

REPORT OF AUDIT
SUSSEX COUNTY
MUNICIPAL UTILITIES AUTHORITY
NOVEMBER 30, 2016

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

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Introductory Section

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
ROSTER OF OFFICIALS
NOVEMBER 30, 2016

Authority Members

Title

Commissioners

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

Other Officials

John Hatzelis	Administrator
John Nugent	Superintendent - Wasterwater Facilities
James Sparnon	Superintendent - Solid Waste Facilities
Thomas Varro, P.E.	Chief Engineer
John Hatzelis	Treasurer
Cornerstone Engineering Group, LLC	Consulting Engineers - Solid Waste
Hatch Mott MacDonald	Consulting Engineers - Wastewater
Cleary, Giacobbe, Alfieri, Jacobs LLC	General Counsel
Hall and Associates	Special Counsel
Laddey Clark & Ryan LLC	Special Counsel
Archer & Greiner, P.C.	Bond Counsel
US Bank	Trustee
Ferraioli, Wielkotz, Cerullo & Cuva, P.A.	Auditors

Surety Company

Commissioners and the Authority Treasurer listed above are covered by Public Officials Legal Liability Policy in the amount of \$6,000,000 issued by Statewide Insurance Fund, Policy No. SIF2013-07848 for the period January 1, 2016 to January 1, 2017.

Financial Section

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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



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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sussex County Municipal Utilities Authority as of November 30, 2016 and 2015, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the schedule of the Authority's proportionate share of the net pension liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sussex County Municipal Utilities Authority's basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards, as required by

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

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2017 on our consideration of the Sussex County Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal

control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sussex County Municipal Utilities Authority's internal control over financial reporting and compliance.

Very truly yours,

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

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

March 7, 2017



Management Discussion and Analysis

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Sussex County Municipal Utilities Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal year ended November 30, 2016 and 2015. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's assets exceeded its liabilities by \$13,722,512 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$3,454,943.
- Total net position are comprised of the following:
 - (1) Capital assets, net of related debt, of \$7,046,673 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 \$9,894,222 are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$(3,218,383) represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority increased by \$2,134,602 to \$90,457,457 during the fiscal year primarily due to an increase in the Authority's net pension liability for the State of New Jersey Public Employees' Retirement System.

Overview of the Financial Statements

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

Required Financial Statements

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

Financial Analysis of the Authority

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

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

Net Position

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

The Authority's net position at fiscal year-end are \$13,722,512. This is a \$10,267,569 increase over last year's net position of \$3,454,943. 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 2016</u>	<u>FY 2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>FY 2014</u>
Current and Other Assets	42,542	33,739	8,803	26.09%	32,958
Capital Assets	56,856	56,066	790	1.41%	55,753
Deferred Outflows of Resources	<u>5,641</u>	<u>2,757</u>	<u>2,884</u>	104.61%	<u>2,061</u>
Total Assets and Deferred Outflows	<u>105,039</u>	<u>92,562</u>	<u>12,477</u>		<u>90,772</u>
Long-term Debt Outstanding	51,032	46,134	4,898	10.62%	49,707
Other Liabilities	39,426	42,189	(2,763)	(6.55)%	36,347
Deferred Inflows of Resources	<u>859</u>	<u>784</u>	<u>75</u>	9.57%	<u>612</u>
Total Liabilities and Deferred Inflows	<u>91,317</u>	<u>89,107</u>	<u>2,210</u>		<u>86,666</u>
Invested in Capital Assets, Net of Related Debt	7,047	3,559	3,488	98.01%	5,001
Restricted	9,894	2,834	7,060	249.12%	2,968
Unrestricted	<u>(3,218)</u>	<u>(2,938)</u>	<u>(280)</u>	9.53%	<u>(3,863)</u>
	<u>13,723</u>	<u>3,455</u>	<u>10,268</u>	297.19%	<u>4,106</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 \$10,267,569.

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

Net Position (Continued)

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

	<u>FY 2016</u>	<u>FY 2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>FY 2014</u>
Operating Revenues	19,361	19,301	60	0.31%	19,361
Non-Operating Revenues	<u>7,229</u>	<u>513</u>	<u>6,716</u>	1309.16%	<u>720</u>
Total Revenues	<u>26,590</u>	<u>19,814</u>	<u>6,776</u>		<u>20,081</u>
Depreciation Expense	5,504	5,530	(26)	(0.47)%	5,349
Other Operating Expenses	13,050	12,004	1,046	8.71%	12,220
Other Non-Operating Expense	<u>2,525</u>	<u>2,931</u>	<u>(406)</u>	(13.85)%	<u>6,431</u>
Total Expenses	<u>21,079</u>	<u>20,465</u>	<u>614</u>		<u>24,000</u>
Contributions	<u>4,757</u>	—	<u>4,757</u>	100.00%	—
Change in Net Position	10,268	(651)	10,919	(1677.27)%	(3,919)
Beginning Net Position	<u>3,455</u>	<u>4,106</u>	<u>(651)</u>	(15.85)%	<u>8,025</u>
Ending Net Position	<u>13,723</u>	<u>3,455</u>	<u>10,268</u>	297.19%	<u>4,106</u>

The Authority's Operating Revenues increased by \$59,637 to \$19,360,749 in 2016 from \$19,301,112 in 2015 primarily due to increases in tipping fees. Nonoperating Revenues increased by \$6,715,690 to \$7,228,994 from \$513,304 mainly due to increases in net cell closure and postclosure revenues.

Budgetary Highlights

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

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

The following table provides a 2016 budget comparison:

Budget vs. Actual FY 2016 (000's)			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	17,178	19,361	2,183
Non-Operating	<u> </u>	<u>7,229</u>	<u>7,229</u>
	<u>17,178</u>	<u>26,590</u>	<u>9,412</u>
Expenses:			
Operating	11,420	13,050	(1,630)
Non-Operating	<u>5,758</u>	<u>2,525</u>	<u>3,233</u>
	<u>17,178</u>	<u>15,575</u>	<u>1,603</u>
Income Before Depreciation and Capital Contributions	<u> 0</u>	<u>11,015</u>	<u>11,015</u>

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

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

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

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

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

The following are charts for various system service charges calculated for FY 2017

Hampton Commons Facility

a. Hampton Commons FY2017 Budget		\$177,000
b. Investment Earnings		
Earnings on Fund Balances		
R&R Fund	\$ 40,000	
Operating Fund	\$ 80,000	
Average Fund Balance	\$ 120,000	
Estimated Interest Rate	0.50%	
Projected Investment Earnings	\$ 600	
c. Appropriation from Retained Earnings	\$7,000	
Total Amount of Other Revenues		\$ 7,600
d. Amount to be Raised by User Charges		\$169,400
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 FY17 Annual Charge
Hampton Common Homeowners Assoc.	32,000	82.05%	\$169,400 = \$138,995
Township of Hampton	7,000	17.95%	\$169,400 = \$ 30,405
	39,000	100.00%	\$169,400

Calculation of HCHA per unit charge

<u>O&M Expenses</u>	=	FY2017 Estimated User Charge	
Units			
<u>\$138,995</u>	=	\$463	per unit
300			

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

Solid Waste Facilities

a. Solid Waste FY2017 Budget		\$10,807,000
b. Estimated Recycling Market Revenues:		
Fiber, Metals and Other	\$200,000	
c. Investment Earnings		
d. Miscellaneous Revenues:		
Landfill Gas Sales	130,000	
Finance Charges	20,000	
REA Grant	114,000	
LFG Rent	24,000	
Miscellaneous Income	9,000	
	297,000	

\$

Revenues to be Raised by Tip Fee:	\$10,310,000
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e. Tipping Fee Calculation with Flow Control

$$\frac{\text{Revenues Necessary From Tip Fee}}{\text{Est. FY2017 Tonnage}} = \text{\$ } \boxed{\text{\$105.20}} \text{ per ton}$$

$$\frac{\text{\$10,310,000}}{98,000} = \text{\$105.20 per ton}$$

**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		FY2017 Projections	% of Total	FY2017 Gen. Charge
Hamburg Borough	210,000	actual	76,650,000	11.03%	130,073
Franklin Borough	385,000	actual	140,525,000	20.23%	238,468
Wallkill Sewer Co.	68,000	actual	24,820,000	3.57%	42,119
HTMUA	226,000	actual(a)	82,490,000	11.87%	139,984
Sussex Borough	312,000	GMF	113,880,000	16.39%	193,252
Wantage Twp.	36,500	GMF	13,322,500	1.92%	22,608
Sparta Twp.	205,000	GMF	74,825,000	10.77%	126,976
Vernon Twp.	461,000	GMF	168,265,000	24.22%	285,542
	<u>1,903,500</u>		<u>694,777,500</u>	<u>100.00%</u>	<u>1,179,022</u>

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

Participant	GPD		FY2017 Projections	% of Total	FY2017 O&M Charge
Hamburg Borough	210,000	actual	76,650,000	10.40%	350,032
Franklin Borough	385,000	actual	140,525,000	19.05%	641,726
Wallkill Sewer Co.	68,000	actual	24,820,000	3.37%	113,344
		GMF/			
HTMUA	311,000	actual(b)	113,515,000	15.40%	518,381
Sussex Borough	312,000	GMF	113,880,000	15.44%	520,048
Wantage Twp.	63,000	GMF	22,995,000	3.12%	105,010
Sparta Twp.	210,000	GMF	76,650,000	10.40%	350,032
Vernon Twp.	461,000	GMF	168,265,000	22.82%	768,404
	<u>2,020,000</u>		<u>737,300,000</u>	<u>100.00%</u>	<u>3,366,978</u>

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

FY2017 Estimated Total Sewer User Charges

Participant	General Charge	Operating Charge	Proj. FY2017 User Charge	FY2016 Estimated User Charge	% Change
Hamburg Borough	130,073	350,033	480,106	473,946	1.3%
Franklin Borough	238,468	641,726	880,194	898,240	(2.0%)
Wallkill Sewer Co.	42,119	113,344	155,463	162,496	(4.3%)
HTMUA	139,984	518,381	658,365	654,029	0.7%
Sussex Borough	193,252	520,048	713,300	704,148	1.3%
Wantage Twp.	22,608	105,010	127,618	125,433	1.7%
Sparta Twp.	126,976	350,032	477,009	470,785	1.3%
Vernon Twp. (A)	885,542	768,404	1,653,946	1,490,424	11.0%
Comparison all system users	1,779,022	3,366,978	5,146,000	4,979,501	3.3%

(A) Added in Vernon Additional Bonds \$600,000, a \$150,000 increase from FY16

Note: Due to system calculations, rounding error may occur

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

$$\frac{\$ 4,546,000}{694,777,500} = \$0.00654 \quad X \quad 1,000 \quad \$6.54$$

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

Paulinskill Facility

a. Paulinskill Facility Proposed FY 2017 Budget		
Debt Service	\$ 318,000	
O&M	\$ 284,000	
Total Budget		\$ 602,000
b. Investment Earnings	\$ -	
c. Appropriation from Retained Earnings	\$ -	
d. Connection Fees	\$ -	
Total Amount of Other Revenues		\$ -0-
e. Amount to be Raised by User Charges		\$ 602,000
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".

	EDU'S	Gals/ EDU	GPD	%	Debt Service	O&M	Est. FY2017 Annual Charges
Branchville Borough	568	210	119,280	91.32%	\$290,392	\$259,344	\$549,736
Township of Frankford	<u>54</u>	210	<u>11,340</u>	<u>8.68%</u>	\$ 27,608	\$ 24,656	\$ 52,264
	622		130,620	100.00%	\$318,000	\$284,000	\$602,000

Calculation of Branchville Borough's Est. FY2017 per EDU Charge

<u>D/S & O&M Expenses</u>	=	FY2017 Estimated User Charge
Units		
\$549,736	=	\$968 per unit
568		

Calculation of Frankford Township's Est. FY2017 per EDU Charge

<u>D/S & O&M Expenses</u>	=	FY2017 Estimated User Charge
Units		
\$52,264	=	\$968 per unit
54		

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

Capital Assets

	CAPITAL ASSETS (000's)			
	<u>FY 2016</u>	<u>FY 2015</u>	<u>Dollar Change</u>	<u>FY 2014</u>
Land	3,832	3,829	3	3,377
Improvements	70,842	71,287	(445)	70,741
Buildings	53,707	53,197	510	53,681
Machinery and Equipment	19,349	20,719	(1,370)	19,403
Total Property, Plant and Equipment	<u>147,730</u>	<u>149,032</u>	<u>(1,032)</u>	<u>147,202</u>
Less:				
Accumulated Depreciation	<u>(103,372)</u>	<u>(100,142)</u>	<u>(3,230)</u>	<u>(94,633)</u>
	44,358	48,890	(4,532)	52,569
Construction in Progress	<u>12,497</u>	<u>7,176</u>	<u>5,321</u>	<u>3,184</u>
Net Property, Plant and Equipment	<u>56,855</u>	<u>56,066</u>	<u>789</u>	<u>55,753</u>

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

Solid Waste Facilities

Landfill Gas System Improvements

The SCMUA is required to manage landfill gas which is created by the decomposition of solid waste. The landfill gas is collected by a series of landfill gas wells and piping which is sold to an on-site vendor. The gas is utilized by the vendor to generate electric power for off site customers. In 2014, the SCMUA completed installation of a temporary landfill cap to reduce leachate volume and improve landfill gas collection. The SCMUA has budgeted funds in 2017 and 2019 to expand and upgrade the collection system. These improvements will control landfill gas emissions.

Mobile Equipment

The SCMUA Solid Waste Facilities relies on large mobile equipment to perform its mission. The SCMUA has budgeted for a replacement Lube Truck, 973 CAT Track Loader, and Replacement Roll-off Containers in 2017.

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

Solid Waste Facilities, (continued)

Solid Waste Planning

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

Wastewater Facilities

Upper Walkkill Capital Program

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

Debt Administration

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

Economic Factors, Future Years Budgets and Rates

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

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

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

Contacting the Authority

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

Basic Financial Statements

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
 COMPARATIVE STATEMENTS OF NET POSITION
 AS OF NOVEMBER 30, 2016 AND 2015

Exhibit A
 Page 1 of 3

	<u>2016</u>	<u>2015</u>
ASSETS		
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 6,032,903	\$ 5,017,050
Investments		52,995
Accounts Receivable (net of allowance for uncollectibles)	899,846	1,075,052
Prepaid Expenses	42,739	43,808
Due From State of New Jersey	<u>143,320</u>	<u>143,320</u>
Total Unrestricted Current Assets	<u>7,118,808</u>	<u>6,332,225</u>
Restricted Current Assets		
Construction Fund		
Cash and Cash Equivalents		2,481,872
Phase 2 Construction Fund		
Cash and Cash Equivalents	1,497,465	1,506,363
Phase 3 Construction Fund		
Cash and Cash Equivalents	259,588	386,667
Renewal and Replacement Fund		
Cash and Cash Equivalents	2,697,974	2,822,741
Cost of Issuance Account		
Cash and Cash Equivalents	8,583	
Current Debt Service Fund		
Cash and Cash Equivalents	15,655,694	5,966,431
Due From USDA	553,123	
Retained Percentages Account		
Cash and Cash Equivalents	365,975	173,652
Planning Fund		
Cash and Cash Equivalents		373
Operations		
Cash and Cash Equivalents	3,051,250	2,748,525
Cell Closure Account		
Cash and Cash Equivalents	381,714	620,866
Landfill Postclosure Account		
Cash and Cash Equivalents	97,070	148,476
Investments	10,224,923	9,926,693
Unemployment Trust Fund		
Cash and Cash Equivalents	249,261	243,833
Investments	<u>380,874</u>	<u>380,340</u>
Total Restricted Current Assets	<u>35,423,494</u>	<u>27,406,832</u>
Total Current Assets	<u>42,542,302</u>	<u>33,739,057</u>

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF NOVEMBER 30, 2016 AND 2015

Exhibit A
Page 2 of 3

	<u>2016</u>	<u>2015</u>
Non-Current Assets		
Capital Assets		
Land	3,832,424	3,829,724
Improvements	70,841,936	71,287,069
Buildings	53,707,008	53,196,777
Machinery and Equipment	19,348,805	20,719,124
Accumulated Depreciation	(103,371,536)	(100,142,218)
Construction in Progress	12,496,908	7,175,354
	56,855,545	56,065,830
Total Non-Current Assets		
	99,397,847	89,804,887
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - PERS	4,124,999	2,180,520
Deferred Loss on Refunding of Debt	1,516,261	576,468
	5,641,260	2,756,988
Total Deferred Outflows of Resources		
	\$ 105,039,107	\$ 92,561,875
LIABILITIES		
Current Liabilities (Payable from Unrestricted Assets)		
Payroll Taxes Payable	\$ 1,618	\$ 23,953
Accounts Payable	467,549	339,936
Accounts Payable - Pension	371,458	353,818
Escrow Deposits	4,646	4,646
	845,271	722,353
Total Current Liabilities Payable from Unrestricted Assets		
Current Liabilities (Payable from Restricted Assets)		
Accounts Payable - Cell Closure	8,274	17,515
Accounts Payable	128,608	48,281
Retainage Payable	358,538	166,215
Lease Payable	1,149,686	888,225
Bonds Payable - Current Portion	5,552,437	5,425,000
Project Note Payable	10,210,000	10,210,000
Accrued Interest on Bonds	2,272,638	1,801,979
	19,680,181	18,557,215
Total Current Liabilities Payable from Restricted Assets		
	20,525,452	19,279,568
Total Current Liabilities		

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF NOVEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Non-Current Liabilities		
Net Pension Liability - PERS	12,383,721	9,238,352
Planning Loan - County of Sussex	343,599	418,658
Accrued Liabilities - Closure and Postclosure Costs	10,909,315	17,863,500
Accrued Liabilities - Compensated Absences	815,972	813,359
USDA Loans Payable	7,767,563	
Project Bonds Payable	37,711,835	40,709,418
	<hr/>	<hr/>
Total Non-Current Liabilities	69,932,005	69,043,287
	<hr/>	<hr/>
Total Liabilities	90,457,457	88,322,855
	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - PERS	414,660	674,663
Bond Premiums - Net	444,478	109,414
	<hr/>	<hr/>
Total Deferred Inflows of Resources	859,138	784,077
	<hr/>	<hr/>
Total Liabilities and Deferred Inflows of Resources	91,316,595	89,106,932
	<hr/>	<hr/>
NET POSITION		
Net Investment in Capital Assets	7,046,673	3,558,596
Restricted For:		
Debt Service	3,727,345	3,889,627
Renewal and Replacement	2,697,974	2,737,296
Operations	3,051,250	2,748,525
Landfill Cell Closure/Postclosure	(212,482)	(7,183,628)
Unemployment Trust	630,135	624,173
Construction Projects		18,587
Unrestricted		
Designated	642,224	529,239
Undesignated	(3,860,607)	(3,467,472)
	<hr/>	<hr/>
Total Net Position	\$ 13,722,512	\$ 3,454,943
	<hr/>	<hr/>

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2016 AND 2015

Exhibit B
Page 1 of 2

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
User Charges	\$ 6,592,538	\$ 6,510,168
Treatment of Sludge, Septage and Leachate	961,595	1,023,366
Operating and Maintenance Charges - Municipal	83,500	79,500
Tipping Fees	10,619,026	10,206,407
Recycling Markets	210,276	256,190
Connection Fees	154,402	243,655
Operating Grants	494,789	399,633
Finance Charges	12,718	40,805
Interest	607	636
Miscellaneous	231,298	540,752
	<u>19,360,749</u>	<u>19,301,112</u>
OPERATING EXPENSES		
Administration, Operating, Maintenance and Reserves	13,050,077	12,003,718
Depreciation	5,504,046	5,530,807
	<u>18,554,123</u>	<u>17,534,525</u>
	<u>806,626</u>	<u>1,766,587</u>
OPERATING INCOME (LOSS)		
NON-OPERATING REVENUES (EXPENSES)		
Interest on Investments	178,265	182,493
Renewal and Replacement Appropriation	106,000	100,000
Budget Appropriation - Vernon Rate Stabilization	52,774	120,429
Other Non-Operating Revenue	52,322	13,037
Interest Expense	(662,395)	(1,002,128)
Accreted Interest on Capital Appreciation Bonds	(1,505,520)	(1,515,820)
Amortization of Bond Discount, Premiums	15,354	6,467
Investment Expenses	(78,291)	(68,888)

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2016 AND 2015

Exhibit B
Page 2 of 2

	<u>2016</u>	<u>2015</u>
NON-OPERATING REVENUES (EXPENSES), cont.		
Unemployment Claims	(778)	(4,011)
Renewal and Replacement Expenses	(44,655)	(26,050)
Loss on Disposal of Equipment	(5,560)	(12,365)
Other Non-Operating Expenses	(227,331)	(100,000)
Cell Closure Expenditures (Net)	4,475,282	90,878
Postclosure Expenditures (Net)	<u>2,348,997</u>	<u>(201,610)</u>
Total Non-Operating Income (Expenses)	<u>4,704,464</u>	<u>(2,417,568)</u>
Income (Loss) Before Contributions and Transfers	5,511,090	(650,981)
Capital Contributions	<u>4,756,479</u>	<u> </u>
CHANGE IN NET POSITION	10,267,569	(650,981)
Net Position, December 1,	<u>3,454,943</u>	<u>4,105,924</u>
Net Position, November 30,	<u>\$ 13,722,512</u>	<u>\$ 3,454,943</u>

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
AS OF NOVEMBER 30, 2016 AND 2015

Exhibit C
Page 1 of 2

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 18,809,261	\$ 18,402,967
Cash Received from State of New Jersey	143,320	114,000
Cash Received from Grants	351,469	256,313
Other Operating Receipts	384,072	774,218
Interest Received	178,871	183,129
Cash Paid to Suppliers, Employees and Professional Contractors	(10,529,172)	(11,962,662)
Other Operating Payments	<u>(2,000,021)</u>	<u>(1,470,648)</u>
Net Cash Provided by Operating Activities	<u>7,337,800</u>	<u>6,297,317</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Project Notes Issued		4,714,000
Bond Sale Proceeds	117,317	
Bond Issue Costs Paid	(108,734)	
USDA Grants/Loans Received	12,028,356	
County Loan Repayments	(75,059)	
Principal Payments on Bonds	<u>(5,425,000)</u>	<u>(5,405,000)</u>
Net Cash Used for Capital and Related Financing Activities	<u>6,536,880</u>	<u>(691,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(5,461,950)	(4,766,016)
Renewal and Replacement Expenditures	13,667	(26,049)
Sales (Purchases) of Investments	<u>(245,769)</u>	<u>(200,677)</u>
Net Cash Provided by Investing Activities	<u>(5,694,052)</u>	<u>(4,992,742)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,180,628	613,575
Cash and Cash Equivalents, December 1,	<u>22,116,849</u>	<u>21,503,274</u>
Cash and Cash Equivalents, November 30,	<u>\$ 30,297,477</u>	<u>\$ 22,116,849</u>
ANALYSIS OF BALANCE AT NOVEMBER 30		
Unrestricted - Cash and Cash Equivalents	6,032,903	5,017,050
Restricted - Cash and Cash Equivalents	<u>24,264,574</u>	<u>17,099,799</u>
	<u>\$ 30,297,477</u>	<u>\$ 22,116,849</u>

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
 COMPARATIVE STATEMENTS OF CASH FLOWS
 AS OF NOVEMBER 30, 2016 AND 2015

Exhibit C
 Page 2 of 2

	<u>2016</u>	<u>2015</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ <u>806,626</u>	\$ <u>1,766,587</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	5,504,046	5,530,807
Interest Received on Non-operating Investments	178,265	
Pension Adjustment - PERS	958,527	346,023
Unemployment Claims	(778)	(4,011)
Interest Paid	(307,309)	(648,689)
Renewal & Replacement Appropriation		100,000
Cell Closure/Post Closure Expenses (Net)		(548,370)
Other Non-Operating Income	152,774	315,959
Other Non-Operating Expenses	(267,388)	(168,888)
(Increase)/Decrease in Accounts Receivable	175,206	42,876
(Increase)/Decrease in Due From Central Services	(11,855)	(25,243)
(Increase)/Decrease in Due From State of New Jersey		(29,320)
(Increase)/Decrease in Prepaid Expenses	1,069	19,885
Increase/(Decrease) in Current Liabilities Payable from Unrestricted Assets	117,399	(339,066)
Increase/(Decrease) in Current Liabilities Payable from Unrestricted Assets	28,605	(104,050)
Increase/(Decrease) in Non-Current Liabilities	<u>2,613</u>	<u>42,817</u>
Total Adjustments	<u>6,531,174</u>	<u>4,530,730</u>
Net Cash Provided by Operating Activities	\$ <u><u>7,337,800</u></u>	\$ <u><u>6,297,317</u></u>

See accompanying Notes to the Financial Statements.

Notes to Financial Statements

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016

1. General

Wastewater

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

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

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

Section 412. Repayments to County

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

1. **General (continued)**

Wastewater (continued)

As of November 30, 2016, 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

Paulins Kill System

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

1. **General (continued)**

Wastewater (continued)

Paulins Kill System (continued)

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

The wastewater treatment plant, known as the "Paulins Kill Basin Water Reclamation Facility," will consist of a 170,000 GPD tertiary wastewater treatment plant, located within the Township of Frankford, with groundwater recharge of treated "reclaimed water," and is constructed, owned and operated by the Authority. It consists of a membrane bio-reactor system to remove biochemical oxygen demand, suspended solids and nitrogen, followed by ultra-violet disinfection.

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

A central pumping station was constructed within the Borough of Branchville by the Authority to receive the flow collected by the Borough of Branchville's wastewater collection system. This pumping station is owned and operated by the Authority and will convey the collected flow, via force main, to the Authority's wastewater treatment plant in the Township of Frankford.

One groundwater recharge site, located on the east side of Route 206 in the Township of Frankford, returns treated water to the aquifer. The NJDEP approved and issued an NJDES discharge permit to the Authority for this site.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

1. General (continued)

Wastewater (continued)

Developers Agreements

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

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

Solid Waste

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(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, 2016
(Continued)

1. **General (continued)**

Solid Waste, (continued)

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

2. **Summary of Significant Accounting Policies**

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

A. **Basis of Financial Statements**

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

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

B. **Fund Accounting**

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

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

B. **Fund Accounting, (continued)**

Proprietary Fund Types

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

Enterprise Funds

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

Internal Service Fund

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

C. **Grants**

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

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

D. **Measurement Focus**

Government-wide Financial Statements

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

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

D. Measurement Focus, (continued)

Fund Financial Statements

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

E. Basis of Accounting

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

F. Property, Plant and Equipment

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

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

2. Summary of Significant Accounting Policies, (continued)

F. Property, Plant and Equipment, (continued)

Property, plant and equipment includes:

<u>Fiscal Year Ended Nov. 30, 2016:</u>	<u>Upper Walkill Facilities Fund</u>	<u>Hampton Commons Facilities Fund</u>	<u>Solid Waste Facilities Fund</u>	<u>Paulins Kill Water Reclamation Project</u>	<u>Total</u>
Capital Assets Not Being Depreciated:					
Land	573,834	32,741	2,770,568	455,281	3,832,424
Construction in Progress	<u>213,379</u>	<u> </u>	<u>10,136</u>	<u>12,273,393</u>	<u>12,496,908</u>
Total Capital Assets, Not Being Depreciated	<u>787,213</u>	<u>32,741</u>	<u>2,780,704</u>	<u>12,728,674</u>	<u>16,329,332</u>
Capital Assets Being Depreciated:					
Improvements	22,977,261		47,864,675		70,841,936
Buildings	40,294,624	510,231	12,902,153		53,707,008
Machinery and Equipment	<u>11,073,135</u>	<u>742,270</u>	<u>7,533,400</u>	<u> </u>	<u>19,348,805</u>
Total Capital Assets, Being Depreciated	74,345,020	1,252,501	68,300,228		143,897,749
Less:					
Accumulated Depreciation	<u>(43,720,523)</u>	<u>(1,063,602)</u>	<u>(58,587,411)</u>	<u> </u>	<u>(103,371,536)</u>
Total Capital Assets Being Depreciated, Net	<u>30,624,497</u>	<u>188,899</u>	<u>9,712,817</u>	<u> </u>	<u>40,526,213</u>
Total Capital Assets, Net	<u>31,411,710</u>	<u>221,640</u>	<u>12,493,521</u>	<u>12,728,674</u>	<u>56,855,545</u>
<u>Fiscal Year Ended Nov. 30, 2015:</u>	<u>Upper Walkill Facilities Fund</u>	<u>Hampton Commons Facilities Fund</u>	<u>Solid Waste Facilities Fund</u>	<u>Paulins Kill Water Reclamation Project</u>	<u>Total</u>
Capital Assets Not Being Depreciated:					
Land	573,834	32,741	2,770,568	452,581	3,829,724
Construction in Progress	<u>98,901</u>	<u> </u>	<u>10,136</u>	<u>7,066,317</u>	<u>7,175,354</u>
Total Capital Assets, Not Being Depreciated	<u>672,735</u>	<u>32,741</u>	<u>2,780,704</u>	<u>7,518,898</u>	<u>11,005,078</u>
Capital Assets Being Depreciated:					
Improvements	22,956,362	510,231	47,820,476		71,287,069
Buildings	40,294,624		12,902,153		53,196,777
Machinery and Equipment	<u>11,175,768</u>	<u>775,225</u>	<u>8,768,131</u>	<u> </u>	<u>20,719,124</u>
Total Capital Assets, Being Depreciated	74,426,754	1,285,456	69,490,760		145,202,970
Less:					
Accumulated Depreciation	<u>(41,123,038)</u>	<u>(1,042,384)</u>	<u>(57,976,796)</u>	<u> </u>	<u>(100,142,218)</u>
Total Capital Assets Being Depreciated, Net	<u>33,303,716</u>	<u>243,072</u>	<u>11,513,964</u>	<u> </u>	<u>45,060,752</u>
Total Capital Assets, Net	<u>33,976,451</u>	<u>275,813</u>	<u>14,294,668</u>	<u>7,518,898</u>	<u>56,065,830</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

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

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

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

	Balance Nov. 30, 2015	Additions	Disposals	Balance Nov. 30, 2016
<u>Upper Walkkill Facilities Fund:</u>				
Capital Assets Not Being Depreciated:				
Land	573,834			573,834
Construction in Progress	<u>98,901</u>	<u>114,478</u>	<u> </u>	<u>213,379</u>
Total Capital Assets, Not Being Depreciated	<u>672,735</u>	<u>114,478</u>	<u> </u>	<u>787,213</u>
Capital Assets Being Depreciated:				
Improvements	22,956,362	20,899		22,977,261
Buildings	40,294,624			40,294,624
Machinery and Equipment	<u>11,175,768</u>	<u>188,104</u>	<u>(290,737)</u>	<u>11,073,135</u>
Total Capital Assets, Being Depreciated	74,426,754	209,003	(290,737)	74,345,020
Less:				
Accumulated Depreciation	<u>(41,123,038)</u>	<u>(2,888,222)</u>	<u>290,737</u>	<u>(43,720,523)</u>
Total Capital Assets Being Depreciated, Net	<u>33,303,716</u>	<u>(2,679,219)</u>	<u> </u>	<u>30,624,497</u>
Total Capital Assets, Net	<u>33,976,451</u>	<u>(2,564,741)</u>	<u> </u>	<u>31,411,710</u>
	Balance Nov. 30, 2015	Additions	Disposals	Balance Nov. 30, 2016
<u>Hampton Commons Facilities Fund:</u>				
Capital Assets Not Being Depreciated:				
Land	<u>32,741</u>	<u> </u>	<u> </u>	<u>32,741</u>
Total Capital Assets, Not Being Depreciated	<u>32,741</u>	<u> </u>	<u> </u>	<u>32,741</u>
Capital Assets Being Depreciated:				
Buildings	510,231			510,231
Machinery and Equipment	<u>775,225</u>	<u>5,958</u>	<u>(38,913)</u>	<u>742,270</u>
Total Capital Assets, Being Depreciated	1,285,456	5,958	(38,913)	1,252,501
Less:				
Accumulated Depreciation	<u>(1,042,384)</u>	<u>(60,131)</u>	<u>38,913</u>	<u>(1,063,602)</u>
Total Capital Assets Being Depreciated, Net	<u>243,072</u>	<u>(54,173)</u>	<u> </u>	<u>188,899</u>
Total Capital Assets, Net	<u>275,813</u>	<u>(54,173)</u>	<u> </u>	<u>221,640</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

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

F. Property, Plant and Equipment, (continued)

	Balance Nov. 30, 2015	Additions	Disposals	Balance Nov. 30, 2016
<u>Solid Waste Facilities Fund:</u>				
Capital Assets Not Being Depreciated:				
Land	2,770,568			2,770,568
Construction in Progress	<u>10,136</u>	_____	_____	<u>10,136</u>
Total Capital Assets, Not Being Depreciated	<u>2,780,704</u>	_____	_____	<u>2,780,704</u>
Capital Assets Being Depreciated:				
Improvements	47,820,476	44,199		47,864,675
Buildings	12,902,153			12,902,153
Machinery and Equipment	<u>8,768,131</u>	<u>715,906</u>	<u>(1,950,637)</u>	<u>7,533,400</u>
Total Capital Assets, Being Depreciated	69,490,760	760,105	<u>(1,950,637)</u>	68,300,228
Less:				
Accumulated Depreciation	<u>(57,976,796)</u>	<u>(2,555,693)</u>	<u>1,945,078</u>	<u>(58,587,411)</u>
Total Capital Assets Being Depreciated, Net	<u>11,513,964</u>	<u>(1,795,588)</u>	<u>(5,559)</u>	<u>9,712,817</u>
Total Capital Assets, Net	<u>14,294,668</u>	<u>(1,795,588)</u>	<u>(5,559)</u>	<u>12,493,521</u>
 <u>Paulins Kill Water Reclamation Project:</u>				
Capital Assets Not Being Depreciated:				
Land	452,581	2,700		455,281
Construction in Progress	<u>7,066,317</u>	<u>5,207,076</u>	_____	<u>12,273,393</u>
Total Capital Assets, Not Being Depreciated	<u>7,066,317</u>	<u>5,209,776</u>	_____	<u>12,278,674</u>

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

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

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

G. **Deferred Outflows and Deferred Inflows of Resources**

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

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

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

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

H. **Restricted Accounts**

Upper Wallkill Facilities Fund:

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

<u>Account</u>	<u>Amount</u>	<u>Use for which restricted</u>
Revenue	All revenue received by the Authority. (Section 502-507)	Authorized operating expenses and, as of the first day of each month, transfers to the various accounts described below.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
 (Continued)

2. Summary of Significant Accounting Policies, (continued)

H. Restricted Accounts, (continued)

Upper Wallkill Facilities Fund, (continued):

<u>Account</u>	<u>Amount</u>	<u>Use for which restricted</u>
Construction	Proceeds of debt issued and construction grants-in-aid. (Section 513)	Constructions costs of the project system, including improvements and additions.
Bond Service (Current Debt Service)	Amount needed to pay matured principal and interest due on or before the following December 1st. (Section 508)	Principal and interest on the bonds.
Bond Reserve (Future Debt Service)	Amount needed to equal the reserve requirement. (Section 510)	Transfers to meet minimum levels required in the bond service or sinking accounts. Any excess may be transferred into the revenue account.
Renewal and Replacement	Amount required to equal the reserve requirement. (Section 510)	Reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals.
General	Amount needed to increase the balance to equal the requirements as defined by the resolution	Transfers to meet deficiencies in any fund or account, after which funds may be expended for lawful corporate purpose of the Authority.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

2. Summary of Significant Accounting Policies, (continued)

H. Restricted Accounts, (continued)

Upper Wallkill Facilities Fund, (continued):

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

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

Hampton Commons Facilities Fund:

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

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

Other Sewer Companies:

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
 (Continued)

2. Summary of Significant Accounting Policies, (continued)

H. Restricted Accounts, (continued)

Solid Waste Facility:

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

<u>Account</u>	<u>Amount</u>	<u>Use for which restricted</u>
Construction	Proceeds of debt issued. (Sections 401-406)	Construction costs of the project system, including improvements and additions.
Revenue	All revenue received by the Authority. (Sections 502-505)	Authorized operating expenses and, as of the first day of each month, transfers to the various accounts.
Operating	All revenue received by the Authority. (Section 506)	Authorized operating expenses.
Bond Service	Amount needed to pay matured principal, interest and redemption premium, if any. (Section 507)	Principal, interest and redemption premium on the bonds and notes.
Bond Reserve (Future Reserve Service)	Amount needed to equal the reserve requirement. (Section 509)	Transfers to meet minimum levels required in the bond service or sinking accounts. Any excess may be transferred into the revenue account.
Renewal and Replacement	Amount required to equal the reserve requirement. (Section 510)	Reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

2. Summary of Significant Accounting Policies, (continued)

H. Restricted Accounts, (continued)

Solid Waste Facility, (continued):

<u>Account</u>	<u>Amount</u>	<u>Use for which restricted</u>
General	Amount needed to increase the balance to equal the requirements as defined by the resolution (Section 511)	Transfers to meet deficiencies in any fund or account, after which funds may be expended for any lawful corporate purpose of the Authority.
Rebate	All monies subject to rebated to the U.S. Government (Section 512)	Rebates to the U.S. Government for non-compliance with I.R.S. Code Code and Arbitrage Regulations.

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

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

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

Retained percentage account derived from amounts withheld from construction contracts.

Paulins Kill Water Reclamation Project:

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

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

I. **Interest Income from Operating Investments:**

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

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

J. **Accrued Liability for Closure and Postclosure Costs**

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

At November 30, 2016, there is a deficit of \$212,482 in the Authority's Cell Closure/Postclosure Reserve. The Authority plans to reduce this deficit through budgeted contributions to the Cell Closure Escrow Account.

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 will be financed through the New Jersey Environmental Infrastructure Trust. Construction will be completed in the fall of 2017 and will extend the landfill life to 2028. Additional landfill expansion phases will be necessary to realize the additional 50 years of landfill life. The deficit (\$212,482) in the Authority's Cell Closure/Postclosure Account will be made up by additional contributions in the forthcoming years.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

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

K. **Accumulated Unpaid Vacation and Sick Pay**

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

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

L. **Use of Estimates**

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

M. **Interfunds Receivable and Payable**

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

N. **Inventory**

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

2. Summary of Significant Accounting Policies, (continued)

O. Net Position

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

P. Net Position Flow Assumption

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

Q. Recent Accounting Pronouncements

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

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

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

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

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

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

The Government Accounting Standards Board issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 77, *Tax Abatement Disclosures*, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The Authority believes this Statement will have no impact on future financial statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

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

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

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

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

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

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

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

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

In November 2016, the Government Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for asset retirement obligations (AROs). The Authority does not believe this Statement will have any effect 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.

R. **Recently Issued and Adopted Accounting Pronouncements**

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

S. **Revenues and Expenses**

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(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, 2016, 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			1,492,018	1,492,018
Operating Account		202,175		202,175
General Planning Replacement		86		86
Vernon Twp. Rate Stabilization Fund		416,446		416,446
Current Debt Service			1,915,887	1,915,887
Phase III Construction		259,588		259,588
General Fund			2,603,686	2,603,686
Renewal and Replacement			1,482,899	1,482,899
Phase II Construction			1,398,004	1,398,004
Future Debt Service			1	1
Cost of Issuance Account			8,583	8,583
	<u>400</u>	<u>878,295</u>	<u>8,901,078</u>	<u>9,779,773</u>
<u>Balance Sheet Classification</u>				
Unrestricted Assets				3,729,341
Restricted Assets				<u>6,050,432</u>
				<u>9,779,773</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(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			1,288,132	1,288,132
Operating Account		1,248,638		1,248,638
Construction Fund		9,099	90,362	99,461
Current Debt Service Fund			3,770,000	3,770,000
Renewal and Replacement Fund			1,168,667	1,168,667
Cell Closure Account		293,351		293,351
Landfill Postclosure Account			97,070	97,070
Retained Percentages Account		7,437		7,437
Planning Account		54,459		54,459
General Fund			1,242,320	1,242,320
	<u>2,100</u>	<u>1,612,984</u>	<u>7,656,551</u>	<u>9,271,635</u>

Balance Sheet Classification

Unrestricted Assets				1,759,786
Restricted Assets				<u>7,511,849</u>
				<u>9,271,635</u>

Hampton Commons Facilities Fund

Operating Account		140,918		140,918
Renewal and Replacement Fund		46,408		46,408
		<u>187,326</u>		<u>187,326</u>

Balance Sheet Classification

Unrestricted Assets				140,918
Restricted Assets				<u>46,408</u>
				<u>187,326</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

3. Cash and Cash Equivalents, (continued)

	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Savings/ Money Market Accounts</u>	<u>Total</u>
<u>Paulins Kill Water Reclamation Project</u>				
Planning Fund		373		373
Construction Fund		24,215	1,604,100	1,628,315
Operating Fund			230,647	230,647
Debt Service Fund			8,188,751	8,188,751
Retainage Fund	—	<u>358,538</u>		<u>358,538</u>
	<u>—</u>	<u>383,126</u>	<u>10,023,498</u>	<u>10,406,624</u>
<u>Balance Sheet Classification</u>				
Restricted Assets				<u>10,406,624</u>
<u>Internal Service Fund</u>				
Revenue Operating Account		4,727		4,727
Payroll Account		197,381		197,381
Unemployment Trust Fund	—	<u>249,261</u>		<u>249,261</u>
	<u>—</u>	<u>451,369</u>		<u>451,369</u>
<u>Balance Sheet Classification</u>				
Unrestricted Assets				202,108
Restricted Assets				<u>249,261</u>
				<u>451,369</u>
<u>Other Sewer Companies</u>				
Escrow Accounts	—	<u>4,646</u>		<u>4,646</u>
<u>Balance Sheet Classification</u>				
Unrestricted Assets				<u>4,646</u>
<u>Wallkill Watershed Fund</u>				
Escrow Accounts	—	<u>196,104</u>		<u>196,104</u>
<u>Balance Sheet Classification</u>				
Unrestricted Assets				<u>196,104</u>
<u>Grand Total</u>				
Unrestricted				6,032,903
Restricted				<u>24,264,574</u>
				<u>30,297,477</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(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, 2016, \$-0- of the Authority's bank balance of \$30,600,618 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, 2016
(Continued)

4. Investments, (continued)

Upper Wallkill Facilities Fund, (continued)

Renewal and Replacement Fund: a maximum of 3 years.

General Fund: no limitation.

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

Solid Waste Facilities Fund

Operating Fund: No Limitation.

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

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

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

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

Credit Risk

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

Concentration of Credit Risk

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

4. Investments, (continued)

At November 30, 2016, the Authority had the following investments:

Investment Type	Average Credit/Quality Ratings (1)	Face Amount	Carrying Amount	Investment Maturities (in Years)		
				<1	1-5	6-10
FHLMC	AA+	\$85,000	\$84,912	\$	\$84,912	
FHLMC MTN	AA+	750,000	749,026	274,818	474,208	
FHLMC Multiclass Mtg Part	N/A	129,783	131,616		131,616	
FICO Strips Ser E	N/A	65,000	62,807	62,807		
FNMA	AAA	620,000	618,013		399,324	218,689
FNMA MTN	AAA	65,000	64,359		64,359	
FNMA MTN	AA-	35,000	30,635		30,635	
FNMA MTN Zero Coupon	AA-	20,000	17,337		17,337	
FNMA Deb	AA+	95,000	94,846		94,846	
FNMA Deb	AAA	315,000	312,941	154,215	158,726	
FNMA Gtd REMIC	N/A	20,472	20,466		20,466	
FNMA MTN	AAA	100,000	100,000		100,000	
Federal Farm Credit Banks	AAA	485,000	502,368	338,742	163,626	
Federal Home Loan Banks	AAA	1,150,000	1,153,259	121,998	536,025	495,236
Financing Corp.	AAA	25,000	33,578		33,578	
GNMA Pass-Thru Cert.	N/A	6,885	6,830		548	6,282
Tennessee Valley Authority	AA+	55,000	66,307		66,307	
Tennessee Valley Authority	AAA	15,000	17,190	17,190		
US Treasury Bonds	AAA	655,000	863,483	154,170	533,575	175,738
US Treasury Notes	AAA	<u>5,255,000</u>	<u>5,294,950</u>	<u>848,288</u>	<u>1,597,734</u>	<u>2,848,928</u>
		<u>9,947,140</u>	<u>10,224,923</u>	<u>1,972,228</u>	<u>4,507,822</u>	<u>3,744,873</u>

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

5. Bonds Payable

As of November 30, 2016 and 2015, the Authority has the following principal amount of debt outstanding and unamortized losses from refunding transactions.

	Balance 11/30/15	Increases	Decreases	Balance 11/30/16	Amount Due Within One Year
<u>Upper Wallkill Facilities Fund:</u>					
2008 Series A Wastewater Revenue Bonds	\$3,710,000		\$3,430,000	280,000	\$90,000
2008 Series B Wastewater Revenue Bonds	31,937,805	1,427,097	5,481,548	27,883,354	1,345,000
2012 Wastewater Revenue Refunding Bonds	3,120,000		290,000	2,830,000	290,000
2016 Series A Wastewater Refunding Bonds		3,390,000		3,390,000	
2016 Series B Wastewater Refunding Bonds		<u>5,053,481</u>		<u>5,053,481</u>	
	<u>38,767,805</u>	<u>9,870,578</u>	<u>9,201,548</u>	<u>39,436,835</u>	<u>1,725,000</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

5. Bonds Payable, (continued)

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

	<u>2016</u>	<u>2015</u>
Series 2008 A	\$143,059	\$171,156
Series 2008 B	62,994	238,321
Series 2012	95,656	104,356
Series 2016 A	<u>5,600</u>	
	<u>307,309</u>	<u>513,833</u>
Amortization of Deferred (Gains)/Losses on Refunding:		
1986 Refunding		
2003 NJWWTT Refunding		
2012 Refunding	<u>62,411</u>	<u>36,993</u>
	<u>369,720</u>	<u>550,826</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 unfunded 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 Rate</u>
\$90,000	2016	4.000%
95,000	2017	4.000
95,000	2018	4.000

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

5. Bonds Payable, (continued)

The unrefunded portion of the Series B Bonds are dated September 15, 2008 and are issued as capital appreciation bonds in the aggregate principal amount of \$18,814,743.40. The Series B Bonds will accrue interest beginning on the date of delivery, and will have interest rates and will mature in various principal amounts as described in the following table with interest payable only at maturity.

<u>Date</u>	<u>Original Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Maturity Amount</u>
12/1/16	\$973,941	3.970%	\$371,059	\$1,345,000
12/1/17	1,037,128	4.120%	472,872	1,510,000
12/1/18	1,045,824	4.270%	564,176	1,610,000
12/1/19	1,128,900	4.430%	716,100	1,845,000
12/1/20	1,147,604	4.580%	847,396	1,995,000
12/1/21	1,138,242	4.690%	961,758	2,100,000
12/1/22	1,069,141	4.790%	1,025,859	2,095,000
12/1/23	1,263,940	4.830%	1,356,060	2,620,000
12/1/24	1,193,410	4.910%	1,426,590	2,620,000
12/1/25	1,125,500	4.970%	1,494,500	2,620,000
12/1/26	1,060,209	5.030%	1,559,791	2,620,000
12/1/27	997,565	5.090%	1,622,435	2,620,000
12/1/28	937,515	5.150%	1,682,485	2,620,000
12/1/29	881,866	5.200%	1,738,134	2,620,000
12/1/30	826,924	5.260%	1,793,076	2,620,000
12/1/31	776,254	5.310%	1,843,746	2,620,000
12/1/32	782,176	5.360%	2,032,824	2,815,000
12/1/33	735,124	5.390%	2,074,876	2,810,000
12/1/34	693,480	5.410%	2,116,520	2,810,000
	<u>18,814,743</u>		<u>25,700,257</u>	<u>44,515,000</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

5. Bonds Payable, (continued)

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

<u>Maturity</u>	<u>Original Principal</u>	<u>Accreted Principal 11/30/16</u>	<u>Carrying Value 11/30/16</u>
12/1/16	\$973,941	\$371,059	\$1,345,000
12/1/17	1,037,128	412,517	1,449,645
12/1/18	1,045,824	433,718	1,479,542
12/1/19	1,128,900	488,833	1,617,733
12/1/20	1,147,604	516,864	1,664,468
12/1/21	1,138,242	527,289	1,665,531
12/1/22	1,069,141	507,870	1,577,011
12/1/23	1,263,940	609,386	1,873,326
12/1/24	1,193,410	583,919	1,777,329
12/1/25	1,125,500	558,767	1,684,267
12/1/26	1,060,209	534,009	1,594,218
12/1/27	997,565	509,669	1,507,234
12/1/28	937,515	485,800	1,423,315
12/1/29	881,866	462,351	1,344,217
12/1/30	826,924	439,610	1,266,534
12/1/31	776,254	417,444	1,193,698
12/1/32	782,176	425,431	1,207,607
12/1/33	735,124	402,561	1,137,685
12/1/34	693,480	381,514	1,074,994
	<u>18,814,743</u>	<u>9,068,611</u>	<u>27,883,354</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

5. Bonds Payable, (continued)

Redemption

The Series B Bonds that mature on or before December 1, 2034 are not subject to redemption prior to maturity.

Series 2012 Wastewater Revenue Refunding Bonds

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

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$702,859. This difference, reported in the financial statements as a deferred outflow of resources, is being amortized as a component of interest expense through the year 2027 using the straight-line method.

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

5. Bonds Payable, (continued)

Series 2016 Wastewater Facilities Revenue Refunding Bonds

On June 8, 2016, the Authority issued \$3,390,000 Wastewater Facilities Revenue Refunding Bonds, Series A, and \$4,975,058 Wastewater Facilities Revenue Refunding Bonds, Series B. These Bonds were issued to provide funds to finance: (i) the advance refunding of \$3,345,000 of the Authority's Wastewater Facilities Revenue Bonds, Series 2008 A; (ii) the advance refunding of \$4,821,911 of the Authority's Wastewater Facilities Revenue Bonds, Series 2008 B (Capital Appreciation Bonds); (iii) the premium for the Bond Reserve Surety Bonds to satisfy the Bond Reserve Requirement; and (iv) the costs and expenses incurred in connection with the issuance of the Bonds.

The refunding resulted in a reduction in aggregate debt service payments over the life of the Bonds of \$4,647,673 and achieved a net present value debt service savings of \$2,524,238.

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

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

SERIES A MATURITY SCHEDULE

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

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

Mandatory Sinking Fund Redemption

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

Term Bonds due December 1, 2028

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

Term Bonds due December 1, 2030

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

Term Bonds due December 1, 2032

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

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

Term Bonds due December 1, 2035

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

Term Bonds due December 1, 2039

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

*Term Bond, final maturity.

The Series B Bonds are dated June 8, 2016 and are issued as capital appreciation bonds in the aggregate principal amount of \$4,975,058. The Series B Bonds will accrue interest beginning on the date of delivery, and will have interest rates and will mature in various principal amounts as described in the following table, with interest payable only at maturity:

<u>Date</u>	<u>Original Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Maturity Amount</u>
12/1/35	\$1,082,319	3.190%	\$922,681	\$2,005,000
12/1/36	1,036,004	3.250%	968,996	2,005,000
12/1/37	992,595	3.300%	1,012,405	2,005,000
12/1/38	949,520	3.330%	1,045,480	1,995,000
12/1/39	914,620	3.360%	1,085,380	2,000,000
	<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, 2016
(Continued)

5. Bonds Payable, (continued)

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

<u>Maturity</u>	<u>Original Principal</u>	<u>Accreted Principal 11/30/16</u>	<u>Carrying Value 11/30/16</u>
12/1/35	\$1,082,319	\$16,581	\$1,098,900
12/1/36	1,036,004	16,180	1,052,184
12/1/37	992,595	15,720	1,008,315
12/1/38	949,520	15,182	964,702
12/1/39	<u>914,620</u>	<u>14,760</u>	<u>929,380</u>
	<u>4,975,058</u>	<u>78,423</u>	<u>5,053,481</u>

	<u>Balance 11/30/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 11/30/16</u>	<u>Amount Due Within One Year</u>
<u>Solid Waste Facilities Fund</u>					
2006 Series Revenue Bonds	<u>\$7,366,613</u>	<u>\$163,387</u>	<u>\$3,760,000</u>	<u>\$3,770,000</u>	<u>\$3,770,000</u>

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

	<u>2016</u>	<u>2015</u>
2006 Series	<u>\$292,675</u>	<u>\$451,302</u>

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

The 2006 Bonds were issued to provide funds that will be used, with other available funds of the Authority, to finance planned expansion and upgrades to the Authority's solid waste system, and to pay the costs of issuance of the Bonds. The 2006 Bonds are capital appreciation bonds which were

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

5. Bonds Payable, (continued)

issued by the Authority in the aggregate principal amount of \$14,997,820. The Bonds will accrue interest beginning on the date of delivery, and will have interest rates and will mature in various principal amounts as described in the following table with interest payable at maturity.

<u>Date</u>	<u>Original Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Maturity Amount</u>
12/1/16	<u>\$2,373,404</u>	4.480%	<u>\$1,396,596</u>	<u>\$3,770,000</u>

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

<u>Maturity</u>	<u>Original Principal</u>	<u>Accreted Principal 11/30/16</u>	<u>Carrying Value 11/30/16</u>
12/1/16	<u>\$2,373,404</u>	<u>\$1,396,596</u>	<u>\$3,770,000</u>

Principal and interest due on outstanding bonds is as follows:

Upper Wallkill Facilities Fund

<u>Fiscal Year</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	2.00-4.00%	\$1,725,000	\$221,462	\$1,946,462
2018	2.00-4.12%	1,844,645	271,711	2,116,356
2019	2.00-4.27%	1,879,542	329,039	2,208,581
2020	3.00-4.43%	1,847,733	415,373	2,263,106
2021	3.00-4.58%	1,904,468	510,363	2,414,831
2022-2026	3.00-4.97%	9,897,464	4,237,589	14,135,053
2027-2031	3.375-5.26%	8,715,518	6,461,666	15,177,184
2032-2036	3.19-5.41%	6,807,884	7,573,069	14,380,953
2037-2040	3.00-3.60%	<u>4,814,581</u>	<u>4,103,069</u>	<u>8,917,650</u>
		<u>39,436,835</u>	<u>24,123,341</u>	<u>63,560,176</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

5. Bonds Payable, (continued)

Solid Waste Facilities Fund

<u>Fiscal</u> <u>Year</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	4.480%	<u>\$3,450,307</u>	<u>\$319,693</u>	<u>\$3,770,000</u>

6. Note Payable

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

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

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

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).

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

7. Pension Plans, (continued)

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 1/60 of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

7. Pension Plans, (continued)

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.

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

<u>Fiscal</u> <u>Year</u>	<u>PERS</u>	<u>DCRP</u>
2016	\$353,818	\$0.00
2015	366,577	0.00
2014	279,694	0.00

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

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

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

Public Employees Retirement System (PERS)

At November 30, 2016, the Authority reported a liability of \$12,383,721 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the Authority's proportion was .0418126938 percent, which was an increase of .0006582316 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Authority recognized pension expense of \$1,312,345. At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$230,300	
Changes of assumptions	2,565,245	
Net difference between projected and actual earnings on pension plan investments	472,203	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	<u>857,251</u>	<u>414,660</u>
Total	<u>\$4,124,999</u>	<u>\$414,660</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(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, 2016) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended December 31:	
2017	\$735,704
2018	735,704
2019	852,337
2020	716,088
2021	227,915

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 5.57, 5.72 and 6.44 years for 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances at December 31, 2016 and 2015 are as follows:

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
Collective deferred outflows of resources	\$8,685,338,380	\$3,578,755,666
Collective deferred inflows of resources	870,133,595	993,410,455
Collective net pension liability	29,617,131,759	22,447,996,119
Authority's Proportion	.0418126938%	.0411544622%

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

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

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

Public Employees Retirement System (PERS), (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.08 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	7.65 Percent

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
 (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 (7.65% at June 30, 2016) 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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Returns	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(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 3.98% and 4.90% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, 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, 2016 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, 2016		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>2.98%</u>	<u>3.98%</u>	<u>4.98%</u>
Authority's proportionate share of the pension liability	\$15,174,804	\$12,383,721	\$10,079,439

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, 2016
(Continued)

8. Post-retirement Medical Benefits

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

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

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

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

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

Basis of Accounting

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

8. Post-retirement Medical Benefits, (continued)

Investment Valuation

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

Significant Legislation

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

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

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

Post-Retirement Medical Benefits Contribution

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

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Authority's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended November 30, 2016, 2015 and 2014 were \$414,600, \$333,579 and \$260,665, respectively, which equaled the required contributions for each year. In addition, the Authority's reimbursements to eligible retired employees for Medicare Part B insurance coverage for the years ended November 30, 2016, 2015 and 2014 were \$31,470, \$31,246 and \$25,596, respectively.

9. **Deferred Compensation Plan**

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

10. Unamortized Bond Premiums

The Authority received a net premium of \$34,954 on its issuance of the Series 2008 A and B Bonds, \$100,730 on the issuance of the Series 2012 Wastewater Revenue Refunding Bonds, and \$350,417 on the issuance of the Series 2016 A and B Wastewater Revenue Refunding Bonds. At November 30, 2016, the balance which remains to be amortized over the life of the Bonds using the straight-line method is \$444,478. The unamortized balance is reported in the financial statements as a deferred inflow of resources.

11. Closure and Postclosure Care Cost

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

As of November 30, 2016, the Authority reported \$(212,482) 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, 2016, cash and cash equivalents, investments and receivables of \$10,321,993 are held for these purposes. These are reported as restricted assets on the balance sheet. The Authority calculates future inflation costs in determining the annual contributions. This calculation is required to be performed every two years and submitted to the DEP for its approval.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

12. Reserves Required by Bond Resolution

Upper Wallkill Facilities Fund:

The following reserves are required by the bond resolution:

Operating Requirement:	\$1,063,750
Funded by:	
Cash, Cash Equivalents and Investments	<u>1,063,750</u>
Excess/(Deficit)	<u>-0-</u>
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:	1,482,899
Funded by:	
Cash, Cash Equivalents and Investments	<u>1,482,899</u>
Excess/(Deficit)	<u>-0-</u>
Current Debt Service Requirement:	1,353,941
Funded by:	
Cash, Cash Equivalents and Investments	<u>1,353,941</u>
Excess/(Deficit)	<u>-0-</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

12. Reserves Required by Bond Resolution, (continued)

Solid Waste Facilities Fund:

The following cash reserves are required by the bond resolution:

Future Debt Service (Bond Reserve) Requirement:	\$1,499,782
Funded by:	
Insurance Policy with MBIA Insurance ⁽¹⁾	1,499,782
Excess/(Deficit)	<u>-0-</u>
Revenue Fund Requirement:	1,987,500
Funded by:	
Cash, Cash Equivalents and Investments	1,987,500
Excess/(Deficit)	<u>-0-</u>
Renewal and Replacement Requirement:	1,168,667
Funded by:	
Cash, Cash Equivalents and Investments	1,168,667
Excess/(Deficit)	<u>-0-</u>
Current Debt Service Requirement:	2,373,404
Funded by:	
Cash, Cash Equivalents and Investments	2,373,404
Excess/(Deficit)	<u>-0-</u>

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

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, 2016
(Continued)

14. Other Matters

Solid Waste Facilities

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

	<u>Tipping Fee</u> <u>Revenues</u>	<u>Tonnage</u>
2012	\$10,713,626	102,229 tons
2013	10,980,880	103,732 tons
2014	10,670,725	99,902 tons
2015	10,206,407	95,114 tons
2016	10,620,209	98,527 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	6,000,000
Pollution - Legal	1,000,000
Underground Storage Tank	1,000,000

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(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:

<u>Fiscal Year</u> <u>Ending</u>	<u>Authority</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Interest</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
11-30-14	-0-	5,554	619	639	621,977
11-30-15	-0-	5,662	546	4,012	624,173
11-30-16	-0-	6,193	547	778	630,135

16. Designation of Unrestricted Net Position

As of November 30, 2016, the Authority's accounts maintain funds that, although may be spent for any lawful purpose by the Authority, have been designated by the Board for the following purposes and amounts:

	<u>Upper Walkkill</u> <u>Facilities</u>	<u>Solid Waste</u> <u>Facilities</u>	<u>Hampton</u> <u>Commons</u> <u>Facilities</u>	<u>Walkkill</u> <u>Watershed</u> <u>Project</u>	<u>Total</u>
Workers Compensation	9,439				9,439
Vernon Twp. Rate Stabilization	416,447				416,447
Walkkill Watershed Projects				209,338	209,338
Appropriated in subsequent year's budget			7,000		7,000
	<u>425,886</u>	<u>-0-</u>	<u>7,000</u>	<u>209,338</u>	<u>642,224</u>

At November 30, 2016, the Authority reported a total amount of \$642,224 of Unrestricted Net Position - Designated for the purposes described above.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(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, 2016 and 2015:

<u>2016</u>	<u>Upper Wallkill</u>	<u>Solid Waste</u>	<u>Hampton Commons</u>	<u>Total</u>
Accrued Unfunded Pension Adjustments	(\$3,171,170)	(\$5,873,670)	\$ -	(\$9,044,840)
Available for Use in Future Budgets	<u>3,061,913</u>	<u>1,989,259</u>	<u>133,061</u>	<u>5,184,233</u>
Total	<u>(\$109,257)</u>	<u>(\$3,884,411)</u>	<u>\$133,061</u>	<u>(\$3,860,607)</u>
<u>2015</u>	<u>Upper Wallkill</u>	<u>Solid Waste</u>	<u>Hampton Commons</u>	<u>Total</u>
Accrued Unfunded Pension Adjustments	(\$2,872,662)	(\$5,213,651)	\$ -	(\$8,086,313)
Available for Use in Future Budgets	<u>2,763,205</u>	<u>1,732,476</u>	<u>123,160</u>	<u>4,618,841</u>
Total	<u>(\$109,457)</u>	<u>(\$3,481,175)</u>	<u>\$123,160</u>	<u>(\$3,467,472)</u>

17. Subsequent Events

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

On December 1, 2016, the Authority made a loan of \$1,000,000 from its Solid Waste Facilities General Fund to its Paulins Kill Basin Water Reclamation System. This loan is evidenced by the Paulins Kill Basin Water Reclamation System Project Note No. PN-2016-1. This note was issued in the principal amount of \$1,000,000. The note is dated December 1, 2016, bears interest at a rate of 1.25% per annum and matures on November 30, 2017.

Additionally on December 1, 2016, the Authority paid \$10,577,360 for principal and interest to retire its maturing Paulins Kill Basin Water Reclamation System Project Note, Series 2015.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)

17. Subsequent Events, (continued)

On April 5, 2017, the Authority passed a resolution determining the form and other details of its "Note Relating to the Construction Financing Program of the New Jersey Environmental Infrastructure Trust" authorizing an amount of up to \$11,500,000, and providing for the issuance and sale of such note to the New Jersey Environmental Infrastructure Trust. The Authority is applying to the New Jersey Environmental Infrastructure Trust for \$8,500,000 for its Landfill Expansion Project due to the costs coming in less than projected.

The Authority has evaluated subsequent events through March 7, 2017, the date which the financial statements were available to be issued and no additional items, except as noted above, were noted for disclosure.

Required Supplementary Information

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

	2016	2015	2014
Authority's proportion of the net pension liability (asset)	0.0418126938%	0.0411544622%	0.0444666926%
Authority's proportionate share of the net pension liability (asset)	\$ 12,383,721	\$ 9,238,352	\$ 8,325,381
Authority's covered payroll - PERS	\$ 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	392.68%	309.14%	294.76%
Plan fiduciary net position as a percentage of the total pension liability	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>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 353,818.00	\$ 366,577.00	\$ 279,694.00
Contributions in relation to the contractually required contribution	<u>\$ (353,818.00)</u>	<u>\$ (366,577.00)</u>	<u>\$ (279,694.00)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll - PERS	\$ 3,153,643	\$ 2,988,385	\$ 2,824,420
Contributions as a percentage of covered payroll	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, 2016

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 4.90% to 3.98%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

Supplemental Schedules

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2016

	Business-Type Activities Enterprise Funds										Internal Service Fund
	Upper Wastewater System	Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulins Kill Water Reclamation Project	Other Sewer Companies	Walkkill Watershed Project	Total			
Assets:											
Current Assets:											
Unrestricted:											
Cash and Cash Equivalents	3,729,341	1,759,786	140,918	4,646	196,104	5,830,795	202,108				
Accounts Receivable (Net)	201,427	698,419				899,846					
Prepaid Expenses	17,570	18,848	247		620	37,285	5,454				
Due from State of New Jersey		143,320				143,320					
Due from Central Services	78,936	104,374	2,192		14,084	199,586					
Total Unrestricted Current Assets:	4,027,274	2,724,747	143,357	4,646	210,808	7,110,832	207,562				
Restricted:											
Construction Account											
Cash and Cash Equivalents											
Due from Central Services											
Phase II Construction Account:											
Cash and Cash Equivalents	1,398,004	99,461				1,497,465					
Phase III Construction Account:											
Cash and Cash Equivalents	259,588					259,588					
Renewal and Replacement Account:											
Cash and Cash Equivalents	1,482,899	1,168,667	46,408			2,697,974					
Cost of Issuance Account:											
Cash and Cash Equivalents	8,583					8,583					
Current Debt Service Accounts:											
Cash and Cash Equivalents	1,837,608	3,770,000			10,048,086	15,655,694					
Due from Central Services					1,166	1,166					
Due from USDA					553,123	553,123					

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2016

	Business-Type Activities Enterprise Funds							Internal Service Fund
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulins Kill Water Reclamation Project	Other Sewer Companies	Walkill Watershed Project	Total	
Retained Percentages Account:								
Cash and Cash Equivalents		7,437		358,538			365,975	
Planning Fund:								
Cash and Cash Equivalents								
Operations:								
Cash and Cash Equivalents	1,063,750	1,987,500					3,051,250	
Cell Closure Account:								
Cash and Cash Equivalents		381,714					381,714	
Due from Central Services		1,400					1,400	
Landfill Postclosure Account:								
Cash and Cash Equivalents		97,070					97,070	
Investments		10,224,923					10,224,923	
Unemployment Trust Account:								
Cash and Cash Equivalents								249,261
Investments								380,874
Due From Unrestricted Funds								
Total Restricted Current Assets:	6,050,432	17,738,172	46,408	10,960,913	-	-	34,795,925	630,135
Total Current Assets	10,077,706	20,462,919	189,765	10,960,913	4,646	210,808	41,906,757	837,697

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2016

	Business-Type Activities Enterprise Funds										Internal Service Fund	
	Upper Walkkill Wastewater System		Hampton Commons Wastewater System		Paulinus Kill Water Reclamation Project		Other Sewer Companies		Walkkill Watershed Project			Total
Non-Current Assets												
Capital Assets:												
Land	573,834	2,770,568	32,741	455,281							3,832,424	
Improvements	22,977,261	47,864,675									70,841,936	
Buildings	40,294,624	12,902,153	510,231								53,707,008	
Machinery and Equipment	11,073,135	7,533,400	742,270								19,348,805	
Accumulated Depreciation	(43,720,523)	(58,587,411)	(1,063,602)								(103,371,536)	
Construction in Progress	213,379	10,136		12,273,393							12,496,908	
Total Non-Current Assets	31,411,710	12,493,521	221,640	12,728,674							56,855,545	
Total Assets	41,489,416	32,956,440	411,405	23,689,587	4,646			210,808			98,762,302	837,697
Deferred Outflows of Resources:												
Deferred Outflows - PERS	1,023,126	3,101,873									4,124,999	
Deferred Losses on Early Retirement of Debt	1,516,261										1,516,261	
Total Deferred Outflows of Resources	2,539,387	3,101,873									5,641,260	

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2016

	Business-Type Activities Enterprise Funds							Total	Internal Service Fund
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulinus Kill Water Reclamation Project	Other Sewer Companies	Walkkill Watershed Project			
Liabilities:									
Current Liabilities:									
Payable from Unrestricted Assets:									
Payroll Taxes Payable									1,618
Accounts Payable	231,770	227,221	3,296			1,470	463,757	3,792	
Accounts Payable - PERS	118,301	253,157					371,458		
Due to Other Funds									202,152
Other Accounts: Escrow Deposits					4,646		4,646		
Total Current Liabilities Payable from Unrestricted Assets	350,071	480,378	3,296	-	4,646	1,470	839,861	-	207,562
Payable from Restricted Assets:									
Accounts Payable: Cell Closure		8,274					8,274		
Accounts Payable				128,608			128,608		
Retainage Payable				358,538			358,538		
Leases Payable		1,149,686					1,149,686		
Bonds and Loans Payable - Current Portion	1,725,000	3,770,000		57,437			5,552,437		
Project Note Payable				10,210,000			10,210,000		
Accrued Interest on Bonds, Notes and Loans	483,667	1,396,596		392,375			2,272,638		
Total Current Liabilities Payable from Restricted Assets	2,208,667	6,324,556	-	11,146,938	-	-	19,680,181	-	-
Total Current Liabilities	2,558,738	6,804,934	3,296	11,146,938	4,646	1,470	20,520,042	-	207,562

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2016

	Business-Type Activities Enterprise Funds							Internal Service Fund
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulinus Kill Water Reclamation Project	Other Sewer Companies	Walkill Watershed Project	Total	
Non-Current Liabilities:								
Revenue and Revenue Refunding Bonds Payable	37,711,835			7,767,563			37,711,835	
USDA Loans Payable							7,767,563	
Loans Payable to County of Sussex:								
Planning Loan	343,599	8,439,786					343,599	
Net Pension Liability	3,943,533						12,383,721	
Accrued Liabilities - Closures and Postclosure Costs	307,705	10,909,315					10,909,315	
Accrued Liabilities - Compensated Absences		508,267					815,972	
Total Non-Current Liabilities	42,307,074	19,857,368	-	7,767,563	-	-	69,932,005	-
Total Liabilities	44,865,812	26,662,302	3,296	18,914,521	4,646	1,470	90,452,047	207,562
Deferred Inflows of Resources:								
Deferred Inflows - PERKS	132,060	282,600					414,660	
Bond Premium - Net	444,478						444,478	
Total Deferred Inflows of Resources	576,538	282,600	-	-	-	-	859,138	-
Net Position:								
Invested in Capital Assets, net of related debt Restricted:	(5,630,766)	7,680,733	221,640	4,775,066			7,046,673	
Current Debt Service	1,353,941	2,373,404					3,727,345	
Renewal and Replacement	1,482,899	1,168,667	46,408				2,697,974	
Operations	1,063,750	1,987,500					3,051,250	
Landfill Cell Closure/Postclosure Unemployment Insurance		(212,482)					(212,482)	630,135
Unrestricted:								
Designated	425,886		7,000			209,338	642,224	
Undesignated	(109,257)	(3,884,411)	133,061				(3,860,607)	
Total Net Position	(1,413,547)	9,113,411	408,109	4,775,066	-	209,338	13,092,377	630,135

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2016

	Business-Type Activities							Internal Service Fund
	Enterprise Funds							
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulinus Kill Water Reclamation Project	Other Sewer Companies	Walkkill Watershed Project	Total	
Operating Revenues								
User Charges	4,979,503		169,035					5,148,538
Treatment of Sludge, Septage and Leachate	961,595							961,595
Operating and Maintenance Charges-Municipal	83,500							83,500
Tipping Fees		10,619,026						10,619,026
Recycling Markets		210,276						210,276
Connection Fees	154,402							154,402
Operating Grants	12,718	143,320			351,469			494,789
Finance Charges	21	8	31					12,718
Interest	32,742	192,340						60
Other								225,082
	6,224,481	11,164,970	169,066	-	351,469	-		17,909,986
Operating Expenses								
Administration, Operating, Maintenance and Reserves	4,059,279	7,102,309	151,207		293,259			11,606,054
Depreciation Expense	2,888,222	2,555,693	60,131					5,504,046
	6,947,501	9,658,002	211,338	-	293,259	-		17,110,100
	(723,020)	1,506,968	(42,272)	-	58,210	-		799,886
Operating Income								6,740

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2016

	Business-Type Activities							Internal Service Fund
	Enterprise Funds							
	Upper Wastewater System	Hampton Commons Wastewater System	Paulins Kill Water Reclamation Project	Other Sewer Companies	Wallkill Watershed Project	Total		
Non-Operating Revenues (Expenses)								
Interest on Investments		178,265						178,265
Renewal and Replacement Appropriation	100,000	6,000						106,000
Budget Approp. - Vernon Rate Stabilization	52,774							52,774
Other Non-Operating Revenue		52,322						52,322
Interest Expense	(369,720)							(662,395)
Accrued Interest on Capital Appreciation Bonds	(1,505,520)							(1,505,520)
Amortization of Bond Discount, Premiums	15,354							15,354
Investment Expenses		(78,291)						(78,291)
Unemployment Claims								
Renewal and Replacement Expenses		(44,655)						(44,655)
Cell Closure Expenditures (Net)		4,475,282						4,475,282
Postclosure Expenditures (Net)		2,348,997						2,348,997
Other Non-Operating Expenses	(168,140)	(99,191)						(227,331)
Loss on Disposal of Fixed Assets		(5,560)						(5,560)
Total Non-Operating Revenues (Expenses)	(1,875,252)	6,566,827	13,667	-	-	-	-	4,705,242
Income (Loss) Before Contributions and Transfers	(2,598,272)	8,073,795	(28,605)	-	58,210	-	-	5,962
Capital Contributions								
Transfers In						4,756,479		4,756,479
Transfers Out								
Change in Net Position	(2,598,272)	8,073,795	(28,605)	-	58,210	-	-	5,962
Net Position - Beginning	1,184,725	1,039,616	436,714	-	18,587	-	-	2,669,642
Net Position - Ending	(1,413,547)	9,113,411	408,109	-	209,338	-	-	13,092,377

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2016

	Business-Type Activities							Internal Service Fund
	Enterprise Funds							
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulinus Kill Water Reclamation Project	Other Sewer Companies	Walkkill Watershed Project	Total	
Cash Flows from Operating Activities:								
Cash received from customers	6,445,043	10,743,637	176,581				17,365,261	
Cash received from State of NJ		143,320					143,320	
Other operating grants	185,516	192,340			351,469		351,469	
Other operating receipts	21	178,273	30				377,856	
Interest Received							178,324	
Cash payments to suppliers, employees and professional contractors	(3,680,149)	(6,394,536)	(151,413)		(303,074)		(10,529,172)	
Cash payments for other operating expenses	(269,463)	(276,677)					(546,140)	
Net Cash Provided by (Used in) Operating Activities	2,680,968	4,586,357	25,198	-	48,395	-	7,340,918	
Cash Flows from Financing Activities:								
Bond Sale Proceeds	117,317						117,317	
Bond Issue Costs Paid	(108,734)						(108,734)	
USDA Grants Received				4,203,356			4,203,356	
USDA Loans Received				7,825,000			7,825,000	
County Loan Payments	(75,059)						(75,059)	
Bond Principal Payments	(1,665,000)	(3,760,000)					(5,425,000)	
Net Cash Provided by (Used in) Financing Activities	(1,731,476)	(3,760,000)	-	12,028,356	-	-	6,536,880	

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2016

	Business-Type Activities										Internal Service Fund
	Enterprise Funds										
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulinus Kill Water Reclamation Project	Other Sewer Companies	Walkkill Watershed Project	Total				
Cash Flows from Investing Activities:											
Capital Expenditures	(323,480)	(498,645)	(5,958)	(4,633,867)	-	-	(5,461,950)				
Renewal and Replacement Fund Sales (purchases) of investments		(298,230)	13,667				13,667				(534)
Net Cash Provided by (Used in) Investing Activities	(323,480)	(796,875)	60,704	(4,633,867)	-	-	(5,693,518)				(534)
Net Increase (Decrease) in Cash and Cash Equivalents	626,012	29,482	85,902	7,394,489	-	48,395	8,184,280				(3,652)
Cash and Cash Equivalents-Beginning of Year	9,153,761	9,242,153	101,424	3,012,135	4,646	147,709	21,661,828				455,021
Cash and Cash Equivalents-End of Year	9,779,773	9,271,635	187,326	10,406,624	4,646	196,104	29,846,108				451,369
Classified As:											
Current Assets	3,729,341	1,759,786	140,918	-	4,646	196,104	5,830,795				202,108
Restricted Assets	6,050,432	7,511,849	46,408	10,406,624	-	-	24,015,313				249,261
	9,779,773	9,271,635	187,326	10,406,624	4,646	196,104	29,846,108				451,369

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2016

	Business-Type Activities										Internal Service Fund
	Enterprise Funds										
	Upper Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulinus Kill Water Reclamation Project	Other Sewer Companies	Walkkill Watershed Project	Total				
Operating Income	(723,020)	1,506,968	(42,272)	-	-	58,210	799,886				6,740
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:											
Depreciation and Amortization	2,888,222	2,555,693	60,131				5,504,046				
Pension Adjustment - PERS	298,508	660,019					958,527				
Unemployment Claims											(778)
Interest Received on Non-Operating Investments		178,265					178,265				
Interest Paid	(307,309)						(307,309)				
Other Non-Operating Income	152,774						152,774				
Other Non-Operating Expenses		(267,388)					(267,388)				
Decrease (Increase) In:											
Accounts and Accrued Interest Receivable	253,325	(85,665)	7,546				175,206				
Due from Central Services	(5,480)	(4,351)	(167)				(11,855)				
Prepaid Expenses	(633)	2,148	(10)				1,346				
Increase (Decrease) In:											
Current Liabilities Payable from Unrestricted Assets	97,278	36,753	(30)				126,202				
Current Liabilities Payable from Restricted Assets	37,846	(9,241)					28,605				
Non-Current Liabilities	(10,543)	13,156					2,613				
Net Cash Provided by (Used in) Operating Activities	2,680,968	4,586,357	25,198	-	-	48,395	7,340,918				(3,118)

Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities
 Operating Income
 Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:
 Depreciation and Amortization
 Pension Adjustment - PERS
 Unemployment Claims
 Interest Received on Non-Operating Investments
 Interest Paid
 Other Non-Operating Income
 Other Non-Operating Expenses
 Decrease (Increase) In:
 Accounts and Accrued Interest Receivable
 Due from Central Services
 Prepaid Expenses
 Increase (Decrease) In:
 Current Liabilities Payable from Unrestricted Assets
 Current Liabilities Payable from Restricted Assets
 Non-Current Liabilities

Net Cash Provided by (Used in) Operating Activities

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

UPPER WALLKILL FACILITIES FUND

SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

RESTRICTED AND UNRESTRICTED

FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016

	Unrestricted	Invested in Capital Assets	Current Debt Service	Renewal and Replacement	Operations	Total
Operating Revenue:						
User Charges - Sewer	4,979,503					4,979,503
Treatment of Sludge	92,895					92,895
Treatment of Septage	643,244					643,244
Treatment of Leachate	225,456					225,456
Operating and Maintenance Charges	83,500					83,500
Connection Fees	154,402					154,402
Other	32,742					32,742
Interest	21					21
Finance Charges	12,718					12,718
	6,224,481	0	0	0	0	6,224,481
Operating Expenses:						
Cost of Providing Services	3,264,250					3,264,250
Administrative and General Expense	642,255					642,255
Reserves	152,774					152,774
Depreciation	2,888,222					2,888,222
	6,947,501	0	0	0	0	6,947,501
Operating Income	(723,020)	0	0	0	0	(723,020)

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, 2016

	Unrestricted	Invested in Capital Assets	Current Debt Service	Renewal and Replacement	Operations	Total
Non-Operating Revenue:						
Budget Appropriation - Reserve for Vernon Rate Stabilization	52,774			100,000		52,774 100,000
Budget Appropriation - R&R						
Non-Operating Expenses:						
Interest Expense	(307,309)					(307,309)
Accretion		(1,505,520)				(1,505,520)
Bond Issuance Costs	(168,140)					(168,140)
Other Expenses						0
Amortization	(47,057)					(47,057)
Net Income/(Loss) Before Transfers	(1,192,752)	(1,505,520)	0	100,000	0	(2,598,272)
Transfers:						
Other	1,245,727	(1,261,257)	(42,994)	(17,101)	75,625	0
Increase (Decrease) in Net Position	52,975	(2,766,777)	(42,994)	82,899	75,625	(2,598,272)
Net Position - December 1,	263,654	(2,863,989)	1,396,935	1,400,000	988,125	1,184,725
Net Position - November 30,	316,629	(5,630,766)	1,353,941	1,482,899	1,063,750	(1,413,547)
Designated	425,886					
Undesignated	(109,257)					
	316,629					

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, 2016

	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, 2015	1,519,021	167,680	86	400	1,439,754	363,672	
Cash Receipts:							
User and Other Charges		6,477,604			100,005	52,774	117,317
Other	3	74,375			9,096		
Transfers	6,536,296	4,045,966					
Total Cash Receipts	6,536,299	10,597,945	-	-	109,101	52,774	117,317
Cash and Investments Available	8,055,320	10,765,625	86	400	1,548,855	416,446	117,317
Cash Disbursements:							
Operations		4,027,154					
Bond Interest Payments							
Bond Principal Payments							
Other							108,734
Transfers	6,563,302	6,536,296			65,956		
Total Cash Disbursements	6,563,302	10,563,450	-	-	65,956	-	108,734
Cash, Cash Equivalents and Investments - November 30, 2016	1,492,018	202,175	86	400	1,482,899	416,446	8,583
Analysis of Balance:							
Unrestricted	428,268	202,175	86	400	-	416,446	-
Restricted	1,063,750	-	-	-	1,482,899	-	8,583
Cash and Cash Equivalents Investments	1,492,018	202,175	86	400	1,482,899	416,446	8,583
Analysis of Restricted Accounts: Operations	1,063,750						
	1,063,750						

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

UPPER WALLKILL FACILITIES FUND
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED AND RESTRICTED ACCOUNTS
FOR THE YEAR ENDED NOVEMBER 30, 2016

	Phase II Construction	Debt Service	Future Debt Service	Phase III Construction	General	Total
Cash, Cash Equivalents and Investments - December 1, 2015	1,492,303	1,833,104	1	386,667	1,951,073	9,153,761
Cash Receipts:						
User and Other Charges	1,355	1		675	8	6,477,604
Other Transfers	65,956	2,017,245			652,605	346,513
Total Cash Receipts	67,311	2,017,246	-	675	652,613	13,327,164
Cash and Investments Available	1,559,614	3,850,350	1	387,342	2,603,686	20,151,281
Cash Disbursements:						
Operations						4,027,154
Bond Interest Payments		269,463				269,463
Bond Principal Payments		1,665,000				1,665,000
Other Transfers	161,610			127,754		236,488
Total Cash Disbursements	161,610	1,934,463	-	127,754	-	13,327,164
Cash, Cash Equivalents and Investments - November 30, 2016	1,398,004	1,915,887	1	259,588	2,603,686	19,525,269
Analysis of Balance:						
Unrestricted	-	78,279	1	-	2,603,686	3,729,341
Restricted	1,398,004	1,837,608	-	259,588	-	6,050,432
Cash and Cash Equivalents Investments	1,398,004	1,915,887	1	259,588	2,603,686	9,779,773
	1,398,004	1,915,887	1	259,588	2,603,686	9,779,773

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITYUPPER WALLKILL FACILITIES FUNDSCHEDULE OF OPERATING REVENUES AND COSTFUNDED BY OPERATING REVENUES COMPARED TOBUDGET YEAR ENDED NOVEMBER 30, 2016WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2015

	<u>FY 2016</u> <u>Budget</u>	<u>FY 2016</u> <u>Budget After</u> <u>Modifications</u>	<u>FY 2016</u> <u>Actual</u>	<u>FY 2015</u> <u>Actual</u>
Revenues:				
User Charges - Sewers	4,979,500	4,979,500	4,979,503	4,952,000
Treatment of Sludge	76,000	76,000	92,895	85,661
Treatment of Septage	550,000	550,000	643,244	710,265
Treatment of Leachate	225,000	225,000	225,456	227,440
Connection Fees	225,000	225,000	154,402	243,655
Operating and Maintenance Charges to Municipalities	97,000	97,000	83,500	79,500
Other	39,000	39,000	32,742	25,846
Interest Income from Operating Investments			21	
Finance Charges			12,718	18,120
Total Operating Revenue	<u>6,191,500</u>	<u>6,191,500</u>	<u>6,224,481</u>	<u>6,342,487</u>
Expenses:				
Cost of Providing Services:				
(1) Salaries, Operating Staff	979,000	979,000	915,510	929,008
(2) Fringe Benefits, Operating Staff	534,000	534,000	439,302	405,974
(2) PERS	95,000	95,000	92,370	90,530
(3) Utilities	535,000	535,000	508,481	483,745
(4) Motor Vehicles & Equipment	16,000	16,000	10,029	14,215
(5) Stationary Equipment	62,000	62,000	38,394	56,184
(6) Electrical Equipment Maintenance Repair, Operating	22,000	22,000	19,345	13,509
(7) Insurance, Plant Operations	216,000	216,000	210,214	203,383
(8) Testing Services	7,500	7,500	7,241	6,471
(10) Outside Services	401,000	401,000	515,157	476,289
(11) Safety Equipment	6,000	6,000	4,319	2,358
(12) Chemicals & Wood Chips	128,000	128,000	114,825	131,986
(13) Miscellaneous Plant Supplies	20,500	20,500	14,481	22,142
(14) Taxes and Fees	55,500	55,500	52,072	60,458
(15) Laboratory Supplies	10,000	10,000	9,931	8,269
(16) Custodial Supplies	6,000	6,000	1,181	2,384
(17) Purchases Related to Operating and Maintenance Services	12,000	12,000	12,890	9,184
Subtotal Cost of Providing Services	<u>3,105,500</u>	<u>3,105,500</u>	<u>2,965,742</u>	<u>2,916,089</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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2015

	<u>FY 2016 Budget</u>	<u>FY 2016 Budget After Modifications</u>	<u>FY 2016 Actual</u>	<u>FY 2015 Actual</u>
Administrative Expenses:				
Seminars and Dues	3,200	3,200	4,344	2,226
Indirect Administrative Expenses	626,000	626,000	615,868	596,875
Engineering Consulting Fees	32,500	32,500	11,418	37,300
Trustee Fees	15,000	15,000		988
General Legal Fees	20,000	20,000	1,695	616
Office Supplies	3,000	3,000	3,491	1,720
Printing	400	400	262	129
Travel & Expenses, Administrative Staff	1,000	1,000	309	1,031
General Advertising	900	900	1,399	1,164
Personnel Services	5,000	5,000	3,469	5,128
Subtotal Administrative Expenses	<u>707,000</u>	<u>707,000</u>	<u>642,255</u>	<u>647,177</u>
Capital Outlay	<u>141,000</u>	<u>141,000</u>	<u>81,644</u>	<u>224,522</u>
Reserves:				
Renewal and Replacement	100,000	100,000	100,000	
Vernon Rate Stabilization	150,000	150,000	52,774	120,429
Subtotal Reserves	<u>250,000</u>	<u>250,000</u>	<u>152,774</u>	<u>120,429</u>
Debt Service:				
Interest Expense	634,000	634,000	307,309 ⁽¹⁾	513,833
Bond Principal	1,354,000	1,354,000	1,354,000	1,357,000
Subtotal Debt Service	<u>1,988,000</u>	<u>1,988,000</u>	<u>1,661,309</u>	<u>1,870,833</u>
Total Costs Funded by Operating Revenues	<u>6,191,500</u>	<u>6,191,500</u>	<u>5,503,724</u>	<u>5,779,050</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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2015

	<u>FY 2016 Budget</u>	<u>FY 2016 Budget After Modifications</u>	<u>FY 2016 Actual</u>	<u>FY 2015 Actual</u>
Excess or (Deficit) in Actual Revenues and Expenses			720,757	563,437
Reconciliation of Budgetary Basis To Change in Net Position:				
Depreciation			(2,888,222)	(2,890,773)
Amortization of:				
Bond Discount				
Deferred Gains/Losses on Early Extinguishment of Debt			(62,411)	(36,993)
Bond Premiums			15,354	6,467
Bond Issue Costs			(168,140)	
Accreted Interest - Capital Appreciation Bonds			(1,505,520)	(1,515,820)
Adjustment for Pension Expense			(298,508)	(118,073)
Capital Outlay			81,644	224,522
Other Non-Operating Revenues			100,000	13,037
Other Non-Operating Expenses				(100,000)
Vernon Rate Stabilization			52,774	120,429
Bond Principal Payments			<u>1,354,000</u>	<u>1,357,000</u>
			<u>(3,319,029)</u>	<u>(2,940,204)</u>
Change in Net Position			<u>(2,598,272)</u>	<u>(2,376,767)</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

UPPER WALLKILL FACILITIES FUND
SCHEDULE OF REVENUE BONDS PAYABLE
NOVEMBER 30, 2016

Description	Original Issue		Maturities			Issued 2015-2016	Accreted Principal	Paid or Refunded 2015-2016	Balance Nov. 30, 2016
	Date	Amount	Date	Rate	Amount				
2008 Wastewater Revenue Bonds (Series A)	09/15/08	4,095,000	12/01/16	4.000%	90,000				
			12/01/17	4.000%	95,000				
			12/01/18	4.000%	95,000				
					3,710,000			3,430,000	280,000
2008 Wastewater Revenue Bonds (Series B)	09/15/08	23,403,738	12/01/16	3.970%	1,345,000				
			12/01/17	4.120%	1,449,645				
			12/01/18	4.270%	1,479,542				
			12/01/19	4.430%	1,617,733				
			12/01/20	4.580%	1,664,468				
			12/01/21	4.690%	1,665,531				
			12/01/22	4.790%	1,577,011				
			12/01/23	4.850%	1,873,326				
			12/01/24	4.910%	1,777,329				
			12/01/25	4.970%	1,684,267				
			12/01/26	5.030%	1,594,218				
			12/01/27	5.090%	1,507,234				
			12/01/28	5.150%	1,423,315				
			12/01/29	5.200%	1,344,217				
		12/01/30	5.260%	1,266,534					
		12/01/31	5.310%	1,193,698					
		12/01/32	5.360%	1,207,607					
		12/01/33	5.390%	1,137,685					
		12/01/34	5.410%	1,074,994					
					31,937,805		1,427,097	5,481,548	27,883,354

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

UPPER WALLKILL FACILITIES FUND
SCHEDULE OF REVENUE BONDS PAYABLE
NOVEMBER 30, 2016

<u>Description</u>	<u>Original Issue</u>		<u>Maturities</u>			<u>Balance</u> <u>Dec. 1, 2015</u>	<u>Issued</u> <u>2015-2016</u>	<u>Accreted</u> <u>Principal</u>	<u>Paid or</u> <u>Refunded</u> <u>2015-2016</u>	<u>Balance</u> <u>Nov. 30, 2016</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	12/01/16	3.000%	290,000					
			12/01/17	3.000%	290,000					
			12/01/18	3.000%	295,000					
			12/01/19	4.000%	120,000					
			12/01/20	4.000%	125,000					
			12/01/21	4.000%	130,000					
			12/01/22	4.000%	135,000					
			12/01/23	3.125%	140,000					
			12/01/24	3.125%	145,000					
			12/01/25	3.125%	150,000					
			12/01/26	3.375%	155,000					
			12/01/27	3.375%	160,000					
			12/01/28	3.375%	165,000					
			12/01/29	3.625%	170,000					
			12/01/30	3.625%	175,000					
			12/01/31	3.625%	185,000					
						3,120,000			290,000	2,830,000

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

UPPER WALL KILL FACILITIES FUND
SCHEDULE OF REVENUE BONDS PAYABLE
NOVEMBER 30, 2016

Description	Original Issue		Date	Maturities Interest Rate	Amount	Balance Dec. 1, 2015	Issued 2015-2016	Accreted Principal	Paid or Refunded 2015-2016	Balance Nov. 30, 2016
	Date	Amount								
Wastewater Revenue Refunding Bonds - Series 2016A	05/11/16	3,390,000								
			12/01/17	2.000%	10,000					
			12/01/18	2.000%	10,000					
			12/01/19	3.000%	110,000					
			12/01/20	3.000%	115,000					
			12/01/21	3.000%	120,000					
			12/01/22	4.000%	120,000					
			12/01/23	4.000%	125,000					
			12/01/24	4.000%	125,000					
			12/01/25	4.000%	130,000					
			12/01/26	4.000%	140,000					
			12/01/27	4.000%	145,000					
			12/01/28	4.000%	150,000					
			12/01/29	4.000%	155,000					
			12/01/30	4.000%	165,000					
			12/01/31	4.000%	170,000					
			12/01/32	4.000%	175,000					
			12/01/33	4.000%	180,000					
			12/01/34	4.000%	190,000					
		12/01/35	4.000%	195,000						
		12/01/36	3.000%	205,000						
		12/01/37	3.000%	210,000						
		12/01/38	3.000%	220,000						
		12/01/39	3.000%	225,000						
							3,390,000			3,390,000

Wastewater Revenue Refunding Bonds - Series 2016B	05/11/16	4,975,058								
			12/01/35	3.190%	1,098,900					
			12/01/36	3.250%	1,052,184					
			12/01/37	3.000%	1,008,315					
			12/01/38	3.300%	964,702					
		12/01/39	3.360%	929,380						
							4,975,058	78,423		5,053,481
							8,365,058	1,505,520	9,201,548	39,436,835

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, 2016

	<u>Unrestricted</u>	<u>Invested in Capital Assets</u>	<u>Restricted Renewal and Replacement</u>	<u>Total</u>
Operating Revenue:				
Sewer Charges	169,035			169,035
Interest Income	31			31
	<u>169,066</u>	<u>-</u>	<u>-</u>	<u>169,066</u>
Operating Expenses:				
Operating, Maintenance and Reserves	151,207			151,207
Depreciation		60,131		60,131
	<u>151,207</u>	<u>60,131</u>	<u>-</u>	<u>211,338</u>
Operating Income	17,859	(60,131)	-	(42,272)
Non-Operating Revenue/(Expenses):				
Budget Appropriation			6,000	6,000
Other Income			52,322	52,322
Renewal & Replacement Expenses			(44,655)	(44,655)
Net Income/(Loss) Before Transfers	17,859	(60,131)	13,667	(28,605)
Transfers:				
Other	(5,958)	5,958		-
Increase (Decrease) in Net Position	11,901	(54,173)	13,667	(28,605)
Net Position - December 1,	<u>128,160</u>	<u>275,813</u>	<u>32,741</u>	<u>436,714</u>
Net Position - November 30,	<u>140,061</u>	<u>221,640</u>	<u>46,408</u>	<u>408,109</u>
Designated	7,000			
Undesignated	133,061			
	<u>140,061</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, 2016

	Revenue Operating Account	Renewal and Replacement Account	Total
Cash, Cash Equivalents and Investments- December 1, 2015	121,678	32,741	154,419
Cash Receipts:			
Sewer Charges	176,581		176,581
Interest on Investments	31		31
Other	2,025	16,850	18,875
Transfers		41,472	41,472
Total Cash Receipts	<u>178,637</u>	<u>58,322</u>	<u>236,959</u>
Total Cash And Investments Available	<u>300,315</u>	<u>91,063</u>	<u>391,378</u>
Cash Disbursements:			
Operating and Maintenance Costs	117,925		117,925
Renewal and Replacement Expenses		44,655	44,655
Transfers	41,472		41,472
Total Cash Disbursements	<u>159,397</u>	<u>44,655</u>	<u>204,052</u>
Cash, Cash Equivalents and Investments- November 30, 2016	<u>140,918</u>	<u>46,408</u>	<u>187,326</u>
Analysis of Balance:			
Unrestricted	140,918	-	140,918
Restricted	-	46,408	46,408
	<u>140,918</u>	<u>46,408</u>	<u>187,326</u>
Cash and Cash Equivalents	140,918	46,408	187,326
Investments	-	-	-
	<u>140,918</u>	<u>46,408</u>	<u>187,326</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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED NOVEMBER 30, 2015

	FY 2016 <u>Budget</u>	FY 2016 <u>Budget After Modification</u>	FY 2016 <u>Actual</u>	FY 2015 <u>Actual</u>
Revenue:				
Retained Earnings Appropriated	5,000	5,000	5,000	3,000
Service Agreements (Hampton Commons Homeowners Association)	138,695	138,695	138,695	137,984
(Lowe's)	30,340	30,340	30,340	30,184
Interest on Investments and Deposits	665	665	31	92
Total Operating Revenue	<u>174,700</u>	<u>174,700</u>	<u>174,066</u>	<u>171,260</u>
Expenses:				
Operating and Maintenance				
(1) Payment to Upper Wallkill for Operating and Maintenance Services	49,500	49,500	49,500	46,500
(2) Utilities	25,700	25,700	16,770	19,261
(3) Outside Services	21,500	21,500	12,935	17,256
(4) Testing Services	3,500	3,500	3,530	3,885
(5) Engineering Fees	2,000	2,000		5,937
(6) Legal Fees	1,000	1,000		
(7) Plant Supplies	1,000	1,000	330	8,318
(8) Chemicals	3,000	3,000	1,025	1,500
(9) Electrical and Mechanical Equipment Repair	500	500		415
(10) Equipment Purchases	3,000	3,000	6,574	3,323
(11) Laboratory Supplies	1,000	1,000	1,347	564
(12) Insurance	3,000	3,000	2,953	2,841
(13) Safety Equipment	1,000	1,000	185	93
(14) Taxes and Fees	6,000	6,000	5,134	5,620
(15) Printing Expenses			116	112
(16) Indirect Administration, Legal and Fiscal Expenses	47,000	47,000	44,808	42,975
Total Operating and Maintenance Expenses	<u>168,700</u>	<u>168,700</u>	<u>145,207</u>	<u>158,600</u>
Renewal and Replacement	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	
	<u>174,700</u>	<u>174,700</u>	<u>151,207</u>	<u>158,600</u>
Excess or (Deficit) in Actual Revenues and Expenses			22,859	12,660
Reconciliation of Budgetary Basis To Change in Net Position:				
Retained Earnings Appropriated			(5,000)	(3,000)
Depreciation			(60,131)	(65,338)
Renewal and Replacement (Net)			13,667	(26,049)
			<u>(51,464)</u>	<u>(94,387)</u>
Change in Net Position			<u>(28,605)</u>	<u>(81,727)</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, 2016

	Unrestricted	Invested in Capital Assets	Current Debt Service	Renewal and Replacement	Operations	Landfill Cell Closure/ Postclosure	Total
Operating Revenue:							
Tipping Fees	10,619,026						10,619,026
Recycle Markets	210,276						210,276
Operating Grant	143,320						143,320
Interest from Users	19,800						19,800
Landfill Gas Sales	160,751						160,751
Interest on Operating Investments	8						8
Miscellaneous	11,789						11,789
	<u>11,164,970</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,164,970</u>
Operating Expenses:							
Administration, Operations, Maintenance and Reserves	7,102,309						7,102,309
Depreciation	2,555,693						2,555,693
	<u>9,658,002</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,658,002</u>
Operating Income	<u>1,506,968</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,506,968</u>
Non-Operating Revenue And (Expenses):							
Interest Income				5		178,260	178,265
Investment Expenses	(46,898)					(31,393)	(78,291)
Cell Closure Expenditures (Net)						4,475,282	4,475,282
Postclosure Expenditures (Net)						2,348,997	2,348,997
Bad Debt Expense	(59,191)						(59,191)
Loss on Disposal of Fixed Assets	(5,560)						(5,560)
Interest Expense	(292,675)						(292,675)
	<u>1,102,644</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>0</u>	<u>6,971,146</u>	<u>8,073,795</u>
Income or (Loss) Before Transfers	<u>1,102,644</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>0</u>	<u>6,971,146</u>	<u>8,073,795</u>
Transfers:							
Other	(1,505,880)	1,533,961	(119,288)	(135,893)	227,100		0
	<u>(403,236)</u>	<u>1,533,961</u>	<u>(119,288)</u>	<u>(135,888)</u>	<u>227,100</u>	<u>6,971,146</u>	<u>8,073,795</u>
Increase/(Decrease) in Net Position	<u>(3,481,175)</u>	<u>6,146,772</u>	<u>2,492,692</u>	<u>1,304,555</u>	<u>1,760,400</u>	<u>(7,183,628)</u>	<u>1,039,616</u>
Net Position - December 1,	<u>(3,884,411)</u>	<u>7,680,733</u>	<u>2,373,404</u>	<u>1,168,667</u>	<u>1,987,500</u>	<u>(212,482)</u>	<u>9,113,411</u>
Net Position - November 30,	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Designated	<u>(3,884,411)</u>						<u>(3,884,411)</u>
Undesignated	<u>(3,884,411)</u>						<u>(3,884,411)</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, 2016

	Trustee Revenue Account	Revenue Operating Account	Petty Cash	General Fund
Cash, Cash Equivalents and Investments - December 1, 2015	984,413	1,321,211	2,100	1,027,494
Cash Receipts:				
Solid Waste Revenues		10,779,000		
Interest on Investments	1			5
Budget Appropriation				
Landfill Gas Purchase		160,751		
Operating Grant		143,320		
Other		131,706		
Transfers	11,288,388	6,999,850		383,263
Total Cash Receipts	<u>11,288,389</u>	<u>18,214,627</u>	<u>-</u>	<u>383,268</u>
Cash and Investments Available	<u>12,272,802</u>	<u>19,535,838</u>	<u>2,100</u>	<u>1,410,762</u>
Cash Disbursements:				
Operations		6,951,915		
Bond Principal Payments				
Other		46,897		
Transfers	10,984,670	11,288,388		168,442
Total Cash Disbursements	<u>10,984,670</u>	<u>18,287,200</u>	<u>-</u>	<u>168,442</u>
Cash, Cash Equivalents and Investments - November 30, 2016	<u>1,288,132</u>	<u>1,248,638</u>	<u>2,100</u>	<u>1,242,320</u>
Analysis of Balance:				
Unrestricted	-	460,907	2,100	1,242,320
Restricted	1,288,132	787,731	-	-
	<u>1,288,132</u>	<u>1,248,638</u>	<u>2,100</u>	<u>1,242,320</u>
Cash and Cash Equivalents	1,288,132	1,248,638	2,100	1,242,320
Investments	-	-	-	-
	<u>1,288,132</u>	<u>1,248,638</u>	<u>2,100</u>	<u>1,242,320</u>
Analysis of Restricted Accounts:				
Operations	1,199,769	787,731		
Cell Closure	88,363	-		
	<u>1,288,132</u>	<u>787,731</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, 2016

	Construction	Current Debt Service	Renewal and Replacement	Planning Fund
Cash, Cash Equivalents and Investments - December 1, 2015	14,060	3,760,000	1,390,000	54,459
Cash Receipts:				
Solid Waste Revenues				
Interest on Investments		1	5	
Budget Appropriation				
Landfill Gas Purchase				
Operating Grant				
Other				
Transfers	221,338	3,769,999		
Total Cash Receipts	<u>221,338</u>	<u>3,770,000</u>	<u>5</u>	<u>-</u>
Cash and Investments Available	<u>235,398</u>	<u>7,530,000</u>	<u>1,390,005</u>	<u>54,459</u>
Cash Disbursements:				
Operations				
Bond Principal Payments		3,760,000		
Other	135,937			
Transfers			221,338	
Total Cash Disbursements	<u>135,937</u>	<u>3,760,000</u>	<u>221,338</u>	<u>-</u>
Cash, Cash Equivalents and Investments - November 30, 2016	<u>99,461</u>	<u>3,770,000</u>	<u>1,168,667</u>	<u>54,459</u>
Analysis of Balance:				
Unrestricted	-	-	-	54,459
Restricted	99,461	3,770,000	1,168,667	-
	<u>99,461</u>	<u>3,770,000</u>	<u>1,168,667</u>	<u>54,459</u>
Cash and Cash Equivalents	99,461	3,770,000	1,168,667	54,459
Investments	-	-	-	-
	<u>99,461</u>	<u>3,770,000</u>	<u>1,168,667</u>	<u>54,459</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, 2016

	Retained Percentages	Cell Closure Account	Landfill Postclosure Account	Total
Cash, Cash Equivalents and Investments - December 1, 2015	7,437	532,503	10,075,169	19,168,846
Cash Receipts:				
Solid Waste Revenues				10,779,000
Interest on Investments			178,260	178,272
Budget Appropriation				-
Landfill Gas Purchase				160,751
Operating Grant				143,320
Other		1,350	99,957	233,013
Transfers				22,662,838
Total Cash Receipts	<u>-</u>	<u>1,350</u>	<u>278,217</u>	<u>34,157,194</u>
Cash and Investments Available	<u>7,437</u>	<u>533,853</u>	<u>10,353,386</u>	<u>53,326,040</u>
Cash Disbursements:				
Operations				6,951,915
Bond Principal Payments				3,760,000
Other		240,502	31,393	454,729
Transfers				22,662,838
Total Cash Disbursements	<u>-</u>	<u>240,502</u>	<u>31,393</u>	<u>33,829,482</u>
Cash, Cash Equivalents and Investments - November 30, 2016	<u>7,437</u>	<u>293,351</u>	<u>10,321,993</u>	<u>19,496,558</u>
Analysis of Balance:				
Unrestricted	-	-	-	1,759,786
Restricted	7,437	293,351	10,321,993	17,736,772
	<u>7,437</u>	<u>293,351</u>	<u>10,321,993</u>	<u>19,496,558</u>
Cash and Cash Equivalents	7,437	293,351	97,070	9,271,635
Investments	-	-	10,224,923	10,224,923
	<u>7,437</u>	<u>293,351</u>	<u>10,321,993</u>	<u>19,496,558</u>
Analysis of Restricted Accounts:				
Construction	7,437			
Cell Closure	-			
	<u>7,437</u>			

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITYSOLID WASTE FACILITIES FUNDSCHEDULE OF OPERATING REVENUESCOMPARED TO BUDGET, YEAR ENDED NOVEMBER 30, 2016WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2015

	FY 2016 Budget	FY 2016 Budget after Modifications	FY 2016 Actual	FY 2015 Actual
Revenue:				
Tipping Fees	10,088,100	10,088,100	10,619,026	10,206,407
Gross Sales on Recycle Markets	300,000	300,000	210,276	256,190
Interest on Investment and Deposits			8	
Interest from Users			19,800	22,685
Operating Grant	114,000	114,000	143,320	143,320
Landfill Gas Sales			160,751	474,857
Miscellaneous	309,500	309,500	11,789	34,372
Total Revenue	10,811,600	10,811,600	11,164,970	11,137,831
Expenses:				
Operating and Maintenance (LF)				
(1) Salaries	1,870,000	1,870,000	1,959,137	1,793,520
(2) Benefits	903,000	903,000	788,715	729,031
(2) PERS	169,000	169,000	176,437	183,865
(3) Personnel Services	21,000	21,000	26,964	27,133
(4) Engineering and Consulting	111,000	111,000	76,590	142,085
(5) Legal Fees	25,000	25,000	10,728	26,398
(6) Indirect Administrative	626,000	626,000	615,868	596,875
(7) Trustee and Banking Fees	8,000	8,000	8,081	8,081
(8) Insurance	199,000	199,000	220,834	209,491
(9) Auditing/Accounting Fees	3,000	3,000		5,800
(10) Seminars and Dues	4,500	4,500	6,410	4,877
(11) Travel and Expenses	1,000	1,000	1,685	615
(12) Office Supplies	9,000	9,000	14,666	9,380
(14) Advertising	5,000	5,000	8,486	3,942
(15) Printing	6,000	6,000	5,453	7,653
(16) Publications and Subscriptions	500	500	244	
(17) Custodial Supplies	9,000	9,000	9,785	10,453
(18) Safety Equipment	15,000	15,000	16,937	17,301
(19) Chemicals and Woodchips	258,000	258,000	211,575	218,615
(21) Plant Supplies	34,000	34,000	23,039	26,798
(22) Testing Services	30,000	30,000	28,865	30,295
(23) Outside Services	149,500	149,500	207,697	164,954
(24) Utilities	435,000	435,000	299,641	322,511
(25) Motor Vehicles and Equipment	543,000	543,000	217,507	229,132
(26) Equipment/Stationary	33,000	33,000	73,371	25,195
(27) Electrical Equipment Repairs	46,000	46,000	43,114	13,266
(28) Leachate Disposal	225,000	225,000	225,456	225,536
(29) Recycling Services	36,000	36,000	58,110	19,079
(30) Landfill Gas System	78,600	78,600	46,271	45,491
(31) Host Community Benefit Payments	475,000	475,000	491,367	469,419
(32) Taxes and Fees	433,500	433,500	468,543	404,528
	6,761,600	6,761,600	6,341,576	5,971,319

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

SOLID WASTE FACILITIES FUND
SCHEDULE OF OPERATING REVENUES
COMPARED TO BUDGET, YEAR ENDED NOVEMBER 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2015

	<u>FY 2016</u> <u>Budget</u>	<u>FY 2016</u> <u>Budget after</u> <u>Modifications</u>	<u>FY 2016</u> <u>Actual</u>	<u>FY 2015</u> <u>Actual</u>
Capital Outlay	185,000	185,000	-	
Debt Service:				
Bond Principal	2,373,000	2,373,000	2,373,000	2,373,000
Interest on Bonds	1,397,000	1,397,000	292,675 ⁽¹⁾	451,302 ⁽¹⁾
	<u>3,770,000</u>	<u>3,770,000</u>	<u>2,665,675</u>	<u>2,824,302</u>
Reserves:				
Renewal and Replacement				100,000
Post Closure Care Fund	95,000	95,000	100,714	95,884
	<u>95,000</u>	<u>95,000</u>	<u>100,714</u>	<u>195,884</u>
Total Solid Waste Appropriations	<u>10,811,600</u>	<u>10,811,600</u>	<u>9,107,965</u>	<u>8,991,505</u>
Excess or Deficit in Actual Revenues and Expenses			2,057,005	2,146,326
Reconciliation of Budgetary Basis				
To Change in Net Position:				
Depreciation Expense			(2,555,693)	(2,574,696)
Loss on Disposal of Fixed Assets			(5,560)	(12,365)
Adjustment to Pension Expense			(660,019)	(227,950)
Interest on Non-Operating Investments			178,265	182,493
Bad Debt Expense			(59,191)	
Investment Expenses			(78,291)	(68,888)
Net Closure/Postclosure Care Expenses			6,824,279	(110,732)
Budget Appropriation - Ren. & Repl.				100,000
Bond Principal Payments			<u>2,373,000</u>	<u>2,373,000</u>
Change in Net Position			<u>8,073,795</u>	<u>1,807,188</u>

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
SOLID WASTE FACILITIES FUND
SCHEDULE OF REVENUE BONDS PAYABLE
NOVEMBER 30, 2016

Description	Original Issue		Date	Interest Rate	Amount	Balance Dec. 1, 2015	Accreted Principal	Refunded or Paid	Balance Nov. 30, 2016
	Date	Amount							
Solid Waste Revenue Bonds, Series 2006	06/21/06	14,997,820	12/01/2016	4.480%	3,770,000	7,366,613	163,387	3,760,000	3,770,000
GRAND TOTAL						7,366,613	163,387	3,760,000	3,770,000

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

OTHER SEWER COMPANIES
STATEMENT OF NET POSITION
FOR THE YEAR ENDED NOVEMBER 30, 2016

	<u>Frankford Township</u>	<u>Luke/ Lovey's</u>	<u>Montague Sewer Co.</u>	<u>Sparta Plaza</u>	<u>Total</u>
<u>Assets:</u>					
Cash and Cash Equivalents	4,123	2	461	60	4,646
Total Assets	<u>4,123</u>	<u>2</u>	<u>461</u>	<u>60</u>	<u>4,646</u>
<u>Liabilities And Net Position:</u>					
Escrow Deposits Payable	4,123	2	461	60	4,646
Total Liabilities And Net Position	<u>4,123</u>	<u>2</u>	<u>461</u>	<u>60</u>	<u>4,646</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

PAULINS KILL WATER RECLAMATION PROJECT
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED AND RESTRICTED ACCOUNTS
FOR THE YEAR ENDED NOVEMBER 30, 2016

	Planning Fund	Construction Fund	Acq. & Imp. Fund	Bond Service Fund	Retainage Fund	Operating Fund	Total
Cash, Cash Equivalents and Investments- December 1, 2015	373	23,430	2,227,809	363,675	166,215	230,633	3,012,135
Cash Receipts:							
Interest on Investments			97	76		14	187
USDA Grant Reimbursements			4,203,356				4,203,356
Note Proceeds				7,825,000			7,825,000
Other		900			211,188		212,088
Transfers		4,827,162					4,827,162
Total Cash Receipts	-	4,828,062	4,203,453	7,825,076	211,188	14	17,067,793
Total Cash And Investments Available	373	4,851,492	6,431,262	8,188,751	377,403	230,647	20,079,928
Cash Disbursements:							
Construction in Progress		4,827,277					4,827,277
Retainage					18,865		18,865
Note Principal							-
Interest on Note			4,827,162				-
Transfers							4,827,162
Total Cash Disbursements	-	4,827,277	4,827,162	-	18,865	-	9,673,304
Cash, Cash Equivalents and Investments- November 30, 2016	373	24,215	1,604,100	8,188,751	358,538	230,647	10,406,624
Analysis of Balance:							
Unrestricted	373	24,215	1,604,100	8,188,751	358,538	230,647	10,406,624
Restricted	373	24,215	1,604,100	8,188,751	358,538	230,647	10,406,624
Cash and Cash Equivalents Investments	373	24,215	1,604,100	8,188,751	358,538	230,647	10,406,624
	373	24,215	1,604,100	8,188,751	358,538	230,647	10,406,624

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

PAULINS KILL WATER RECLAMATION PROJECT
SCHEDULE OF USDA LOANS PAYABLE
NOVEMBER 30, 2016

Description	Original Issue		Interest Rate	Maturities		Balance Dec. 1, 2015	Issued	Refunded or Paid	Balance Nov. 30, 2016
	Date	Amount		Date	Amount				
United States Department of Agriculture - Rural Development Loan No. 1	09/20/16	\$ 5,496,000	2.750%	06/01/17	38,967				
				12/01/17	39,503				
				06/01/18	40,046				
				12/01/18	40,597				
				06/01/19	41,155				
				12/01/19	41,721				
				06/01/20	42,294				
				12/01/20	42,876				
				06/01/21	43,465				
				12/01/21	44,063				
				06/01/22	44,669				
				12/01/22	45,283				
				06/01/23	45,906				
				12/01/23	46,537				
				06/01/24	47,177				
				12/01/24	47,825				
				06/01/25	48,483				
				12/01/25	49,150				
				06/01/26	49,826				
				12/01/26	50,511				
				06/01/27	51,205				
				12/01/27	51,909				
				06/01/28	52,623				
				12/01/28	53,347				
				06/01/29	54,080				
				12/01/29	54,824				
				06/01/30	55,577				
			12/01/30	56,342					
			06/01/31	57,116					
			12/01/31	57,902					
			06/01/32	58,698					
			12/01/32	59,505					
			06/01/33	60,323					
			12/01/33	61,153					
			06/01/34	61,993					
			12/01/34	62,846					
			06/01/35	63,710					
			12/01/35	64,586					
			06/01/36	65,474					
			12/01/36	66,374					
			06/01/37	67,287					
			12/01/37	68,212					
			06/01/38	69,150					
			12/01/38	70,101					

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

PAULINS KILL WATER RECLAMATION PROJECT
SCHEDULE OF USDA LOANS PAYABLE
NOVEMBER 30, 2016

Description	Original Issue		Interest Rate	Maturities		Balance Dec. 1, 2015	Issued	Refunded or Paid	Balance Nov. 30, 2016
	Date	Amount		Date	Amount				
United States Department of Agriculture - Rural Development Loan No. 1 (continued)	09/20/16	\$ 5,496,000	2.750%	06/01/39	71,065				
				12/01/39	72,042				
				06/01/40	73,033				
				12/01/40	74,037				
				06/01/41	75,055				
				12/01/41	76,087				
				06/01/42	77,133				
				12/01/42	78,194				
				06/01/43	79,269				
				12/01/43	80,359				
				06/01/44	81,464				
				12/01/44	82,584				
				06/01/45	83,719				
				12/01/45	84,870				
				06/01/46	86,037				
				12/01/46	87,220				
				06/01/47	88,420				
				12/01/47	89,635				
				06/01/48	90,868				
				12/01/48	92,117				
			06/01/49	93,384					
			12/01/49	94,668					
			06/01/50	95,970					
			12/01/50	97,289					
			06/01/51	98,627					
			12/01/51	99,983					
			06/01/52	101,358					
			12/01/52	102,752					
			06/01/53	104,164					
			12/01/53	105,597					
			06/01/54	107,049					
			12/01/54	108,521					
			06/01/55	110,013					
			12/01/55	111,525					
			06/01/56	107,501					
						5,496,000			5,496,000

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
PAULINS KILL WATER RECLAMATION PROJECT
SCHEDULE OF USDA LOANS PAYABLE
NOVEMBER 30, 2016

Description	Original Issue		Interest Rate	Maturities		Balance Dec. 1, 2015	Issued	Refunded or Paid	Balance Nov. 30, 2016
	Date	Amount		Date	Amount				
United States Department of Agriculture - Rural Development Loan No. 3	09/20/16	\$ 757,000	2.250%						
				06/01/17	6,004				
				12/01/17	6,071				
				06/01/18	6,140				
				12/01/18	6,209				
				06/01/19	6,278				
				12/01/19	6,349				
				06/01/20	6,421				
				12/01/20	6,493				
				06/01/21	6,566				
				12/01/21	6,640				
				06/01/22	6,714				
				12/01/22	6,790				
				06/01/23	6,866				
				12/01/23	6,944				
				06/01/24	7,022				
				12/01/24	7,101				
				06/01/25	7,181				
				12/01/25	7,261				
				06/01/26	7,343				
				12/01/26	7,426				
				06/01/27	7,509				
				12/01/27	7,594				
				06/01/28	7,679				
				12/01/28	7,765				
				06/01/29	7,853				
				12/01/29	7,941				
				06/01/30	8,030				
				12/01/30	8,121				
				06/01/31	8,212				
				12/01/31	8,305				
				06/01/32	8,398				
				12/01/32	8,492				
				06/01/33	8,588				
				12/01/33	8,683				
				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

PAULINS KILL WATER RECLAMATION PROJECT
SCHEDULE OF USDA LOANS PAYABLE
NOVEMBER 30, 2016

Description	Original Issue		Interest Rate	Maturities		Balance Dec. 1, 2015	Issued	Refunded or Paid	Balance Nov. 30, 2016
	Date	Amount		Date	Amount				
United States Department of Agriculture - Rural Development Loan No. 3 (continued)	09/20/16	\$ 757,000	2.250%	06/01/39	9,822				
				12/01/39	9,932				
				06/01/40	10,044				
				12/01/40	10,157				
				06/01/41	10,271				
				12/01/41	10,387				
				06/01/42	10,504				
				12/01/42	10,622				
				06/01/43	10,742				
				12/01/43	10,862				
				06/01/44	10,985				
				12/01/44	11,108				
				06/01/45	11,233				
				12/01/45	11,359				
				06/01/46	11,487				
				12/01/46	11,617				
				06/01/47	11,747				
				12/01/47	11,879				
				06/01/48	12,013				
				12/01/48	12,148				
			06/01/49	12,285					
			12/01/49	12,423					
			06/01/50	12,563					
			12/01/50	12,704					
			06/01/51	12,847					
			12/01/51	12,992					
			06/01/52	13,138					
			12/01/52	13,285					
			06/01/53	13,435					
			12/01/53	13,586					
			06/01/54	13,739					
			12/01/54	13,894					
			06/01/55	14,050					
			12/01/55	14,208					
			06/01/56	13,535					
						757,000			757,000

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

PAULINS KILL WATER RECLAMATION PROJECT
SCHEDULE OF USDA LOANS PAYABLE
NOVEMBER 30, 2016

Description	Original Issue		Interest Rate	Maturities		Balance Dec. 1, 2015	Issued	Refunded or Paid	Balance Nov. 30, 2016
	Date	Amount		Date	Amount				
United States Department of Agriculture - Rural Development Loan No. 5	09/20/16	\$ 1,572,000	2.250%	06/01/17	12,466				
				12/01/17	12,606				
				06/01/18	12,748				
				12/01/18	12,891				
				06/01/19	13,037				
				12/01/19	13,183				
				06/01/20	13,331				
				12/01/20	13,481				
				06/01/21	13,633				
				12/01/21	13,787				
				06/01/22	13,942				
				12/01/22	14,098				
				06/01/23	14,257				
				12/01/23	14,417				
				06/01/24	14,580				
				12/01/24	14,744				
				06/01/25	14,910				
				12/01/25	15,077				
				06/01/26	15,247				
				12/01/26	15,418				
				06/01/27	15,592				
				12/01/27	15,767				
				06/01/28	15,945				
				12/01/28	16,124				
				06/01/29	16,305				
				12/01/29	16,489				
				06/01/30	16,674				
				12/01/30	16,862				
				06/01/31	17,052				
				12/01/31	17,243				
			06/01/32	17,437					
			12/01/32	17,634					
			06/01/33	17,832					
			12/01/33	18,033					
			06/01/34	18,235					
			12/01/34	18,441					
			06/01/35	18,648					
			12/01/35	18,858					
			06/01/36	19,070					
			12/01/36	19,285					
			06/01/37	19,502					
			12/01/37	19,721					
			06/01/38	19,943					
			12/01/38	20,167					

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

PAULINS KILL WATER RECLAMATION PROJECT
SCHEDULE OF USDA LOANS PAYABLE
NOVEMBER 30, 2016

Description	Original Issue		Interest Rate	Maturities		Balance Dec. 1, 2015	Issued	Refunded or Paid	Balance Nov. 30, 2016
	Date	Amount		Date	Amount				
United States Department of Agriculture - Rural Development Loan No. 5 (continued)	09/20/16	\$ 1,572,000	2.250%	06/01/39	20,394				
				12/01/39	20,623				
				06/01/40	20,855				
				12/01/40	21,090				
				06/01/41	21,327				
				12/01/41	21,567				
				06/01/42	21,810				
				12/01/42	22,055				
				06/01/43	22,303				
				12/01/43	22,554				
				06/01/44	22,808				
				12/01/44	23,065				
				06/01/45	23,324				
				12/01/45	23,587				
				06/01/46	23,852				
				12/01/46	24,120				
				06/01/47	24,392				
				12/01/47	24,666				
				06/01/48	24,943				
				12/01/48	25,224				
			06/01/49	25,508					
			12/01/49	25,795					
			06/01/50	26,085					
			12/01/50	26,378					
			06/01/51	26,675					
			12/01/51	26,975					
			06/01/52	27,279					
			12/01/52	27,586					
			06/01/53	27,896					
			12/01/53	28,210					
			06/01/54	28,527					
			12/01/54	28,848					
			06/01/55	29,173					
			12/01/55	29,501					
			06/01/56	28,293					
							1,572,000		1,572,000
							7,825,000		7,825,000
GRAND TOTAL									

Current Portion
Long-Term Portion

57,437
7,767,563
7,825,000

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, 2016

Cash, Cash Equivalents and Investments- December 1, 2015	147,709
Cash Receipts:	
Operating Grants	<u>351,469</u>
Total Cash Receipts	<u>351,469</u>
Total Cash And Investments Available	<u>499,178</u>
Cash Disbursements:	
Project Expenses	<u>303,074</u>
Total Cash Disbursements	<u>303,074</u>
Cash, Cash Equivalents and Investments- November 30, 2016	<u><u>196,104</u></u>
Analysis of Balance:	
Unrestricted	196,104
Restricted	<u>-</u>
	<u><u>196,104</u></u>
Cash and Cash Equivalents	196,104
Investments	<u>-</u>
	<u><u>196,104</u></u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016

	<u>Administrative Services</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	202,108
Prepaid Expenses	<u>5,453</u>
Total Current Assets	<u>207,561</u>
Restricted Assets	
Cash and Cash Equivalents	249,261
Investments	<u>380,874</u>
Total Noncurrent Assets	<u>630,135</u>
Total Assets	<u>837,696</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	3,791
Payroll Taxes Payable	1,618
Due to Other Funds	<u>202,152</u>
Total Current Liabilities	<u>207,561</u>
Total Liabilities	<u>207,561</u>
NET POSITION	
Restricted:	
Reserve for Unemployment Insurance	<u>630,135</u>
Total Net Position	<u><u>630,135</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, 2016

	<u>Administrative Services</u>
Operating Revenues:	
User Charges	1,444,000
Interest Income	547
Miscellaneous Income	23
Unemployment Contributions	<u>6,193</u>
Total Operating Revenue	<u>1,450,763</u>
Operating Expenses:	
Administrative and General Expenses	1,444,023
Unemployment Claims	<u>778</u>
Total Operating Expenses	<u>1,444,801</u>
Operating Income	<u>5,962</u>
Net Position - Beginning	<u>624,173</u>
Net Position - Ending	<u><u>630,135</u></u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016

	<u>Administrative Services</u>
Cash Flows From Operating Activities:	
Cash Received from Users	1,444,000
Other Operating Receipts	6,216
Interest Received	547
Cash Paid to Suppliers, Employees and Professional contractors	<u>(1,453,881)</u>
Net Cash Provided/(Required) By Operating Activities	<u>(3,118)</u>
Cash Flows From Investing Activities:	
Sales (Purchases) of Investments	<u>(534)</u>
Net Cash Provided/(Required) By Investing Activities	<u>(534)</u>
Increase/(Decrease) In Cash And Cash Equivalents	(3,652)
Cash And Cash Equivalents - December 1,	<u>455,021</u>
Cash And Cash Equivalents - November 30,	<u><u>451,369</u></u>
Classified As:	
Unrestricted Assets	202,108
Restricted Assets	<u>249,261</u>
	<u><u>451,369</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	5,962
Items Affecting Cash from Operations:	
Decrease / (Increase) in:	
Prepaid Expenses	(276)
Increase / (Decrease) in:	
Accounts Payable and Accrued Liabilities	<u>(8,804)</u>
Net Cash Provided/(Required) by Operating Activities	<u><u>(3,118)</u></u>

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT ON 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, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 7, 2017.

Internal Control Over Financial Reporting

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

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



Honorable Chairperson and Members
Sussex County Municipal Utilities Authority
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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 2016-1.

Sussex County Municipal Utilities Authority's Response to Findings

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

Purpose of this Report

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

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

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

March 7, 2017



Single Audit Section

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

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

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

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

INDEPENDENT AUDITOR'S REPORT 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, 2016. 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.



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

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, 2016.

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
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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, 2016, and have issued our report thereon dated March 7, 2017 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, Wielkottz, Cerullo & Cuva, P.A.
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

March 7, 2017



SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

Schedule of Expenditures of Federal Awards
Fiscal Year Ended November 30, 2016

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		Total		Total			
U.S. Environmental Protection Agency: Pass Through New Jersey Department of Environmental Protection: Performance Partnership Grants: Section 319H Pollution Control and Management Implementation Grant	66.605	042-4801-100-442	\$ 1,400,000	06/18/09	04/17/17	737,200	125,000	605,029	75,241	862,200	680,270
Section 319H Pollution Control and Management Implementation Grant	66.605	042-4801-100-442	\$ 700,000	09/03/13	09/02/18	252,000	126,000	256,988	103,148	378,000	360,136
U.S. Department of Agriculture: Water and Waste Disposal Systems for Rural Communities Loan Program	10.760	N/A	\$ 7,825,000	12/01/15	11/30/16	-	7,825,000	7,746,110	78,890	7,825,000	7,825,000
Grant Program	10.760	N/A	\$ 5,629,500	12/01/15	11/30/16	-	4,203,356	4,203,356	4,271,423	4,203,356	4,271,423
Natural Resources Conservation Service Contribution Agreement 68-2B29-14-222	10.902	N/A	\$ 75,000	09/25/14	09/30/17	20,736	15,978	25,692	19,542	36,714	45,234
Contribution Agreement 68-2B29-14-223	10.902	N/A	\$ 25,000	09/25/14	09/14/15	12,156	12,844	21,444	3,556	25,000	25,000
Contribution Agreement 68-2B29-16-823	10.902	N/A	\$ 28,760	09/16/16	08/31/18	-	-	-	4,344	-	4,344
	10.072	N/A	\$ 15,000	09/16/16	08/31/18	-	-	-	1,902	-	1,902
	10.930	N/A	\$ 9,000	09/16/16	08/31/18	-	-	-	-	-	-
U.S. Department of the Interior - National Fish and Wildlife Foundation: Pass Through The Nature Conservancy: Restoring Paulins Kill Floodplain Forests and Functions	15.663	1308503805-WRWMG-FY15	\$ 27,986	04/01/14	08/31/16	11,346	16,640	23,829	4,157	27,986	27,986
	15.663	P130201-WRWMG-NFWF16-18	\$ 48,426	09/01/16	09/29/18	-	-	-	6,906	-	6,906
						1,033,438	12,324,818	8,679,092	4,569,109	13,358,256	13,248,201

See accompanying Notes to Schedules of Federal and State Awards

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

Schedule of Expenditures of State Financial Assistance
Fiscal Year Ended November 30, 2016

State Grantor/Pass-Through Grantor/Program	Pass Through Entity ID No.	State Account Number	Program Amount	Grant Period		Prior Years	Cash Received		Prior Years	Program Expenditures		
				From	To		Current Year	Total		Current Year	Total	
New Jersey Department of Environmental Protection:												
Recycling Enhancement Act Tax Fund	n/a	042-4910-100-224	\$ 143,320	06/01/15	05/31/16		143,320	143,320		143,320	143,320	
Recycling Enhancement Act Tax Fund	n/a	042-4910-100-224	\$ 143,320	06/01/16	05/31/17			0			0	
Total State Financial Assistance							<u>0</u>	<u>143,320</u>	<u>0</u>	<u>143,320</u>	<u>143,320</u>	

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
NOVEMBER 30, 2016

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>\$4,569,109</u>	<u>\$143,320</u>	<u>\$4,712,429</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. INDIRECT COST RATE

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED NOVEMBER 30, 2016

Section I--Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

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

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

Federal Awards

Internal Control over major programs:

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

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes _____ X _____ no

Identification of major programs:

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

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

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

State Awards

Not Applicable

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED NOVEMBER 30, 2016

Section II--Financial Statement Findings

2016-1

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

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

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

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

Recommendation: That the Authority implement procedures to properly fund its accrued cell closure liabilities

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

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

No matters were reported.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED NOVEMBER 30, 2016

Status of Prior Year Findings

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

2015-1:

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

General Comments

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, 2016

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

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

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

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

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

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