	27,883,354	1,316,586	1,345,000	27,854,940	1,510,000
2012 Wastewater Revenue Refunding Bonds	2,830,000		290,000	2,540,000	290,000
2016 Series A Wastewater Refunding Bonds	3,390,000		-	3,390,000	10,000
2016 Series B Wastewater Refunding Bonds	5,053,481	167,257	-	5,220,738	
	<u>39,436,835</u>	<u>1,483,843</u>	<u>1,725,000</u>	<u>39,195,678</u>	<u>1,905,000</u>

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

	<u>2017</u>	<u>2016</u>
Series 2008 A	\$7,600	\$143,059
Series 2008 B	101,813	62,994
Series 2012	86,956	95,656
Series 2016 A	<u>123,150</u>	<u>5,600</u>
	319,519	307,309
Amortization of Deferred (Gains)/Losses on Refunding:		
2012 and 2016 Refundings	<u>80,567</u>	<u>62,411</u>
	<u>400,086</u>	<u>369,720</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.

As described below, a portion of the Series 2008 Series A and B Wastewater Facilities Revenue Bonds were refunded by the issuance of the Series 2016 A and B Wastewater Facilities Revenue Refunding Bonds.

The unrefunded portion of the 2008 Series A Bonds are dated September 15, 2008, bear interest at 4.00% and mature in various principal amounts as described below on December 1 of each year from December 1, 2016 to 2018 inclusive. Interest on the Series A Bonds is payable on June 1 and December 1.

<u>Amount</u>	<u>Maturity</u>	<u>Interest</u> <u>Rate</u>
\$95,000	2017	4.000%
95,000	2018	4.000

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

5. Bonds Payable, (continued)

The unrefunded portion of the Series B Bonds are dated September 15, 2008 and are issued as capital appreciation bonds in the aggregate principal amount of \$18,814,743.40. 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>
12/1/17	\$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
	<u>17,840,802</u>		<u>25,329,198</u>	<u>43,170,000</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

5. Bonds Payable, (continued)

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

<u>Maturity</u>	<u>Original Principal</u>	<u>Accreted Principal 11/30/17</u>	<u>Carrying Value 11/30/17</u>
12/1/17	\$1,037,128	\$472,872	\$1,510,000
12/1/18	1,045,824	497,554	1,543,378
12/1/19	1,128,900	561,286	1,690,186
12/1/20	1,147,604	593,971	1,741,575
12/1/21	1,138,242	606,312	1,744,554
12/1/22	1,069,141	584,317	1,653,458
12/1/23	1,263,940	701,348	1,965,288
12/1/24	1,193,410	672,266	1,865,676
12/1/25	1,125,500	643,524	1,769,024
12/1/26	1,060,209	615,202	1,675,411
12/1/27	997,565	587,352	1,584,917
12/1/28	937,515	560,051	1,497,566
12/1/29	881,866	533,144	1,415,010
12/1/30	826,924	507,102	1,334,026
12/1/31	776,254	481,660	1,257,914
12/1/32	782,176	491,020	1,273,196
12/1/33	735,124	464,718	1,199,842
12/1/34	693,480	440,439	1,133,919
	<u>17,840,802</u>	<u>10,014,138</u>	<u>27,854,940</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(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.

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: (i) the current refunding of all of the Authority's \$2,400,000 outstanding Series 2001 Wastewater Facilities Revenue Bonds, Series F, (ii) the advance refunding of \$700,000 of the Authority's \$4,090,000 outstanding Series 2003 Wastewater Facilities Revenue Bonds, Series G and (iii) 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, 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>
2017	\$290,000	3.000%	2025	\$150,000	3.125%
2018	295,000	3.000%	2026	155,000	3.375%
2019	120,000	4.000%	2027	160,000	3.375%
2020	125,000	4.000%	2028	165,000	3.375%
2021	130,000	4.000%	2029	170,000	3.625%
2022	135,000	4.000%	2030	175,000	3.625%
2023	140,000	3.125%	2031	185,000	3.625%
2024	145,000				

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

5. Bonds Payable, (continued)

Series 2016 Wastewater Facilities Revenue Refunding Bonds

On June 8, 2016, the Authority issued \$3,390,000 Wastewater Facilities Revenue Refunding Bonds, Series A, and \$4,975,058 Wastewater Facilities Revenue Refunding Bonds, Series B. These Bonds were issued to provide funds to finance: (i) the advance refunding of \$3,345,000 of the Authority's Wastewater Facilities Revenue Bonds, Series 2008 A; (ii) the advance refunding of \$4,821,911 of the Authority's Wastewater Facilities Revenue Bonds, Series 2008 B (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 refunding resulted in a reduction in aggregate debt service payments over the life of the Bonds of \$4,647,673 and achieved a net present value debt service savings of \$2,524,238.

The refunding transaction resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$1,002,204. This difference has been recorded in the financial statements as a deferred outflow of resources and is being amortized as a component of interest expense through the year 2039 using the straight-line method.

The Series A Bonds are dated June 8, 2016, bear interest at rates ranging from 2.00% to 4.00% and mature in various principal amounts as described below on December 1 of each year from December 1, 2017 to December 1, 2039, inclusive. Interest on the Series A Bonds is payable on June 1 and December 1 of each year.

SERIES A MATURITY SCHEDULE

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2017	\$10,000	2.00%	2022	\$120,000	4.000%
2018	10,000	2.00%	2023	125,000	4.000%
2019	110,000	3.00%	2024	125,000	4.000%
2020	115,000	3.00%	2025	130,000	4.000%
2021	120,000	3.00%	2026	140,000	4.000%

\$295,000 4.00% Term Bond due December 1, 2028
\$320,000 4.00% Term Bond due December 1, 2030
\$345,000 4.00% Term Bond due December 1, 2032
\$565,000 4.00% Term Bond due December 1, 2035
\$860,000 3.00% Term Bond due December 1, 2039

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

5. Bonds Payable, (continued)

Mandatory Sinking Fund Redemption

The Series A Bonds maturing on December 1 in each of the years 2028, 2030, 2032, 2035 and 2039 are subject to mandatory sinking fund redemption prior to maturity on December 1 in the years and in the amounts shown below, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption:

Term Bonds due December 1, 2028

<u>Year</u>	<u>Principal Amount</u>
2027	\$145,000
2028*	150,000

Term Bonds due December 1, 2030

<u>Year</u>	<u>Principal Amount</u>
2029	\$155,000
2030*	165,000

Term Bonds due December 1, 2032

<u>Year</u>	<u>Principal Amount</u>
2031	\$170,000
2032*	175,000

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

5. Bonds Payable, (continued)

Term Bonds due December 1, 2035

<u>Year</u>	<u>Principal Amount</u>
2033	\$180,000
2034	190,000
2035*	195,000

Term Bonds due December 1, 2039

<u>Year</u>	<u>Principal Amount</u>
2036	\$205,000
2037	210,000
2038	220,000
2039*	225,000

*Term Bond, final maturity.

The Series B Bonds are dated June 8, 2016 and are issued as capital appreciation bonds in the aggregate principal amount of \$4,975,058. 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>
12/1/35	\$1,082,319	3.190%	\$922,681	\$2,005,000
12/1/36	1,036,004	3.250%	968,996	2,005,000
12/1/37	992,595	3.300%	1,012,405	2,005,000
12/1/38	949,520	3.330%	1,045,480	1,995,000
12/1/39	<u>914,620</u>	3.360%	<u>1,085,380</u>	<u>2,000,000</u>
	<u>4,975,058</u>		<u>5,034,942</u>	<u>10,010,000</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

5. Bonds Payable, (continued)

A reconciliation of original principal amounts to carrying value for the 2016 Series B Capital Appreciation Bonds is provided below:

<u>Maturity</u>	<u>Original Principal</u>	<u>Accreted Principal 11/30/17</u>	<u>Carrying Value 11/30/17</u>
12/1/35	\$1,082,319	\$51,930	\$1,134,249
12/1/36	1,036,004	50,646	1,086,650
12/1/37	992,595	49,283	1,041,878
12/1/38	949,520	47,581	997,101
12/1/39	<u>914,620</u>	<u>46,240</u>	<u>960,860</u>
	<u>4,975,058</u>	<u>245,680</u>	<u>5,220,738</u>

	<u>Balance 11/30/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 11/30/17</u>	<u>Amount Due Within One Year</u>
<u>Solid Waste Facilities Fund</u>					
2006 Series Revenue Bonds	<u>\$3,770,000</u>	<u>\$ -0-</u>	<u>\$3,770,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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

	<u>2017</u>	<u>2016</u>
2006 Series	<u>\$ -0-</u>	<u>\$292,675</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 were capital appreciation bonds which were issued by the Authority in the aggregate principal amount of \$14,997,820.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

5. Bonds Payable, (continued)

Paulinskill Water Reclamation System

The Authority has entered into loan agreements with the United States Department of Agriculture in order to fund \$10,210,000 outstanding Paulinskill Basin Water Reclamation System Project Notes, Series 2015 issued to provide funds for the construction of a centralized wastewater collection and treatment system to serve the needs of the Borough of Branchville and the Township of Frankford. Under this agreement, the Authority was awarded grants of \$5,629,500 and was issued loans in the amount of \$7,825,000 under the U.S.D.A. Rural Development Program. These loans have interest rates and terms as follows:

<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Term</u>
\$5,496,000	2.750%	40 Years
757,000	2.250%	40 Years
1,572,000	2.250%	40 Years

Payments of principal and interest are due twice annually in June and December of each year. The loans have a final maturity in 2056.

Principal and interest due on outstanding bonds and loans is as follows:

Upper Wallkill Facilities Fund

<u>Fiscal Year</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	2.00-4.12%	\$1,905,000	\$211,356	\$2,116,356
2019	2.00-4.27%	1,943,378	265,203	2,208,581
2020	3.00-4.43%	1,920,186	342,920	2,263,106
2021	3.00-4.58%	1,981,575	433,256	2,414,831
2022	3.00-4.69%	1,994,554	526,652	2,521,206
2023-2027	3.00-4.97%	10,293,857	4,357,387	14,651,244
2028-2032	3.375-5.26%	8,729,433	6,447,508	15,176,941
2033-2037	3.19-5.41%	6,772,856	6,803,669	13,576,525
2038-2040	3.00-3.60%	3,654,839	3,030,086	6,684,925
		<u>39,195,678</u>	<u>22,418,037</u>	<u>61,613,715</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

5. Bonds Payable, (continued)

Paulinskill Water Reclamation System

<u>Fiscal</u> <u>Year</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	2.25%	\$117,114	\$201,302	\$318,416
2019	2.25%	120,167	198,250	318,417
2020	2.25%	123,299	195,116	318,415
2021	2.25%	126,514	191,901	318,415
2022	2.25%	129,815	188,602	318,417
2023-2027	2.25%	701,686	890,396	1,592,082
2028-2032	2.25%	798,214	793,862	1,592,076
2033-2037	2.25%	908,144	683,935	1,592,079
2038-2042	2.25%	1,033,345	558,733	1,592,078
2043-2047	2.25%	1,175,958	416,122	1,592,080
2048-2052	2.25%	1,338,419	253,661	1,592,080
2053-2056	2.25%	<u>1,194,888</u>	<u>70,849</u>	<u>1,265,737</u>
		<u>7,767,563</u>	<u>4,642,729</u>	<u>12,410,292</u>

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 matured and was retired on December 1, 2016 by the issuance of the U.S.D.A. loans described above.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

7. Pension Plans

Description of Plans:

Authority employees participate in the State of New Jersey Public Employees' Retirement System (PERS) contributory, defined benefit public employee retirement systems or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

7. Pension Plans, (continued)

which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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 DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Contribution Requirements

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 originally provided for employee contributions based on 5.5% for PERS. This amount was increased to 6.5% plus an additional 1% phased in over 7 years beginning 2012, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

7. Pension Plans, (continued)

The Authority's contribution to the various plans, equal to the required contributions for each year, were as follows:

Fiscal <u>Year</u>	<u>PERS</u>	<u>DCRP</u>
2017	\$371,458	\$-0-
2016	353,818	-0-
2015	366,577	-0-

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

Public Employees Retirement System (PERS)

At November 30, 2017, the Authority reported a liability of \$10,683,895 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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 employers, actuarially determined. At June 30, 2017, the Authority's proportion was .0458961702 percent, which was an increase of .0040834764 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Authority recognized pension expense of \$1,063,093. At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$251,569	
Changes of assumptions	2,152,437	2,144,545
Net difference between projected and actual earnings on pension plan investments	72,750	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	<u>1,343,580</u>	<u>303,192</u>
Total	<u>\$3,820,336</u>	<u>\$2,447,737</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(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 related to pensions resulting from contributions subsequent to the measurement date (June 30, 2017) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended December 31:	
2018	\$251,509
2019	379,534
2020	229,978
2021	(305,871)
2022	(222,939)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances at December 31, 2017 and 2016 are as follows:

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Collective deferred outflows of resources	\$6,424,455,842	\$8,685,338,380
Collective deferred inflows of resources	5,700,625,981	870,133,595
Collective net pension liability	23,278,401,588	29,617,131,759
Authority's Proportion	.0458961702%	.0418126938%

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(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, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	2.25 Percent
Salary Increases:	
Through 2026	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.00 Percent

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plans actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(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 (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(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 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension 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, 2017 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:

	June 30, 2017		
	1% Decrease <u>4.00%</u>	At Current Discount Rate <u>5.00%</u>	1% Increase <u>6.00%</u>
Authority's proportionate share of the pension liability	\$13,254,097	\$10,683,895	\$8,542,598

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(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, 2017
(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

Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(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, 2017, 2016 and 2015 were \$531,383, \$414,600 and \$333,579, 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, 2017, 2016 and 2015 were \$31,481, \$31,470 and \$31,246, 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.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

10. Unamortized Bond Premiums

The Authority received a net premium of \$34,954 on its issuance of the Series 2008 A and B Bonds, \$100,730 on the issuance of the Series 2012 Wastewater Revenue Refunding Bonds, and \$350,417 on the issuance of the Series 2016 A and B Wastewater Revenue Refunding Bonds. At November 30, 2017, the balance which remains to be amortized over the life of the Bonds using the straight-line method is \$422,776. The unamortized balance is reported in the financial statements as a deferred inflow of resources.

11. Closure and Postclosure Care Cost

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

As of November 30, 2017, the Authority reported \$1,502,125 as landfill closure/postclosure care reserve. A comparison of the Closure Account balance and the current total closure liability calculation suggest additional contributions to the Landfill Closure/Postclosure Closure Care Account should be implemented in future years.

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.

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, 2017, cash and cash equivalents, investments and receivables of \$10,540,827 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, 2017
(Continued)

12. Loan Payable - NJ Environmental Infrastructure Trust

During fiscal year 2017, the Authority received an interim construction loan of \$8,437,000 through the State of New Jersey Environmental Infrastructure Trust Program. The proceeds of the loan will be used to finance the Authority's Solid Waste Landfill Expansion Project until permanent financing is completed through the NJEIT.

13. Reserves Required by Bond Resolution

Upper Wallkill Facilities Fund:

The following reserves are required by the bond resolution:

Operating Requirement:	\$1,052,750
Funded by:	
Cash, Cash Equivalents and Investments	1,052,750
Excess/(Deficit)	<u>-0-</u>
Future Debt Service Requirement:	3,045,400
Funded by:	
Insurance Policy with Assured Guarantee Municipal Corp.	3,045,400
Excess/(Deficit)	<u>-0-</u>
Renewal and Replacement Requirement:	1,553,408
Funded by:	
Cash, Cash Equivalents and Investments	1,553,408
Excess/(Deficit)	<u>-0-</u>
Current Debt Service Requirement:	1,432,128
Funded by:	
Cash, Cash Equivalents and Investments	1,432,128
Excess/(Deficit)	<u>-0-</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

13. Reserves Required by Bond Resolution, (continued)

Solid Waste Facilities Fund:

The following cash reserves are required by the bond resolution:

Revenue Fund Requirement:	2,044,000
Funded by:	
Cash, Cash Equivalents and Investments	<u>2,044,000</u>
Excess/(Deficit)	<u>-0-</u>
Renewal and Replacement Requirement:	1,900,133
Funded by:	
Cash, Cash Equivalents and Investments	<u>1,900,133</u>
Excess/(Deficit)	<u>-0-</u>

14. 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.

15. Other Matters

Solid Waste Facilities

The Authority's Solid Waste Facilities has experienced an increase in tonnage for the past two years. This increase in tonnage (and revenues) is the result of two main factors: (1) an enhanced Solid Waste Flow Control Enforcement Program and (2) improved economic conditions. All Solid Waste Facility Bonds were retired in FY2016. In FY2017, a Sanitary Landfill Expansion Project was financed through the NJ Environmental Infrastructure Trust. In FY2018 through FY2028, debt service payments for the expansion project will be budgeted; however, these debt service requirements will be significantly less than previous debt service requirements. The tipping fee and tonnage for the last five years was as follows:

	<u>Tipping Fee</u>	
	<u>Revenues</u>	<u>Tonnage</u>
2013	10,980,880	103,732 tons
2014	10,670,725	99,902 tons
2015	10,206,407	95,114 tons
2016	10,620,209	98,527 tons
2017	11,094,406	103,688 tons

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(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>
11-30-15	-0-	5,662	546	4,012	624,173
11-30-16	-0-	6,193	547	778	630,135
11-30-17	-0-	6,642	991	1,429	636,339

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017
(Continued)

17. Designation of Unrestricted Net Position

As of November 30, 2017, 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	478,323				478,323
Wallkill Watershed Projects Appropriated in subsequent year's budget			7,000	183,546	183,546
	<u>487,762</u>	<u>-0-</u>	<u>7,000</u>	<u>183,546</u>	<u>678,308</u>

At November 30, 2017, the Authority reported a total amount of \$678,308 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, 2017 and 2016:

<u>2017</u>	<u>Upper Wallkill</u>	<u>Solid Waste</u>	<u>Hampton Commons</u>	<u>Paulinskill</u>	<u>Total</u>
Accrued Unfunded Pension Adjustments Available for Use in Future Budgets	(\$3,369,156) <u>4,003,012</u>	(\$6,367,319) <u>3,283,962</u>	\$ - <u>153,369</u>	\$ - <u>254,382</u>	(\$9,736,475) <u>7,694,725</u>
Total	<u>\$633,856</u>	<u>(\$3,083,357)</u>	<u>\$153,369</u>	<u>\$254,382</u>	<u>(\$2,041,750)</u>

<u>2016</u>	<u>Upper Wallkill</u>	<u>Solid Waste</u>	<u>Hampton Commons</u>	<u>Total</u>
Accrued Unfunded Pension Adjustments Available for Use in Future Budgets	(\$3,171,170) <u>3,061,913</u>	(\$5,873,670) <u>1,989,259</u>	\$ - <u>133,061</u>	(\$9,044,840) <u>5,184,233</u>
Total	<u>(\$109,257)</u>	<u>(\$3,884,411)</u>	<u>\$133,061</u>	<u>(\$3,860,607)</u>

18. Subsequent Events

The Authority has evaluated subsequent events through May 2, 2018, the date which the financial statements were available to be issued and no additional items, except as noted above, were noted for disclosure.

Required Supplementary Information - Part II

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability (asset)	0.0458961702%	0.0418126938%	0.0411544622%	0.0444666926%
Authority's proportionate share of the net pension liability (asset)	\$ 10,683,895	\$ 12,383,721	\$ 9,238,352	\$ 8,325,381
Authority's covered payroll - PERS	\$ 3,175,742	\$ 3,153,643	\$ 2,988,385	\$ 2,824,420
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	336.42%	392.68%	309.14%	294.76%
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%	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*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 371,458.00	\$ 353,818.00	\$ 366,577.00	\$ 279,694.00
Contributions in relation to the contractually required contribution	<u>\$ (371,458.00)</u>	<u>\$ (353,818.00)</u>	<u>\$ (366,577.00)</u>	<u>\$ (279,694.00)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll - PERS	\$ 3,175,742	\$ 3,153,643	\$ 2,988,385	\$ 2,824,420
Contributions as a percentage of covered payroll	11.70%	11.22%	12.27%	9.90%

* 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, 2017

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 3.98% to 5.00%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

Supplemental Schedules

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2017

	Business-Type Activities										Internal Service Fund
	Enterprise Funds										
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulinskil Water Reclamation System	Other Sewer Companies	Walkill Watershed Project	Total				
Assets:											
Current Assets:											
Unrestricted:											
Cash and Cash Equivalents	4,500,472	3,109,813	1,59,828	312,057	4,646	169,413	8,256,229				226,702
Accounts Receivable (Net)	238,673	607,875					846,548				
Prepaid Expenses	17,451	32,652	243	785		668	51,799				5,463
Due from State of New Jersey		286,640					286,640				
Due from Central Services	77,579	117,968	2,359	2,409		14,824	215,139				
Total Unrestricted Current Assets:	4,834,175	4,154,948	162,430	315,251	4,646	184,905	9,656,355				232,165
Restricted:											
Construction Account:											
Cash and Cash Equivalents				56,900			56,900				
Due from USDA				324,719			324,719				
Phase II Construction Account:											
Cash and Cash Equivalents	544,082	99,783					643,865				
Phase III Construction Account:											
Cash and Cash Equivalents	260,521						260,521				
Renewal and Replacement Account:											
Cash and Cash Equivalents	1,553,408	1,900,133	34,548				3,488,089				
Cost of Issuance Account:											
Cash and Cash Equivalents	8,602						8,602				
Current Debt Service Accounts:											
Cash and Cash Equivalents	2,013,853			159,208			2,173,061				

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2017

	Business-Type Activities Enterprise Funds							Internal Service Fund
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulinskill Water Reclamation System	Other Sewer Companies	Walkkill Watershed Project	Total	
Retained Percentages Account:								
Cash and Cash Equivalents	12,926	123,134		26,600			162,660	
Planning Fund:								
Cash and Cash Equivalents				373			373	
Operations:								
Cash and Cash Equivalents	1,052,750	2,044,000					3,096,750	
Cell Closure Account:								
Cash and Cash Equivalents		2,275,448					2,275,448	
Due from NJEIT		1,566,689					1,566,689	
Due from Central Services		3,012					3,012	
Landfill Postclosure Account:								
Cash and Cash Equivalents		252,051					252,051	
Investments		10,288,776					10,288,776	
Unemployment Trust Account:								
Cash and Cash Equivalents								254,490
Investments								381,849
Total Restricted Current Assets:	5,446,142	18,553,026	34,548	567,800	-	-	24,601,516	636,339
Total Current Assets	10,280,317	22,707,974	196,978	883,051	4,646	184,905	34,257,871	868,504

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2017

	Business-Type Activities Enterprise Funds										Internal Service Fund
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulinskill Water Reclamation System	Other Sewer Companies	Walkkill Watershed Project	Total				
Non-Current Assets											
Capital Assets:											
Land	573,834	2,770,568	32,741	456,782	-	-	3,833,925				
Improvements	22,977,261	47,864,675	510,231	12,341,647	-	-	70,841,936				
Buildings	40,294,624	12,902,153	742,270	102,306	-	6,214	66,048,655				
Machinery and Equipment	11,073,135	7,857,645	(1,099,082)	(315,990)	-	(311)	19,781,570				
Accumulated Depreciation	(46,361,275)	(60,925,190)	8,007,152	-	-	-	(108,701,848)				
Construction in Progress	1,012,535	8,007,152	-	-	-	-	9,019,687				
Total Non-Current Assets	29,570,114	18,477,003	186,160	12,584,745	-	5,903	60,823,925				-
Total Assets	39,850,431	41,184,977	383,138	13,467,796	4,646	190,808	95,081,796				868,504
Deferred Outflows of Resources:											
Deferred Outflows - PERS	725,691	3,094,645	-	-	-	-	3,820,336				
Deferred Losses on Early Retirement of Debt	1,435,695	-	-	-	-	-	1,435,695				
Total Deferred Outflows of Resources	2,161,386	3,094,645	-	-	-	-	5,256,031				-

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2017

	Business-Type Activities Enterprise Funds							Internal Service Fund
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulinskill Water Reclamation System	Other Sewer Companies	Walkkill Watershed Project	Total	
Liabilities:								
Current Liabilities:								
Payable from Unrestricted Assets:								
Payroll Taxes Payable								12,902
Accounts Payable	80,413	393,289	2,061	60,869		1,359	537,991	1,112
Accounts Payable - PERS	128,426	296,753					425,179	
Due to Other Funds								218,151
Other Accounts: Escrow Deposits					4,646		4,646	
Total Current Liabilities Payable from Unrestricted Assets	208,839	690,042	2,061	60,869	4,646	1,359	967,816	232,165
Payable from Restricted Assets:								
Accounts Payable: Cell Closure		193,236					193,236	
Retainage Payable	12,926	123,134		26,600			162,660	
Lease Payable		831,038					831,038	
Bonds and Loans Payable - Current Portion	1,905,000			117,114			2,022,114	
Accrued Interest on Bonds, Notes and Loans	581,725			101,028			682,753	
Total Current Liabilities Payable from Restricted Assets	2,499,651	1,147,408	-	244,742	-	-	3,891,801	-
Total Current Liabilities	2,708,490	1,837,450	2,061	305,611	4,646	1,359	4,859,617	232,165

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2017

	Business-Type Activities Enterprise Funds							Internal Service Fund
	Upper Walkmill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulinskil Water Reclamation System	Other Sewer Companies	Walkmill Watershed Project	Total	
Non-Current Liabilities:								
Revenue and Revenue Refunding	37,290,678						37,290,678	
Bonds Payable				7,650,449			7,650,449	
USDA Loans Payable		8,437,000					8,437,000	
NJIT Loans Payable								
Loans Payable to County of Sussex:								
Planning Loan	343,599						343,599	
Net Pension Liability	3,227,080	7,456,815					10,683,895	
Accrued Liabilities - Closure and Postclosure Costs		12,690,615					12,690,615	
Accrued Liabilities - Compensated Absences	262,988	477,697					740,685	
Total Non-Current Liabilities	41,124,345	29,062,127	-	7,650,449	-	-	77,836,921	-
Total Liabilities	43,832,835	30,899,577	2,061	7,956,060	4,646	1,359	82,696,538	232,165
Deferred Inflows of Resources:								
Deferred Inflows - PERS	739,341	1,708,396					2,447,737	
Bond Premium - Net	422,776						422,776	
Total Deferred Inflows of Resources	1,162,117	1,708,396	-	-	-	-	2,870,513	-
Net Position:								
Invested in Capital Assets, net of related debt	(8,143,039)	9,308,748	186,160	5,199,174		5,903	6,556,946	
Restricted:								
Current Debt Service	1,432,128			58,180			1,490,308	
Renewal and Replacement Operations	1,553,408	1,900,133	34,548				3,488,089	
Landfill Cell Closure/Postclosure Unemployment Insurance	1,052,750	2,044,000					3,096,750	
Unrestricted:								
Designated	487,762	(3,083,357)	7,000	254,382		183,546	678,308	
Undesignated	633,856		153,369				(2,041,750)	
Total Net Position	(2,983,135)	11,671,649	381,077	5,511,736	-	189,449	14,770,776	636,339

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2017**

	Business-Type Activities										Internal Service Fund
	Enterprise Funds										
	Upper Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulinskill Water Reclamation System	Other Sewer Companies	Walkkill Watershed Project	Total				
Operating Revenues											
User Charges	5,146,001		164,400	602,000	-		5,912,401				1,470,000
Treatment of Sludge, Septage and Leachate	1,134,811						1,134,811				
Operating and Maintenance Charges-Municipal	173,500						173,500				
Tipping Fees		11,094,406					11,094,406				
Recycling Markets		268,790					268,790				
Connection Fees	193,398						193,398				
Operating Grants	17,203	143,320			344,008		487,328				
Finance Charges	14,460	21,648		1,563			17,203				991
Interest	23,563	133,033		44			37,671				6,642
Other							156,640				
	6,702,936	11,661,197	164,400	603,607	-	344,008	19,476,148				1,477,633
Operating Expenses											
Administration, Operating, Maintenance and Reserves	3,884,831	10,136,216	144,092	221,169		363,586	14,749,894				1,470,000
Depreciation Expense	2,640,752	2,337,780	35,480	315,990		311	5,330,313				
	6,525,583	12,473,996	179,572	537,159	-	363,897	20,080,207				1,470,000
Operating Income	177,353	(812,799)	(15,172)	66,448	-	(19,889)	(604,059)				7,633

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2017**

	Business-Type Activities										Internal Service Fund	
	Enterprise Funds											
	Upper Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulinskill Water Reclamation System	Other Sewer Companies	Walkkill Watershed Project	Total					
Non-Operating Revenues (Expenses)												
Interest on Investments	3,408	149,887									153,295	
Renewal and Replacement Appropriation	50,000	765,000									815,000	
Cell Closure Appropriation		2,104,000									2,104,000	
Budget Approp. - Vernon Rate Stabilization	61,877										61,877	
Interest Expense	(319,519)			(202,799)							(522,318)	
Accrued Interest on Capital Appreciation Bonds	(1,483,843)	1,396,596									(87,247)	
Amortization of Bond Discount, Premiums	(58,864)	(100,952)									(100,952)	
Investment Expenses												(1,429)
Unemployment Claims												
Renewal and Replacement Expenses			(11,860)								(11,860)	
Cell Closure Expenditures (Net)		(596,256)									(596,256)	
Postclosure Expenditures (Net)		(1,141,123)									(1,141,123)	
Prior Year Landfill Expansion		793,885									793,885	
Total Non-Operating Revenues (Expenses)	(1,746,941)	3,371,037	(11,860)	(202,799)	-	-	-	-	-	-	1,409,437	(1,429)
Income (Loss) Before Contributions and Transfers	(1,569,588)	2,558,238	(27,032)	(136,351)	-	(19,889)	-	-	-	-	805,378	6,204
Capital Contributions				873,021							873,021	
Change in Net Position	(1,569,588)	2,558,238	(27,032)	736,670	-	(19,889)	-	-	-	-	1,678,399	6,204
Net Position - Beginning	(1,413,547)	9,113,411	408,109	4,775,066	-	209,338	-	-	-	-	13,092,377	630,135
Net Position - Ending	(2,983,135)	11,671,649	381,077	5,511,736	-	189,449	-	-	-	-	14,770,776	636,339

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2017

	Business-Type Activities Enterprise Funds							Internal Service Fund
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulinskill Water Reclamation System	Other Sewer Companies	Walkill Watershed Project	Total	
Cash Flows from Operating Activities:								
Cash received from users	6,627,667	11,453,740	164,400	602,000			18,847,807	1,470,000
Other operating receipts	23,563	140,470		44		344,008	508,085	6,642
Interest Received	17,868	171,535		1,563			190,966	991
Cash payments to suppliers, employees and professional contractors	(3,769,566)	(9,534,467)	(145,490)	(163,494)		(364,485)	(13,977,502)	
Cash payments for other operating expenses	(221,461)	(4,972,812)		(101,771)			(5,296,044)	(1,446,835)
Net Cash Provided by (Used in) Operating Activities	2,678,071	(2,741,534)	18,910	338,342	-	(20,477)	273,312	30,798
Cash Flows from Financing Activities:								
Note Principal Payments				(10,210,000)			(10,210,000)	
USDA Grants Received				1,101,425			1,101,425	
Received from NJEIT		6,870,311					6,870,311	
Principal Payments on Debt	(1,725,000)	(3,770,000)		(57,437)			(5,552,437)	
Net Cash Provided by (Used in) Financing Activities	(1,725,000)	3,100,311	-	(9,166,012)	-	-	(7,790,701)	-

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2017

	Business-Type Activities Enterprise Funds							Internal Service Fund
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulinskill Water Reclamation System	Other Sewer Companies	Walkkill Watershed Project	Total	
Cash Flows from Investing Activities:								
Capital Expenditures	(799,156)	(527,197)		(1,023,816)		(6,214)	(2,356,383)	
Retainage Received	12,926						12,926	
Renewal and Replacement Fund		765,000	(11,860)				753,140	
Sales (purchases) of investments		(63,853)					(63,853)	(975)
Net Cash Provided by (Used in) Investing Activities	(786,230)	173,950	(11,860)	(1,023,816)	-	(6,214)	(1,654,170)	(975)
Net Increase (Decrease) in Cash and Cash Equivalents	166,841	532,727	7,050	(9,851,486)	-	(26,691)	(9,171,559)	29,823
Cash and Cash Equivalents-Beginning of Year	9,779,773	9,271,635	187,326	10,406,624	4,646	196,104	29,846,108	451,369
Cash and Cash Equivalents-End of Year	9,946,614	9,804,362	194,376	555,138	4,646	169,413	20,674,549	481,192
Classified As:								
Current Assets	4,500,472	3,109,813	159,828	312,057	4,646	169,413	8,256,229	226,702
Restricted Assets	5,446,142	6,694,549	34,548	243,081	-	-	12,418,320	254,490
	9,946,614	9,804,362	194,376	555,138	4,646	169,413	20,674,549	481,192

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2017

	Business-Type Activities Enterprise Funds							Internal Service Fund
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulinskil Water Reclamation System	Other Sewer Companies	Walkkill Watershed Project	Total	
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities								
Operating Income	177,353	(812,799)	(15,172)	66,448	-	(19,889)	(604,059)	7,633
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:								
Depreciation and Amortization	2,640,752	2,337,780	35,480	315,990		311	5,330,313	
Pension Adjustment - PERS	197,986	493,649					691,635	
Interest Received on Non-Operating Investments	3,408	149,887		(101,771)			153,295	
Interest Paid	(221,461)						(323,232)	
Other Non-Operating Income	111,877	(5,156,162)					111,877	(1,429)
Decrease (Increase) In:								
Accounts and Accrued Interest Receivable	(37,246)	90,544					53,298	
Due from Central Services	1,357	(15,206)	(167)	(2,409)		(740)	(17,165)	
Due from State of New Jersey		(143,320)					(143,320)	
Prepaid Expenses	119	(13,804)	4	(785)		(48)	(14,514)	(10)
Increase (Decrease) In:								
Current Liabilities Payable from Unrestricted Assets	(151,357)	166,068	(1,235)	60,869		(111)	74,234	24,604
Current Liabilities Payable from Restricted Assets	(44,717)	(30,570)					192,399	
Non-Current Liabilities							(75,287)	
Net Cash Provided by (Used in) Operating Activities	2,678,071	(2,741,534)	18,910	338,342	-	(20,477)	273,312	30,798

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

UPPER WALKILL FACILITIES FUND
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
RESTRICTED AND UNRESTRICTED
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

	Invested in					
	Unrestricted	Capital Assets	Current Debt Service	Renewal and Replacement	Operations	Total
Operating Revenue:						
User Charges - Sewer	5,146,001					5,146,001
Treatment of Sludge	98,877					98,877
Treatment of Septage	785,416					785,416
Treatment of Leachate	250,518					250,518
Operating and Maintenance Charges	173,500					173,500
Connection Fees	193,398					193,398
Other	23,563					23,563
Interest	14,460					14,460
Finance Charges	17,203					17,203
	6,702,936	0	0	0	0	6,702,936
Operating Expenses:						
Cost of Providing Services	3,135,752					3,135,752
Administrative and General Expense	637,202					637,202
Reserves	111,877					111,877
Depreciation	2,640,752					2,640,752
	6,525,583	0	0	0	0	6,525,583
Operating Income	177,353	0	0	0	0	177,353

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, 2017

	Unrestricted	Invested in Capital Assets	Current Debt Service	Renewal and Replacement	Operations	Total
Non-Operating Revenue:						
Interest				3,408		3,408
Budget Appropriation - Reserve for Vernon Rate Stabilization	61,877					61,877
Budget Appropriation - R&R				50,000		50,000
Non-Operating Expenses:						
Interest Expense	(319,519)					(319,519)
Accretion		(1,483,843)				(1,483,843)
Amortization	(58,864)					(58,864)
Net Income/(Loss) Before Transfers	(139,153)	(1,483,843)	0	53,408	0	(1,569,588)
Transfers:						
Other	944,142	(1,028,430)	78,187	17,101	(11,000)	0
Increase (Decrease) in Net Position	804,989	(2,512,273)	78,187	70,509	(11,000)	(1,569,588)
Net Position - December 1,	316,629	(5,630,766)	1,353,941	1,482,899	1,063,750	(1,413,547)
Net Position - November 30,	1,121,618	(8,143,039)	1,432,128	1,553,408	1,052,750	(2,983,135)
Designated	487,762					
Undesignated	633,856					
	1,121,618					

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, 2017

	Trustee Revenue Account	Revenue Operating Account	General Planning Replacement	Petty Cash	Renewal and Replacement	Vernon Twp. Stabilization Fund	2016 Cost of Issuance Account
Cash, Cash Equivalents and Investments - December 1, 2016	1,492,018	202,175	86	400	1,482,899	416,446	8,583
Cash Receipts:							
User and Other Charges		6,651,230			3,408		19
Interest	2,269	269,429			50,000	61,877	
Other	6,918,113	4,915,897			17,101		
Transfers							
Total Cash Receipts	6,920,382	11,836,556	-	-	70,509	61,877	19
Cash and Investments Available	8,412,400	12,038,731	86	400	1,553,408	478,323	8,602
Cash Disbursements:							
Operations		4,952,358					
Bond Interest Payments							
Bond Principal Payments							
Other	6,627,727	6,918,113					
Transfers							
Total Cash Disbursements	6,627,727	11,870,471	-	-	-	-	-
Cash, Cash Equivalents and Investments - November 30, 2017	1,784,673	168,260	86	400	1,553,408	478,323	8,602
Analysis of Balance:							
Unrestricted	731,923	168,260	86	400	-	478,323	-
Restricted	1,052,750	-	-	-	1,553,408	-	8,602
	1,784,673	168,260	86	400	1,553,408	478,323	8,602
Cash and Cash Equivalents	1,784,673	168,260	86	400	1,553,408	478,323	8,602
Investments	-	-	-	-	-	-	-
	1,784,673	168,260	86	400	1,553,408	478,323	8,602
Analysis of Restricted Accounts:							
Operations	1,052,750						
	1,052,750						

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, 2017

	Phase II Construction	Debt Service	Future Debt Service	Phase III Construction	General	Retainage	Total
Cash, Cash Equivalents and Investments - December 1, 2016	1,398,004	1,915,887	1	259,588	2,603,686	-	9,779,773
Cash Receipts:							
User and Other Charges							
Interest	2,285	3,451			6,435		6,651,230
Other	1,399			933		12,926	17,867
Transfers	6,019	2,043,065			509,270		14,409,465
Total Cash Receipts	9,703	2,046,516	-	933	515,705	12,926	21,475,126
Cash and Investments Available	1,407,707	3,962,403	1	260,521	3,119,391	12,926	31,254,899
Cash Disbursements:							
Operations							
Bond Interest Payments		221,462					4,952,358
Bond Principal Payments		1,725,000					221,462
Other							1,725,000
Transfers	863,625						-
Total Cash Disbursements	863,625	1,946,462	-	-	-	-	14,409,465
Cash, Cash Equivalents and Investments - November 30, 2017	544,082	2,015,941	1	260,521	3,119,391	12,926	9,946,614
Analysis of Balance:							
Unrestricted	-	2,088	1	-	3,119,391	-	4,500,472
Restricted	544,082	2,013,853	-	260,521	-	12,926	5,446,142
	544,082	2,015,941	1	260,521	3,119,391	12,926	9,946,614
Cash and Cash Equivalents	544,082	2,015,941	1	260,521	3,119,391	12,926	9,946,614
Investments	-	-	-	-	-	-	-
	544,082	2,015,941	1	260,521	3,119,391	12,926	9,946,614

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2016

	<u>FY 2017</u>	<u>FY 2017</u>	<u>FY 2017</u>	<u>FY 2016</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Actual</u>	<u>Actual</u>
		<u>Modifications</u>		
Revenues:				
User Charges - Sewers	5,146,000	5,146,000	5,146,001	4,979,503
Treatment of Sludge	82,000	82,000	98,877	92,895
Treatment of Septage	616,000	616,000	785,416	643,244
Treatment of Leachate	250,000	250,000	250,518	225,456
Connection Fees	158,000	158,000	193,398	154,402
Operating and Maintenance Charges to Municipalities	187,000	187,000	173,500	83,500
Other	29,000	29,000	23,563	32,742
Interest Income from Operating Investments	12,000	12,000	14,460	21
Finance Charges			17,203	12,718
Total Operating Revenue	6,480,000	6,480,000	6,702,936	6,224,481
Expenses:				
Cost of Providing Services:				
(1) Salaries, Operating Staff	1,099,000	1,099,000	912,026	915,510
(2) Fringe Benefits, Operating Staff	588,000	588,000	496,324	439,302
(2) PERS	100,000	100,000	98,504	92,370
(3) Utilities	525,000	525,000	418,950	508,481
(4) Motor Vehicles & Equipment	16,000	16,000	12,877	10,029
(5) Stationary Equipment	57,000	57,000	14,722	38,394
(6) Electrical Equipment Maintenance Repair, Operating	19,000	19,000	7,870	19,345
(7) Insurance, Plant Operations	221,200	221,200	209,527	210,214
(8) Testing Services	7,500	7,500	7,784	7,241
(10) Outside Services	521,000	521,000	572,442	515,157
(11) Safety Equipment	6,000	6,000	3,193	4,319
(12) Chemicals & Wood Chips	133,000	133,000	99,253	114,825
(13) Miscellaneous Plant Supplies	20,500	20,500	5,328	14,481
(14) Taxes and Fees	56,500	56,500	60,067	52,072
(15) Laboratory Supplies	10,000	10,000	8,539	9,931
(16) Custodial Supplies	6,000	6,000	1,601	1,181
(17) Purchases Related to Operating and Maintenance Services	12,000	12,000	8,759	12,890
Subtotal Cost of Providing Services	3,397,700	3,397,700	2,937,766	2,965,742

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, 2017****WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2016**

	<u>FY 2017</u> <u>Budget</u>	<u>FY 2017</u> <u>Budget After</u> <u>Modifications</u>	<u>FY 2017</u> <u>Actual</u>	<u>FY 2016</u> <u>Actual</u>
Administrative Expenses:				
Seminars and Dues	4,500	4,500	4,682	4,344
Indirect Administrative Expenses	630,000	630,000	598,377	615,868
Engineering Consulting Fees	32,500	32,500	15,796	11,418
Trustee Fees	15,000	15,000	6,500	
General Legal Fees	20,000	20,000	7,112	1,695
Office Supplies	3,000	3,000	1,208	3,491
Printing	400	400	295	262
Travel & Expenses, Administrative Staff	1,000	1,000	3	309
General Advertising	900	900	144	1,399
Personnel Services	5,000	5,000	3,085	3,469
Subtotal Administrative Expenses	<u>712,300</u>	<u>712,300</u>	<u>637,202</u>	<u>642,255</u>
Capital Outlay	<u>145,000</u>	<u>145,000</u>	<u>-</u>	<u>81,644</u>
Reserves:				
Renewal and Replacement	50,000	50,000	50,000	100,000
Vernon Rate Stabilization	50,000	50,000	61,877	52,774
Subtotal Reserves	<u>100,000</u>	<u>100,000</u>	<u>111,877</u>	<u>152,774</u>
Debt Service:				
Interest Expense	693,000	693,000	319,519 ⁽¹⁾	307,309
Bond Principal	1,432,000	1,432,000	1,432,000	1,354,000
Subtotal Debt Service	<u>2,125,000</u>	<u>2,125,000</u>	<u>1,751,519</u>	<u>1,661,309</u>
Total Costs Funded by Operating Revenues	<u>6,480,000</u>	<u>6,480,000</u>	<u>5,438,364</u>	<u>5,503,724</u>

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

UPPER WALLKILL FACILITIES FUND
SCHEDULE OF OPERATING REVENUES AND COST
FUNDED BY OPERATING REVENUES COMPARED TO
BUDGET YEAR ENDED NOVEMBER 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2016

	<u>FY 2017</u> <u>Budget</u>	<u>FY 2017</u> <u>Budget After</u> <u>Modifications</u>	<u>FY 2017</u> <u>Actual</u>	<u>FY 2016</u> <u>Actual</u>
Excess or (Deficit) in Actual Revenues and Expenses			1,264,572	720,757
Reconciliation of Budgetary Basis To Change in Net Position:				
Depreciation			(2,640,752)	(2,888,222)
Amortization of:				
Bond Discount				
Deferred Gains/Losses on Early Extinguishment of Debt			(80,566)	(62,411)
Bond Premiums			21,702	15,354
Bond Issue Costs				(168,140)
Accreted Interest - Capital Appreciation Bonds			(1,483,843)	(1,505,520)
Adjustment for Pension Expense			(197,986)	(298,508)
Interest on Non-Operating Investments			3,408	
Capital Outlay				81,644
Other Non-Operating Revenues			50,000	100,000
Vernon Rate Stabilization			61,877	52,774
Bond Principal Payments			<u>1,432,000</u>	<u>1,354,000</u>
			<u>(2,834,160)</u>	<u>(3,319,029)</u>
Change in Net Position			<u>(1,569,588)</u>	<u>(2,598,272)</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
UPPER WALLKILL FACILITIES FUND
SCHEDULE OF REVENUE BONDS PAYABLE
NOVEMBER 30, 2017

<u>Description</u>	<u>Original Issue</u>		<u>Date</u>	<u>Maturities Interest Rate</u>	<u>Amount</u>	<u>Balance Dec. 1, 2016</u>	<u>Issued 2016-2017</u>	<u>Accreted Principal</u>	<u>Paid or Refunded 2016-2017</u>	<u>Balance Nov. 30, 2017</u>
	<u>Date</u>	<u>Amount</u>								
2008 Wastewater Revenue Bonds (Series A)	09/15/08	4,095,000	12/01/17	4.000%	95,000					
	12/01/18		12/01/18	4.000%	95,000	280,000			90,000	190,000
2008 Wastewater Revenue Bonds (Series B)	09/15/08	23,403,738	12/01/17	4.120%	1,510,000					
			12/01/18	4.270%	1,543,378					
			12/01/19	4.430%	1,690,186					
			12/01/20	4.580%	1,741,575					
			12/01/21	4.690%	1,744,554					
			12/01/22	4.790%	1,653,458					
			12/01/23	4.850%	1,965,288					
			12/01/24	4.910%	1,865,676					
			12/01/25	4.970%	1,769,024					
			12/01/26	5.030%	1,675,411					
			12/01/27	5.090%	1,584,917					
			12/01/28	5.150%	1,497,566					
			12/01/29	5.200%	1,415,010					
			12/01/30	5.260%	1,334,026					
			12/01/31	5.310%	1,257,914					
			12/01/32	5.360%	1,273,196					
		12/01/33	5.390%	1,199,842						
		12/01/34	5.410%	1,133,919						
					27,883,354			1,316,586	1,345,000	27,854,940

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
UPPER WALLKILL FACILITIES FUND
SCHEDULE OF REVENUE BONDS PAYABLE
NOVEMBER 30, 2017

Description	Original Issue		Maturities Interest			Balance Dec. 1, 2016	Issued 2016-2017	Accreted Principal	Paid or Refunded 2016-2017	Balance Nov. 30, 2017
	Date	Amount	Date	Rate	Amount					
2012 Wastewater Revenue Refunding Bonds	07/11/12	3,165,000	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					
						2,830,000			290,000	2,540,000

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
UPPER WALLKILL FACILITIES FUND
SCHEDULE OF REVENUE BONDS PAYABLE
NOVEMBER 30, 2017

<u>Description</u>	<u>Original Issue</u>		<u>Maturities Interest</u>			<u>Balance Dec. 1, 2016</u>	<u>Issued 2016-2017</u>	<u>Accreted Principal</u>	<u>Paid or Refunded 2016-2017</u>	<u>Balance Nov. 30, 2017</u>
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Rate</u>	<u>Amount</u>					
Wastewater Revenue Refunding Bonds - Series 2016A	05/11/16	3,390,000	12/01/17	2.000%	10,000					
			12/01/18	2.000%	10,000					
			12/01/19	3.000%	110,000					
			12/01/20	3.000%	115,000					
			12/01/21	3.000%	120,000					
			12/01/22	4.000%	120,000					
			12/01/23	4.000%	125,000					
			12/01/24	4.000%	125,000					
			12/01/25	4.000%	130,000					
			12/01/26	4.000%	140,000					
			12/01/27	4.000%	145,000					
			12/01/28	4.000%	150,000					
			12/01/29	4.000%	155,000					
			12/01/30	4.000%	165,000					
			12/01/31	4.000%	170,000					
			12/01/32	4.000%	175,000					
			12/01/33	4.000%	180,000					
			12/01/34	4.000%	190,000					
			12/01/35	4.000%	195,000					
		12/01/36	3.000%	205,000						
		12/01/37	3.000%	210,000						
		12/01/38	3.000%	220,000						
		12/01/39	3.000%	225,000						
					3,390,000					3,390,000
Wastewater Revenue Refunding Bonds - Series 2016B	05/11/16	4,975,058	12/01/35	3.190%	1,134,249					
			12/01/36	3.250%	1,086,650					
			12/01/37	3.000%	1,041,878					
			12/01/38	3.300%	997,101					
			12/01/39	3.360%	960,860					
					5,053,481		167,257			5,220,738
					39,436,835	0	1,483,843	1,725,000		39,195,678

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

HAMPTON COMMONS FACILITIES FUND
SCHEDULE OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
RESTRICTED AND UNRESTRICTED
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

	Unrestricted	Invested in Capital Assets	Restricted Renewal and Replacement	Total
Operating Revenue:				
Sewer Charges	164,400			164,400
	<u>164,400</u>	-	-	<u>164,400</u>
Operating Expenses:				
Operating, Maintenance and Reserves	144,092			144,092
Depreciation		35,480		35,480
	<u>144,092</u>	<u>35,480</u>	-	<u>179,572</u>
Operating Income	20,308	(35,480)	-	(15,172)
Non-Operating Revenue/(Expenses):				
Budget Appropriation				-
Other Income				-
Renewal & Replacement Expenses			(11,860)	(11,860)
			<u>(11,860)</u>	<u>(11,860)</u>
Net Income/(Loss) Before Transfers	20,308	(35,480)	(11,860)	(27,032)
Transfers:				
Other				-
				<u>-</u>
Increase (Decrease) in Net Position	20,308	(35,480)	(11,860)	(27,032)
Net Position - December 1,	<u>140,061</u>	<u>221,640</u>	<u>46,408</u>	<u>408,109</u>
Net Position - November 30,	<u><u>160,369</u></u>	<u><u>186,160</u></u>	<u><u>34,548</u></u>	<u><u>381,077</u></u>
Designated	7,000			
Undesignated	<u>153,369</u>			
	<u><u>160,369</u></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, 2017

	Revenue Operating Account	Renewal and Replacement Account	Total
Cash, Cash Equivalents and Investments- December 1, 2016	140,918	46,408	187,326
Cash Receipts:			
Sewer Charges	164,400		164,400
Interest on Investments			-
Other	2,192		2,192
Transfers			-
Total Cash Receipts	<u>166,592</u>	<u>-</u>	<u>166,592</u>
Total Cash And Investments Available	<u>307,510</u>	<u>46,408</u>	<u>353,918</u>
Cash Disbursements:			
Operating and Maintenance Costs	147,682		147,682
Renewal and Replacement Expenses		11,860	11,860
Transfers			-
Total Cash Disbursements	<u>147,682</u>	<u>11,860</u>	<u>159,542</u>
Cash, Cash Equivalents and Investments- November 30, 2017	<u>159,828</u>	<u>34,548</u>	<u>194,376</u>
Analysis of Balance:			
Unrestricted	159,828	-	159,828
Restricted	<u>-</u>	<u>34,548</u>	<u>34,548</u>
	<u>159,828</u>	<u>34,548</u>	<u>194,376</u>
Cash and Cash Equivalents	159,828	34,548	194,376
Investments	<u>-</u>	<u>-</u>	<u>-</u>
	<u>159,828</u>	<u>34,548</u>	<u>194,376</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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED NOVEMBER 30, 2016

	FY 2017	FY 2017	FY 2017	FY 2016
	<u>Budget</u>	<u>Budget After</u>	<u>Actual</u>	<u>Actual</u>
		<u>Modification</u>		
Revenue:				
Retained Earnings Appropriated	7,000	7,000	7,000	5,000
Service Agreements (Hampton Commons Homeowners Association)	138,995	138,995	133,995	138,695
(Lowe's)	30,405	30,405	30,405	30,340
Interest on Investments and Deposits	600	600		31
Total Operating Revenue	<u>177,000</u>	<u>177,000</u>	<u>171,400</u>	<u>174,066</u>
Expenses:				
Operating and Maintenance				
(1) Payment to Upper Wallkill for Operating and Maintenance Services	51,500	51,500	51,500	49,500
(2) Utilities	25,700	25,700	16,367	16,770
(3) Outside Services	21,500	21,500	9,859	12,935
(4) Testing Services	3,500	3,500	6,389	3,530
(5) Engineering Fees	2,000	2,000		
(6) Legal Fees	1,000	1,000	60	
(7) Plant Supplies	1,000	1,000	159	330
(8) Chemicals	3,000	3,000	775	1,025
(9) Electrical and Mechanical Equipment Repair	500	500	238	
(10) Equipment Purchases	3,000	3,000	3,812	6,574
(11) Laboratory Supplies	1,000	1,000	718	1,347
(12) Insurance	3,100	3,100	2,922	2,953
(13) Safety Equipment	1,000	1,000		185
(14) Taxes and Fees	6,000	6,000	6,567	5,134
(15) Printing Expenses	200	200	85	116
(16) Indirect Administration, Legal and Fiscal Expenses	47,000	47,000	44,641	44,808
Total Operating and Maintenance Expenses	<u>171,000</u>	<u>171,000</u>	<u>144,092</u>	<u>145,207</u>
Renewal and Replacement	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
	<u>177,000</u>	<u>177,000</u>	<u>144,092</u>	<u>151,207</u>
Excess or (Deficit) in Actual Revenues and Expenses			27,308	22,859
Reconciliation of Budgetary Basis To Change in Net Position:				
Retained Earnings Appropriated			(7,000)	(5,000)
Depreciation			(35,480)	(60,131)
Renewal and Replacement (Net)			(11,860)	13,667
			<u>(54,340)</u>	<u>(51,464)</u>
Change in Net Position			<u>(27,032)</u>	<u>(28,605)</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, 2017

	Unrestricted	Invested in Capital Assets	Current Debt Service	Renewal and Replacement	Operations	Landfill Cell Closure/ Postclosure	Total
Operating Revenue:							
Tipping Fees	11,094,406						11,094,406
Recycle Markets	268,790						268,790
Operating Grant	143,320						143,320
Interest from Users	7,403						7,403
Landfill Gas Sales	117,287						117,287
Interest on Operating Investments	21,648						21,648
Miscellaneous	8,343						8,343
	11,661,197	0	0	0	0	0	11,661,197
Operating Expenses:							
Administration, Operations, Maintenance and Reserves	10,136,216						10,136,216
Depreciation	2,337,780						2,337,780
	12,473,996	0	0	0	0	0	12,473,996
Operating Income	(812,799)	0	0	0	0	0	(812,799)
Non-Operating Revenue And (Expenses):							
Interest Income	4,189			4,189		145,698	149,887
Budget Appropriation	(69,371)			765,000		2,104,000	2,869,000
Investment Expenses						(31,581)	(100,952)
Cell Closure Expenditures (Net)						(596,256)	(596,256)
Postclosure Expenditures (Net)		793,885				(1,141,123)	(1,141,123)
Prior Year Landfill Expansion		37,723		(37,723)			0
Renewal & Replacement Expenditures		1,396,596					1,396,596
Accretion							
	(882,170)	2,228,204	0	731,466	0	480,738	2,558,238
Income or (Loss) Before Transfers							
	1,683,224	(600,189)	(2,373,404)		56,500	1,233,869	0
Transfers:							
Other	801,054	1,628,015	(2,373,404)	731,466	56,500	1,714,607	2,558,238
Increase/(Decrease) in Net Position							
	(3,884,411)	7,680,733	2,373,404	1,168,667	1,987,500	(212,482)	9,113,411
Net Position - December 1,							
	(3,083,357)	9,308,748	0	1,900,133	2,044,000	1,502,125	11,671,649
Net Position - November 30,							
	0						
Designated							
Undesignated	(3,083,357)						(3,083,357)
	(3,083,357)						(3,083,357)

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, 2017**

	Trustee Revenue Account	Revenue Operating Account	Petty Cash	General Fund
Cash, Cash Equivalents and Investments - December 1, 2016	1,288,132	1,248,638	2,100	1,242,320
Cash Receipts:				
Solid Waste Revenues		11,491,904		
Interest on Investments	2,769			18,558
Budget Appropriation				
Landfill Gas Purchase		117,287		
Operating Grant				
NJEIT Funds				
Other		115,329		1,000,000
Transfers	11,646,983	9,920,160		2,118,629
Total Cash Receipts	<u>11,649,752</u>	<u>21,644,680</u>	-	<u>3,137,187</u>
Cash and Investments Available	<u>12,937,884</u>	<u>22,893,318</u>	<u>2,100</u>	<u>4,379,507</u>
Cash Disbursements:				
Operations		10,269,875		
Bond Principal Payments				
NJEIT Project				
Other		69,444		1,000,000
Transfers	12,038,789	11,646,983		
Total Cash Disbursements	<u>12,038,789</u>	<u>21,986,302</u>	-	<u>1,000,000</u>
Cash, Cash Equivalents and Investments - November 30, 2017	<u>899,095</u>	<u>907,016</u>	<u>2,100</u>	<u>3,379,507</u>
Analysis of Balance:				
Unrestricted	-	-	2,100	3,053,254
Restricted	899,095	907,016	-	326,253
	<u>899,095</u>	<u>907,016</u>	<u>2,100</u>	<u>3,379,507</u>
Cash and Cash Equivalents	899,095	907,016	2,100	3,379,507
Investments	-	-	-	-
	<u>899,095</u>	<u>907,016</u>	<u>2,100</u>	<u>3,379,507</u>
Analysis of Restricted Accounts:				
Operations	810,731	907,016		326,253
Cell Closure	88,364	-		-
	<u>899,095</u>	<u>907,016</u>		<u>326,253</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, 2017

	Construction	Current Debt Service	Renewal and Replacement	Planning Fund
Cash, Cash Equivalents and Investments - December 1, 2016	99,461	3,770,000	1,168,667	54,459
Cash Receipts:				
Solid Waste Revenues				
Interest on Investments	322		4,189	
Budget Appropriation			765,000	
Landfill Gas Purchase				
Operating Grant				
NJEIT Funds				
Other				
Transfers	37,723			
Total Cash Receipts	38,045	-	769,189	-
Cash and Investments Available	137,506	3,770,000	1,937,856	54,459
Cash Disbursements:				
Operations				
Bond Principal Payments		3,770,000		
NJEIT Project				
Other	37,723			
Transfers			37,723	
Total Cash Disbursements	37,723	3,770,000	37,723	-
Cash, Cash Equivalents and Investments - November 30, 2017	99,783	-	1,900,133	54,459
Analysis of Balance:				
Unrestricted	-	-	-	54,459
Restricted	99,783	-	1,900,133	-
	99,783	-	1,900,133	54,459
Cash and Cash Equivalents	99,783	-	1,900,133	54,459
Investments	-	-	-	-
	99,783	-	1,900,133	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, 2017**

	Retained Percentages	Cell Closure Account	Landfill Postclosure Account	Total
Cash, Cash Equivalents and Investments - December 1, 2016	7,437	293,351	10,321,993	19,496,558
Cash Receipts:				
Solid Waste Revenues				11,491,904
Interest on Investments			145,698	171,536
Budget Appropriation		2,104,000		2,869,000
Landfill Gas Purchase				117,287
Operating Grant				-
NJEIT Funds		6,870,311		6,870,311
Other	115,697	3,399	104,687	1,339,112
Transfers				23,723,495
Total Cash Receipts	<u>115,697</u>	<u>8,977,710</u>	<u>250,385</u>	<u>46,582,645</u>
Cash and Investments Available	<u>123,134</u>	<u>9,271,061</u>	<u>10,572,378</u>	<u>66,079,203</u>
Cash Disbursements:				
Operations				10,269,875
Bond Principal Payments				3,770,000
NJEIT Project		7,083,977		7,083,977
Other			31,551	1,138,718
Transfers				23,723,495
Total Cash Disbursements	<u>-</u>	<u>7,083,977</u>	<u>31,551</u>	<u>45,986,065</u>
Cash, Cash Equivalents and Investments - November 30, 2017	<u>123,134</u>	<u>2,187,084</u>	<u>10,540,827</u>	<u>20,093,138</u>
Analysis of Balance:				
Unrestricted	-	-	-	3,109,813
Restricted	<u>123,134</u>	<u>2,187,084</u>	<u>10,540,827</u>	<u>16,983,325</u>
	<u>123,134</u>	<u>2,187,084</u>	<u>10,540,827</u>	<u>20,093,138</u>
Cash and Cash Equivalents	123,134	2,187,084	252,051	9,804,362
Investments	<u>-</u>	<u>-</u>	<u>10,288,776</u>	<u>10,288,776</u>
	<u>123,134</u>	<u>2,187,084</u>	<u>10,540,827</u>	<u>20,093,138</u>
Analysis of Restricted Accounts:				
Construction	7,437			
Cell Closure	<u>115,697</u>			
	<u>123,134</u>			

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

SOLID WASTE FACILITIES FUND
SCHEDULE OF OPERATING REVENUES
COMPARED TO BUDGET, YEAR ENDED NOVEMBER 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2016

	FY 2017	FY 2017	FY 2017	FY 2016
	Budget	Budget after Modifications	Actual	Actual
Revenue:				
Tipping Fees	10,188,000	10,188,000	11,094,406	10,619,026
Gross Sales on Recycle Markets	200,000	200,000	268,790	210,276
Interest on Investment and Deposits			21,648	8
Interest from Users			7,403	19,800
Operating Grant	114,000	114,000	143,320	143,320
Landfill Gas Sales			117,287	160,751
Miscellaneous	305,000	305,000	8,343	11,789
Total Revenue	10,807,000	10,807,000	11,661,197	11,164,970
Expenses:				
Operating and Maintenance (LF)				
(1) Salaries	2,136,000	2,136,000	2,107,419	1,959,137
(2) Benefits	984,750	984,750	975,851	788,715
(2) PERS	190,000	190,000	191,451	176,437
(3) Personnel Services	23,500	23,500	27,459	26,964
(4) Engineering and Consulting	171,000	171,000	93,884	76,590
(5) Legal Fees	30,000	30,000	8,520	10,728
(6) Indirect Administrative	630,000	630,000	598,377	615,868
(7) Trustee and Banking Fees	8,000	8,000		8,081
(8) Insurance	236,600	236,600	225,617	220,834
(9) Auditing/Accounting Fees	3,000	3,000	6,000	
(10) Seminars and Dues	4,500	4,500	7,960	6,410
(11) Travel and Expenses	1,000	1,000	1,690	1,685
(12) Office Supplies	9,000	9,000	8,405	14,666
(14) Advertising	5,000	5,000	1,188	8,486
(15) Printing	6,000	6,000	6,913	5,453
(16) Publications and Subscriptions	500	500	1,775	244
(17) Custodial Supplies	9,000	9,000	9,406	9,785
(18) Safety Equipment	15,000	15,000	15,981	16,937
(19) Chemicals and Woodchips	258,000	258,000	199,294	211,575
(21) Plant Supplies	30,000	30,000	25,286	23,039
(22) Testing Services	30,000	30,000	16,938	28,865
(23) Outside Services	159,500	159,500	135,522	207,697
(24) Utilities	435,000	435,000	348,031	299,641
(25) Motor Vehicles and Equipment	538,000	538,000	240,645	217,507
(26) Equipment/Stationary	33,000	33,000	36,827	73,371
(27) Electrical Equipment Repairs	46,000	46,000	29,211	43,114
(28) Leachate Disposal	277,000	277,000	250,518	225,456
(29) Recycling Services	45,000	45,000	52,131	58,110
(30) Landfill Gas System	78,600	78,600	56,347	46,271
(31) Host Community Benefit Payments	490,000	490,000	511,630	491,367
(32) Special Accounts	2,104,000	2,104,000	2,104,000	
(33) Taxes and Fees	542,050	542,050	477,143	468,543
	9,529,000	9,529,000	8,771,419	6,341,576

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
SOLID WASTE FACILITIES FUND
SCHEDULE OF OPERATING REVENUES
COMPARED TO BUDGET, YEAR ENDED NOVEMBER 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2016

	<u>FY 2017</u> <u>Budget</u>	<u>FY 2017</u> <u>Budget after</u> <u>Modifications</u>	<u>FY 2017</u> <u>Actual</u>	<u>FY 2016</u> <u>Actual</u>
Capital Outlay	415,000	415,000	1,332	-
Debt Service:				
Bond Principal				2,373,000
Interest on Bonds				292,675 ⁽¹⁾
	-	-	-	2,665,675
Reserves:				
Renewal and Replacement	765,000	765,000	765,000	
Post Closure Care Fund	98,000	98,000	104,816	100,714
	863,000	863,000	869,816	100,714
Total Solid Waste Appropriations	<u>10,807,000</u>	<u>10,807,000</u>	<u>9,642,567</u>	<u>9,107,965</u>
Excess or Deficit in Actual Revenues and Expenses			2,018,630	2,057,005
Reconciliation of Budgetary Basis To Change in Net Position:				
Depreciation Expense			(2,337,780)	(2,555,693)
Loss on Disposal of Fixed Assets				(5,560)
Accretion			1,396,596	
Adjustment to Pension Expense			(493,649)	(660,019)
Interest on Non-Operating Investments			149,887	178,265
Bad Debt Expense				(59,191)
Investment Expenses			(100,952)	(78,291)
Net Closure/Postclosure Care Expenses			(1,737,379)	6,824,279
Prior Year Landfill Expansion			793,885	
Budget Appropriation - Ren. & Repl.			765,000	
Budget Appropriation - Cell Closure			2,104,000	
Bond Principal Payments				2,373,000
Change in Net Position			<u>2,558,238</u>	<u>8,073,795</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, 2017

Description	Original Issue		Date	Interest Rate	Amount	Balance Dec. 1, 2016	Accreted Principal	Refunded or Paid	Balance Nov. 30, 2017
	Date	Amount							
Solid Waste Revenue Bonds, Series 2006	06/21/06	14,997,820				3,770,000		3,770,000	0
GRAND TOTAL						3,770,000	0	3,770,000	0

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**OTHER SEWER COMPANIES**
STATEMENT OF NET POSITION
FOR THE YEAR ENDED NOVEMBER 30, 2017

	<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	<u>4,123</u>	<u>2</u>	<u>461</u>	<u>60</u>	<u>4,646</u>
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	<u>4,123</u>	<u>2</u>	<u>461</u>	<u>60</u>	<u>4,646</u>
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

PAULINSKILL WATER RECLAMATION SYSTEM
SCHEDULE OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
RESTRICTED AND UNRESTRICTED
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

	Unrestricted	Invested in Capital Assets	Restricted Debt Service	Total
Operating Revenue:				
User Charges	602,000			602,000
Interest on Investments	1,563			1,563
Miscellaneous	44			44
	<u>603,607</u>	<u>-</u>	<u>-</u>	<u>603,607</u>
Operating Expenses:				
Operating, Maintenance and Reserves	221,169			221,169
Depreciation	315,990			315,990
	<u>537,159</u>	<u>-</u>	<u>-</u>	<u>537,159</u>
Operating Income	66,448	-	-	66,448
Non-Operating Revenue/(Expenses):				
Interest Expense	<u>(202,799)</u>			<u>(202,799)</u>
Income/(Loss) Before Contributions and Transfers	(136,351)	-	-	(136,351)
Capital Contributions	873,021			873,021
Transfers:				
Other	<u>(482,288)</u>	<u>424,108</u>	<u>58,180</u>	<u>-</u>
Increase (Decrease) in Net Position	254,382	424,108	58,180	736,670
Net Position - December 1,		<u>4,775,066</u>		<u>4,775,066</u>
Net Position - November 30,	<u>254,382</u>	<u>5,199,174</u>	<u>58,180</u>	<u>5,511,736</u>
Designated	-			
Undesignated	<u>254,382</u>			
	<u>254,382</u>			

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

PAULINSKILL WATER RECLAMATION SYSTEM
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED AND RESTRICTED ACCOUNTS
FOR THE YEAR ENDED NOVEMBER 30, 2017

	Planning Fund	Construction Fund	Acq. & Imp. Fund	Bond Service Fund
Cash, Cash Equivalents and Investments- December 1, 2016	373	24,215	1,604,100	8,188,751
Cash Receipts:				
Interest on Investments			1,774	54
USDA Grant Reimbursements			1,101,424	
User Charges				
Other		42,239	1,000,000	
Transfers		1,953,512	1,136,971	10,532,279
Total Cash Receipts	-	1,995,751	3,240,169	10,532,333
Total Cash And Investments Available	373	2,019,966	4,844,269	18,721,084
Cash Disbursements:				
Expenses		1,540,329		
Retainage				
Principal Payments		58,180		10,577,560
Interest Payments		101,028		
Transfers		300,000	4,807,798	7,984,316
Total Cash Disbursements	-	1,999,537	4,807,798	18,561,876
Cash, Cash Equivalents and Investments- November 30, 2017	373	20,429	36,471	159,208
Analysis of Balance:				
Unrestricted	-	-	-	-
Restricted	373	20,429	36,471	159,208
	373	20,429	36,471	159,208
Cash and Cash Equivalents	373	20,429	36,471	159,208
Investments	-	-	-	-
	373	20,429	36,471	159,208

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

**PAULINSKILL WATER RECLAMATION SYSTEM
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED AND RESTRICTED ACCOUNTS
FOR THE YEAR ENDED NOVEMBER 30, 2017**

	Retainage Fund	Operating Fund	Revenue Fund	Total
Cash, Cash Equivalents and Investments- December 1, 2016	358,538	230,647	-	10,406,624
Cash Receipts:				
Interest on Investments		1		1,829
USDA Grant Reimbursements				1,101,424
User Charges			602,000	602,000
Other	3,084		10,143	1,055,466
Transfers				13,622,762
Total Cash Receipts	<u>3,084</u>	<u>1</u>	<u>612,143</u>	<u>16,383,481</u>
Total Cash And Investments Available	<u>361,622</u>	<u>230,648</u>	<u>612,143</u>	<u>26,790,105</u>
Cash Disbursements:				
Expenses			86	1,540,415
Retainage	335,022			335,022
Principal Payments				10,635,740
Interest Payments				101,028
Transfers		230,648	300,000	13,622,762
Total Cash Disbursements	<u>335,022</u>	<u>230,648</u>	<u>300,086</u>	<u>26,234,967</u>
Cash, Cash Equivalents and Investments- November 30, 2017	<u>26,600</u>	<u>-</u>	<u>312,057</u>	<u>555,138</u>
Analysis of Balance:				
Unrestricted	-	-	312,057	312,057
Restricted	26,600	-	-	243,081
	<u>26,600</u>	<u>-</u>	<u>312,057</u>	<u>555,138</u>
Cash and Cash Equivalents	26,600	-	312,057	555,138
Investments	-	-	-	-
	<u>26,600</u>	<u>-</u>	<u>312,057</u>	<u>555,138</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
PAULINSKILL WATER RECLAMATION SYSTEM
SCHEDULE OF OPERATING REVENUES AND
COSTS FUNDED BY OPERATING REVENUES
COMPARED TO BUDGET, YEAR ENDED NOVEMBER 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED NOVEMBER 30, 2016

	FY 2017 <u>Budget</u>	FY 2017 <u>Budget After Modification</u>	FY 2017 <u>Actual</u>	FY 2016 <u>Actual</u>
Revenue:				
User Charges	602,000	602,000	602,000	
Interest on Investments and Deposits			1,563	
Miscellaneous			44	
Total Operating Revenue	<u>602,000</u>	<u>602,000</u>	<u>603,607</u>	<u>-</u>
Expenses:				
Operating and Maintenance				
(1) Engineering and Consulting Services	11,000	11,000	195	
(2) Legal Fees			1,159	
(3) Indirect Administration, Legal and Fiscal Expenses	48,000	48,000	45,591	
(4) Insurance	10,000	10,000	8,628	
(5) Printing Expenses	300	300		
(6) Safety Equipment	800	800		
(7) Chemicals	1,000	1,000	1,170	
(8) Laboratory Supplies	800	800	56	
(9) Plant Supplies	200	200	94	
(10) Testing Services	2,000	2,000	6,651	
(11) Outside Services	27,000	27,000	3,763	
(13) Utilities	78,400	78,400	56,483	
(14) Equipment/Stationary	1,000	1,000	337	
(15) Electrical and Mechanical Equipment Repair	500	500	820	
(16) Payment to Upper Walkkill for Operating and Maintenance Services	87,000	87,000	87,000	
(17) Taxes and Fees	6,000	6,000	2,900	
(18) Trustee Fees			1,500	
Total Operating and Maintenance Expenses	<u>274,000</u>	<u>274,000</u>	<u>216,347</u>	<u>-</u>
Capital Outlay			<u>4,822</u>	
Debt Service:				
Principal	115,600	115,600	115,600	
Interest	202,400	202,400	202,799	
	<u>318,000</u>	<u>318,000</u>	<u>318,399</u>	<u>-</u>
Reserves:				
Renewal & Replacement	10,000	10,000	-	
	<u>602,000</u>	<u>602,000</u>	<u>539,568</u>	<u>-</u>
Excess or (Deficit) in Actual Revenues and Expenses			64,039	-
Reconciliation of Budgetary Basis To Change in Net Position:				
Depreciation			(315,990)	
Debt Service Principal			115,600	
Capital Contributions			873,021	
			<u>672,631</u>	<u>-</u>
Change in Net Position			<u>736,670</u>	<u>-</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

PAULINSKILL WATER RECLAMATION SYSTEM
SCHEDULE OF USDA LOANS PAYABLE
NOVEMBER 30, 2017

Description	Original Issue		Interest Rate	Maturities		Balance Dec. 1, 2016	Issued	Refunded or Paid	Balance Nov. 30, 2017
	Date	Amount		Date	Amount				
United States Department of Agriculture - Rural Development Loan No. 1	09/20/16	\$ 5,496,000	2.750%	12/01/17	39,503				
				06/01/18	40,046				
				12/01/18	40,597				
				06/01/19	41,155				
				12/01/19	41,721				
				06/01/20	42,294				
				12/01/20	42,876				
				06/01/21	43,465				
				12/01/21	44,063				
				06/01/22	44,669				
				12/01/22	45,283				
				06/01/23	45,906				
				12/01/23	46,537				
				06/01/24	47,177				
				12/01/24	47,825				
				06/01/25	48,483				
				12/01/25	49,150				
				06/01/26	49,826				
				12/01/26	50,511				
				06/01/27	51,205				
				12/01/27	51,909				
				06/01/28	52,623				
				12/01/28	53,347				
				06/01/29	54,080				
				12/01/29	54,824				
				06/01/30	55,577				
				12/01/30	56,342				
				06/01/31	57,116				
				12/01/31	57,902				
				06/01/32	58,698				
				12/01/32	59,505				
				06/01/33	60,323				
				12/01/33	61,153				
			06/01/34	61,993					
			12/01/34	62,846					
			06/01/35	63,710					
			12/01/35	64,586					
			06/01/36	65,474					
			12/01/36	66,374					
			06/01/37	67,287					
			12/01/37	68,212					
			06/01/38	69,150					
			12/01/38	70,101					

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

PAULINSKILL WATER RECLAMATION SYSTEM
SCHEDULE OF USDA LOANS PAYABLE
NOVEMBER 30, 2017

Description	Original Issue		Interest Rate	Maturities		Balance Dec. 1, 2016	Issued	Refunded or Paid	Balance Nov. 30, 2017
	Date	Amount		Date	Amount				
United States Department of Agriculture - Rural Development Loan No. 1 (continued)	09/20/16	\$ 5,496,000	2.750%	06/01/39	71,065				
				12/01/39	72,042				
				06/01/40	73,033				
				12/01/40	74,037				
				06/01/41	75,055				
				12/01/41	76,087				
				06/01/42	77,133				
				12/01/42	78,194				
				06/01/43	79,269				
				12/01/43	80,359				
				06/01/44	81,464				
				12/01/44	82,584				
				06/01/45	83,719				
				12/01/45	84,870				
				06/01/46	86,037				
				12/01/46	87,220				
				06/01/47	88,420				
			12/01/47	89,635					
			06/01/48	90,868					
			12/01/48	92,117					
			06/01/49	93,384					
			12/01/49	94,668					
			06/01/50	95,970					
			12/01/50	97,289					
			06/01/51	98,627					
			12/01/51	99,983					
			06/01/52	101,358					
			12/01/52	102,752					
			06/01/53	104,164					
			12/01/53	105,597					
			06/01/54	107,049					
			12/01/54	108,521					
			06/01/55	110,013					
			12/01/55	111,525					
			06/01/56	107,501					
						5,496,000		38,967	5,457,033

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

PAULINSKILL WATER RECLAMATION SYSTEM

SCHEDULE OF USDA LOANS PAYABLE

NOVEMBER 30, 2017

Description	Original Issue		Interest Rate	Maturities		Balance Dec. 1, 2016	Issued	Refunded or Paid	Balance Nov. 30, 2017
	Date	Amount		Date	Amount				
United States Department of Agriculture - Rural Development Loan No. 3	09/20/16	\$ 757,000	2.250%	12/01/17	6,071				
				06/01/18	6,140				
				12/01/18	6,209				
				06/01/19	6,278				
				12/01/19	6,349				
				06/01/20	6,421				
				12/01/20	6,493				
				06/01/21	6,566				
				12/01/21	6,640				
				06/01/22	6,714				
				12/01/22	6,790				
				06/01/23	6,866				
				12/01/23	6,944				
				06/01/24	7,022				
				12/01/24	7,101				
				06/01/25	7,181				
				12/01/25	7,261				
				06/01/26	7,343				
				12/01/26	7,426				
				06/01/27	7,509				
			12/01/27	7,594					
			06/01/28	7,679					
			12/01/28	7,765					
			06/01/29	7,853					
			12/01/29	7,941					
			06/01/30	8,030					
			12/01/30	8,121					
			06/01/31	8,212					
			12/01/31	8,305					
			06/01/32	8,398					
			12/01/32	8,492					
			06/01/33	8,588					
			12/01/33	8,685					
			06/01/34	8,782					
			12/01/34	8,881					
			06/01/35	8,981					
			12/01/35	9,082					
			06/01/36	9,184					
			12/01/36	9,288					
			06/01/37	9,392					
			12/01/37	9,498					
			06/01/38	9,605					
			12/01/38	9,713					

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
PAULINSKILL WATER RECLAMATION SYSTEM
SCHEDULE OF USDA LOANS PAYABLE
NOVEMBER 30, 2017

Description	Original Issue		Interest Rate	Maturities		Balance Dec. 1, 2016	Issued	Refunded or Paid	Balance Nov. 30, 2017
	Date	Amount		Date	Amount				
United States Department of Agriculture - Rural Development Loan No. 3 (continued)	09/20/16	\$ 757,000	2.250%	06/01/39	9,822				
				12/01/39	9,932				
				06/01/40	10,044				
				12/01/40	10,157				
				06/01/41	10,271				
				12/01/41	10,387				
				06/01/42	10,504				
				12/01/42	10,622				
				06/01/43	10,742				
				12/01/43	10,862				
				06/01/44	10,985				
				12/01/44	11,108				
				06/01/45	11,233				
				12/01/45	11,359				
				06/01/46	11,487				
				12/01/46	11,617				
				06/01/47	11,747				
				12/01/47	11,879				
				06/01/48	12,013				
				12/01/48	12,148				
			06/01/49	12,285					
			12/01/49	12,423					
			06/01/50	12,563					
			12/01/50	12,704					
			06/01/51	12,847					
			12/01/51	12,992					
			06/01/52	13,138					
			12/01/52	13,285					
			06/01/53	13,435					
			12/01/53	13,586					
			06/01/54	13,739					
			12/01/54	13,894					
			06/01/55	14,050					
			12/01/55	14,208					
			06/01/56	13,535					
						757,000		6,004	750,996

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

PAULINSKILL WATER RECLAMATION SYSTEM
SCHEDULE OF USDA LOANS PAYABLE
NOVEMBER 30, 2017

Description	Original Issue		Interest Rate	Maturities		Balance Dec. 1, 2016	Issued	Refunded or Paid	Balance Nov. 30, 2017
	Date	Amount		Date	Amount				
United States Department of Agriculture - Rural Development Loan No. 5	09/20/16	\$ 1,572,000	2.250%	12/01/17	12,606				
				06/01/18	12,748				
				12/01/18	12,891				
				06/01/19	13,037				
				12/01/19	13,183				
				06/01/20	13,331				
				12/01/20	13,481				
				06/01/21	13,633				
				12/01/21	13,787				
				06/01/22	13,942				
				12/01/22	14,098				
				06/01/23	14,257				
				12/01/23	14,417				
				06/01/24	14,580				
				12/01/24	14,744				
				06/01/25	14,910				
				12/01/25	15,077				
				06/01/26	15,247				
				12/01/26	15,418				
				06/01/27	15,592				
				12/01/27	15,767				
				06/01/28	15,945				
				12/01/28	16,124				
				06/01/29	16,305				
				12/01/29	16,489				
				06/01/30	16,674				
				12/01/30	16,862				
				06/01/31	17,052				
				12/01/31	17,243				
				06/01/32	17,437				
				12/01/32	17,634				
				06/01/33	17,832				
				12/01/33	18,033				
				06/01/34	18,235				
				12/01/34	18,441				
				06/01/35	18,648				
				12/01/35	18,858				
				06/01/36	19,070				
			12/01/36	19,285					
			06/01/37	19,502					
			12/01/37	19,721					
			06/01/38	19,943					
			12/01/38	20,167					

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

PAULINSKILL WATER RECLAMATION SYSTEM
SCHEDULE OF USDA LOANS PAYABLE
NOVEMBER 30, 2017

Description	Original Issue		Interest Rate	Maturities		Balance Dec. 1, 2016	Issued	Refunded or Paid	Balance Nov. 30, 2017
	Date	Amount		Date	Amount				
United States Department of Agriculture - Rural Development Loan No. 5 (continued)	09/20/16	\$ 1,572,000	2.250%	06/01/39	20,394				
				12/01/39	20,623				
				06/01/40	20,855				
				12/01/40	21,090				
				06/01/41	21,327				
				12/01/41	21,567				
				06/01/42	21,810				
				12/01/42	22,055				
				06/01/43	22,303				
				12/01/43	22,554				
				06/01/44	22,808				
				12/01/44	23,065				
				06/01/45	23,324				
				12/01/45	23,587				
				06/01/46	23,852				
				12/01/46	24,120				
				06/01/47	24,392				
				12/01/47	24,666				
				06/01/48	24,943				
				12/01/48	25,224				
				06/01/49	25,508				
				12/01/49	25,795				
				06/01/50	26,085				
				12/01/50	26,378				
				06/01/51	26,675				
				12/01/51	26,975				
				06/01/52	27,279				
				12/01/52	27,586				
				06/01/53	27,896				
				12/01/53	28,210				
				06/01/54	28,527				
				12/01/54	28,848				
				06/01/55	29,173				
				12/01/55	29,501				
				06/01/56	28,293				
						1,572,000		12,466	1,559,534
						<u>7,825,000</u>		<u>57,437</u>	<u>7,767,563</u>
GRAND TOTAL									
				Current Portion		57,437			117,114
				Long-Term Portion		<u>7,767,563</u>			<u>7,650,449</u>
						<u>7,825,000</u>			<u>7,767,563</u>

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, 2017

Cash, Cash Equivalents and Investments- December 1, 2016	196,104
Cash Receipts:	
Operating Grants	<u>344,008</u>
Total Cash Receipts	<u>344,008</u>
Total Cash And Investments Available	<u>540,112</u>
Cash Disbursements:	
Project Expenses	<u>370,699</u>
Total Cash Disbursements	<u>370,699</u>
Cash, Cash Equivalents and Investments- November 30, 2017	<u><u>169,413</u></u>
Analysis of Balance:	
Unrestricted	169,413
Restricted	<u>-</u>
	<u><u>169,413</u></u>
 Cash and Cash Equivalents	 169,413
Investments	<u>-</u>
	<u><u>169,413</u></u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**INTERNAL SERVICE FUNDS**
COMBINING STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

	<u>Administrative Services</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	226,702
Prepaid Expenses	<u>5,463</u>
Total Current Assets	<u>232,165</u>
Restricted Assets	
Cash and Cash Equivalents	254,490
Investments	<u>381,849</u>
Total Noncurrent Assets	<u>636,339</u>
Total Assets	<u>868,504</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	1,111
Payroll Taxes Payable	12,902
Due to Other Funds	<u>218,152</u>
Total Current Liabilities	<u>232,165</u>
Total Liabilities	<u>232,165</u>
NET POSITION	
Restricted:	
Reserve for Unemployment Insurance	<u>636,339</u>
Total Net Position	<u><u>636,339</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, 2017

	<u>Administrative Services</u>
Operating Revenues:	
User Charges	1,470,000
Interest Income	991
Unemployment Contributions	<u>6,642</u>
Total Operating Revenue	<u>1,477,633</u>
Operating Expenses:	
Administrative and General Expenses	1,470,000
Unemployment Claims	<u>1,429</u>
Total Operating Expenses	<u>1,471,429</u>
Operating Income	<u>6,204</u>
Net Position - Beginning	<u>630,135</u>
Net Position - Ending	<u><u>636,339</u></u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

	Administrative Services
Cash Flows From Operating Activities:	
Cash Received from Users	1,470,000
Other Operating Receipts	6,642
Interest Received	991
Cash Paid to Suppliers, Employees and Professional contractors	(1,446,835)
Net Cash Provided/(Required) By Operating Activities	30,798
Cash Flows From Investing Activities:	
Sales (Purchases) of Investments	(975)
Net Cash Provided/(Required) By Investing Activities	(975)
Increase/(Decrease) In Cash And Cash Equivalents	29,823
Cash And Cash Equivalents - December 1,	451,369
Cash And Cash Equivalents - November 30,	481,192
Classified As:	
Unrestricted Assets	226,702
Restricted Assets	254,490
	481,192
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	6,204
Items Affecting Cash from Operations:	
Decrease / (Increase) in:	
Prepaid Expenses	(10)
Increase / (Decrease) in:	
Accounts Payable and Accrued Liabilities	24,604
Net Cash Provided/(Required) by Operating Activities	30,798

Single Audit Section

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Sussex County Municipal Utilities Authority, as of and for the year ended November 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated May 2, 2018.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sussex County Municipal Utilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

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

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

May 2, 2018

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE AND N.J. OMB CIRCULAR 15-08

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 Office of Management and Budget (OMB)'s Compliance Supplement and N.J. OMB Circular 15-08 that could have a direct and material effect on each of its major federal and state programs for the year ended November 30, 2017. 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 each of its major 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and N.J. OMB Circular 15-08. Those standards, the Uniform Guidance and N.J. OMB Circular 15-08 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 or 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 audit 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 on 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, 2017.

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 types of requirements that could have a direct and material effect on a major federal and state program to determine our 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 with the Uniform Guidance and N.J. OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 or 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 or 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 or 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.

Our consideration of the 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.

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

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and N.J. OMB Circular 15-08

We have audited the financial statements of the Sussex County Municipal Utilities Authority as of and for the year ended November 30, 2017, and have issued our report thereon dated May 2, 2018, which contained a modified 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 the Uniform Guidance and N.J. OMB Circular 15-08 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and N.J. OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

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

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

May 2, 2018



SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

Schedule of Expenditures of Federal Awards
Fiscal Year Ended November 30, 2017

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: Section 319H Pollution Control and Management Implementation Grant	66.605	042-4801-100-442	\$ 1,400,000	06/18/09	04/17/17	862,200	-	780,299	81,901	862,200
Section 319H Pollution Control and Management Implementation Grant	66.605	042-4801-100-442	\$ 700,000	09/03/13	09/02/18	378,000	126,000	360,135	45,563	405,698
U.S. Department of Agriculture: Water and Waste Disposal Systems for Rural Communities Loan Program	10.760	N/A	\$ 7,825,000	12/01/15	11/30/16	7,825,000	-	7,825,000	-	7,825,000
Grant Program	10.760	N/A	\$ 5,629,500	12/01/15	11/30/16	4,203,356	1,426,144	4,271,423	1,358,077	5,629,500
Natural Resources Conservation Service Contribution Agreement 68-2B29-14-222	10.902	N/A	\$ 75,000	09/25/14	09/30/18	36,714	15,774	45,234	9,288	54,522
Contribution Agreement 68-2B29-16-823	10.902	N/A	\$ 72,784	09/16/16	08/31/18	-	32,448	4,344	32,924	37,268
	10.072	N/A	\$ 15,000	09/16/16	08/31/18	-	2,854	1,902	1,131	3,033
	10.930	N/A	\$ 9,000	09/16/16	08/31/18	-	-	-	-	-
U.S. Department of the Interior - National Fish and Wildlife Foundation: Pass Through The Nature Conservancy: Restoring Paulins Kill Floodplain Forests and Functions	15.663	P130201-WRWMG-NFWF16-18	\$ 48,426	09/01/16	09/29/18	-	15,130	6,906	22,218	29,124
						13,305,270	1,618,350	13,295,243	1,551,102	14,846,345

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

Schedule of Expenditures of State Financial Assistance
Fiscal Year Ended November 30, 2017

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> NJ Environmental Infrastructure Trust Program (Interim Financing Program)		S342008-05 (CLP)	\$ 8,437,000	12/01/16	11/30/17	6,870,311	6,870,311		7,712,709	7,712,709
			\$ 143,320	06/01/16	05/31/17		0		143,320	143,320
			\$ 143,320	06/01/17	05/31/18		0			0
Total State Financial Assistance						<u>0</u>	<u>6,870,311</u>	<u>0</u>	<u>7,856,029</u>	<u>7,856,029</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

**NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
NOVEMBER 30, 2017**

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 the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations and Single Audit Policy for Recipients of Grants, State Grants, and State Aid*.

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>\$1,551,102</u>	<u>\$7,856,029</u>	<u>\$9,407,131</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.

NOTE 5. INDIRECT COST RATE

The Sussex County Municipal Utilities Authority has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED NOVEMBER 30, 2017**

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 2 CFR 200.516(a)? _____ yes X no

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

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

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED NOVEMBER 30, 2017**

Section I--Summary of Auditor's Results (continued)

State Awards

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

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

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

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 15-08? yes X no

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
<u>N/A</u>	<u>New Jersey Environmental Infrastructure Trust - Interim Financing Program</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED NOVEMBER 30, 2017**

Section II--Financial Statement Findings

No matters were reported.

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, 2017**

Status of Prior Year Findings

A review was performed on prior audit findings and corrective action was taken on the following item:

2016-1:

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 \$40,000. 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.

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.

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

GENERAL COMMENTS, (continued)

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, 2017

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, Wielkottz, Cerullo & Cuda, P.A.

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