

REPORT OF AUDIT
SUSSEX COUNTY
MUNICIPAL UTILITIES AUTHORITY
NOVEMBER 30, 2018

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

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Introductory Section

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
ROSTER OF OFFICIALS
NOVEMBER 30, 2018

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 \$5,000,000 issued by Statewide Insurance Fund, Policy No. SIF2019-07848 for the period January 1, 2019 to January 1, 2020.

Financial Section

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of net position of the Sussex County Municipal Utilities Authority as of November 30, 2018 and 2017, 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 opinions 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.

Basis for Modified Opinion on Financial Statements

The Authority's financial statements present its proportionate share of the net OPEB liability and other items and disclosures required by Governmental Auditing Standards Board Statement Number 75 based on the State of New Jersey State Health Benefits Plan Schedule of Employer and Non-Employer Allocations and Schedule of OPEB Accounts by Employer and Non-Employer for the fiscal year ended June 30, 2017. GASB Statement No. 75 requires that the net OPEB liability be measured as of a date no earlier than the end of the employer's prior fiscal year.

Modified Opinion

In our opinion, except for the effect of the matter described in the “Basis for Modified Opinion on Financial Statements” paragraph, 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, 2018 and 2017, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Principle

As discussed in Note 2 to the basic financial statements, during the year ended November 30, 2018 , the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions (an Amendment of GASB Statement No. 45). Our opinion was modified with respect to this matter.

Prior Period Adjustment

Because of the implementation of GASB Statement No. 75, beginning net position on the statement of revenues, expenses and changes in net position has been restated for fiscal year November 30, 2018, as discussed in the notes to the financial statements. Our opinion was modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2019 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 the effectiveness of the Sussex County Municipal Utilities Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sussex County Municipal Utilities Authority's internal control over financial reporting and compliance.

Very truly yours,

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

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

June 10, 2019

Management Discussion and Analysis

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

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, 2018 and 2017. Please read this analysis in conjunction with the Authority’s financial statements, which follow this section.

Financial Highlights

- The Authority’s liabilities exceeded its assets by \$(5,023,134) (net position) for the fiscal year reported. This compares to the previous year when assets exceeded assets by \$(3,828,114). Net position for 2017 has been restated to reflect the implementation of GASB Statement No. 75. “Accounting and Financial Reporting for Post Employment Benefits Other than Pensions”.
- Total net position are comprised of the following:
 - (1) Net Investment in Capital Assets, of \$3,383,345 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 \$10,194,888 are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$(18,601,367) represent the portion available to maintain the Authority’s continuing obligations to citizens and creditors.
- Total liabilities of the Authority decreased by \$643,295 to \$100,187,809 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 a decrease in bonds and loans payable.

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)
(UNAUDITED)**

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 deferred outflows and liabilities and deferred inflows of resources – 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)
(UNAUDITED)**

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 \$(5,023,134). This is a \$1,195,020 decrease under last year's restated net position of \$(3,828,114). 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 2018</u>	<u>Restated FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>FY 2016</u>
Current and Other Assets	39,083	35,126	3,957	11.27%	42,542
Capital Assets	57,210	60,824	(3,614)	(5.94)%	<u>56,856</u>
Deferred Outflows of Resources	<u>4,779</u>	<u>5,910</u>	<u>(1,131)</u>	(19.14)%	<u>5,641</u>
Total Assets and Deferred Outflows	<u>101,072</u>	<u>101,860</u>	<u>(788)</u>		<u>105,039</u>
Long-term Debt Outstanding	54,511	55,400	(889)	(1.60)%	51,032
Other Liabilities	45,677	45,431	246	0.54%	39,426
Deferred Inflows of Resources	<u>5,907</u>	<u>4,857</u>	<u>1,050</u>	21.62%	<u>859</u>
Total Liabilities and Deferred Inflows	<u>106,095</u>	<u>105,688</u>	<u>407</u>		<u>91,317</u>
Net Investment					
In Capital Assets	3,383	6,557	(3,174)	(48.41)%	7,047
Restricted	10,195	10,213	(18)	(0.18)%	9,894
Unrestricted	<u>(18,601)</u>	<u>(20,598)</u>	<u>1,997</u>	(9.70)%	<u>(3,218)</u>
	<u>(5,023)</u>	<u>(3,828)</u>	<u>(1,195)</u>	31.22%	<u>13,723</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 \$1,195,020.

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

Net Position (Continued)

Condensed Statement of Net Position					
(000's)					
	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar</u>	<u>Percent</u>	<u>FY 2016</u>
		<u>(Restated)</u>	<u>Change</u>	<u>Change</u>	
Operating Revenues	21,340	20,953	387	1.85%	19,361
Non-Operating Revenues	<u>2,200</u>	<u>3,134</u>	<u>(934)</u>	(29.80)%	<u>7,229</u>
Total Revenues	<u>23,540</u>	<u>24,087</u>	<u>(547)</u>		<u>26,590</u>
Depreciation Expense	4,737	5,330	(593)	(11.13)%	5,504
Other Operating Expenses	15,431	17,536	(2,105)	(12.00)%	13,050
Other Non-Operating Expense	<u>4,567</u>	<u>1,726</u>	<u>2,841</u>	164.60%	2,525
Total Expenses	<u>24,735</u>	<u>24,592</u>	<u>143</u>		<u>21,079</u>
Contributions	<u> </u>	<u>873</u>	<u>(873)</u>	(100.00)%	<u>4,757</u>
Change in Net Position	(1,195)	368	(1,563)	(424.73)%	10,268
Beginning Net Position, as Previously Reported	<u>(3,828)</u>	<u>13,723</u>	<u>(17,551)</u>	(127.89)%	<u>3,455</u>
Prior Period Adjustment:		(17,919)	17,919	(100.00)%	
Net Position December 1, As restated	<u>(3,828)</u>	<u>(4,196)</u>	<u>368</u>	(8.77)%	<u>3,455</u>
Ending Net Position	<u>(5,023)</u>	<u>(3,828)</u>	<u>(1,195)</u>	31.22%	<u>13,723</u>

The Authority's Operating Revenues increased by \$386,262 to \$21,340,043 in 2018 from \$20,953,781 in 2017 primarily due to increases in user charges and tipping fees. Nonoperating Revenues decreased by \$933,859 to \$2,200,313 from \$3,134,172 mainly due to decreases in net cell closure 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)
(UNAUDITED)**

The following table provides a 2018 and 2017 budget comparison:

**Budget vs. Actual
FY 2018
(000's)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	17,993	21,340	3,347
Non-Operating	<u>2,200</u>	<u>2,200</u>	<u>2,200</u>
	<u>17,993</u>	<u>23,540</u>	<u>5,547</u>
Expenses:			
Operating	13,581	15,431	(1,850)
Non-Operating	<u>4,412</u>	<u>4,567</u>	<u>(155)</u>
	<u>17,993</u>	<u>19,998</u>	<u>(2,005)</u>
Income Before Depreciation and Capital Contributions	<u>0</u>	<u>3,542</u>	<u>3,542</u>

**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>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>

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

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)
(UNAUDITED)**

The following are charts for various system service charges calculated for FY 2019:

Hampton Commons Facility

a. Hampton Commons FY2019 Budget		\$180,200
b. Investment Earnings		
Earnings on Fund Balances		
R&R Fund	\$ 35,000	
Operating Fund	\$ 110,000	
Average Fund Balance	\$ 145,000	
Estimated Interest Rate	0.75%	
Projected Investment Earnings	\$ 1,088	
c. Appropriation from Retained Earnings	\$ 6,000	
Total Amount of Other Revenues		\$ 7,088
d. Amount to be Raised by User Charges		\$173,112
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:

	GPD	%		Estimated FY19 Annual Charge
Hampton Common Homeowners Assoc.	32,000	82.05%		\$142,040.62
Township of Hampton	7,000	17.95%	\$173,112 =	\$ 31,071.38
	39,000	100.00%		\$ 173,112.00

Calculations of HCHA per Unit charge

<u>D/S & O&M Expenses</u>	=	FY2019 Estimated User Charges
Units		
\$142,041	=	\$473 per unit
300		

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

Solid Waste Facilities

Tipping Fee Calculation/Analysis: \$10,692,000

FY2019 Solid Waste Facilities Budget

Less: Projected Revenues (other than Tipping Fees):

A.	Recycling Market Revenues	\$230,000
C.	Non-Operating Revenues	\$341,000

Total "other" Revenues \$ 571,000

Amount to be raised by Tipping Fees \$10,121,000

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

$$\frac{\text{Revenues Necessary from Tip Fee}}{\text{Est. FY2019 Tonnage}} = \frac{\$10,121,000}{103,000} = \boxed{\$ 98.26} \text{ per ton}$$

**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		FY2019 Projections	% of Total	FY2019 Gen. Charge
Hamburg Borough	210,000	GMF	\$76,650,000	10.90%	\$127,829
Franklin Borough	403,000	actual	\$147,095,000	20.92%	\$245,309
Wallkill Sewer Co.	66,000	actual	\$24,090,000	3.43%	\$40,175
HTMUA	233,000	actual(a)	\$85,045,000	12.09%	\$141,829
Sussex Borough	312,000	GMF	\$113,880,000	16.20%	\$189,917
Wantage Twp.	36,500	GMF	\$13,322,500	1.89%	\$22,218
Sparta Twp.	205,000	GMF	\$74,825,000	10.64%	\$124,785
Vernon Twp.	461,000	GMF	\$168,265,000	23.93%	\$280,614
	<u>1,926,500</u>		<u>\$703,172,500</u>	<u>100.00%</u>	<u>\$1,172,675</u>

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

Participant	GPD		FY2019 Projections	% of Total	FY2019 O&M Charge
Hamburg Borough	210,000	GMF	\$76,650,000	10.31%	\$344,945
Franklin Borough	403,000	actual	\$147,095,000	19.79%	\$661,966
Wallkill Sewer Co.	66,000	actual	\$24,090,000	3.24%	\$108,411
HTMUA	311,000	GMF/ actual(b)	\$113,515,000	15.28%	\$510,847
Sussex Borough	312,000	GMF	\$113,880,000	15.32%	\$512,490
Wantage Twp.	63,000	GMF	\$22,995,000	3.09%	\$103,484
Sparta Twp.	210,000	GMF	\$76,650,000	10.31%	\$344,945
Vernon Twp.	461,000	GMF	\$168,265,000	22.64%	\$757,237
	<u>2,036,000</u>		<u>\$743,140,000</u>	<u>100.00%</u>	<u>\$3,344,325</u>

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

(b) O&M Charges – HTMUA GMF (302,000 gpd) + YMCA Actual 5,000 gpd) + WVRHS Actual (4,000 gpd)

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

FY2019 Estimated Total Sewer User Charges

Participant	General Charge	Operating Charge	Proj. FY2019 User Charge	FY2018 Estimated User Charge	% Change
Hamburg Borough	\$127,829	\$344,945	\$472,774	\$476,270	(0.7)%
Franklin Borough	\$245,309	\$661,966	\$907,275	\$873,162	3.9%
Wallkill Sewer Co.	\$40,175	\$108,411	\$148,586	\$149,685	(0.7)%
HTMUA	\$141,829	\$510,847	\$652,676	\$655,800	(0.5)%
Sussex Borough	\$189,917	\$512,490	\$702,407	\$707,602	(0.7)%
Wantage Twp.	\$22,218	\$103,484	\$125,702	\$126,731	(0.8)%
Sparta Twp.	\$124,785	\$344,945	\$469,730	\$473,223	(0.7)%
Vernon Twp. (A)	<u>\$1,030,614</u>	<u>\$757,237</u>	<u>\$1,787,851</u>	<u>\$1,745,527</u>	<u>2.4%</u>
Comparison all system users	\$1,922,675	\$3,344,325	\$5,267,000	\$5,208,000	1.1%

(A) Added in Vernon Additional Bonds \$750,000, a \$50,000 increase from FY18

Note: Due to system calculations, rounding error may occur

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

$$\frac{\$4,517,000}{703,172,500} = \$0.00642 \quad \times \quad 1,000 \quad \$6.42$$

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

Paulinskill Facility – FY2019

a. Paulinskill Facility Proposed FY 2019 Budget

Debt Service	\$320,000	
O&M	\$280,500	
	\$600,500	
Total Budget		\$600,500

b. Investment Earnings \$ -

c. Appropriation from Retained Earnings \$ -

d. Connection Fees \$ -

Connection Fee Calculation:

Debt Service Paid:		FY17	\$318,399	
		FY18	\$318,500	
			\$636,899	
Total D/S Paid				
Total Number of EDU's in Paulinskill System			745.72	
Connection Fee Calculation = $\frac{\text{D/S Paid}}{\text{EDU's}} = \frac{\$ 636,899}{\$ 745.72} = 854$ Per EDU				

Total Amount of Other Revenues \$ -0-

e. Amount to be Raised by User Charges \$ 600,500

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.FY2019 Annual Charges
Branchville Borough	685.42	210	144,000	91.95%	\$294,253	\$257,931	\$552,184
Township of Frankford	<u>60.00</u>	210	<u>12,600</u>	<u>8.05%</u>	<u>\$ 25,747</u>	<u>\$ 22,569</u>	<u>\$ 48,316</u>
	745.72		156,600	100.00%	\$320,000	\$277,500	\$600,500

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

Calculation of Branchville Borough's Est. FY2019 per EDU Charge

<u>D/S & O&M Expenses</u>	=	FY2019 Estimated User Charges
Units		
<u>\$552,184</u>	=	\$805 per unit
685.715 EDU's		

Calculation of Frankford Township's Est. FY2019 per EDU Charge

<u>D/S & O&M Expenses</u>	=	FY2018 Estimated User Charges
Units		
<u>\$48,316</u>	=	\$805 per unit
60 EDU's		

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

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 2019 and 2020 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 2019, the SCMUA has budgeted for: a replacement Cat.966 Loader, replacement to the facility truck scale system, and replacement of underground Storage Tanks.

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

Solid Waste Facilities, (continued)

Leachate Pump Station/Forcemain

In 2019, the SCMUA will continue designing and permitting 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 2021.

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 2019, a number of projects are proposed utilizing existing Capital Funds. The projects include: SCADA System Upgrade, Replace Belt Filter Press, Replace Underground Storage Tanks 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
COMBINED COMPARATIVE STATEMENTS OF NET POSITION
AS OF NOVEMBER 30, 2018 AND 2017

Exhibit A
Page 1 of 3

	<u>2018</u>	<u>2017</u> <u>(Restated)</u>
ASSETS		
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 10,614,685	\$ 8,482,931
Accounts Receivable (net of allowance for uncollectibles)	1,547,352	846,548
Prepaid Expenses	43,405	57,262
Due From Central Services	276,639	215,139
Due From State of New Jersey	143,320	286,640
	<u>12,625,401</u>	<u>9,888,520</u>
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	576,912	643,865
Due From Central Services	5,391	
Phase 3 Construction Fund		
Cash and Cash Equivalents	260,521	260,521
Renewal and Replacement Fund		
Cash and Cash Equivalents	4,331,080	3,488,089
Cost of Issuance Account		
Cash and Cash Equivalents		8,602
Current Debt Service Fund		
Cash and Cash Equivalents	2,271,711	2,173,061
Retained Percentages Account		
Cash and Cash Equivalents	21,519	162,660
Planning Fund		
Cash and Cash Equivalents		373
Operations		
Cash and Cash Equivalents	3,264,500	3,096,750
Cell Closure Account		
Cash and Cash Equivalents	3,924,189	2,275,448
Due From NJEIT	414,835	1,566,689
Due From Central Services	5,881	3,012
Landfill Postclosure Account		
Cash and Cash Equivalents	191,980	252,051
Investments	10,548,724	10,288,776
Unemployment Trust Fund		
Cash and Cash Equivalents	253,641	254,490
Investments	386,720	381,849
	<u>26,457,604</u>	<u>25,237,855</u>
Total Restricted Current Assets		
	<u>39,083,005</u>	<u>35,126,375</u>
Total Current Assets		

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINED COMPARATIVE STATEMENTS OF NET POSITION
AS OF NOVEMBER 30, 2018 AND 2017

Exhibit A
Page 2 of 3

	<u>2018</u>	<u>2017</u> <u>(Restated)</u>
Non-Current Assets		
Capital Assets		
Land	3,833,925	3,833,925
Improvements	79,036,503	70,841,936
Buildings	66,022,055	66,048,655
Machinery and Equipment	20,353,163	19,781,570
Accumulated Depreciation	(113,135,963)	(108,701,848)
Construction in Progress	1,100,215	9,019,687
	57,209,898	60,823,925
Total Non-Current Assets	57,209,898	60,823,925
Total Assets	96,292,903	95,950,300
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - PERS	2,769,632	3,820,336
Deferred Outflows - OPEB	654,186	654,186
Deferred Loss on Refunding of Debt	1,355,128	1,435,695
	4,778,946	5,910,217
Total Deferred Outflows of Resources	4,778,946	5,910,217
Total Assets and Deferred Outflows of Resources	\$ 101,071,849	\$ 101,860,517
 LIABILITIES		
Current Liabilities (Payable from Unrestricted Assets)		
Payroll Taxes Payable	\$ 2,045	\$ 12,902
Accounts Payable	709,058	539,103
Accounts Payable - PERS	464,082	425,179
Due to Other Funds	287,911	218,151
Escrow Deposits	4,646	4,646
Bonds and Loans Payable - Current Portion	856,393	
Accrued Interest on Loans	33,167	
	2,357,302	1,199,981
Total Current Liabilities Payable from Unrestricted Assets	2,357,302	1,199,981
Current Liabilities (Payable from Restricted Assets)		
Accounts Payable - Cell Closure	30,075	193,236
Retainage Payable	21,519	162,660
Lease Payable	512,389	831,038
Bonds and Loans Payable - Current Portion	2,130,167	2,022,114
Accrued Interest on Bonds	766,190	682,753
	3,460,340	3,891,801
Total Current Liabilities Payable from Restricted Assets	3,460,340	3,891,801
Total Current Liabilities	5,817,642	5,091,782

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINED COMPARATIVE STATEMENTS OF NET POSITION
AS OF NOVEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u> <u>(Restated)</u>
Non-Current Liabilities		
Net Pension Liability - PERS	9,186,443	10,683,895
Net OPEB Liability	17,902,401	17,902,401
Planning Loan - County of Sussex	343,599	343,599
Accrued Liabilities - Closure and Postclosure Costs	14,602,108	12,690,615
Accrued Liabilities - Compensated Absences	811,220	740,685
USDA Loans Payable	7,530,282	7,650,449
NJEIT Loans Payable	7,221,147	8,437,000
Revenue and Refunding Bonds Payable	<u>36,772,967</u>	<u>37,290,678</u>
 Total Non-Current Liabilities	 <u>94,370,167</u>	 <u>95,739,322</u>
 Total Liabilities	 <u>100,187,809</u>	 <u>100,831,104</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - PERS	3,262,599	2,447,737
Deferred Inflows - OPEB	1,987,014	1,987,014
Bond Premiums - Net	<u>657,561</u>	<u>422,776</u>
 Total Deferred Inflows of Resources	 <u>5,907,174</u>	 <u>4,857,527</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>106,094,983</u>	 <u>105,688,631</u>
 NET POSITION		
Net Investment in Capital Assets	3,383,345	6,556,946
Restricted For:		
Debt Service	1,505,521	1,490,308
Renewal and Replacement	4,331,080	3,488,089
Operations	3,264,500	3,096,750
Landfill Cell Closure/Postclosure	453,426	1,502,125
Unemployment Trust	640,361	636,339
Unrestricted		
Designated	462,847	678,308
Undesignated	<u>(19,064,214)</u>	<u>(21,276,979)</u>
 Total Net Position	 <u>\$ (5,023,134)</u>	 <u>\$ (3,828,114)</u>

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINED COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2018 AND 2017

Exhibit B
Page 1 of 2

	<u>2018</u>	<u>2017</u> <u>(Restated)</u>
OPERATING REVENUES		
User Charges	\$ 7,326,552	\$ 7,382,401
Treatment of Sludge, Septage and Leachate	1,205,647	1,134,811
Operating and Maintenance Charges - Municipal	176,500	173,500
Tipping Fees	11,578,103	11,094,406
Recycling Markets	223,121	268,790
Connection Fees	87,429	193,398
Operating Grants	331,921	487,328
Finance Charges	40,168	17,203
Interest	147,586	38,662
Miscellaneous	223,016	163,282
	21,340,043	20,953,781
OPERATING EXPENSES		
Administration, Operating, Maintenance and Reserves	15,424,654	17,536,242
Other	7,223	
Depreciation	4,736,509	5,330,313
	20,168,386	22,866,555
OPERATING INCOME (LOSS)	1,171,657	(1,912,774)
NON-OPERATING REVENUES (EXPENSES)		
Interest on Investments	160,587	153,295
Renewal and Replacement Appropriation	1,156,000	815,000
Cell Closure Appropriation	861,000	2,104,000
Budget Appropriation - Vernon Rate Stabilization	22,726	61,877
Interest Expense	(646,791)	(522,318)
Accreted Interest on Capital Appreciation Bonds	(1,492,289)	(87,247)
Amortization of Bond Discount, Premiums	(30,365)	(58,864)
Investment Expenses	(117,341)	(100,952)

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINED COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2018 AND 2017

Exhibit B
Page 2 of 2

	<u>2018</u>	<u>2017</u> <u>(Restated)</u>
NON-OPERATING REVENUES (EXPENSES), cont.		
Unemployment Claims		(1,429)
Debt Issuance Costs	(95,498)	
Renewal and Replacement Expenses		(11,860)
Other Non-Operating Expenses	(100,000)	
Cell Closure Expenditures (Net)	(1,640,933)	(596,256)
Postclosure Expenditures (Net)	(443,773)	(1,141,123)
Prior Year Landfill Expansion		793,885
	<hr/>	<hr/>
Total Non-Operating Income (Expenses)	(2,366,677)	1,408,008
	<hr/>	<hr/>
Income (Loss) Before Contributions and Transfers	(1,195,020)	(504,766)
	<hr/>	<hr/>
Capital Contributions		873,021
	<hr/>	<hr/>
CHANGE IN NET POSITION	(1,195,020)	368,255
	<hr/>	<hr/>
Net Position, December 1, as originally reported	(3,828,114)	13,722,512
Prior Period Adjustment:		
Cumulative effect of Change in Accounting Principle - Implementation of GASB Statement No. 75		(17,918,881)
	<hr/>	<hr/>
Net Position, December 1, as restated	(3,828,114)	(4,196,369)
	<hr/>	<hr/>
Net Position, November 30,	\$ (5,023,134)	\$ (3,828,114)
	<hr/> <hr/>	<hr/> <hr/>

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINED COMPARATIVE STATEMENTS OF CASH FLOWS
AS OF NOVEMBER 30, 2018 AND 2017

Exhibit C
Page 1 of 2

	<u>2018</u>	<u>2017</u> <u>(Restated)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 19,923,097	\$ 20,317,807
Cash Received from State of New Jersey	286,640	
Other Operating Receipts	425,236	514,727
Interest Received	308,173	191,957
Cash Paid to Employees	(3,945,368)	(3,995,349)
Cash Paid for Employee Benefits	(2,437,871)	(2,970,268)
Cash Paid to Suppliers and Professional Contractors	(8,237,145)	(8,216,655)
Other Operating Payments	(439,243)	(5,538,109)
Interest Paid	<u>(530,187)</u>	<u></u>
Net Cash Provided by Operating Activities	<u>5,353,332</u>	<u>304,110</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Loans Issued	91,469	
Debt Issue Costs	(95,498)	
Premium Received	284,987	
USDA Grants/Loans Received	324,719	1,101,425
Received from NJEIT	1,151,854	6,870,311
Principal Payments on Notes		(10,210,000)
Principal Payments on Bonds and Loans	<u>(2,473,043)</u>	<u>(5,552,437)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(715,512)</u>	<u>(7,790,701)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(1,588,819)	(2,356,383)
Retainage Received	1,156	12,926
Renewal and Replacement Fund	1,026,000	753,140
Cell Closure Appropriation	861,000	
Investment Expenses	(117,341)	
Sales (Purchases) of Investments	<u>(264,819)</u>	<u>(64,828)</u>
Net Cash Provided by Investing Activities	<u>(82,823)</u>	<u>(1,655,145)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,554,997	(9,141,736)
Cash and Cash Equivalents, December 1,	<u>21,155,741</u>	<u>30,297,477</u>
Cash and Cash Equivalents, November 30,	<u>\$ 25,710,738</u>	<u>\$ 21,155,741</u>
ANALYSIS OF BALANCE AT NOVEMBER 30		
Unrestricted - Cash and Cash Equivalents	10,614,685	8,482,931
Restricted - Cash and Cash Equivalents	<u>15,096,053</u>	<u>12,672,810</u>
	<u>\$ 25,710,738</u>	<u>\$ 21,155,741</u>

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINED COMPARATIVE STATEMENTS OF CASH FLOWS
AS OF NOVEMBER 30, 2018 AND 2017

Exhibit C
Page 2 of 2

	<u>2018</u>	<u>2017</u> <u>(Restated)</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ <u>1,171,657</u>	\$ <u>(1,912,774)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	4,736,509	5,330,313
Interest Received on Non-operating Investments	160,587	153,295
Pension Adjustment - PERS	407,017	691,635
OPEB Adjustment		1,316,348
Interest Paid	(530,187)	(323,232)
Other Non-Operating Income	152,726	111,877
Other Non-Operating Expenses	(439,243)	(5,157,591)
(Increase)/Decrease in Accounts Receivable	(700,804)	53,298
(Increase)/Decrease in Due From Central Services	(61,500)	(17,165)
(Increase)/Decrease in Due From State of New Jersey	143,320	(143,320)
(Increase)/Decrease in Prepaid Expenses	13,857	(14,524)
Increase/(Decrease) in Current Liabilities Payable from Unrestricted Assets	228,858	98,838
Increase/(Decrease) in Current Liabilities Payable from Restricted Assets		192,399
Increase/(Decrease) in Non-Current Liabilities	<u>70,535</u>	<u>(75,287)</u>
Total Adjustments	<u>4,181,675</u>	<u>2,216,884</u>
Net Cash Provided by Operating Activities	\$ <u><u>5,353,332</u></u>	\$ <u><u>304,110</u></u>

See accompanying Notes to the Financial Statements.

Notes to Financial Statements

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018

1. General

The Sussex County Municipal Utilities Authority, herein referred to as the “Authority”, is a public body politic and corporate, constituting a political subdivision of the State of New Jersey organized and existing under the provisions of Municipal Utilities Authority Law (New Jersey Revised Statutes 40:14B-1 et seq.) constituting Chapter 183 of the Pamphlet Laws of 1957, and was created by virtue of a resolution of the Board of Chosen Freeholders of the County of Sussex, hereinafter referred to as the “County”, adopted August 10, 1971. The Authority is a component unit of the County of Sussex, New Jersey. As a public body, under existing statute, the Authority is exempt from both federal and state income taxes.

Wastewater

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.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

1. General (continued)

Wastewater (continued)

- 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.

As of November 30, 2018, the following amount is due to the County of Sussex:

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

1. General (continued)

Wastewater (continued)

Paulins Kill System

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.

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, 2018
(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, 2018
(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, 2018
(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. Reporting Entity

The Authority's financial statements include the accounts of all operations of the Authority. The Authority, as a component unit of the County of Sussex, State of New Jersey, is financially accountable to the County. As set forth in Government Accounting Standards Board (GASB) 14, as amended by GASB 61, financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial statement to or impose a financial burden on the primary government. The Authority, as a component unit, issues separate financial statements from the County of Sussex. However, if the County presented its financial statements in accordance with accounting principles generally accepted in the United States of America, these financial statements would be includable with the County's on a blended basis.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

2. Summary of Significant Accounting Policies, (continued)

D. 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.

E. 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.

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.

F. 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.

G. Property, Plant and Equipment

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

2. Summary of Significant Accounting Policies, (continued)

G. Property, Plant and Equipment, (continued)

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.

Property, plant and equipment includes:

<u>Fiscal Year Ended Nov. 30, 2018:</u>	<u>Upper Wallkill Facilities Fund</u>	<u>Hampton Commons Facilities Fund</u>	<u>Solid Waste Facilities Fund</u>	<u>Paulins Kill Water Reclamation Project</u>	<u>Wallkill 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>1,090,079</u>	<u> </u>	<u>10,136</u>	<u> </u>	<u> </u>	<u>1,100,215</u>
Total Capital Assets, Not Being Depreciated	<u>1,663,913</u>	<u>32,741</u>	<u>2,780,704</u>	<u>456,782</u>	<u> </u>	<u>4,934,140</u>
Capital Assets Being Depreciated:						
Improvements	22,977,261		56,059,242			79,036,503
Buildings	40,294,624	510,231	12,902,153	12,315,047		66,022,055
Machinery and Equipment	<u>11,185,773</u>	<u>742,270</u>	<u>8,316,600</u>	<u>102,306</u>	<u>6,214</u>	<u>20,353,163</u>
Total Capital Assets, Being Depreciated	74,457,658	1,252,501	77,277,995	12,417,353	6,214	165,411,721
Less:						
Accumulated Depreciation	<u>(48,916,204)</u>	<u>(1,116,600)</u>	<u>(62,464,866)</u>	<u>(636,740)</u>	<u>(1,553)</u>	<u>(113,135,963)</u>
Total Capital Assets Being Depreciated, Net	<u>25,541,454</u>	<u>135,901</u>	<u>14,813,129</u>	<u>11,780,613</u>	<u>4,661</u>	<u>52,275,758</u>
Total Capital Assets, Net	<u>27,205,367</u>	<u>168,642</u>	<u>17,593,833</u>	<u>12,237,395</u>	<u>4,661</u>	<u>57,209,898</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

2. Summary of Significant Accounting Policies, (continued)

G. Property, Plant and Equipment, (continued)

<u>Fiscal Year Ended Nov. 30, 2017:</u>	Upper Wallkill Facilities Fund	Hampton Commons Facilities Fund	Solid Waste Facilities Fund	Paulins Kill Water Reclamation Project	Wallkill Watershed Project	Total
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>8,007,152</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>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>

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

<u>Upper Wallkill Facilities Fund:</u>	Balance Nov. 30, 2017	Additions	Disposals	Balance Nov. 30, 2018
Capital Assets Not Being Depreciated:				
Land	573,834			573,834
Construction in Progress	<u>1,012,535</u>	<u>77,544</u>	_____	<u>1,090,079</u>
Total Capital Assets, Not Being Depreciated	<u>1,586,369</u>	<u>77,544</u>	_____	<u>1,663,913</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>112,638</u>	_____	<u>11,185,773</u>
Total Capital Assets, Being Depreciated	74,345,020	112,638		74,457,658
Less:				
Accumulated Depreciation	<u>(46,361,275)</u>	<u>(2,554,929)</u>	_____	<u>(48,916,204)</u>
Total Capital Assets Being Depreciated, Net	<u>27,983,745</u>	<u>(2,442,291)</u>	_____	<u>25,541,454</u>
Total Capital Assets, Net	<u>29,570,114</u>	<u>(2,364,747)</u>	_____	<u>27,205,367</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

2. Summary of Significant Accounting Policies, (continued)

G. Property, Plant and Equipment, (continued)

<u>Hampton Commons Facilities Fund:</u>	<u>Balance</u> <u>Nov. 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>Nov. 30, 2018</u>
Capital Assets Not Being Depreciated:				
Land	<u>32,741</u>	_____	_____	<u>32,741</u>
Total Capital Assets, Not Being Depreciated	<u>32,741</u>	_____	_____	<u>32,741</u>
Capital Assets Being Depreciated:				
Buildings	510,231			510,231
Machinery and Equipment	<u>742,270</u>	_____	_____	<u>742,270</u>
Total Capital Assets, Being Depreciated	1,252,501			1,252,501
Less:				
Accumulated Depreciation	<u>(1,099,082)</u>	<u>(17,518)</u>	_____	<u>(1,116,600)</u>
Total Capital Assets Being Depreciated, Net	<u>153,419</u>	<u>(17,518)</u>	_____	<u>135,901</u>
Total Capital Assets, Net	<u>186,160</u>	<u>(17,518)</u>	=====	<u>168,642</u>
	<u>Balance</u> <u>Nov. 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>Nov. 30, 2018</u>
<u>Solid Waste Facilities Fund:</u>				
Capital Assets Not Being Depreciated:				
Land	2,770,568			2,770,568
Construction in Progress	<u>8,007,152</u>	_____	<u>(7,997,016)</u>	<u>10,136</u>
Total Capital Assets, Not Being Depreciated	<u>10,777,720</u>	_____	<u>(7,997,016)</u>	<u>2,780,704</u>
Capital Assets Being Depreciated:				
Improvements	47,864,675	8,194,567		56,059,242
Buildings	12,902,153			12,902,153
Machinery and Equipment	<u>7,857,645</u>	<u>761,349</u>	<u>(302,394)</u>	<u>8,316,600</u>
Total Capital Assets, Being Depreciated	68,624,473	8,955,916	(302,394)	77,277,995
Less:				
Accumulated Depreciation	<u>(60,925,190)</u>	<u>(1,842,070)</u>	_____	<u>(62,767,260)</u>
Total Capital Assets Being Depreciated, Net	<u>7,699,283</u>	<u>7,113,846</u>	_____	<u>14,813,129</u>
Total Capital Assets, Net	<u>18,477,003</u>	<u>7,113,846</u>	<u>(7,997,016)</u>	<u>17,593,833</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

2. Summary of Significant Accounting Policies, (continued)

G. Property, Plant and Equipment, (continued)

	Balance Nov. 30, 2017	Additions	Disposals	Balance Nov. 30, 2018
<u>Paulins Kill Water Reclamation Project::</u>				
Capital Assets Not Being Depreciated:				
Land	456,782			456,782
Construction in Progress	_____	_____	_____	_____
Total Capital Assets, Not Being Depreciated	<u>456,782</u>	_____	_____	<u>456,782</u>
Capital Assets Being Depreciated:				
Buildings	12,341,647		(26,600)	12,315,047
Machinery and Equipment	<u>102,306</u>	_____	_____	<u>102,306</u>
Total Capital Assets, Being Depreciated	12,443,953		(26,600)	12,417,353
Less:				
Accumulated Depreciation	<u>(315,990)</u>	<u>(320,750)</u>	_____	<u>(636,740)</u>
Capital Assets Being Depreciated, Net	<u>12,127,963</u>	<u>(320,750)</u>	<u>(26,600)</u>	<u>11,780,613</u>
Total Capital Assets, Net	<u>12,584,745</u>	<u>(320,750)</u>	<u>(26,600)</u>	<u>12,237,395</u>

	Balance Nov. 30, 2017	Additions	Disposals	Balance Nov. 30, 2018
<u>Wallkill Watershed Project::</u>				
Capital Assets Being Depreciated:				
Machinery and Equipment	6,214	_____	_____	6,214
Total Capital Assets, Being Depreciated	6,214			6,214
Less:				
Accumulated Depreciation	<u>(311)</u>	<u>(1,242)</u>	_____	<u>(1,553)</u>
Capital Assets Being Depreciated, Net	<u>5,903</u>	<u>(1,242)</u>	_____	<u>4,661</u>
Total Capital Assets, Net	<u>5,903</u>	<u>(1,242)</u>	=====	<u>4,661</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.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

2. Summary of Significant Accounting Policies, (continued)

G. Property, Plant and Equipment, (continued)

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

H. Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

2. Summary of Significant Accounting Policies, (continued)

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

Bond Premiums - Premiums received in connection with the issuance of long-term debt are recorded as deferred inflows of resources. The premiums are amortized in a systematic and rational method as a component of interest expense.

I. 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.
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.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

2. Summary of Significant Accounting Policies, (continued)

I. Restricted Accounts, (continued)

Upper Wallkill Facilities Fund, (continued):

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

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:

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

2. Summary of Significant Accounting Policies, (continued)

I. Restricted Accounts, (continued)

Hampton Commons Facilities Fund, (continued):

<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, 2018
(Continued)

2. Summary of Significant Accounting Policies, (continued)

I. 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, 2018
(Continued)

2. Summary of Significant Accounting Policies, (continued)

I. 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>
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.
Debt Service Account	Amount needed to pay principal and interest due on project loan.	Payment of principal and interest on project loan.

J. 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, 2018
(Continued)

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

K. 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, 2018, there is \$453,426 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.

L. 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, 2018
(Continued)

2. Summary of Significant Accounting Policies, (continued)

M. 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.

N. 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.

O. 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.

P. 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.

Q. 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, 2018
(Continued)

2. Summary of Significant Accounting Policies, (continued)

R. Recent Accounting Pronouncements

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

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.

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.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

2. Summary of Significant Accounting Policies, (continued)

R. Recent Accounting Pronouncements, (continued)

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.

In June 2018, the Government Accounting Standards Board issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

2. Summary of Significant Accounting Policies, (continued)

R. Recent Accounting Pronouncements, (continued)

prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. This Statement is effect for fiscal years beginning after December 15, 2019, though earlier application is encouraged. The Authority believes this Statement may impact the reporting of certain interest payments previously recorded as capital expenditures.

In August 2018, the Government Accounting Standards Board issued GASB Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61. This Statement improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The Authority does not believe this Statement will have any effect on future financial statements.

S. Recently Adopted Pronouncements

For the fiscal year ended November 30, 2018, the Authority implemented the provisions of Government Accounting Standards Board Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” As a result of adopting this Statement, the Authority was required to measure and recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures related to its other postemployment benefits (OPEB). The cumulative effect of adopting Statement No. 75 totaled \$17,918,881 and was recognized as a restatement of the Authority's November 30, 2017 net position on the statements of net position (see Note 18).

T. 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.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

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, 2018, cash and cash equivalents of the Sussex County Municipal Utilities Authority consisted of the following:

Upper Wallkill Facilities Fund

	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Savings/ Money Market Accounts</u>	<u>Total</u>
Petty Cash	400			400
Revenue Account			1,066,011	1,066,011
Operating Account		433,444		433,444
Vernon Twp. Rate Stabilization Fund		401,049		401,049
Current Debt Service			2,112,675	2,112,675
Phase III Construction		260,521		260,521
General Fund			3,669,150	3,669,150
Renewal and Replacement			1,700,432	1,700,432
Phase II Construction			475,954	475,954
Future Debt Service			1	1
Retainage Account		14,082		14,082
	<u>400</u>	<u>1,109,096</u>	<u>9,024,223</u>	<u>10,133,719</u>
 <u>Balance Sheet Classification</u>				
Unrestricted Assets				4,539,727
Restricted Assets				<u>5,593,992</u>
				<u>10,133,719</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

3. Cash and Cash Equivalents, (continued)

Solid Waste Facilities Fund

	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Savings/ Money Market Accounts</u>	<u>Total</u>
Petty Cash	2,100			2,100
Revenue Account			859,612	859,612
Operating Account		302,142		302,142
Construction Fund		9,100	91,858	100,958
Renewal and Replacement Fund			2,570,100	2,570,100
Cell Closure Account			3,835,825	3,835,825
Landfill Postclosure Account			191,980	191,980
Retained Percentages Account		7,437		7,437
Planning Account		54,459		54,459
General Fund			5,993,138	5,993,138
	<u>2,100</u>	<u>373,138</u>	<u>13,542,513</u>	<u>13,917,751</u>

Balance Sheet Classification

Unrestricted Assets				4,889,087
Restricted Assets				<u>9,028,664</u>
				<u>13,917,751</u>

Hampton Commons Facilities Fund

Operating Account		179,288		179,288
Renewal and Replacement Fund	—	<u>40,548</u>	—	<u>40,548</u>
	=	<u>219,836</u>	=	<u>219,836</u>

Balance Sheet Classification

Unrestricted Assets				179,288
Restricted Assets				<u>40,548</u>
				<u>219,836</u>

Paulins Kill Water Reclamation Project

Operating Account		47,485		47,485
Revenue Fund		5,000	625,571	630,571
Debt Service Fund			159,390	159,390
Renewal and Replacement Fund	—		<u>20,000</u>	<u>20,000</u>
	=	<u>52,485</u>	<u>804,961</u>	<u>857,446</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

3. Cash and Cash Equivalents, (continued)

	<u>Cash</u> <u>on Hand</u>	<u>Checking</u> <u>Accounts</u>	<u>Savings/</u> <u>Money</u> <u>Market</u> <u>Accounts</u>	<u>Cash</u> <u>on Hand</u>
<u>Balance Sheet Classification</u>				
Unrestricted Assets				678,238
Restricted Assets				<u>179,208</u>
				<u>857,446</u>
<u>Internal Service Fund</u>				
Revenue Operating Account		91,456		91,456
Payroll Account		199,157		199,157
Unemployment Trust Fund	_____	<u>253,641</u>	_____	<u>253,641</u>
	=====	<u>544,254</u>	=====	<u>544,254</u>
<u>Balance Sheet Classification</u>				
Unrestricted Assets				290,613
Restricted Assets				<u>253,641</u>
				<u>544,254</u>
<u>Other Sewer Companies</u>				
Escrow Accounts	=====	<u>4,646</u>	=====	<u>4,646</u>
<u>Balance Sheet Classification</u>				
Unrestricted Assets				=====
<u>Wallkill Watershed Fund</u>				
Operating Account	=====	<u>33,086</u>	=====	<u>33,086</u>
<u>Balance Sheet Classification</u>				
Unrestricted Assets				<u>33,086</u>
<u>Grand Total</u>				
Unrestricted				10,614,685
Restricted				<u>15,096,053</u>
				<u>25,710,738</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

3. Cash and Cash Equivalents, (continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits. The Authority's policy is based on New Jersey Statutes that require cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a.). As of November 30, 2018, \$-0- of the Authority's bank balance of \$25,986,518 was exposed to custodial credit risk.

4. Investments

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

Interest Rate Risk

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

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

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

Upper Wallkill Facilities Fund

Revenue Fund: a maximum of 180 days.

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

4. Investments, (continued)

Renewal and Replacement Fund: a maximum of 3 years.

General Fund: no limitation.

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

Solid Waste Facilities Fund

Operating Fund: No Limitation.

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

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

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

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

Credit Risk

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

Concentration of Credit Risk

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

4. Investments, (continued)

At November 30, 2018, the Authority had the following investments:

Landfill Postclosure Account:

Investment Type	Average Credit/Quality Ratings (1)	Face Amount	Carrying Amount	Investment Maturities (in Years)		
				<1	1-5	6-10
FHLMC MTN	AA+	575,000	573,619	94,969	478,650	
FHLMC Multiclass Mtg Part	N/A	82,603	82,631	36,938	45,693	
FNMA	AA+	650,000	647,352	274,141	154,522	218,689
FNMA MTN	AA+	55,000	54,521	54,521		
FNMA MTN	AA	55,000	47,972	47,972		
FNMA Deb	AA+	355,000	354,855	155,068	199,787	
Federal Farm Credit Banks	AA+	455,000	453,906	29,993	423,913	
Federal Home Loan Banks	AA+	1,810,000	1,814,737	452,876	1,039,308	322,553
GNMA Pass-Thru Cert.	N/A	5,105	5,041			5,041
Tennessee Valley Authority	AA+	70,000	69,849		69,849	
US Treasury Bonds	Aaa	395,000	503,428	136,172	367,256	
US Treasury Notes	Aaa	<u>5,975,000</u>	<u>5,940,813</u>	<u>974,338</u>	<u>2,310,939</u>	<u>2,655,536</u>
		<u>10,482,708</u>	<u>10,548,724</u>	<u>2,256,988</u>	<u>5,089,917</u>	<u>3,201,819</u>

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

Unemployment Trust Fund:

12 Month Certificate of Deposit	\$140,161
12 Month Certificate of Deposit	<u>246,559</u>
	<u>\$386,720</u>

5. Long Term Obligations

Changes in long-term obligations for the fiscal year ended November 30, 2018 are as follows:

	Balance <u>11/30/17</u>	Issues or <u>Additions</u>	Payments or <u>Expenditures</u>	Balance <u>11/30/18</u>	Amount Due Within <u>One Year</u>
Compensated Absences	740,685	70,535		811,220	
Planning Loan:					
County of Sussex	343,599			343,599	
Net OPEB Obligation Payable		17,902,401		17,902,401	
Net Pension Liability	10,683,895		1,497,452	9,186,443	
Bonds and Notes Payable:					
Wastewater Program	46,963,241	1,492,289	2,022,114	46,433,416	2,130,167
Solid Waste Program	8,437,000	91,469	450,929	8,077,540	856,393
Accrued Liabilities - Landfill Closure/Postclosure	<u>12,690,615</u>	<u>1,911,493</u>		<u>14,602,108</u>	
	<u>79,859,035</u>	<u>21,468,187</u>	<u>3,970,495</u>	<u>97,356,727</u>	<u>2,986,560</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

6. Bonds Payable

As of November 30, 2018 and 2017, the Authority has the following principal amount of debt outstanding and unamortized losses from refunding transactions.

	<u>Balance</u> <u>11/30/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>11/30/18</u>	<u>Amount Due</u> <u>Within</u> <u>One Year</u>
<u>Upper Walkkill Facilities Fund:</u>					
2008 Series A Wastewater Revenue Bonds	190,000		95,000	95,000	95,000
2008 Series B Wastewater Revenue Bonds	27,854,940	1,319,507	1,510,000	27,664,447	1,610,000
2012 Wastewater Revenue Refunding Bonds	2,540,000		290,000	2,250,000	295,000
2016 Series A Wastewater Refunding Bonds	3,390,000		10,000	3,380,000	10,000
2016 Series B Wastewater Refunding Bonds	<u>5,220,738</u>	<u>172,782</u>		<u>5,393,520</u>	
	<u>39,195,678</u>	<u>1,492,289</u>	<u>1,905,000</u>	<u>38,782,967</u>	<u>2,010,000</u>

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

	<u>2018</u>	<u>2017</u>
Series 2008 A	3,800	\$7,600
Series 2008 B	91,305	101,813
Series 2012	78,256	86,956
Series 2016 A	<u>122,950</u>	<u>123,150</u>
	296,311	319,519
Amortization of Deferred (Gains)/Losses on Refunding:		
2012 and 2016 Refundings	<u>80,567</u>	<u>80,567</u>
	<u>376,878</u>	<u>400,086</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	2018	4.000%

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

6. 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>
12/1/18	\$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	<u>693,480</u>	5.410%	<u>2,116,520</u>	<u>2,810,000</u>
	<u>16,803,674</u>		<u>24,856,326</u>	<u>41,660,000</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

6. 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 11/30/18</u>	<u>Carrying Value 11/30/18</u>
12/1/18	\$1,045,824	\$564,176	\$1,610,000
12/1/19	1,128,900	636,986	1,765,886
12/1/20	1,147,604	674,649	1,822,253
12/1/21	1,138,242	689,094	1,827,336
12/1/22	1,069,141	664,471	1,733,612
12/1/23	1,263,940	797,817	2,061,757
12/1/24	1,193,410	764,988	1,958,398
12/1/25	1,125,500	732,525	1,858,025
12/1/26	1,060,209	700,536	1,760,745
12/1/27	997,565	669,069	1,666,634
12/1/28	937,515	638,153	1,575,668
12/1/29	881,866	607,683	1,489,549
12/1/30	826,924	578,208	1,405,132
12/1/31	776,254	549,361	1,325,615
12/1/32	782,176	560,185	1,342,361
12/1/33	735,124	530,247	1,265,371
12/1/34	693,480	502,625	1,196,105
	<u>16,803,674</u>	<u>10,860,773</u>	<u>27,664,447</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

6. 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>
2018	\$295,000	3.000%	2025	\$150,000	3.125%
2019	120,000	4.000%	2026	155,000	3.375%
2020	125,000	4.000%	2027	160,000	3.375%
2021	130,000	4.000%	2028	165,000	3.375%
2022	135,000	4.000%	2029	170,000	3.625%
2023	140,000	3.125%	2030	175,000	3.625%
2024	145,000		2031	185,000	3.625%

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

6. 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>
2018	\$10,000	2.00%	2022	\$120,000	4.000%
2019	110,000	3.00%	2023	125,000	4.000%
2020	115,000	3.00%	2024	125,000	4.000%
2021	120,000	3.00%	2025	130,000	4.000%
			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, 2018
(Continued)

6. 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, 2018
(Continued)

6. 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, 2018
(Continued)

6. 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 11/30/18</u>	<u>Carrying Value 11/30/18</u>
12/1/35	\$1,082,319	\$88,400	\$1,170,719
12/1/36	1,036,004	86,255	1,122,259
12/1/37	992,595	83,950	1,076,545
12/1/38	949,520	81,057	1,030,577
12/1/39	<u>914,620</u>	<u>78,800</u>	<u>993,420</u>
	<u>\$4,975,058</u>	<u>\$418,462</u>	<u>\$5,393,520</u>

Solid Waste Facilities Fund:

	<u>Balance Nov. 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Nov. 30, 2018</u>	<u>Amount Due Within One year</u>
NJ Environmental Infrastructure Trust:					
Trust Loan Series 2018A-1	\$ -0-	\$1,990,000	\$	1,990,000	\$180,000
Fund Loan Series 2018A-1	<u>-0-</u>	<u>6,538,469</u>	<u>450,929</u>	<u>6,087,540</u>	<u>676,393</u>
	<u>\$ -0-</u>	<u>\$8,528,469</u>	<u>\$450,929</u>	<u>\$8,077,540</u>	<u>\$856,393</u>

New Jersey Environmental Infrastructure Financing Program

1. New Jersey Environmental Infrastructure Trust – Trust Loan Series 2018A-1

On May 22, 2018, the Authority issued \$1,990,000 Solid Waste Revenue Trust Loan, Series 2018A-1 (the 2018A-1 Trust Loan) in order to fund the Authority's Landfill Expansion Project.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

6. Bonds Payable, (continued)

The 2018A-1 Trust Loan matures on the dates and in the principal amounts and bear interest at the rates per annum that are set forth below. Interest is payable on the first day of February and August.

<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2019	\$180,000	5.00%
2020	190,000	5.00%
2021	200,000	5.00%
2022	210,000	5.00%
2023	220,000	5.00%
2024	230,000	5.00%
2025	240,000	5.00%
2026	255,000	5.00%
2027	<u>265,000</u>	5.00%
	<u>\$1,990,000</u>	

2. New Jersey Environmental Infrastructure Trust – Fund Loan Series 2018A-1

On May 22, 2018, the Authority issued \$6,538,469 Solid Waste Revenue Fund Loan, Series 2018A-1 (the 2018A-1 Fund Loan) in order to fund the Authority's Landfill Expansion Project.

The 2018A-1 Fund Loan matures on the dates and in the principal amounts that are set forth below. The 2018A-1 Fund Loan bears interest at the rate of zero percent (0%) per annum.

<u>Year</u> <u>February 1</u>	<u>Amount</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Fiscal year</u> <u>Total</u>
2019	\$225,464	2019	\$450,929	\$676,393
2020	225,465	2020	450,929	676,394
2021	225,464	2021	450,929	676,393
2022	225,465	2022	450,929	676,394
2023	225,464	2023	450,929	676,393
2024	225,465	2024	450,929	676,394
2025	225,464	2025	450,929	676,393
2026	225,464	2026	450,929	676,393
2027	225,464	2027	<u>450,929</u>	<u>676,393</u>
			<u>\$4,058,361</u>	<u>\$6,087,540</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

6. Bonds Payable, (continued)

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

	<u>2018</u>	<u>2017</u>	
NJEIT Series 2018A-1	<u>\$150,694</u>	<u>\$ -0-</u>	
	<u>Balance</u>	<u>Balance</u>	<u>Amount Due</u>
	<u>Nov. 30,</u>	<u>Nov. 30,</u>	<u>Within</u>
	<u>2017</u>	<u>2018</u>	<u>One year</u>
USDA Rural Development Loans	<u>\$7,767,563</u>	<u>\$ -0-</u>	<u>\$117,114</u>
	<u>\$7,650,449</u>	<u>\$7,650,449</u>	<u>\$120,167</u>

Interest expense on loans is comprised of the following:

	<u>2018</u>	<u>2017</u>
USDA Rural Development Loans	<u>\$199,786</u>	<u>\$202,799</u>

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</u> <u>Amount</u>	<u>Interest</u> <u>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.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

6. Bonds Payable, (continued)

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

Upper Wallkill Facilities Fund

<u>Fiscal</u> <u>Year</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	2.00-4.27%	\$2,010,000	\$198,581	\$2,208,581
2020	3.00-4.43%	1,995,886	267,220	2,263,106
2021	3.00-4.58%	2,062,253	352,578	2,414,831
2022	3.00-4.69%	2,077,336	443,870	2,521,206
2023	4.00-4.79%	1,988,612	523,094	2,511,706
2024-2028	3.125-5.09%	10,720,559	4,455,360	15,175,919
2029-2033	3.375-5.36%	8,648,325	6,534,134	15,182,459
2034-2038	3.00-5.41%	6,810,999	5,955,126	12,766,125
2039-2040	3.00-3.60%	2,468,997	1,984,428	4,453,425
		<u>\$38,782,967</u>	<u>\$20,714,391</u>	<u>\$59,497,358</u>

Paulinskill Water Reclamation System

<u>Fiscal</u> <u>Year</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2.25%	133,200	185,216	318,416
2024-2028	2.25%	720,003	872,078	1,592,081
2029-2033	2.25%	819,071	773,005	1,592,076
2034-2038	2.25%	931,899	660,182	1,592,081
2039-2043	2.25%	1,060,401	531,676	1,592,077
2044-2048	2.25%	1,206,777	385,303	1,592,080
2049-2053	2.25%	1,373,533	218,547	1,592,080
2054-2056	2.25%	905,770	41,551	947,321
		<u>\$7,650,449</u>	<u>\$4,441,427</u>	<u>\$12,091,876</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

7. Pension Plans, (continued)

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

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, 2018
(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 Year	<u>PERS</u>	<u>DCRP</u>
2018	\$425,179	\$-0-
2017	371,458	-0-
2016	353,818	-0-

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

Public Employees Retirement System (PERS)

At November 30, 2018, the Authority reported a liability of \$9,186,443 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2018, the Authority's proportion was .04665656 percent, which was an increase of .00076039 percent from its proportion measured as of June 30, 2017.

For the year ended November 30, 2018, the Authority recognized pension expense of \$832,196. At November 30, 2018, 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	\$175,187	\$47,368
Changes of assumptions	1,513,774	2,937,336
Net difference between projected and actual earnings on pension plan investments		86,169
Changes in proportion and differences between Authority contributions and proportionate share of contributions	<u>1,080,671</u>	<u>191,726</u>
Total	<u>\$2,769,632</u>	<u>\$3,262,599</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(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, 2018) 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 November 30:	
2019	\$63,759
2020	(88,275)
2021	(633,001)
2022	(548,695)
2023	(175,700)

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 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances at June 30, 2018 and 2017 are as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Collective deferred outflows of resources	\$4,684,852,302	\$6,424,455,842
Collective deferred inflows of resources	7,646,736,226	5,700,625,981
Collective net pension liability	19,689,501,539	23,278,401,588
Authority's Proportion	.04665656%	.0458961702%

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(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 collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which rolled forward to June 30, 2018. 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, 2017 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 Conduent modified 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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(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, 2018) 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, 2018 are summarized in the following table:

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(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 5.66% as of June 30, 2018. 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 3.87% as of June 30, 2018 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount 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 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 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, 2018 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, 2018		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>4.66%</u>	<u>5.66%</u>	<u>6.66%</u>
Authority's proportionate share of the pension liability	\$11,550,894	\$9,186,443	\$7,202,820

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, 2018
(Continued)

8. Other Post Employment Benefits (OPEB)

In addition to the pension described in Note 7, the Authority provides post employment health care benefits as part of the State Health Benefits Local Government Retired Employments Plan.

General Information about the OPEB Plan

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement providing they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

8. Other Post Employment Benefits (OPEB), (continued)

Total OPEB Liability

At November 30, 2017, the Authority had a liability of \$17,902,401 for its proportionate share of the non-special funding net OPEB liability. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net OPEB liability was based on a projection of the Authority's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers in the plan. At June 30, 2017 the Authority's proportion was .087689 percent which was an increase of .003424 percent from its proportion measured as of June 30, 2016.

For the year ended November 30, 2017, the Authority recognized OPEB expense of \$1,316,348. At November 30, 2017, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$	
Changes of assumptions		\$1,987,014
Net difference between projected and actual earnings on pension plan investments	3,068	
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	651,118	
Authority contributions subsequent to the measurement date	<u>0</u>	<u>0</u>
Total	<u>\$654,186</u>	<u>\$1,987,014</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB (excluding changes in proportion) will be recognized in OPEB expense as follows:

Year ended June 30:	
2018	\$(281,479)
2019	(281,479)
2020	(281,479)
2021	(282,247)
2022	(575,783)

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

8. Other Post Employment Benefits (OPEB), (continued)

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 8.04 years for 2017 amounts.

Actual Assumptions and Other Inputs

The total OPEB 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. The total OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation rate	2.50%
Salary increases*:	
Through 2026	1.65 - 8.98%
Thereafter	2.65 - 9.98%

* Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

100% of active members are considered to participate in the Plan upon retirement.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

8. Other Post Employment Benefits (OPEB), (continued)

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.58%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net OPEB liability as of June 30, as well as what the Authority's proportionate share of the net OPEB liability would be if it were 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	At Current Discount Rate	1% Increase
	<u>2.58%</u>	<u>3.58%</u>	<u>4.58%</u>
Authority's proportionate share of Net OPEB liability	\$21,116,416	\$17,902,401	\$15,352,135

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

8. Other Post Employment Benefits (OPEB), (continued)

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rates:

The following presents the Authority's proportionate share of the net OPEB liability as of June 30, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

	1%	June 30, 2017 Healthcare Cost	1%
	<u>Decrease</u>	<u>trend Rate</u>	<u>Increase</u>
Authority's proportionate share of Net OPEB liability	\$14,877,418	\$17,902,401	\$21,841,279

9. Deferred Compensation Plan

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

10. Unamortized Bond Premiums

The Authority received a net premium of \$34,954 on its issuance of the Series 2008 A and B Bonds, \$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. Additionally, the Authority received a premium of \$284,987 on the issuance of its Solid Waste Facilities New Jersey Environmental Infrastructure Trust Series 2018A-1 Bonds. At November 30, 2018, the balance which remains to be amortized over the life of the Bonds using the straight-line method is \$657,561. The unamortized balance is reported in the financial statements as a deferred inflow of resources.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

11. Closure and Postclosure Care Cost

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

As of November 30, 2018, the Authority reported \$453,426 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, 2018, cash and cash equivalents, investments and receivables of \$10,740,704 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.

12. Reserves Required by Bond Resolution

Upper Walkkill Facilities Fund:

The following reserves are required by the bond resolution:

Operating Requirement:	\$1,030,500
Funded by:	
Cash, Cash Equivalents and Investments	<u>1,030,500</u>
Excess/(Deficit)	<u><u>-0-</u></u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

12. Reserves Required by Bond Resolution, (continued)

Future Debt Service Requirement:	3,045,400
Funded by:	
Insurance Policy with Assured Guarantee Municipal Corp.	<u>3,045,400</u>
Excess/(Deficit)	<u>-0-</u>
Renewal and Replacement Requirement:	1,700,432
Funded by:	
Cash, Cash Equivalents and Investments	<u>1,700,432</u>
Excess/(Deficit)	<u>-0-</u>
Current Debt Service Requirement:	1,445,824
Funded by:	
Cash, Cash Equivalents and Investments	<u>1,445,824</u>
Excess/(Deficit)	<u>-0-</u>

Solid Waste Facilities Fund:

The following cash reserves are required by the bond resolution:

Revenue Fund Requirement:	2,234,000
Funded by:	
Cash, Cash Equivalents and Investments	<u>2,234,000</u>
Excess/(Deficit)	<u>-0-</u>
Renewal and Replacement Requirement:	2,570,100
Funded by:	
Cash, Cash Equivalents and Investments	<u>2,570,100</u>
Excess/(Deficit)	<u>-0-</u>

13. Commitments and Contingent Liabilities

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

14. 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>
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
2018	11,578,103	108,683 tons

15. 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	5,000,000
Pollution - Legal	1,000,000
Underground Storage Tank	1,000,000

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

15. Risk Management, (continued)

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>
11-30-16	-0-	6,193	547	778	630,135
11-30-17	-0-	6,642	991	1,429	636,339
11-30-18	-0-	6,364	4,882	7,224	640,361

16. Designation of Unrestricted Net Position

As of November 30, 2018, 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:

	Upper Wallkill	Solid Waste	Hampton	Wallkill	
	<u>Facilities</u>	<u>Facilities</u>	<u>Commons</u>	<u>Watershed</u>	<u>Total</u>
			<u>Facilities</u>	<u>Project</u>	
Workers Compensation	9,439				9,439
Vernon Twp. Rate Stabilization	401,049				401,049
Wallkill Watershed Projects				46,359	46,359
Appropriated in subsequent year’s budget			6,000		6,000
	<u>410,488</u>	<u>-0-</u>	<u>6,000</u>	<u>46,359</u>	<u>462,847</u>

At November 30, 2018, the Authority reported a total amount of \$462,847 of Unrestricted Net Position - Designated for the purposes described above.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(Continued)

16. Designation of Unrestricted Net Position, (continued)

The remaining, undesignated portion of the Authority's net position was comprised of the following at November 30, 2018 and 2017:

<u>2018</u>	<u>Upper Walkill</u>	<u>Solid Waste</u>	<u>Hampton Commons</u>	<u>Paulinskill</u>	<u>Total</u>	
Accrued OPEB Adjustments	(\$5,810,018)	(\$13,425,211)	\$	\$	(\$19,235,229)	
Accrued Unfunded Pension Adjustments	(3,487,192)	(6,656,300)			(10,143,492)	
Available for Use in Future Budgets	<u>4,679,524</u>	<u>4,773,544</u>	<u>176,538</u>	<u>684,901</u>	<u>10,314,507</u>	
Total	<u>(\$4,617,686)</u>	<u>(\$15,307,967)</u>	<u>\$176,538</u>	<u>\$684,901</u>	<u>(\$19,064,214)</u>	
	<u>2017 (Restated)</u>	<u>Upper Walkill</u>	<u>Solid Waste</u>	<u>Hampton Commons</u>	<u>Paulinskill</u>	<u>Total</u>
Accrued OPEB Adjustments	(\$5,810,018)	(\$13,425,211)	\$	\$	(\$19,235,229)	
Accrued Unfunded Pension Adjustments	(3,369,156)	(6,367,319)			(9,736,475)	
Available for Use in Future Budgets	<u>4,003,012</u>	<u>3,283,962</u>	<u>153,369</u>	<u>254,382</u>	<u>7,694,725</u>	
Total	<u>(\$5,176,162)</u>	<u>(\$16,508,568)</u>	<u>\$153,369</u>	<u>\$254,382</u>	<u>(\$21,276,979)</u>	

17. Subsequent Events

The Authority has evaluated subsequent events through June 10, 2019, the date which the financial statements were available to be issued and no additional items were noted for disclosure.

18. Prior Period Adjustments

On December 1, 2016, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires, among other things, the recognition of unfunded net OPEB obligations and related deferred outflows and inflows in the financial statements of an entity. As a result, the following prior period adjustments have been made on the 2017 financial statements:

	Balance 11/30/17 as Previously Reported	Retroactive Adjustments	Balance 11/30/17 as Restated
Deferred Outflows of Resources:			
Deferred OPEB Related Costs	\$ -	\$654,186	\$654,186
Liabilities:			
Net OPEB Liability	-	17,902,401	17,902,401
Deferred Inflows of Resources:			
Deferred OPEB Related Inflows	-	1,987,014	1,987,014
Net Position:			
Unrestricted: Undesignated	(2,041,750.00)	(19,235,229)	(21,276,979)

Required Supplementary Information

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

	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability (asset)	0.0466565560%	0.0458961702%	0.0418126938%	0.0411544622%	0.0444666926%
Authority's proportionate share of the net pension liability (asset)	\$ 9,186,443	\$ 10,683,895	\$ 12,383,721	\$ 9,238,352	\$ 8,325,381
Authority's covered payroll - PERS	\$ 3,263,132	\$ 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	281.52%	336.42%	392.68%	309.14%	294.76%
Plan fiduciary net position as a percentage of the total pension liability	53.60%	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 425,179.00	\$ 371,458.00	\$ 353,818.00	\$ 366,577.00	\$ 279,694.00
Contributions in relation to the contractually required contribution	<u>\$ (425,179.00)</u>	<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>	<u>\$ -</u>
Authority's covered payroll - PERS	\$ 3,263,132	\$ 3,175,742	\$ 3,153,643	\$ 2,988,385	\$ 2,824,420
Contributions as a percentage of covered payroll	13.03%	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, 2018

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date to the current measurement date, resulting in a change in the discount rate from 5.00% to 5.66%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

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

	<u>2017</u>
Authority's proportion of the net OPEB liability (asset)	0.087689%
Authority's proportionate share of the net OPEB liability (asset)	\$ 17,902,491
Authority's covered payroll	\$ 3,175,742
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	563.73%
Plan fiduciary net position as a percentage of the total OPEB liability	1.03%

* GASB requires that ten years of information be presented. However, since fiscal year 2017 was the first year of GASB 75 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

Exhibit RSI-2

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

	<u>2017</u>
Contractually required contribution	\$ 531,383.00
Contributions in relation to the contractually required contribution	<u>\$ (531,383.00)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Authority's covered payroll	\$ 3,175,742
Contributions as a percentage of covered payroll	16.73%

* GASB requires that ten years of information be presented. However, since fiscal year 2017 was the first year of GASB 75 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, 2018

Change in benefit terms

None

Change in assumptions

Assumptions used in calculating the OPEB liability are presented in Note 8.

Supplemental Schedules

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2018

	Business-Type Activities							Internal Service Fund
	Enterprise Funds							
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulinskill Water Reclamation System	Other Sewer Companies	Walkkill Watershed Project	Total	
Assets:								
Current Assets:								
Unrestricted:								
Cash and Cash Equivalents	4,539,727	4,889,087	179,288	678,238	4,646	33,086	10,324,072	290,613
Accounts Receivable (Net)	867,337	670,381		9,634			1,547,352	
Prepaid Expenses	19,423	18,091	244	784		188	38,730	4,675
Due from State of New Jersey		143,320					143,320	
Due from Central Services	103,495	147,394	4,705	4,705		16,340	276,639	
Total Unrestricted Current Assets:	5,529,982	5,868,273	184,237	693,361	4,646	49,614	12,330,113	295,288
Restricted:								
Phase II Construction Account:								
Cash and Cash Equivalents	475,954	100,958					576,912	
Due from Central Services	5,391						5,391	
Phase III Construction Account:								
Cash and Cash Equivalents	260,521						260,521	
Renewal and Replacement Account:								
Cash and Cash Equivalents	1,700,432	2,570,100	40,548	20,000			4,331,080	
Current Debt Service Accounts:								
Cash and Cash Equivalents	2,112,503			159,208			2,271,711	

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2018

	Business-Type Activities							Internal Service Fund
	Enterprise Funds							
	Upper Wastewater System	Hampton Commons Wastewater System	Paulinskill Water Reclamation System	Other Sewer Companies	Wastewater Project	Total		
Retained Percentages Account:								
Cash and Cash Equivalents	14,082	7,437				21,519		
Operations:								
Cash and Cash Equivalents	1,030,500	2,234,000				3,264,500		
Cell Closure Account:								
Cash and Cash Equivalents		3,924,189				3,924,189		
Due from NJET		414,835				414,835		
Due from Central Services		5,881				5,881		
Landfill Postclosure Account:								
Cash and Cash Equivalents		191,980				191,980		
Investments		10,548,724				10,548,724		
Unemployment Trust Account:								
Cash and Cash Equivalents							253,641	
Investments							386,720	
Total Restricted Current Assets:	5,599,383	19,998,104	179,208	-	-	25,817,243	640,361	
Total Current Assets	11,129,365	25,866,377	872,569	4,646	49,614	38,147,356	935,649	

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2018

	Business-Type Activities								Internal Service Fund
	Enterprise Funds								
	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	56,059,242						79,036,503	
Buildings	40,294,624	12,902,153	510,231	12,315,047				66,022,055	
Machinery and Equipment	11,185,773	8,316,600	742,270	102,306		6,214		20,353,163	
Accumulated Depreciation	(48,916,204)	(62,464,866)	(1,116,600)	(636,740)		(1,553)		(113,135,963)	
Construction in Progress	1,090,079	10,136						1,100,215	
Total Non-Current Assets	27,205,367	17,593,833	168,642	12,237,395	-	4,661	-	57,209,898	-
Total Assets	38,334,732	43,460,210	393,427	13,109,964	4,646	54,275	-	95,357,254	935,649
Deferred Outflows of Resources:									
Deferred Outflows - PERS	337,467	2,432,165						2,769,632	
Deferred Outflows - OPEB	197,597	456,589						654,186	
Deferred Losses on Early Retirement of Debt	1,355,128							1,355,128	
Total Deferred Outflows of Resources	1,890,192	2,888,754	-	-	-	-	-	4,778,946	-

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2018

	Business-Type Activities							Internal Service Fund
	Enterprise Funds							
	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	163,258	527,054	1,699	8,460		3,255	-	2,045
Accounts Payable	137,454	326,628					464,082	5,332
Accounts Payable - PERS								
Due to Other Funds								287,911
Escrow Deposits Payable					4,646			4,646
Bonds and Loans Payable -								
Current Portion		856,393						856,393
Accrued Interest on Loans		33,167						33,167
Total Current Liabilities Payable from Unrestricted Assets	300,712	1,743,242	1,699	8,460	4,646	3,255	2,062,014	295,288
Payable from Restricted Assets:								
Accounts Payable: Cell Closure	14,082	30,075						30,075
Retainage Payable		7,437						21,519
Lease Payable		512,389						512,389
Bonds and Loans Payable -								
Current Portion	2,010,000			120,167				2,130,167
Accrued Interest on Bonds	666,679			99,511				766,190
Total Current Liabilities Payable from Restricted Assets	2,690,761	549,901	-	219,678	-	-	3,460,340	-
Total Current Liabilities	2,991,473	2,293,143	1,699	228,138	4,646	3,255	5,522,354	295,288

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2018

	Business-Type Activities						Internal Service Fund
	Enterprise Funds						
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulinskill Water Reclamation System	Other Sewer Companies	Walkkill Watershed Project	Total
Non-Current Liabilities:							
Revenue and Revenue Refunding							
Bonds Payable	36,772,967			7,530,282			36,772,967
USDA Loans Payable		7,221,147					7,530,282
NJEIT Loans Payable							7,221,147
Loans Payable to County of Sussex:							
Planning Loan	343,599						343,599
Net Pension Liability	2,720,876	6,465,567					9,186,443
Net OPEB Liability	5,407,436	12,494,965					17,902,401
Accrued Liabilities - Closure and Postclosure Costs		14,602,108					14,602,108
Accrued Liabilities - Compensated Absences	276,712	534,508					811,220
Total Non-Current Liabilities	45,521,590	41,318,295	-	7,530,282	-	-	94,370,167
Total Liabilities	48,513,063	43,611,438	1,699	7,758,420	4,646	3,255	99,892,521
Deferred Inflows of Resources:							
Deferred Inflows - PERS	966,329	2,296,270					3,262,599
Deferred Inflows - OPEB	600,179	1,386,835					1,987,014
Bond Premium - Net	401,073	256,488					657,561
Total Deferred Inflows of Resources	1,967,581	3,939,593	-	-	-	-	5,907,174
Net Position:							
Invested in Capital Assets, net of related debt	(10,225,278)	8,848,374	168,642	4,586,946		4,661	3,383,345
Restricted:							
Current Debt Service	1,445,824			59,697			1,505,521
Renewal and Replacement	1,700,432	2,570,100	40,548	20,000			4,331,080
Operations	1,030,500	2,234,000					3,264,500
Landfill Cell Closure/Postclosure		453,426					453,426
Unemployment Insurance							640,361
Unrestricted:							
Designated	410,488		6,000			46,359	462,847
Undesignated	(4,617,686)	(15,307,967)	176,538	684,901			(19,064,214)
Total Net Position	(10,255,720)	(1,202,067)	391,728	5,351,544	-	51,020	(5,663,495)

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2018

	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	
Operating Revenues								
User Charges	5,208,000		172,900	600,800			5,981,700	1,344,852
Treatment of Sludge, Septage and Leachate	1,205,647						1,205,647	
Operating and Maintenance Charges-Municipal	176,500						176,500	
Tipping Fees		11,578,103					11,578,103	
Recycling Markets		223,121					223,121	
Connection Fees	85,950			1,479			87,429	
Operating Grants	28,028	143,320			188,601		331,921	
Finance Charges	68,934	12,140					40,168	
Interest	42,254	67,429		6,342			142,705	4,881
Other		174,394					216,648	6,368
	6,815,313	12,198,507	172,900	608,621	-	188,601	19,983,942	1,356,101
Operating Expenses								
Administration, Operating, Maintenance and	3,945,237	9,389,892	150,604	268,277		325,788	14,079,798	1,344,856
Reserves								7,223
Other						1,242	4,736,509	
Depreciation Expense	2,554,929	1,842,070	17,518	320,750			4,736,509	
	6,500,166	11,231,962	168,122	589,027	-	327,030	18,816,307	1,352,079
Operating Income	315,147	966,545	4,778	19,594	-	(138,429)	1,167,635	4,022

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2018

	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-Operating Revenues (Expenses)								
Interest on Investments	17,024	143,563					160,587	
Renewal and Replacement Appropriation	130,000	1,000,000	6,000	20,000			1,156,000	
Cell Closure Appropriation		861,000					861,000	
Budget Approp. - Vernon Rate Stabilization	22,726						22,726	
Interest Expense	(296,311)	(150,694)		(199,786)			(646,791)	
Accreted Interest on Capital Appreciation Bonds	(1,492,289)						(1,492,289)	
Amortization of Bond Discount, Premiums	(58,864)						(58,864)	
Investment Expenses		28,499					28,499	
Debt Issuance Costs		(117,214)	(127)				(117,341)	
Cell Closure Expenditures (Net)		(95,498)					(95,498)	
Postclosure Expenditures (Net)		(1,640,933)					(1,640,933)	
Vernon Rate Stabilization		(443,773)					(443,773)	
	(100,000)						(100,000)	
Total Non-Operating Revenues (Expenses)	(1,777,714)	(415,050)	5,873	(179,786)	-	-	(2,366,677)	-
Change in Net Position	(1,462,567)	551,495	10,651	(160,192)	-	(138,429)	(1,199,042)	4,022
Net Position - Beginning (Restated),	(8,793,153)	(1,753,562)	381,077	5,511,736	-	189,449	(4,464,453)	636,339
Net Position - Ending	(10,255,720)	(1,202,067)	391,728	5,351,544	-	51,020	(5,663,495)	640,361

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2018**

	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 Operating Activities:								
Cash received from users	6,075,461	11,738,718	172,900	591,166	-	188,601	18,578,245	1,344,852
Other operating receipts	42,254	186,534	1,479	1,479	-	-	418,868	6,368
Interest Received	85,958	210,992	6,342	6,342	-	-	303,292	4,881
Cash received from State of NJ	(893,280)	286,640	-	-	-	-	286,640	-
Cash paid to employees	(582,408)	(2,122,685)	-	-	-	(199,564)	(3,215,529)	(729,839)
Cash paid for employee benefits		(1,309,346)	-	-	-	(99,671)	(1,991,425)	(446,446)
Cash paid to suppliers and professional contractors	(2,130,106)	(5,493,169)	(153,313)	(322,981)	-	(25,693)	(8,125,262)	(111,883)
Cash paid for other operating expenses	(100,000)	(339,243)	-	-	-	-	(439,243)	-
Interest paid	(211,357)	(117,527)	-	(201,303)	-	-	(530,187)	-
Net Cash Provided by (Used in) Operating Activities	2,286,522	3,040,914	19,587	74,703	-	(136,327)	5,285,399	67,933
Cash Flows from Financing Activities:								
Debt Issuance Costs Paid		(95,498)					(95,498)	
Loans Issued		91,469					91,469	
Premium Received		284,987					284,987	
USDA Grants Received				324,719			324,719	
Received from NJEIT	(1,905,000)	1,151,854		(117,114)			1,151,854	
Principal Payments on Debt		(450,929)					(2,473,043)	
Net Cash Provided by (Used in) Financing Activities	(1,905,000)	981,883	-	207,605	-	-	(715,512)	-

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2018

	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	(195,573)	(1,393,246)					(1,588,819)	
Retainage Received	1,156						1,156	
Renewal and Replacement Fund		1,000,000	6,000	20,000			1,026,000	
Cell Closure Approp.		861,000					861,000	
Investment Expenses		(117,214)	(127)				(117,341)	
Sales (purchases) of investments		(259,948)					(259,948)	
Net Cash Provided by (Used in) Investing Activities	(194,417)	90,592	5,873	20,000	-	-	(77,952)	(4,871)
Net Increase (Decrease) in Cash and Cash Equivalents	187,105	4,113,389	25,460	302,308	-	(136,327)	4,491,935	63,062
Cash and Cash Equivalents-Beginning of Year	9,946,614	9,804,362	194,376	555,138	4,646	169,413	20,674,549	481,192
Cash and Cash Equivalents-End of Year	10,133,719	13,917,751	219,836	857,446	4,646	33,086	25,166,484	544,254
Classified As:								
Current Assets	4,539,727	4,889,087	179,288	678,238	4,646	33,086	10,324,072	290,613
Restricted Assets	5,593,992	9,028,664	40,548	179,208	-	-	14,842,412	253,641
	10,133,719	13,917,751	219,836	857,446	4,646	33,086	25,166,484	544,254

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2018

	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	
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities								
Operating Income	315,147	966,545	4,778	19,594		(138,429)	1,167,635	4,022
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:								
Depreciation and Amortization	2,554,929	1,842,070	17,518	320,750		1,242	4,736,509	
Pension Adjustment - PERS	118,036	288,981					407,017	
Interest Received on Non-Operating Investments	17,024	143,563					160,587	
Interest Paid	(211,357)	(117,527)		(201,303)			(530,187)	
Other Non-Operating Income	152,726						152,726	
Other Non-Operating Expenses	(100,000)	(339,243)					(439,243)	
Decrease (Increase) In:								
Accounts and Accrued Interest Receivable	(628,664)	(62,506)		(9,634)			(700,804)	
Due from Central Services	(25,916)	(29,426)	(2,346)	(2,296)		(1,516)	(61,500)	
Due from State of New Jersey		143,320					143,320	
Prepaid Expenses	(1,972)	14,561	(1)	1		480	13,069	788
Increase (Decrease) In:								
Current Liabilities Payable from Unrestricted Assets	82,845	133,765	(362)	(52,409)		1,896	165,735	63,123
Non-Current Liabilities	13,724	56,811					70,535	
Net Cash Provided by (Used in) Operating Activities	<u>2,286,522</u>	<u>3,040,914</u>	<u>19,587</u>	<u>74,703</u>	<u>-</u>	<u>(136,327)</u>	<u>5,285,399</u>	<u>67,933</u>

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, 2018

	Invested in					
	Unrestricted	Capital Assets	Current Debt Service	Renewal and Replacement	Operations	Total
Operating Revenue:						
User Charges - Sewer	5,208,000					5,208,000
Treatment of Sludge	93,150					93,150
Treatment of Septage	863,768					863,768
Treatment of Leachate	248,729					248,729
Operating and Maintenance Charges	176,500					176,500
Connection Fees	85,950					85,950
Other	42,254					42,254
Interest	68,934					68,934
Finance Charges	28,028					28,028
	6,815,313	0	0	0	0	6,815,313
Operating Expenses:						
Cost of Providing Services	3,022,798					3,022,798
Administrative and General Expense	769,713					769,713
Reserves	152,726					152,726
Depreciation	2,554,929					2,554,929
	6,500,166	0	0	0	0	6,500,166
Operating Income	315,147	0	0	0	0	315,147

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, 2018

	Unrestricted	Invested in Capital Assets	Current Debt Service	Renewal and Replacement	Operations	Total
Non-Operating Revenue:						
Interest				17,024		17,024
Budget Appropriation - Reserve for Vernon Rate Stabilization	22,726					22,726
Budget Appropriation - R&R				130,000		130,000
Non-Operating Expenses:						
Interest Expense	(296,311)					(296,311)
Accretion		(1,492,289)				(1,492,289)
Vernon Rate Stabilization	(100,000)					(100,000)
Amortization	(58,864)					(58,864)
Net Income/(Loss) Before Transfers	(117,302)	(1,492,289)	0	147,024	0	(1,462,567)
Transfers:						
Other	598,504	(589,950)	13,696		(22,250)	0
Increase (Decrease) in Net Position	481,202	(2,082,239)	13,696	147,024	(22,250)	(1,462,567)
Net Position - December 1, (Restated)	(4,688,400)	(8,143,039)	1,432,128	1,553,408	1,052,750	(8,793,153)
Net Position - November 30,	(4,207,198)	(10,225,278)	1,445,824	1,700,432	1,030,500	(10,255,720)
Designated	410,488					
Undesignated	(4,617,686)					
	(4,207,198)					

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, 2018

	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, 2017	1,784,673	168,260	86	400	1,553,408	478,323	8,602
Cash Receipts:							
User and Other Charges		6,117,781					
Interest	10,039				17,024		94
Other		219,091			130,000		
Transfers	6,116,492	4,212,121					
Total Cash Receipts	6,126,531	10,548,993	-	-	147,024	22,726	94
Cash and Investments Available	7,911,204	10,717,253	86	400	1,700,432	501,049	8,696
Cash Disbursements:							
Operations		4,176,013				100,000	
Bond Interest Payments							
Bond Principal Payments							
Transfers	6,845,193	6,107,796	86				8,696
Total Cash Disbursements	6,845,193	10,283,809	86	-	-	100,000	8,696
Cash, Cash Equivalents and Investments - November 30, 2018	1,066,011	433,444	-	400	1,700,432	401,049	-
Analysis of Balance:							
Unrestricted	35,511	433,444	-	400	-	401,049	-
Restricted	1,030,500	-	-	-	1,700,432	-	-
Cash and Cash Equivalents Investments	1,066,011	433,444	-	400	1,700,432	401,049	-
Analysis of Restricted Accounts: Operations	1,030,500			400	1,700,432	401,049	
	1,030,500			400	1,700,432	401,049	

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, 2018

	Phase II Construction	Debt Service	Future Debt Service	Phase III Construction	General	Retainage	Total
Cash, Cash Equivalents and Investments - December 1, 2017	544,082	2,015,941	1	260,521	3,119,391	12,926	9,946,614
Cash Receipts:							
User and Other Charges							6,117,781
Interest	5,301	13,954			39,547		85,959
Other	2,761					1,156	375,734
Transfers		2,199,136			510,212		13,037,961
Total Cash Receipts	8,062	2,213,090	-	-	549,759	1,156	19,617,435
Cash and Investments Available	552,144	4,229,031	1	260,521	3,669,150	14,082	29,564,049
Cash Disbursements:							
Operations							4,276,013
Bond Interest Payments		211,356					211,356
Bond Principal Payments		1,905,000					1,905,000
Transfers	76,190						13,037,961
Total Cash Disbursements	76,190	2,116,356	-	-	-	-	19,430,330
Cash, Cash Equivalents and Investments - November 30, 2018	475,954	2,112,675	1	260,521	3,669,150	14,082	10,133,719
Analysis of Balance:							
Unrestricted	-	172	1	-	3,669,150	-	4,539,727
Restricted	475,954	2,112,503	-	260,521	-	14,082	5,593,992
	475,954	2,112,675	1	260,521	3,669,150	14,082	10,133,719
Cash and Cash Equivalents	475,954	2,112,675	1	260,521	3,669,150	14,082	10,133,719
Investments	-	-	-	-	-	-	-
	475,954	2,112,675	1	260,521	3,669,150	14,082	10,133,719

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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2017

	<u>FY 2018</u>	<u>FY 2018</u>	<u>FY 2018</u>	<u>FY 2017</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Actual</u>	<u>Actual</u>
		<u>Modifications</u>		
Revenues:				
User Charges - Sewer	5,208,000	5,208,000	5,208,000	5,146,001
Treatment of Sludge	82,000	82,000	93,150	98,877
Treatment of Septage	680,000	680,000	863,768	785,416
Treatment of Leachate	250,000	250,000	248,729	250,518
Connection Fees	161,000	161,000	85,950	193,398
Operating and Maintenance Charges to Municipalities	189,000	189,000	176,500	173,500
Other	28,000	28,000	42,254	23,563
Interest Income from Operating Investments	8,000	8,000	68,934	14,460
Finance Charges			28,028	17,203
Total Operating Revenue	<u>6,606,000</u>	<u>6,606,000</u>	<u>6,815,313</u>	<u>6,702,936</u>
Expenses:				
Cost of Providing Services:				
(1) Salaries, Operating Staff	940,000	940,000	893,280	912,026
(2) Fringe Benefits, Operating Staff	584,000	584,000	483,504	496,324
(2) PERS	104,000	104,000	98,904	98,504
(3) Utilities	481,000	481,000	423,292	418,950
(4) Motor Vehicles & Equipment	16,000	16,000	10,358	12,877
(5) Stationary Equipment	51,000	51,000	20,091	14,722
(6) Electrical Equipment/Repair	19,000	19,000	12,250	7,870
(7) Insurance, Plant Operations	219,000	219,000	226,350	209,527
(8) Testing Services	14,500	14,500	8,156	7,784
(10) Outside Services	587,000	587,000	624,055	572,442
(11) Safety Equipment	6,000	6,000	7,421	3,193
(12) Chemicals & Wood Chips	129,000	129,000	93,895	99,253
(13) Miscellaneous Plant Supplies	18,500	18,500	4,990	5,328
(14) Taxes and Fees	59,000	59,000	51,966	60,067
(15) Laboratory Supplies	10,000	10,000	8,990	8,539
(16) Custodial Supplies	6,000	6,000	1,066	1,601
(17) Purchases Related to Operating and Maintenance Services	12,000	12,000	54,230	8,759
Subtotal Cost of Providing Services	<u>3,256,000</u>	<u>3,256,000</u>	<u>3,022,798</u>	<u>2,937,766</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
UPPER WALLKILL FACILITIES FUND
SCHEDULE OF OPERATING REVENUES AND COST
FUNDED BY OPERATING REVENUES COMPARED TO
BUDGET YEAR ENDED NOVEMBER 30, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2017

	<u>FY 2018</u> <u>Budget</u>	<u>FY 2018</u> <u>Budget After</u> <u>Modifications</u>	<u>FY 2018</u> <u>Actual</u>	<u>FY 2017</u> <u>Actual</u>
Administrative Expenses:				
Seminars and Dues	4,500	4,500	5,277	4,682
Indirect Administrative Expenses	640,000	640,000	577,267	598,377
Engineering Consulting Fees	31,000	31,000	20,822	15,796
Trustee Fees	15,000	15,000	6,500	6,500
General Legal Fees	15,000	15,000	35,222	7,112
Office Supplies	3,000	3,000	1,350	1,208
Printing	400	400	283	295
Travel & Expenses, Administrative Staff	1,000	1,000	184	3
General Advertising	1,100	1,100	362	144
Personal Services	5,000	5,000	4,410	3,085
Subtotal Administrative Expenses	<u>716,000</u>	<u>716,000</u>	<u>651,677</u>	<u>637,202</u>
Capital Outlay	<u>235,000</u>	<u>235,000</u>	<u>-</u>	<u>-</u>
Reserves:				
Renewal and Replacement	130,000	130,000	130,000	50,000
Vernon Rate Stabilization	50,000	50,000	22,726	61,877
Subtotal Reserves	<u>180,000</u>	<u>180,000</u>	<u>152,726</u>	<u>111,877</u>
Debt Service:				
Interest Expense	773,000	773,000	296,311 ⁽¹⁾	319,519
Bond Principal	1,446,000	1,446,000	1,446,000	1,432,000
Subtotal Debt Service	<u>2,219,000</u>	<u>2,219,000</u>	<u>1,742,311</u>	<u>1,751,519</u>
Total Costs Funded by Operating Revenues	<u><u>6,606,000</u></u>	<u><u>6,606,000</u></u>	<u><u>5,569,512</u></u>	<u><u>5,438,364</u></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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2017

	<u>FY 2018</u> <u>Budget</u>	<u>FY 2018</u> <u>Budget After</u> <u>Modifications</u>	<u>FY 2018</u> <u>Actual</u>	<u>FY 2017</u> <u>Actual</u>
Excess or (Deficit) in Actual Revenues and Expenses			1,245,801	1,264,572
Reconciliation of Budgetary Basis To Change in Net Position:				
Depreciation			(2,554,929)	(2,640,752)
Amortization of:				
Bond Discount				
Deferred Gains/Losses on Early Extinguishment of Debt			(80,566)	(80,566)
Bond Premiums			21,702	21,702
Accreted Interest - Capital Appreciation Bonds			(1,492,289)	(1,483,843)
Adjustment for Pension Expense			(118,036)	(197,986)
Adjustment for OPEB Expense				(397,604)
Interest on Non-Operating Investments			17,024	3,408
Other Non-Operating Revenues			130,000	50,000
Other Non-Operating Expenses			(100,000)	
Vernon Rate Stabilization			22,726	61,877
Bond Principal Payments			<u>1,446,000</u>	<u>1,432,000</u>
			<u>(2,708,368)</u>	<u>(3,231,764)</u>
Change in Net Position			<u>(1,462,567)</u>	<u>(1,967,192)</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
UPPER WALLKILL FACILITIES FUND
SCHEDULE OF REVENUE BONDS PAYABLE
NOVEMBER 30, 2018

<u>Description</u>	<u>Original Issue</u>		<u>Maturities</u>			<u>Balance</u> <u>Dec. 1, 2017</u>	<u>Issued</u> <u>2017-2018</u>	<u>Accreted</u> <u>Principal</u>	<u>Paid or</u> <u>Refunded</u> <u>2017-2018</u>	<u>Balance</u> <u>Nov. 30, 2018</u>
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Rate</u>	<u>Amount</u>					
2008 Wastewater Revenue Bonds (Series A)	09/15/08	4,095,000	12/01/18	4.000%	95,000	190,000			95,000	95,000
2008 Wastewater Revenue Bonds (Series B)	09/15/08	23,403,738	12/01/18	4.270%	1,610,000					
			12/01/19	4.430%	1,765,886					
			12/01/20	4.580%	1,822,253					
			12/01/21	4.690%	1,827,336					
			12/01/22	4.790%	1,733,612					
			12/01/23	4.850%	2,061,757					
			12/01/24	4.910%	1,958,398					
			12/01/25	4.970%	1,858,025					
			12/01/26	5.030%	1,760,745					
			12/01/27	5.090%	1,666,634					
			12/01/28	5.150%	1,575,668					
			12/01/29	5.200%	1,489,549					
			12/01/30	5.260%	1,405,132					
			12/01/31	5.310%	1,325,615					
			12/01/32	5.360%	1,342,361					
			12/01/33	5.390%	1,265,371					
			12/01/34	5.410%	1,196,105					
						27,854,940		1,319,507	1,510,000	27,664,447

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
UPPER WALLKILL FACILITIES FUND
SCHEDULE OF REVENUE BONDS PAYABLE
NOVEMBER 30, 2018

<u>Description</u>	<u>Original Issue</u>		<u>Maturities</u>			<u>Balance</u> <u>Dec. 1, 2017</u>	<u>Issued</u> <u>2017-2018</u>	<u>Accreted</u> <u>Principal</u>	<u>Paid or</u> <u>Refunded</u> <u>2017-2018</u>	<u>Balance</u> <u>Nov. 30, 2018</u>
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Rate</u>	<u>Amount</u>					
2012 Wastewater Revenue Refunding Bonds	07/11/12	3,165,000	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					
						2,540,000			290,000	2,250,000

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, 2018

	<u>Unrestricted</u>	<u>Invested in Capital Assets</u>	<u>Restricted Renewal and Replacement</u>	<u>Total</u>
Operating Revenue:				
Sewer Charges	172,900			172,900
	<u>172,900</u>	-	-	<u>172,900</u>
Operating Expenses:				
Operating, Maintenance and Reserves	150,604			150,604
Depreciation	17,518			17,518
	<u>168,122</u>	-	-	<u>168,122</u>
Operating Income	4,778	-	-	4,778
Non-Operating Revenue/(Expenses):				
Budget Appropriation			6,000	6,000
Investment Expenses	(127)			(127)
Net Income/(Loss) Before Transfers	4,651	-	6,000	10,651
Transfers:				
Other	17,518	(17,518)		-
Increase (Decrease) in Net Position	22,169	(17,518)	6,000	10,651
Net Position - December 1,	<u>160,369</u>	<u>186,160</u>	<u>34,548</u>	<u>381,077</u>
Net Position - November 30,	<u><u>182,538</u></u>	<u><u>168,642</u></u>	<u><u>40,548</u></u>	<u><u>391,728</u></u>
Designated	6,000			
Undesignated	<u>176,538</u>			
	<u><u>182,538</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, 2018

	Revenue Operating Account	Renewal and Replacement Account	Total
Cash, Cash Equivalents and Investments- December 1, 2017	159,828	34,548	194,376
Cash Receipts:			
Sewer Charges	172,900		172,900
Other	2,359	6,000	8,359
Total Cash Receipts	<u>175,259</u>	<u>6,000</u>	<u>181,259</u>
Total Cash And Investments Available	<u>335,087</u>	<u>40,548</u>	<u>375,635</u>
Cash Disbursements:			
Operating and Maintenance Costs	155,799		155,799
Total Cash Disbursements	<u>155,799</u>	<u>-</u>	<u>155,799</u>
Cash, Cash Equivalents and Investments- November 30, 2018	<u>179,288</u>	<u>40,548</u>	<u>219,836</u>
Analysis of Balance:			
Unrestricted	179,288	-	179,288
Restricted	-	40,548	40,548
	<u>179,288</u>	<u>40,548</u>	<u>219,836</u>
Cash and Cash Equivalents	179,288	40,548	219,836
Investments	-	-	-
	<u>179,288</u>	<u>40,548</u>	<u>219,836</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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED NOVEMBER 30, 2017

	<u>FY 2018</u>	<u>FY 2018</u>	<u>FY 2018</u>	<u>FY 2017</u>
	<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	7,000
Service Agreements				
(Hampton Commons Homeowners Association)	141,867	141,867	141,867	133,995
(Lowe's)	31,033	31,033	31,033	30,405
Interest on Investments and Deposits	600	600		
Total Operating Revenue	<u>180,500</u>	<u>180,500</u>	<u>179,900</u>	<u>171,400</u>
Expenses:				
Operating and Maintenance				
(1) Payment to Upper Wallkill for Operating and Maintenance Services	52,500	52,500	52,500	51,500
(2) Utilities	25,700	25,700	16,143	16,367
(3) Outside Services	21,000	21,000	7,846	9,859
(4) Testing Services	5,500	5,500	10,103	6,389
(5) Engineering Fees	2,000	2,000		
(6) Legal Fees	1,000	1,000		60
(7) Plant Supplies	1,000	1,000	177	159
(8) Chemicals	3,000	3,000	1,451	775
(9) Electrical and Mechanical Equipment Repair	500	500		238
(10) Equipment/Stationary	3,000	3,000	3,306	3,812
(11) Laboratory Supplies	1,000	1,000	1,037	718
(12) Insurance	3,100	3,100	2,856	2,922
(13) Safety Equipment	1,000	1,000	164	
(14) Taxes and Fees	6,000	6,000	5,726	6,567
(15) Printing Expenses	200	200		85
(16) Indirect Administration, Legal and Fiscal Expenses	48,000	48,000	43,295	44,641
Total Operating and Maintenance Expenses	<u>174,500</u>	<u>174,500</u>	<u>144,604</u>	<u>144,092</u>
Renewal and Replacement	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>
	<u>180,500</u>	<u>180,500</u>	<u>150,604</u>	<u>144,092</u>
Excess or (Deficit) in Actual Revenues and Expenses			29,296	27,308
Reconciliation of Budgetary Basis To Change in Net Position:				
Retained Earnings Appropriated			(7,000)	(7,000)
Depreciation			(17,518)	(35,480)
Non-Operating Expenses			(127)	
Renewal and Replacement (Net)				<u>(11,860)</u>
			<u>(24,645)</u>	<u>(54,340)</u>
Change in Net Position			<u>4,651</u>	<u>(27,032)</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, 2018

	Unrestricted	Invested in Capital Assets	Renewal and Replacement	Restricted Operations	Landfill Cell Closure/ Postclosure	Total
Operating Revenue:						
Tipping Fees	11,578,103					11,578,103
Recycle Markets	223,121					223,121
Operating Grant	143,320					143,320
Interest from Users	12,140					12,140
Landfill Gas Sales	162,103					162,103
Interest on Operating Investments	67,429					67,429
Miscellaneous	12,291					12,291
	<u>12,198,507</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,198,507</u>
Operating Expenses:						
Administration, Operations, Maintenance and Reserves	9,389,892					9,389,892
Depreciation	1,842,070					1,842,070
	<u>11,231,962</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,231,962</u>
Operating Income	966,545	0	0	0	0	966,545
Non-Operating Revenues / (Expenses):						
Interest Income			20,305		123,258	143,563
Budget Appropriation			1,000,000		861,000	1,861,000
Investment Expenses	(85,557)				(31,657)	(117,214)
Debt Issuance Costs	(95,498)					(95,498)
Interest Expense	(150,694)					(150,694)
Cell Closure Expenditures (Net)					(1,640,933)	(1,640,933)
Postclosure Expenditures (Net)		(83,406)			(443,773)	(443,773)
Landfill Expansion		350,338	(350,338)		83,406	0
Renewal & Replacement Expenditures	28,499					28,499
Amortization						
	<u>663,295</u>	<u>266,932</u>	<u>669,967</u>	<u>0</u>	<u>(1,048,699)</u>	<u>551,495</u>
Income or (Loss) Before Transfers						
Transfers:						
Other	537,506	(727,506)		190,000		0
	<u>1,200,601</u>	<u>(460,574)</u>	<u>669,967</u>	<u>190,000</u>	<u>(1,048,699)</u>	<u>551,495</u>
Increase/(Decrease) in Net Position						
	<u>(16,508,568)</u>	<u>9,308,748</u>	<u>1,900,133</u>	<u>2,044,000</u>	<u>1,502,125</u>	<u>(1,753,562)</u>
Net Position - December 1 (Restated),						
	<u>(15,307,967)</u>	<u>8,848,374</u>	<u>2,570,100</u>	<u>2,234,000</u>	<u>453,426</u>	<u>(1,202,067)</u>
Net Position - November 30,						
Designated	0					0
Undesignated	(15,307,967)					(15,307,967)

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, 2018

	Trustee Revenue Account	Revenue Operating Account	Petty Cash	General Fund
Cash, Cash Equivalents and Investments - December 1, 2017	899,095	907,016	2,100	3,379,507
Cash Receipts:				
Solid Waste Revenues		11,984,396		
Interest on Investments	6,719			59,574
Budget Appropriation				
Landfill Gas Purchase				
Operating Grant		286,640		
NJEIT Funds				
Other		117,968		
Transfers	12,310,621	9,234,310		2,554,057
Total Cash Receipts	<u>12,317,340</u>	<u>21,623,314</u>	-	<u>2,613,631</u>
Cash and Investments Available	<u>13,216,435</u>	<u>22,530,330</u>	<u>2,100</u>	<u>5,993,138</u>
Cash Disbursements:				
Operations		9,909,011		
Loan Principal Payments	450,929			
Loan Interest Payments	117,527			
NJEIT Project				
Other		8,556		
Transfers	11,788,367	12,310,621		
Total Cash Disbursements	<u>12,356,823</u>	<u>22,228,188</u>	-	-
Cash, Cash Equivalents and Investments - November 30, 2018	<u>859,612</u>	<u>302,142</u>	<u>2,100</u>	<u>5,993,138</u>
Analysis of Balance:				
Unrestricted	771,248	302,142	2,100	3,759,138
Restricted	88,364	-	-	2,234,000
	<u>859,612</u>	<u>302,142</u>	<u>2,100</u>	<u>5,993,138</u>
Cash and Cash Equivalents	859,612	302,142	2,100	5,993,138
Investments	-	-	-	-
	<u>859,612</u>	<u>302,142</u>	<u>2,100</u>	<u>5,993,138</u>
Analysis of Restricted Accounts:				
Operations	-			2,234,000
Cell Closure	88,364			-
	<u>88,364</u>			<u>2,234,000</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

SOLID WASTE FACILITIES FUND

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND

CHANGES IN CASH AND INVESTMENTS

UNRESTRICTED AND RESTRICTED ACCOUNTS

FOR THE YEAR ENDED NOVEMBER 30, 2018

	Construction	Renewal and Replacement	Planning Fund	Retained Percentages
Cash, Cash Equivalents and Investments - December 1, 2017	99,783	1,900,133	54,459	123,134
Cash Receipts:				
Solid Waste Revenues				
Interest on Investments	1,135	20,305		
Budget Appropriation		1,000,000		
Landfill Gas Purchase				
Operating Grant				
NJEIT Funds				
Other				19,462
Transfers	700,636			
Total Cash Receipts	701,771	1,020,305	-	19,462
Cash and Investments Available	801,554	2,920,438	54,459	142,596
Cash Disbursements:				
Operations				
Loan Principal Payments				
Loan Interest Payments				
NJEIT Project				
Other	350,298			135,159
Transfers	350,298	350,338		
Total Cash Disbursements	700,596	350,338	-	135,159
Cash, Cash Equivalents and Investments - November 30, 2018	100,958	2,570,100	54,459	7,437
Analysis of Balance:				
Unrestricted	-	-	54,459	-
Restricted	100,958	2,570,100	-	7,437
	100,958	2,570,100	54,459	7,437
Cash and Cash Equivalents	100,958	2,570,100	54,459	7,437
Investments	-	-	-	-
	100,958	2,570,100	54,459	7,437

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, 2018**

	Cell Closure Account	Landfill Postclosure Account	Total
Cash, Cash Equivalents and Investments - December 1, 2017	2,187,084	10,540,827	20,093,138
Cash Receipts:			
Solid Waste Revenues			11,984,396
Interest on Investments		123,258	210,991
Budget Appropriation	861,000		1,861,000
Landfill Gas Purchase			-
Operating Grant			286,640
NJEIT Funds	1,432,812		1,432,812
Other	3,012	108,276	248,718
Transfers			24,799,624
Total Cash Receipts	<u>2,296,824</u>	<u>231,534</u>	<u>40,824,181</u>
Cash and Investments Available	<u>4,483,908</u>	<u>10,772,361</u>	<u>60,917,319</u>
Cash Disbursements:			
Operations			9,909,011
Loan Principal Payments			450,929
Loan Interest Payments			117,527
NJEIT Project	197,552		197,552
Other	450,531	31,657	976,201
Transfers			24,799,624
Total Cash Disbursements	<u>648,083</u>	<u>31,657</u>	<u>36,450,844</u>
Cash, Cash Equivalents and Investments - November 30, 2018	<u><u>3,835,825</u></u>	<u><u>10,740,704</u></u>	<u><u>24,466,475</u></u>
Analysis of Balance:			
Unrestricted	-	-	4,889,087
Restricted	<u>3,835,825</u>	<u>10,740,704</u>	<u>19,577,388</u>
	<u><u>3,835,825</u></u>	<u><u>10,740,704</u></u>	<u><u>24,466,475</u></u>
Cash and Cash Equivalents	3,835,825	191,980	13,917,751
Investments	-	<u>10,548,724</u>	<u>10,548,724</u>
	<u><u>3,835,825</u></u>	<u><u>10,740,704</u></u>	<u><u>24,466,475</u></u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

SOLID WASTE FACILITIES FUND
SCHEDULE OF OPERATING REVENUES
COMPARED TO BUDGET, YEAR ENDED NOVEMBER 30, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2017

	FY 2018	FY 2018	FY 2018	FY 2017
	Budget	Budget after Modifications	Actual	Actual
Revenue:				
Tipping Fees	10,051,000	10,051,000	11,578,103	11,094,406
Gross Sales on Recycle Markets	190,000	190,000	223,121	268,790
Interest on Investment and Deposits			67,429	21,648
Interest from Users			12,140	7,403
Operating Grant	114,000	114,000	143,320	143,320
Landfill Gas Sales			162,103	117,287
Miscellaneous	251,000	251,000	12,291	8,343
Total Revenue	10,606,000	10,606,000	12,198,507	11,661,197
Expenses:				
Operating and Maintenance (LF)				
(1) Salaries	2,220,000	2,220,000	2,122,685	2,107,419
(2) Benefits	1,220,900	1,220,900	1,075,765	975,851
(2) PERS	202,000	202,000	233,581	191,451
(3) Personnel Services	23,500	23,500	28,296	27,459
(4) Engineering and Consulting	161,000	161,000	162,690	93,884
(5) Legal Fees	25,000	25,000	4,538	8,520
(6) Indirect Administrative	640,000	640,000	577,267	598,377
(7) Trustee and Banking Fees	8,000	8,000	1,000	
(8) Insurance	235,000	235,000	213,368	225,617
(9) Auditing/Accounting Fees	3,000	3,000	3,246	6,000
(10) Seminars and Dues	6,000	6,000	12,609	7,960
(11) Travel and Expenses	1,000	1,000	1,202	1,690
(12) Office Supplies	9,000	9,000	13,140	8,405
(14) Advertising	4,000	4,000	4,336	1,188
(15) Printing	6,000	6,000	7,658	6,913
(16) Postage			197	
(17) Publications and Subscriptions	500	500	1,263	1,775
(18) Custodial Supplies	9,000	9,000	9,464	9,406
(19) Safety Equipment	15,000	15,000	14,374	15,981
(20) Chemicals/Supplies	254,000	254,000	233,135	199,294
(21) Plant Supplies	30,000	30,000	19,150	25,286
(22) Testing Services	49,500	49,500	41,374	16,938
(23) Outside Services	164,000	164,000	177,037	135,522
(24) Utilities	425,000	425,000	429,252	348,031
(25) Motor Vehicles and Equipment	528,000	528,000	278,604	240,645
(26) Equipment/Stationary	33,000	33,000	45,177	36,827
(27) Electrical Equipment/Repairs	46,000	46,000	33,333	29,211
(28) Leachate Disposal	250,000	250,000	248,729	250,518
(29) Recycling Services	45,000	45,000	41,122	52,131
(30) Landfill Gas System	73,600	73,600	41,361	56,347
(31) Host Community Benefit Payments	500,000	500,000	531,233	511,630
(32) Special Accounts	1,430,000	861,000	861,000	2,104,000
(33) Taxes and Fees	549,000	549,000	525,136	477,143
	9,166,000	8,597,000	7,992,322	8,771,419

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
SOLID WASTE FACILITIES FUND
SCHEDULE OF OPERATING REVENUES
COMPARED TO BUDGET, YEAR ENDED NOVEMBER 30, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2017

	FY 2018 Budget	FY 2018 Budget after Modifications	FY 2018 Actual	FY 2017 Actual
Capital Outlay	340,000	340,000		1,332
Debt Service:				
Bond Principal		451,000	451,000	
Interest on Bonds		118,000	150,694	
	-	569,000	601,694	-
Reserves:				
Renewal and Replacement	1,000,000	1,000,000	1,000,000	765,000
Post Closure Care Fund	100,000	100,000	108,589	104,816
	1,100,000	1,100,000	1,108,589	869,816
Total Solid Waste Appropriations	10,606,000	10,606,000	9,702,605	9,642,567
Excess or Deficit in Actual Revenues and Expenses			2,495,902	2,018,630
Reconciliation of Budgetary Basis To Change in Net Position:				
Depreciation Expense			(1,842,070)	(2,337,780)
Amortization			28,499	
Debt Issuance Costs			(95,498)	
Accretion				1,396,596
Adjustment to Pension Expense			(288,981)	(493,649)
Adjustment for OPEB Expense				(918,744)
Interest on Non-Operating Investments			143,563	149,887
Investment Expenses			(117,214)	(100,952)
Net Closure/Postclosure Care Expenses			(2,084,706)	(1,737,379)
Prior Year Landfill Expansion				793,885
Budget Appropriation - Ren. & Repl.			1,000,000	765,000
Budget Appropriation - Cell Closure			861,000	2,104,000
Bond Principal Payments			451,000	
Change in Net Position			551,495	1,639,494

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

SOLID WASTE FACILITIES FUND
 SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE
 NOVEMBER 30, 2018

Description	Date	Original Issue Amount	Date	Interest Rate	Amount	Balance Dec. 1, 2017	Issued	Refunded or Paid	Balance Nov. 30, 2018
New Jersey Environmental Infrastructure Trust - Trust Loan Series 2018A-1	05/22/18	1,990,000	08/01/19	5.000%	180,000				
			08/01/20	5.000%	190,000				
			08/01/21	5.000%	200,000				
			08/01/22	5.000%	210,000				
			08/01/23	5.000%	220,000				
			08/01/24	5.000%	230,000				
			08/01/25	5.000%	240,000				
			08/01/26	5.000%	255,000				
			08/01/27	5.000%	265,000		1,990,000		1,990,000
New Jersey Environmental Infrastructure Trust - Fund Loan Series 2018A-1	05/22/18	6,538,469	02/01/19	0.000%	225,464				
			08/01/19	0.000%	450,929				
			02/01/20	0.000%	225,465				
			08/01/20	0.000%	450,929				
			02/01/21	0.000%	225,464				
			08/01/21	0.000%	450,929				
			02/01/22	0.000%	225,465				
			08/01/22	0.000%	450,929				
			02/01/23	0.000%	225,464				
			08/01/23	0.000%	450,929				
			02/01/24	0.000%	225,465				
			08/01/24	0.000%	450,929				
			02/01/25	0.000%	225,464				
		08/01/25	0.000%	450,929					
		02/01/26	0.000%	225,464					
		08/01/26	0.000%	450,929					
		02/01/27	0.000%	225,464					
		08/01/27	0.000%	450,929		6,538,469	450,929	6,087,540	
GRAND TOTAL						0	8,528,469	450,929	8,077,540
				Current Portion					856,393
				Long-Term Portion					7,221,147
									8,077,540

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**OTHER SEWER COMPANIES**
STATEMENT OF NET POSITION
FOR THE YEAR ENDED NOVEMBER 30, 2018

	<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, 2018

	Unrestricted	Invested in Capital Assets	Restricted		Total
			Renewal and Replacement	Debt Service	
Operating Revenue:					
User Charges	600,800				600,800
Interest on Investments	6,342				6,342
Connection Fees	1,479				1,479
	608,621	-	-	-	608,621
Operating Expenses:					
Operating, Maintenance and Reserves	268,277				268,277
Depreciation	320,750				320,750
	589,027	-	-	-	589,027
Operating Income	19,594	-	-	-	19,594
Non-Operating Revenue/(Expenses):					
Budget Appropriation			20,000		20,000
Interest Expense	(199,786)				(199,786)
Income/(Loss) Before Contributions and Transfers	(180,192)	-	20,000	-	(160,192)
Transfers:					
Other	610,711	(612,228)		1,517	-
Increase (Decrease) in Net Position	430,519	(612,228)	20,000	1,517	(160,192)
Net Position - December 1,	254,382	5,199,174	-	58,180	5,511,736
Net Position - November 30,	684,901	4,586,946	20,000	59,697	5,351,544
Designated	-				
Undesignated	684,902				
	684,902				

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, 2018

	Planning Fund	Construction Fund	Acq. & Imp. Fund	Bond Service Fund	Revenue Fund
Cash, Cash Equivalents and Investments- December 1, 2017	373	20,479	36,421	159,208	-
Cash Receipts:					
Interest on Investments			361	640	5,341
USDA Grant Reimbursements			324,719		
User Charges					
Connection Fees					
Other					
Transfers		207,780		317,958	1,284,990
Total Cash Receipts	-	207,780	325,080	318,598	1,290,331
Total Cash And Investments Available	373	228,259	361,501	477,806	1,290,331
Cash Disbursements:					
Expenses		48,572			
Principal Payments		58,180		58,934	
Interest Payments		101,028		100,274	
Transfers	373	20,479	361,501	159,208	664,760
Total Cash Disbursements	373	228,259	361,501	318,416	664,760
Cash, Cash Equivalents and Investments- November 30, 2018	-	-	-	159,390	625,571
Analysis of Balance:					
Unrestricted	-	-	-	182	625,571
Restricted	-	-	-	159,208	-
	-	-	-	159,390	625,571
Cash and Cash Equivalents	-	-	-	159,390	625,571
Investments	-	-	-	-	-
	-	-	-	159,390	625,571

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, 2018**

	Renewal & Replacement Fund	Depository Account	Operating Fund	Retainage Fund	Total
Cash, Cash Equivalents and Investments- December 1, 2017	-	312,057	-	26,600	555,138
Cash Receipts:					
Interest on Investments					6,342
USDA Grant Reimbursements					324,719
User Charges		591,165			591,165
Connection Fees		1,479			1,479
Other	20,000	2,410			22,410
Transfers		70,000	394,254		2,274,982
Total Cash Receipts	<u>20,000</u>	<u>665,054</u>	<u>394,254</u>	<u>-</u>	<u>3,221,097</u>
Total Cash And Investments Available	<u>20,000</u>	<u>977,111</u>	<u>394,254</u>	<u>26,600</u>	<u>3,776,235</u>
Cash Disbursements:					
Expenses		50	276,769		325,391
Principal Payments					117,114
Interest Payments					201,302
Transfers		972,061	70,000	26,600	2,274,982
Total Cash Disbursements	<u>-</u>	<u>972,111</u>	<u>346,769</u>	<u>26,600</u>	<u>2,918,789</u>
Cash, Cash Equivalents and Investments- November 30, 2018	<u>20,000</u>	<u>5,000</u>	<u>47,485</u>	<u>-</u>	<u>857,446</u>
Analysis of Balance:					
Unrestricted	-	5,000	47,485	-	678,238
Restricted	20,000	-	-	-	179,208
	<u>20,000</u>	<u>5,000</u>	<u>47,485</u>	<u>-</u>	<u>857,446</u>
Cash and Cash Equivalents	20,000	5,000	47,485	-	857,446
Investments	-	-	-	-	-
	<u>20,000</u>	<u>5,000</u>	<u>47,485</u>	<u>-</u>	<u>857,446</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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED NOVEMBER 30, 2017

	<u>FY 2018</u>	<u>FY 2018</u>	<u>FY 2018</u>	<u>FY 2017</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Actual</u>	<u>Actual</u>
		<u>Modification</u>		
Revenue:				
User Charges	600,800	600,800	600,800	602,000
Interest on Investments and Deposits			6,342	1,563
Connection Fees			1,479	
Miscellaneous				44
Total Operating Revenue	<u>600,800</u>	<u>600,800</u>	<u>608,621</u>	<u>603,607</u>
Expenses:				
Operating and Maintenance				
(1) Engineering and Consulting Services	11,000	11,000	15,391	195
(2) Legal Fees	500	500	2,566	1,159
(3) Indirect Administration, Legal and Fiscal Expenses	48,000	48,000	43,295	45,591
(4) Trustee and Banking Fees			1,550	
(5) Audit/Accounting Fees			3,023	
(6) Insurance	10,000	10,000	9,160	8,628
(7) Printing Expenses	300	300		
(8) Safety Equipment	500	500		
(9) Chemicals	1,000	1,000	1,152	1,170
(10) Laboratory Supplies	800	800	654	56
(11) Plant Supplies	200	200	546	94
(12) Testing Services	2,000	2,000	1,121	6,651
(13) Outside Services	14,000	14,000	16,562	3,763
(14) Utilities	78,500	78,500	54,218	56,483
(15) Motor Vehicles and Equipment			162	
(16) Equipment/Stationary	1,000	1,000	1,802	337
(17) Electrical and Mechanical Equipment Repair	500	500	320	820
(18) Payment to Upper Wallkill for Operating and Maintenance Services	88,000	88,000	88,000	87,000
(19) Taxes and Fees	6,000	6,000	8,755	2,900
Total Operating and Maintenance Expenses	<u>262,300</u>	<u>262,300</u>	<u>248,277</u>	<u>214,847</u>
Capital Outlay				4,822
Debt Service:				
Principal	118,500	118,500	118,500	115,600
Interest	200,000	200,000	199,786	202,799
	<u>318,500</u>	<u>318,500</u>	<u>318,286</u>	<u>318,399</u>
Reserves:				
Renewal & Replacement	20,000	20,000	20,000	-
	<u>600,800</u>	<u>600,800</u>	<u>586,563</u>	<u>538,068</u>
Excess or (Deficit) in Actual Revenues and Expenses			22,058	65,539
Reconciliation of Budgetary Basis To Change in Net Position:				
Depreciation			(320,750)	(315,990)
Debt Service Principal			118,500	115,600
Capital Contributions				873,021
Renewal & Replacement Appropriation			20,000	
			<u>(182,250)</u>	<u>672,631</u>
Change in Net Position			<u>(160,192)</u>	<u>738,170</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

PAULINSKILL WATER RECLAMATION SYSTEM
SCHEDULE OF USDA LOANS PAYABLE
NOVEMBER 30, 2018

Description	Original Issue		Interest Rate	Maturities		Balance Dec. 1, 2017	Issued	Refunded or Paid	Balance Nov. 30, 2018
	Date	Amount		Date	Amount				
United States Department of Agriculture - Rural Development Loan No. 1	09/20/16	\$ 5,496,000	2.750%	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, 2018

Description	Original Issue		Interest Rate	Maturities		Balance Dec. 1, 2017	Issued	Refunded or Paid	Balance Nov. 30, 2018
	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					
						5,457,033		79,549	5,377,484

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

PAULINSKILL WATER RECLAMATION SYSTEM
SCHEDULE OF USDA LOANS PAYABLE
NOVEMBER 30, 2018

Description	Original Issue		Interest Rate	Maturities		Balance Dec. 1, 2017	Issued	Refunded or Paid	Balance Nov. 30, 2018
	Date	Amount		Date	Amount				
United States Department of Agriculture - Rural Development Loan No. 3	09/20/16	\$ 757,000	2.250%	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, 2018

Description	Original Issue		Interest Rate	Maturities		Balance Dec. 1, 2017	Issued	Refunded or Paid	Balance Nov. 30, 2018
	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					
						750,996		12,211	738,785

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

PAULINSKILL WATER RECLAMATION SYSTEM
SCHEDULE OF USDA LOANS PAYABLE
NOVEMBER 30, 2018

Description	Original Issue		Interest Rate	Maturities		Balance Dec. 1, 2017	Issued	Refunded or Paid	Balance Nov. 30, 2018
	Date	Amount		Date	Amount				
United States Department of Agriculture - Rural Development Loan No. 5	09/20/16	\$ 1,572,000	2.250%	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**WALLKILL WATERSHED PROJECT FUND**
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2018

Cash, Cash Equivalents and Investments- December 1, 2017	169,413
Cash Receipts:	
Operating Grants	<u>188,601</u>
Total Cash Receipts	<u>188,601</u>
Total Cash And Investments Available	<u>358,014</u>
Cash Disbursements:	
Project Expenses	<u>324,928</u>
Total Cash Disbursements	<u>324,928</u>
Cash, Cash Equivalents and Investments- November 30, 2018	<u><u>33,086</u></u>
Analysis of Balance:	
Unrestricted	33,086
Restricted	<u>-</u>
	<u><u>33,086</u></u>
 Cash and Cash Equivalents	 33,086
Investments	 <u>-</u>
	 <u><u>33,086</u></u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY**INTERNAL SERVICE FUNDS**
COMBINING STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018

	<u>Administrative Services</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	290,613
Prepaid Expenses	<u>4,675</u>
Total Current Assets	<u>295,288</u>
Restricted Assets	
Cash and Cash Equivalents	253,641
Investments	<u>386,720</u>
Total Noncurrent Assets	<u>640,361</u>
Total Assets	<u>935,649</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	5,332
Payroll Taxes Payable	2,045
Due to Other Funds	<u>287,911</u>
Total Current Liabilities	<u>295,288</u>
Total Liabilities	<u>295,288</u>
NET POSITION	
Restricted:	
Reserve for Unemployment Insurance	<u>640,361</u>
Total Net Position	<u><u>640,361</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, 2018

	<u>Administrative Services</u>
Operating Revenues:	
User Charges	1,344,852
Interest Income	4,881
Miscellaneous Income	4
Unemployment Contributions	<u>6,364</u>
Total Operating Revenue	<u>1,356,101</u>
Operating Expenses:	
Administrative and General Expenses	1,344,856
Unemployment Claims	<u>7,223</u>
Total Operating Expenses	<u>1,352,079</u>
Operating Income	<u>4,022</u>
Net Position - Beginning	<u>636,339</u>
Net Position - Ending	<u><u>640,361</u></u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018

	Administrative Services
Cash Flows From Operating Activities:	
Cash Received from Users	1,344,852
Other Operating Receipts	6,368
Interest Received	4,881
Cash Paid to Employees	(729,839)
Cash Paid for Employee Benefits	(446,446)
Cash Paid to Suppliers and Professional contractors	(111,883)
Net Cash Provided/(Required) By Operating Activities	67,933
Cash Flows From Investing Activities:	
Sales (Purchases) of Investments	(4,871)
Net Cash Provided/(Required) By Investing Activities	(4,871)
Increase/(Decrease) In Cash And Cash Equivalents	63,062
Cash And Cash Equivalents - December 1,	481,192
Cash And Cash Equivalents - November 30,	544,254
Classified As:	
Unrestricted Assets	290,613
Restricted Assets	253,641
	544,254
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	4,022
Items Affecting Cash from Operations:	
Decrease / (Increase) in:	
Prepaid Expenses	788
Increase / (Decrease) in:	
Accounts Payable and Accrued Liabilities	63,123
Net Cash Provided/(Required) by Operating Activities	67,933

Single Audit Section

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

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

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

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Sussex County Municipal Utilities Authority, as of and for the year ended November 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 10, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sussex County Municipal Utilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2018-001.

Sussex County Municipal Utilities Authority Response to Findings

Sussex County Municipal Utilities Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Sussex County Municipal Utilities Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 & Cuva, P.A.

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

June 10, 2019



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

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

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE 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, 2018. 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, 2018.

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, 2018, and have issued our report thereon dated June 10, 2019, 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

June 10, 2019



SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

Schedule of Expenditures of Federal Awards
Fiscal Year Ended November 30, 2018

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: <i>Pass Through New Jersey Department of Environmental Protection:</i> Capitalization Grants for Clean Water State Revolving Funds: NJDEP Loan	66.458	S342008-05	\$ 6,538,469	12/01/16	11/30/18	-	6,227,342	-	6,227,342	6,227,342
Performance Partnership Grants: Section 319H Pollution Control and Management Implementation Grant	66.605	100-042-4801-442-VB78-6120-7W319HXX	\$ 862,201	06/18/09	09/30/17	862,200	1	862,200	1	862,201
Section 319H Pollution Control and Management Implementation Grant	66.605	100-042-4801-442-V77R-6120-7W319HXX	\$ 700,000	09/03/13	09/02/19	504,000	-	504,000	92,874	498,572
Implementation of Sussex County Restoration and Stewardship Initiative	66.605	100-042-4801-442-V77R-6130-7W319HXX	\$ 800,000	10/01/17	09/30/20	-	-	-	70,120	70,120
U.S. Department of Agriculture: Natural Resources Conservation Service										
Soil and Water Conservation	10.902	N/A	\$ 69,696	09/25/14	09/30/18	52,488	17,208	54,522	15,174	69,696
Soil and Water Conservation	10.902	N/A	\$ 149,592	09/16/16	08/31/19	32,448	16,710	49,158	16,235	53,503
Wetlands Reserve Program	10.072	N/A	\$ 15,000	09/16/16	08/31/19	2,854	370	3,033	412	3,445
Environmental Quality Incentives Program	10.912	N/A	\$ 25,000	09/16/16	08/31/19	-	-	-	-	-
Agricultural Conservation Easement Program	10.931	N/A	\$ 20,500	09/16/16	08/31/19	-	-	-	84	84
U.S. Department of the Interior - National Fish and Wildlife Foundation: <i>Pass Through The Nature Conservancy:</i> Restoring Paulins Kill Floodplain Forests and Functions	15.663	P130201-WRWMG-NFWF16-18	\$ 56,926	09/01/16	09/29/18	15,130	37,231	29,124	27,802	56,926
Restoring Paulins Kill Floodplain Forests and Functions	15.663	P130201-F105072-WRWMG-NFWF-FY19	\$ 62,810	10/15/18	10/15/20	-	-	-	-	-
Building Awareness of Green Infrastructure	15.663	N/A	\$ 177,555	06/01/17	05/31/19	-	23,003	23,003	34,864	34,864
						<u>1,469,120</u>	<u>6,321,865</u>	<u>7,790,985</u>	<u>6,484,908</u>	<u>7,876,753</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

Schedule of Expenditures of State Financial Assistance
Fiscal Year Ended November 30, 2018

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	n/a	5342008-05	\$ 2,179,489	12/01/16	11/30/18	-	2,075,781	-	2,075,781	2,075,781
Recycling Enhancement Act Tax Fund	n/a	042-4910-100-224	\$ 143,320	06/01/16	05/31/17	-	143,320	143,320	-	143,320
Recycling Enhancement Act Tax Fund	n/a	042-4910-100-224	\$ 143,320	06/01/17	05/31/18	-	143,320	-	143,320	143,320
Recycling Enhancement Act Tax Fund	n/a	042-4910-100-224	\$ 143,320	06/01/18	05/31/19	-	-	-	-	-
Total State Financial Assistance						-	<u>2,362,421</u>	<u>143,320</u>	<u>2,219,101</u>	<u>2,362,421</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

**NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
NOVEMBER 30, 2018**

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>\$6,484,908</u>	<u>\$2,219,101</u>	<u>\$8,704,009</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 not 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, 2018**

Section I--Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Modified

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>
66.458	Capitalization Grants - Clean Water State Revolving Funds

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, 2018**

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 Loan</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, 2018**

Section II--Financial Statement Findings

2018-001

Condition: The Authority's OPEB information has not been updated to reflect current amounts as required by GASB Statement No. 75.

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 75 requires that the net OPEB liability be measured as of a date no earlier than the end of of the employer's prior fiscal year and no later than the end of the end of the employer's current fiscal year.

Effect: The Authority's net OPEB liability and other information has not been updated for current amounts.

Cause: Updated OPEB information was not available at the time of audit.

Recommendation: That the Authority's 2018 net OPEB liability and other OPEB amounts be updated to reflect current amounts.

Management Response: The Authority will implement procedures to report updated OPEB information in the financial statements.

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, 2018

Status of Prior Year Findings

No prior year findings were reported.

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, 2018

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, Wielkocz, Cerullo & Cuva, P.A.

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