

REPORT OF AUDIT
SUSSEX COUNTY
MUNICIPAL UTILITIES AUTHORITY
NOVEMBER 30, 2014

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

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Introductory Section

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
ROSTER OF OFFICIALS
NOVEMBER 30, 2014

Authority Members

Title

Commissioners

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

Other Officials

John Hatzelis	Administrator
John Nugent	Superintendent - Wasterwater Facilities
James Sparnon	Superintendent - Solid Waste Facilities
Thomas Varro, P.E.	Chief Engineer
John Hatzelis	Treasurer
Patricia A. Frey	Director of Human Resources
Cornerstone Engineering Group, LLC	Consulting Engineers - Solid Waste
Hatch Mott MacDonald	Consulting Engineers - Wastewater
Cleary, Giacobbe, Alfieri, Jacobs LLC	General Counsel
Hall and Associates	Special Counsel
Thomas H. Prol	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, 2014 to January 1, 2015.

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Financial Section

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of net position of the Sussex County Municipal Utilities Authority as of November 30, 2014 and 2013, 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, 2014 and 2013, 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 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.

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2015 on our consideration of the Sussex County Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sussex County Municipal Utilities Authority's internal control over financial reporting and compliance.

Very truly yours,

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

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

March 28, 2015



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Management Discussion and Analysis

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**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
NOVEMBER 30, 2014**

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, 2014 and 2013. 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 \$11,224,237 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$14,782,954.
- Total net position are comprised of the following:
 - (1) Capital assets, net of related debt, of \$5,001,292 include plant and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$2,346,365 are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$3,876,580 represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority decreased by \$5,303,055 to \$77,417,769 during the fiscal year primarily due to a decrease in long-term debt combined with an increase in accrued liabilities for cell closure and post-closure costs.

Overview of the Financial Statements

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

Required Financial Statements

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

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
NOVEMBER 30, 2014**

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

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

Notes to the Financial Statements

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

Other Information

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

Financial Analysis of the Authority

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

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
NOVEMBER 30, 2014**

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 \$11,224,237. This is a \$3,558,717 decrease under last year's net position of \$14,782,954. 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 2014</u>	<u>FY 2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Restated FY 2012</u>
Current and Other Assets	32,391	37,122	(4,731)	(12.74)%	37,051
Capital Assets	55,753	59,803	(4,050)	(6.77)%	64,303
Deferred Outflows of Resources	<u>613</u>	<u>701</u>	<u>(88)</u>	<u>(12.55)%</u>	<u>1,215</u>
Total Assets and Deferred Outflows	<u>88,757</u>	<u>97,626</u>	<u>(8,869)</u>		<u>102,569</u>
Long-term Debt Outstanding	49,707	58,643	(8,936)	(15.24)%	63,565
Other Liabilities	27,711	24,078	3,633	15.09%	21,010
Deferred Inflows of Resources	<u>115</u>	<u>122</u>	<u>(7)</u>	<u>(5.74)%</u>	<u>259</u>
Total Liabilities and Deferred Inflows	<u>77,533</u>	<u>82,843</u>	<u>(5,310)</u>		<u>84,834</u>
Invested in Capital Assets, Net of Related Debt	5,001	(282)	5,283	(1873.40)%	(96)
Restricted	2,346	12,326	(9,980)	(80.97)%	16,345
Unrestricted	<u>3,877</u>	<u>2,739</u>	<u>1,138</u>	41.55%	<u>1,486</u>
	<u>11,224</u>	<u>14,783</u>	<u>(3,559)</u>	(24.08)%	<u>17,735</u>

While the *Statement of Net Position* shows the change in financial position of nets assets, the *Statement of Revenues, Expenses and Changes in Net Position* provides answers as to the nature and source of these changes. As can be seen in the following table, net position decreased by \$3,558,717.

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
NOVEMBER 30, 2014**

Net Position (Continued)

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

	<u>FY 2014</u>	<u>FY 2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Restated FY 2012</u>
Operating Revenues	18,051	18,380	(329)	(1.79)%	17,916
Non-Operating Revenues	<u>714</u>	<u>437</u>	<u>277</u>	63.39%	<u>1,248</u>
Total Revenues	<u>18,765</u>	<u>18,817</u>	<u>(52)</u>		<u>19,164</u>
Depreciation Expense	5,349	5,507	(158)	(2.87)%	5,588
Other Operating Expenses	10,551	9,557	994	10.40%	10,329
Other Non-Operating Expense	<u>6,424</u>	<u>6,705</u>	<u>(281)</u>	(4.19)%	<u>3,983</u>
Total Expenses	<u>22,324</u>	<u>21,769</u>	<u>555</u>		<u>19,900</u>
Change in Net Position	(3,559)	(2,952)	(607)	20.56%	(736)
Beginning Net Position	<u>14,783</u>	<u>17,735</u>	<u>(2,952)</u>	(16.65)%	<u>18,471</u>
Ending Net Position	<u>11,224</u>	<u>14,783</u>	<u>(3,559)</u>	(24.08)%	<u>17,735</u>

The Authority's Operating Revenues decreased by \$328,427 to \$18,051,433 in 2014 from \$18,379,860 in 2013 primarily due to increases in tipping fees and recycling fees. Nonoperating Revenues increased by \$277,024 to \$713,911 from \$436,687 mainly due to an increase in renewal and replacement appropriations and interest on investments.

Budgetary Highlights

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

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
NOVEMBER 30, 2014**

The following table provides a 2014 budget comparison:

Budget vs. Actual FY 2014 (000's)			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	16,764	18,051	1,287
Non-Operating	<u> </u>	<u> 714</u>	<u> 714</u>
	<u>16,764</u>	<u>18,765</u>	<u>2,001</u>
Expenses:			
Operating	14,684	10,551	4,133
Non-Operating	<u>2,080</u>	<u>6,424</u>	<u>(4,344)</u>
	<u>16,764</u>	<u>16,975</u>	<u>(211)</u>
Income Before Depreciation	<u> 0</u>	<u> 1,790</u>	<u> 1,790</u>

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

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

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

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
NOVEMBER 30, 2014**

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

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
NOVEMBER 30, 2014**

The following are charts for various system service charges calculated for FY 2015

Hampton Commons Facility

a.	Hampton Commons FY2015 Budget		\$171,500
b.	Investment Earnings		
	Earnings on Fund Balances		
	R&R Fund	\$ 53,000	
	Operating Fund	\$ 80,000	
	Average Fund Balance	\$133,000	
	Estimated Interest Rate	0.25%	
	Projected Investment Earnings	\$ 332	
c.	Appropriation from Retained Earnings	\$3,000	
	Total Amount of Other Revenues		\$ 3,332
d.	Amount to be Raised by User Charges		\$168,168
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:

Calculation of HCHA per unit charge

$$\frac{\text{O\&M Expenses}}{\text{Units}} = \text{FY2015 Estimated User Charge}$$

$$\frac{\$137,984}{300} = \boxed{\$460} \text{ per unit}$$

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
NOVEMBER 30, 2014**

Solid Waste Facilities

a. Solid Waste FY2015 Budget		\$10,828,000
b. Estimated Recycling Market Revenues:		
Fiber, Metals and Other	\$325,000	
c. Investment Earnings	1,500	
d. Miscellaneous Revenues:		
Carbon Credit Sales	-0-	
Finance Charges	15,000	
REA Grant	110,000	
LFG Rent	24,000	
Miscellaneous Income	8,000	
	158,500	
		\$ 483,500

Revenues to be Raised by Tip Fee:

\$10,344,500

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

$$\frac{\text{Revenues Necessary From Tip Fee}}{\text{Est. FY2014 Tonnage}} = \$ \boxed{\text{\$102.40}} \text{ per ton}$$

$$\frac{\$10,344,500}{101,000} = \$102.40 \text{ per ton}$$

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
NOVEMBER 30, 2014**

Upper Wallkill Facilities

Allocation of Debt Service of Sewer Users (General Charges)

Participant	GPD		FY2015 Projections	% of Total	FY2015 Gen. Charge
Hamburg Borough	227,000	actual	82,855,000	11.62%	143,599
Franklin Borough	412,000	actual	150,380,000	21.09%	260,629
Vernon Sewerage Trans. Co.	0	actual	0	0.00%	0
Wallkill Sewer Co.	75,000	actual	27,375,000	3.84%	47,445
HTMUA	225,000	actual(a)	82,125,000	11.52%	142,334
Sussex Borough	312,000	GMF	113,880,000	15.97%	197,369
Wantage Twp.	36,500	GMF	13,322,500	1.87%	23,090
Sparta Twp.	205,000	GMF	74,825,000	10.49%	129,682
Vernon Twp.	461,000	GMF	168,265,000	23.60%	291,626
	<u>1,953,500</u>		<u>713,027,500</u>	<u>100.00%</u>	<u>1,235,772</u>

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

Participant	GPD		FY2015 Projections	% of Total	FY2015 O&M Charge
Hamburg Borough	227,000	actual	82,855,000	10.94%	362,787
Franklin Borough	412,000	actual	150,380,000	19.86%	658,451
Vernon Sewerage Trans. Co.	0	actual	0	0.00%	0
Wallkill Sewer Co.	75,000	actual GMF/	27,375,000	3.61%	119,864
HTMUA	315,000	actual(a)	114,975,000	15.18%	503,427
Sussex Borough	312,000	GMF	113,880,000	15.04%	498,633
Wantage Twp.	63,000	GMF	22,995,000	3.04%	100,685
Sparta Twp.	210,000	GMF	76,650,000	10.12%	335,618
Vernon Twp.	461,000	GMF	168,265,000	22.22%	736,762
	<u>2,075,000</u>		<u>757,375,000</u>	<u>100.00%</u>	<u>3,316,228</u>

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
NOVEMBER 30, 2014**

FY2015 Estimated Total Sewer User Charges

Participant	General Charge	Operating Charge	Proj. FY2015 User Charge	FY2015 User Charge	% Change
Hamburg Borough	143,599	362,787	506,386	614,754	(17.6%)
Franklin Borough	2690,629	658,451	919,080	1,018,051	(9.7%)
Wallkill Sewer Co.	47,445	119,864	168,308	176,578	(5.2%)
HTMUA	142,334	503,427	645,761	632,784	2.1%
Sussex Borough	197,369	498,633	696,002	680,154	2.3%
Wantage Twp.	23,090	100,685	123,775	119,431	3.6%
Sparta Twp.	129,682	335,618	465,300	454,417	2.4%
Vernon Twp.	<u>691,626</u>	<u>736,762</u>	<u>1,428,388(A)</u>	<u>1,259,331</u>	<u>13.4%</u>
Comparison all system users	1,635,772	3,316,228	4,952,000	4,955,500	(0.1%)

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

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

$$\frac{\$ 4,952,000}{713,027,500} = \$0.00695 \quad X \quad 1,000 \quad \$6.95/\text{per } 1,000$$

**SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
NOVEMBER 30, 2014**

Capital Assets

CAPITAL ASSETS				
(000's)				
	<u>FY 2014</u>	<u>FY 2013</u>	<u>Dollar Change</u>	<u>FY 2012</u>
Land	3,377	3,377	-0-	3,377
Improvements	70,741	70,653	88	70,598
Buildings	53,681	53,645	36	53,621
Machinery and Equipment	19,403	19,269	134	18,973
Total Property, Plant and Equipment	<u>147,202</u>	<u>146,944</u>	258	<u>146,569</u>
Less:				
Accumulated Depreciation	<u>(94,633)</u>	<u>(89,397)</u>	<u>(5,236)</u>	<u>(84,277)</u>
	52,569	57,547	(4,978)	62,292
Construction in Progress	<u>3,184</u>	<u>2,256</u>	928	<u>2,011</u>
Net Property, Plant and Equipment	<u>55,753</u>	<u>59,803</u>	<u>(4,050)</u>	<u>64,303</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 2016 and 2018 to expand and upgrade the collection system. These improvements will control landfill gas emissions.

Mobile Equipment

The SCMUA Solid Waste Facilities relies on large mobile equipment to perform its mission. The SCMUA has budgeted a replacement Mack Truck/Tractor.

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

Solid Waste Facilities, (continued)

Solid Waste Planning

The current landfill is expected to reach maximum capacity by 2021. SCMUA is preparing a Solid 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 Chosen Freeholders & NJDEP. The Authority is currently seeking a NJDEP permit to allow construction of the landfill expansion.

Wastewater Facilities

Upper Walkkill Phase III Expansion Upgrade Project

All contracts related to the Phase III Project have been closed out in 2012. In 2014, a number of relatively smaller projects are proposed utilizing capital outlays, renewal and replacement or other existing capital funds. These projects include: upgrade of the ultraviolet disinfection unit, improvement to the maintenance shop and Jet-Vac unit rebuild. No issuance of debt is anticipated.

The Hampton Commons Facility

The Hampton Commons Facility capital budget anticipates the authorization of contracting of a video inspection of the sewage collection system.

Debt Administration

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

Economic Factors, Future Years Budgets and Rates

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

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

Contacting the Authority

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

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Basic Financial Statements

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF NET POSITION
NOVEMBER 30, 2014

Exhibit A
Page 1 of 2

	Business-Type Activities	
	2014	2013
ASSETS		
Unrestricted:		
Current Assets:		
Cash and Cash Equivalents	3,841,828	2,179,652
Investments	52,903	52,798
Accounts Receivable (net)	1,117,928	1,176,129
Due from State of New Jersey	114,000	110,000
Due from Administrative Services	163,119	158,185
Prepaid Expenses	59,413	79,127
Total Current Assets	5,349,191	3,755,891
Non-Current Assets:		
Restricted		
Cash and Cash Equivalents	17,227,994	23,328,904
Investments	9,726,640	9,915,562
Due From Renewal and Replacement	85,445	121,395
Due from Administrative Services	2,114	503
Total Non-Current Assets	27,042,193	33,366,364
Capital Assets:		
Land	3,377,143	3,377,143
Improvements	70,740,939	70,652,838
Buildings	53,681,330	53,645,380
Machinery and Equipment	19,402,667	19,268,623
Less: Accumulated Depreciation	(94,632,865)	(89,397,509)
Construction in Progress	3,183,828	2,256,408
Net Capital Assets	55,753,042	59,802,883
TOTAL ASSETS	88,144,426	96,925,138
DEFERRED OUTFLOWS OF RESOURCES:		
Unamortized Deferred Loss on Refunding	613,461	700,988
Total Deferred Outflows of Resources	613,461	700,988
LIABILITIES		
Current Liabilities:		
Payable from Unrestricted Assets:		
Accounts Payable	697,355	265,380
Other Accounts - Deposits	4,714	4,901
	702,069	270,281

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF NET POSITION
NOVEMBER 30, 2014

Exhibit A
Page 2 of 2

	Business-Type Activities	
	2014	2013
LIABILITIES (cont.)		
Payable from Restricted Assets:		
Retainage Payable		2,720
Accounts Payable	502,250	227,643
Accrued Interest Payable	1,434,513	918,667
Due to Construction Funds - Ren. And Repl.	85,445	121,395
Current Portion of Bonds Payable	5,405,000	10,850,000
	7,427,208	12,120,425
Total Current Liabilities	8,129,277	12,390,706
Non-Current Liabilities:		
Accrued Liabilities - Closure and Postclosure Costs	18,301,138	15,876,041
Compensated Absences	770,542	746,868
Loan Payable - County of Sussex	418,658	418,658
Project Notes Payable	5,496,000	5,496,000
Bonds Payable	44,302,154	47,792,551
Total Non-Current Liabilities	69,288,492	70,330,118
TOTAL LIABILITIES	77,417,769	82,720,824
DEFERRED INFLOWS OF RESOURCES:		
Unamortized Bond Premium	115,881	122,348
TOTAL DEFERRED INFLOWS OF RESOURCES	115,881	122,348
NET POSITION		
Invested in Capital Assets, net of related debt	5,001,292	(282,390)
Restricted:		
Current Debt Service	4,202,805	10,380,593
Future Debt Service		1,478,933
Renewal and Replacement	2,663,345	2,014,072
Operations	2,686,250	2,576,625
Landfill Cell Closure	(10,899,294)	(8,142,802)
Landfill Postclosure	3,674,687	4,008,355
Construction Projects	18,572	10,826
Unrestricted		
Designated	508,696	518,897
Undesignated	3,367,884	2,219,845
TOTAL NET POSITION	11,224,237	14,782,954

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2014

	Business-Type Activities								Internal Service Fund
	Enterprise Funds								
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulins Kill Water Reclamation Project	Other Sewer Companies	Walkkill Watershed Project	Total		
Assets:									
Current Assets:									
Unrestricted:									
Cash and Cash Equivalents	2,847,502	767,720	78,717		4,714	143,175	3,841,828	196,500	
Investments			52,903				52,903		
Accounts Receivable (Net)	361,226	756,702				418	1,117,928	4,280	
Prepaid Expenses	17,070	41,686	239				59,413		
Due from State of New Jersey		114,000					114,000		
Due from Central Services	66,022	85,373	2,289			9,435	163,119		
Total Current Assets	3,291,820	1,765,481	134,148	-	4,714	153,028	5,349,191	200,780	
Non Current Assets:									
Restricted:									
Construction Account:									
Cash and Cash Equivalents				2,382,994			2,382,994		
Due from Central Services				576			576		
Phase II Construction Account:									
Cash and Cash Equivalents	1,517,532	14,060					1,531,592		
Due from Central Services	769						769		
Due from Renewal and Replacement		85,445					85,445		
Phase III Construction Account:									
Cash and Cash Equivalents	401,667						401,667		
Renewal and Replacement Account:									
Cash and Cash Equivalents	1,400,000	1,290,000	58,790				2,748,790		
Current Debt Service Accounts:									
Cash and Cash Equivalents	1,826,366	3,745,000		82,237			5,653,603		

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2014

	Business-Type Activities										Internal Service Fund	
	Enterprise Funds											
	Upper Wastewater System	Hampton Commons Wastewater System	Paulinus Kill Water Reclamation Project	Other Sewer Companies	Wallkill Watershed Project	Total						
Retained Percentages Account:												
Cash and Cash Equivalents		7,470				7,470					7,470	
Planning Fund:												
Cash and Cash Equivalents			373			373					373	
Operations:												
Cash and Cash Equivalents	972,000	1,714,250				2,686,250						
Cell Closure Account:												
Cash and Cash Equivalents		1,713,932				1,713,932						
Due from Central Services		769				769						
Landfill Postclosure Account:												
Cash and Cash Equivalents		101,323				101,323						
Investments		9,726,640				9,726,640						
Unemployment Trust Account:												
Cash and Cash Equivalents												236,952
Investments												379,808
Due From Unrestricted Funds												5,217

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2014

	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	
Capital Assets:								
Land	573,834	2,770,568	32,741				3,377,143	
Improvements	22,920,463	47,820,476					70,740,939	
Buildings	40,239,946	12,931,153	510,231				53,681,330	
Machinery and Equipment	11,041,823	7,585,619	775,225				19,402,667	
Accumulated Depreciation	(38,232,264)	(55,423,556)	(977,045)				(94,632,865)	
Construction in Progress	23,231	10,136		3,150,461			3,183,828	
Total Non-Current Assets	42,685,367	34,093,285	399,942	5,616,641	-	-	82,795,235	
Total Assets	45,977,187	35,858,766	534,090	5,616,641	4,714	153,028	88,144,426	
Deferred Outflows of Resources:								
Deferred Losses on Refundings	613,461						613,461	
Total Deferred Outflows of Resources	613,461	-	-	-	-	-	613,461	

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2014

	Business-Type Activities							Internal Service Fund
	Enterprise Funds							
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulins Kill Water Reclamation Project	Other Sewer Companies	Walkkill Watershed Project	Total	
Liabilities:								
Current Liabilities:								
Payable from Unrestricted Assets:								
Payroll Taxes Payable	277,573	404,119	15,648			15	697,355	24,370
Accounts Payable								5,959
Due to Other Funds					4,714		4,714	165,234
Other Accounts: Escrow Deposits								
Due to Restricted Accounts								5,217
Total Current Liabilities Payable from Unrestricted Assets	277,573	404,119	15,648	-	4,714	15	702,069	200,780
Payable from Restricted Assets:								
Accounts Payable: Cell Closure		466,133					466,133	
Accounts Payable				36,117			36,117	
Due to Phase 2 Const. - Renewal & Repl. Revenue Bonds Payable - Current Portion	1,660,000	3,745,000					5,405,000	
Accrued Interest on Bonds and Notes	236,110	1,132,451		65,952			1,434,513	
Total Current Liabilities Payable from Restricted Assets	1,896,110	5,425,029	-	102,069		-	7,427,208	-
Total Current Liabilities	2,173,683	5,833,148	15,648	102,069	4,714	15	8,129,277	200,780

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2014

	Business-Type Activities							Internal Service Fund
	Enterprise Funds							
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulins Kill Water Reclamation Project	Other Sewer Companies	Walkkill Watershed Project	Total	
Non-Current Liabilities:								
Revenue and Revenue Refunding Bonds Payable	37,251,985	7,050,169					44,302,154	
Project Note Payable			5,496,000				5,496,000	
Loans Payable to County of Sussex: Planning Loan	418,658						418,658	
Accrued Liabilities - Closure and Postclosure Costs	314,360	18,301,138					18,301,138	
Accrued Liabilities - Compensated Absences		456,182					770,542	
Total Non-Current Liabilities	37,985,003	25,807,489	-	5,496,000	-	-	69,288,492	-
Total Liabilities	40,158,686	31,640,637	15,648	5,598,069	4,714	15	77,417,769	200,780
Deferred Inflows of Resources:								
Bond Premium - Net	115,881						115,881	
Total Deferred Inflows of Resources	115,881	-	-	-	-	-	115,881	-
Net Position:								
Invested in Capital Assets, net of related debt Restricted:	(346,062)	5,006,202	341,152				5,001,292	
Current Debt Service	1,590,256	2,612,549					4,202,805	
Renewal and Replacement	1,400,000	1,204,555	58,790				2,663,345	
Operations	972,000	1,714,250					2,686,250	
Landfill Cell Closure		(10,899,294)					(10,899,294)	
Landfill Postclosure		3,674,687					3,674,687	
Unemployment Insurance								621,977
Construction Projects				18,572			18,572	
Unrestricted:								
Designated	352,683		3,000			153,013	508,696	
Undesignated	2,347,204	905,180	115,500				3,367,884	
Total Net Position	6,316,081	4,218,129	518,442	18,572	-	153,013	11,224,237	621,977

See accompanying Notes to the Financial Statements.

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2014

	Business-Type Activities							Internal Service Fund
	Enterprise Funds							
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulins Kill Water Reclamation Project	Other Sewer Companies	Wallkill Watershed Project	Total	
Operating Revenues								
User Charges	4,950,934		167,810				5,118,744	1,303,000
Treatment of Sludge, Septage and Leachate	882,097						882,097	
Operating and Maintenance Charges-Municipal	61,500						61,500	
Tipping Fees		10,670,725					10,670,725	
Recycling Markets		305,070					305,070	
Connection Fees	688,351						688,351	
Operating Grants	13,679	114,000			22,786		136,786	
Finance Charges	1	16,306					29,985	
Interest	34,964		106		5		112	619
Other		108,305		7,741		7,053	158,063	5,554
	6,631,526	11,214,406	167,916	7,746	-	29,839	18,051,433	1,309,173
Operating Expenses								
Administration, Operating, Maintenance and Reserves	3,617,358	6,560,135	150,173			223,149	10,550,815	1,303,000
Depreciation Expense	2,897,822	2,383,801	67,433				5,349,056	
	6,515,180	8,943,936	217,606	-	-	223,149	15,899,871	1,303,000
Operating Income	116,346	2,270,470	(49,690)	7,746	-	(193,310)	2,151,562	6,173

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2014

	Business-Type Activities							Internal Service Fund
	Enterprise Funds							
	Upper Walkkill Wastewater System	Hampton Commons Wastewater System	Paulins Kill Water Reclamation Project	Other Sewer Companies	Walkkill Watershed Project	Total		
Non-Operating Revenues (Expenses)								
Interest on Investments	167,249					167,249		
Renewal and Replacement Appropriation	350,000	6,000				356,000		
Budget Approp. - Vernon Rate Stabilization	189,262					189,262		
Other Non-Operating Revenue	(54,065)	1,400				1,400		
Bond Insurance Premiums	(449,937)					(54,065)		
Interest Expense	(1,455,412)	(703,111)				(1,153,048)		
Accreted Interest on Capital Appreciation Bonds	6,467	(459,191)				(1,914,603)		
Amortization of Bond Discount, Premiums						6,467		
Investment Expenses		(78,679)				(78,679)		
Unemployment Claims						-	(639)	
Cell Closure Expenditures (Net)		(2,759,455)				(2,759,455)		
Postclosure Expenditures (Net)		(470,807)				(470,807)		
Total Non-Operating Revenues (Expenses)	(1,763,685)	(3,952,594)	-	-	-	(5,710,279)	(639)	
Income (Loss) Before Contributions and Transfers	(1,647,339)	(43,690)	7,746	-	(193,310)	(3,558,717)	5,534	
Transfers In								
Transfers Out								
Change in Net Position	(1,647,339)	(43,690)	7,746	-	(193,310)	(3,558,717)	5,534	
Net Position - Beginning	7,963,420	5,900,253	562,132	-	346,323	14,782,954	616,443	
Net Position - Ending	6,316,081	4,218,129	18,572	-	153,013	11,224,237	621,977	

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2014

Business-Type Activities
Enterprise Funds

	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulins Kill Water Reclamation Project	Other Sewer Companies	Walkkill Watershed Project	Total	Internal Service Fund
Cash Flows from Operating Activities:								
Cash received from customers	6,492,072	11,154,791	167,810				17,814,673	1,303,000
Cash received from State of NJ		110,000					110,000	
Other operating grants						22,786	22,786	
Other operating receipts	34,964	459,705		7,850		7,053	509,572	5,554
Interest Received	1	167,249	106	5			167,361	619
Cash payments to suppliers, employees and professional contractors			(133,453)		(187)	(228,032)	(9,885,311)	(1,318,772)
Cash payments for other operating expenses	(3,233,170)	(6,290,469)		(109)			(1,158,381)	
Net Cash Provided by (Used in) Operating Activities	<u>2,937,508</u>	<u>4,799,363</u>	<u>34,463</u>	<u>7,746</u>	<u>(187)</u>	<u>(198,193)</u>	<u>7,580,700</u>	<u>(9,599)</u>
Cash Flows from Financing Activities:								
Bond Insurance Premiums	(54,065)						(54,065)	
Bond Principal Payments	(1,500,000)	(9,350,000)					(10,850,000)	
Net Cash Provided by (Used in) Financing Activities	<u>(1,554,065)</u>	<u>(9,350,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,904,065)</u>	<u>-</u>

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2014

	Business-Type Activities							Internal Service Fund
	Enterprise Funds							
	Upper Walkkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulins Kill Water Reclamation Project	Other Sewer Companies	Walkkill Watershed Project	Total	
Cash Flows from Investing Activities:								
Capital Expenditures	(239,457)	(147,989)	(8,350)	(908,390)			(1,304,186)	
Sales (purchases) of investments		188,922	(105)				188,817	(610)
Net Cash Provided by (Used in) Investing Activities	(239,457)	40,933	(8,455)	(908,390)	-	-	(1,115,369)	(610)
Net Increase (Decrease) in Cash and Cash Equivalents	1,143,986	(4,509,704)	26,008	(900,644)	(187)	(198,193)	(4,438,734)	(10,209)
Cash and Cash Equivalents-Beginning of Year	7,821,081	13,863,459	111,499	3,366,248	4,901	341,368	25,508,556	443,661
Cash and Cash Equivalents-End of Year	8,965,067	9,353,755	137,507	2,465,604	4,714	143,175	21,069,822	433,452
Classified As:								
Unrestricted Assets	2,847,502	767,720	78,717	-	4,714	143,175	3,841,828	196,500
Restricted Assets	6,117,565	8,586,035	58,790	2,465,604	-	-	17,227,994	236,952
	8,965,067	9,353,755	137,507	2,465,604	4,714	143,175	21,069,822	433,452

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2014

	Business-Type Activities								Internal Service Fund
	Enterprise Funds								
	Upper Wallkill Wastewater System	Solid Waste System	Hampton Commons Wastewater System	Paulinus Kill Water Reclamation Project	Other Sewer Companies	Wallkill Watershed Project	Total		
	(1,647,339)	742,974	(43,690)	7,746	-	(193,310)	(1,133,619)	5,534	
	2,978,882	2,383,801	67,433				5,430,116		
	1,455,412	459,191	(6,000)				1,914,603		
	54,065						(6,000)		
							54,065		
	1,454	162,690					164,144		
	3,969	(6,778)	980			(3,874)	(5,703)		
	(697)	(4,000)					(4,000)		
		20,472	(15)			(46)	19,714	234	
	86,029	231,211	15,755		(187)	(963)	331,845	(15,367)	
	6,051	785,810					791,861		
	(318)	23,992					23,674		
	2,937,508	4,799,363	34,463	7,746	(187)	(198,193)	7,580,700	(9,599)	

Reconciliation of Change in Net Position to Net Cash Provided by (Used in) Operating Activities

Change in Net Position	(1,647,339)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	2,978,882
Accrued Interest on Bonds	1,455,412
Renewal & Replacement Appropriation	54,065
Other Non-Operating Expenses	
Decrease (Increase) In:	
Accounts and Accrued Interest Receivable	1,454
Due from Central Services	3,969
Due from State of New Jersey	(6,778)
Prepaid Expenses	(4,000)
Increase (Decrease) In:	
Current Liabilities Payable from Unrestricted Assets	86,029
Current Liabilities Payable from Restricted Assets	6,051
Non-Current Liabilities	(318)

Net Cash Provided by (Used in) Operating Activities

	2,937,508	4,799,363	34,463	7,746	(187)	(198,193)	7,580,700	(9,599)
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See accompanying Notes to the Financial Statements.

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013

	Administrative Services	
	2014	2013
ASSETS		
Current Assets		
Cash and Cash Equivalents	196,500	211,360
Prepaid Expenses	4,280	4,514
Total Current Assets	200,780	215,874
Restricted Assets		
Cash and Cash Equivalents	236,952	232,301
Investments	379,808	379,198
Due From Unrestricted Accounts	5,217	4,944
Total Noncurrent Assets	621,977	616,443
Total Assets	822,757	832,317
LIABILITIES		
Current Liabilities		
Accounts Payable	5,959	6,257
Payroll Taxes Payable	24,370	22,372
Due to Restricted Accounts	5,217	4,944
Due to Other Funds	165,234	182,301
Total Current Liabilities	200,780	215,874
Total Liabilities	200,780	215,874
NET POSITION		
Restricted:		
Reserve for Unemployment Insurance	621,977	616,443
Total Net Position	621,977	616,443

See accompanying Notes to the Financial Statements.

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013

	Administrative Services	
	2014	2013
Operating Revenues:		
User Charges	1,303,000	1,253,000
Interest Income	619	797
Unemployment Contributions	5,554	5,151
Total Operating Revenue	1,309,173	1,258,948
Operating Expenses:		
Administrative and General Expenses	1,303,000	1,253,000
Unemployment Claims	639	617
Total Operating Expenses	1,303,639	1,253,617
Operating Income	5,534	5,331
Net Position - Beginning	616,443	611,112
Net Position - Ending	621,977	616,443

See accompanying Notes to the Financial Statements.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities:		
Cash Received from Users	1,303,000	1,253,000
Other Operating Receipts	5,554	5,151
Interest Received	619	797
Cash Paid to Suppliers, Employees and Professional contractors	(1,318,772)	(1,177,570)
Net Cash Provided/(Required) By Operating Activities	<u>(9,599)</u>	<u>81,378</u>
Cash Flows From Investing Activities:		
Sales (Purchases) of Investments	(610)	(775)
Net Cash Provided/(Required) By Investing Activities	<u>(610)</u>	<u>(775)</u>
Increase/(Decrease) In Cash And Cash Equivalents	(10,209)	80,603
Cash And Cash Equivalents - December 1,	<u>443,661</u>	<u>363,058</u>
Cash And Cash Equivalents - November 30,	<u>433,452</u>	<u>443,661</u>
Classified As:		
Unrestricted Assets	196,500	211,360
Restricted Assets	236,952	232,301
	<u>433,452</u>	<u>443,661</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	5,534	5,331
Items Affecting Cash from Operations:		
Decrease / (Increase) in:		
Prepaid Expenses	234	51
Increase / (Decrease) in:		
Accounts Payable and Accrued Liabilities	(15,367)	75,996
Net Cash Provided/(Required) by Operating Activities	<u>(9,599)</u>	<u>81,378</u>

See accompanying Notes to the Financial Statements.

Notes to Financial Statements

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014

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, 2014
(Continued)

1. General (continued)

Wastewater (continued)

As of November 30, 2014, the following amount is due to the County of Sussex:

Under the 1973 Service Contract	<u>\$418,658</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, 2014
(Continued)

1. **General (continued)**

Wastewater (continued)

Paulins Kill System (continued)

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

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

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

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(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, 2014
(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, 2014
(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, 2014
(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, 2014
(Continued)

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

D. Measurement Focus, (continued)

Fund Financial Statements

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

E. Basis of Accounting

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

F. Property, Plant and Equipment

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

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

2. Summary of Significant Accounting Policies, (continued)

F. Property, Plant and Equipment, (continued)

Property, plant and equipment includes:

	Upper Wallkill Facilities Fund	Hampton Commons Facilities Fund	Solid Waste Facilities Fund	Paulins Kill Water Reclamation Project	Total
Capital Assets Not Being Depreciated:					
Land	573,834	32,741	2,770,568		3,377,143
Construction in Progress	<u>23,231</u>	<u> </u>	<u>10,136</u>	<u>3,150,461</u>	<u>3,183,828</u>
Total Capital Assets, Not Being Depreciated	<u>597,065</u>	<u>32,741</u>	<u>2,780,704</u>	<u>3,150,461</u>	<u>6,560,971</u>
Capital Assets Being Depreciated:					
Improvements	22,920,463		47,820,476		70,740,939
Buildings	40,239,946	510,231	12,931,153		53,681,330
Machinery and Equipment	<u>11,041,823</u>	<u>775,225</u>	<u>7,585,619</u>	<u> </u>	<u>19,402,667</u>
Total Capital Assets, Being Depreciated	74,202,232	1,285,456	68,337,248		143,824,936
Less:					
Accumulated Depreciation	<u>(38,232,264)</u>	<u>(977,045)</u>	<u>(55,423,556)</u>	<u> </u>	<u>(94,632,865)</u>
Total Capital Assets Being Depreciated, Net	<u>35,969,968</u>	<u>308,411</u>	<u>12,913,692</u>	<u> </u>	<u>49,192,071</u>
Total Capital Assets, Net	<u>36,567,033</u>	<u>341,152</u>	<u>15,694,396</u>	<u>3,150,461</u>	<u>55,753,042</u>

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

	Balance Nov. 30, 2013	Additions	Disposals	Balance Nov. 30, 2014
<u>Upper Wallkill Facilities Fund:</u>				
Capital Assets Not Being Depreciated:				
Land	573,834			573,834
Construction in Progress	<u> </u>	<u>23,231</u>	<u> </u>	<u>23,231</u>
Total Capital Assets, Not Being Depreciated	<u>573,834</u>	<u>23,231</u>	<u> </u>	<u>597,065</u>
Capital Assets Being Depreciated:				
Improvements	22,920,463			22,920,463
Buildings	40,203,996	35,950		40,239,946
Machinery and Equipment	<u>10,894,164</u>	<u>179,506</u>	<u>(31,847)</u>	<u>11,041,823</u>
Total Capital Assets, Being Depreciated	74,018,623	215,456	(31,847)	74,202,232
Less:				
Accumulated Depreciation	<u>(35,366,290)</u>	<u>(2,897,821)</u>	<u>31,847</u>	<u>(38,232,264)</u>
Total Capital Assets Being Depreciated, Net	<u>38,652,333</u>	<u>(2,682,365)</u>	<u> 0</u>	<u>35,969,968</u>
Total Capital Assets, Net	<u>39,226,167</u>	<u>(2,659,134)</u>	<u> 0</u>	<u>36,567,033</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

2. Summary of Significant Accounting Policies, (continued)

F. Property, Plant and Equipment, (continued)

	Balance Nov. 30, 2013	Additions	Disposals	Balance Nov. 30, 2014
Hampton Commons Facilities Fund:				
Capital Assets Not Being Depreciated:				
Land	<u>32,741</u>	—	—	<u>32,741</u>
Total Capital Assets, Not Being Depreciated	<u>32,741</u>	—	—	<u>32,741</u>
Capital Assets Being Depreciated:				
Buildings	510,231			510,231
Machinery and Equipment	<u>766,875</u>	<u>8,350</u>	—	<u>775,225</u>
Total Capital Assets, Being Depreciated	1,277,106	8,350		1,285,456
Less:				
Accumulated Depreciation	<u>(909,612)</u>	<u>(67,433)</u>	—	<u>(977,045)</u>
Total Capital Assets Being Depreciated, Net	<u>367,494</u>	<u>(59,083)</u>	—	<u>308,411</u>
Total Capital Assets, Net	<u>400,235</u>	<u>(59,083)</u>	—	<u>341,152</u>
	Balance Nov. 30, 2013	Additions	Disposals	Balance Nov. 30, 2014
Solid Waste Facilities Fund:				
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	47,732,375	88,101		47,820,476
Buildings	12,931,153			12,931,153
Machinery and Equipment	<u>7,607,584</u>	<u>59,887</u>	<u>(81,852)</u>	<u>7,585,619</u>
Total Capital Assets, Being Depreciated	68,271,112	147,988	(81,852)	68,337,248
Less:				
Accumulated Depreciation	<u>(53,121,607)</u>	<u>(2,383,801)</u>	<u>81,852</u>	<u>(55,423,556)</u>
Total Capital Assets Being Depreciated, Net	<u>15,149,505</u>	<u>(2,235,813)</u>	0	<u>12,913,692</u>
Total Capital Assets, Net	<u>17,930,209</u>	<u>(2,235,813)</u>	0	<u>15,694,396</u>
Paulins Kill Water Reclamation Project:				
Capital Assets Not Being Depreciated:				
Construction in Progress	<u>2,246,272</u>	<u>904,189</u>	—	<u>3,150,461</u>
Total Capital Assets, Not Being Depreciated	<u>2,246,272</u>	<u>904,189</u>	—	<u>3,150,461</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

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

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

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

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

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

G. **Restricted Accounts**

Upper Wallkill Facilities Fund:

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

2. Summary of Significant Accounting Policies, (continued)

G. Restricted Accounts, (continued)

Upper Wallkill Facilities Fund, (continued):

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

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

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

G. Restricted Accounts, (continued)

Hampton Commons Facilities Fund:

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

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

Other Sewer Companies:

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

Solid Waste Facility:

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

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

G. Restricted Accounts, (continued)

Solid Waste Facility, (continued):

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

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

G. Restricted Accounts, (continued)

Solid Waste Facility, (continued):

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

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

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

Retained percentage account derived from amounts withheld from construction contracts.

Paulins Kill Water Reclamation Project:

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

H. Interest Income from Operating Investments:

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

2. Summary of Significant Accounting Policies, (continued)

I. Total (Memo) Columns

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

J. Accrued Liability for Closure and Postclosure Costs

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

At November 30, 2014, there is a deficit of \$10,899,294 in the Authority's Cell Closure Fund. The Authority plans to reduce this deficit through budgeted contributions to the Cell Closure Escrow Account.

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

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(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 depreciation expense, 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, 2014
(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. Recent Accounting Pronouncements Not Yet Effective

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the entity’s financial reporting. However, the provisions of this statement will require significant modifications to the disclosure requirements related to the entity’s proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level. The impact of this statement on the net position of the entity is not presently determinable.

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

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

In November 2013, the Government Accounting Standards Board issued GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014. The impact of this statement on the net position of the entity is not presently determinable.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(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, 2014, 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			1,830,509	1,830,509
Operating Account		53,380		53,380
General Planning Replacement		86		86
Vernon Twp. Rate Stabilization Fund		343,243		343,243
Current Debt Service			1,826,366	1,826,366
Phase III Construction		401,667		401,667
General Fund			1,525,873	1,525,873
Renewal and Replacement			1,466,010	1,466,010
Phase II Construction			1,517,532	1,517,532
Future Debt Service			<u>1</u>	<u>1</u>
	<u>400</u>	<u>798,376</u>	<u>8,166,291</u>	<u>8,965,067</u>
<u>Balance Sheet Classification</u>				
Unrestricted Assets				2,847,502
Restricted Assets				<u>6,117,565</u>
				<u>8,965,067</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(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			884,979	884,979
Operating Account		1,563,446		1,563,446
Construction Fund		9,143	4,917	14,060
Current Debt Service Fund			3,745,000	3,745,000
Renewal and Replacement Fund			1,290,000	1,290,000
Cell Closure Account		1,625,569		1,625,569
Landfill Postclosure Account			101,323	101,323
Retained Percentages Account		7,470		7,470
Planning Account		54,459		54,459
General Fund			65,349	65,349
	<u>2,100</u>	<u>3,260,087</u>	<u>6,091,568</u>	<u>9,353,755</u>

Balance Sheet Classification

Unrestricted Assets				767,720
Restricted Assets				<u>8,586,035</u>
				<u>9,353,755</u>

Hampton Commons Facilities Fund

Operating Account		84,717		84,717
Renewal and Replacement Fund		52,790		52,790
		<u>137,507</u>		<u>137,507</u>

Balance Sheet Classification

Unrestricted Assets				78,717
Restricted Assets				<u>58,790</u>
				<u>137,507</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(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		21,087	2,191,287	2,212,374
Operating Fund			170,620	170,620
Debt Service Fund	—		82,237	82,237
	<u>—</u>	<u>21,460</u>	<u>2,444,144</u>	<u>2,465,604</u>
<u>Balance Sheet Classification</u>				
Restricted Assets				<u>2,465,604</u>
<u>Internal Service Fund</u>				
Revenue Operating Account		13,866		13,866
Payroll Account		182,634		182,634
Unemployment Trust Fund	—	211,164	25,788	236,952
	<u>—</u>	<u>407,664</u>	<u>25,788</u>	<u>433,452</u>
<u>Balance Sheet Classification</u>				
Unrestricted Assets				196,500
Restricted Assets				<u>236,952</u>
				<u>433,452</u>
<u>Other Sewer Companies</u>				
Escrow Accounts	—	4,714	—	4,714
<u>Balance Sheet Classification</u>				
Unrestricted Assets				<u>4,714</u>
<u>Wallkill Watershed Fund</u>				
Escrow Accounts	—	143,175	—	143,175
<u>Balance Sheet Classification</u>				
Unrestricted Assets				<u>143,175</u>
<u>Grand Total</u>				
Unrestricted				4,038,328
Restricted				17,464,946
				<u>21,503,274</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(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, 2014, \$-0- of the Authority's bank balance of \$21,485,610 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 Walkkill 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, 2014
(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, 2014
(Continued)

4. Investments, (continued)

At November 30, 2014, the Authority had the following investments:

Investment Type	Average Credit/Quality Ratings (1)	Face Amount	Carrying Amount	Investment Maturities (in Years)		
				<1	1-5	6-10
FHLMC	AAA	\$95,000	\$94,921		\$94,921	
FHLMC MTN	AAA	85,000	85,098	\$85,098		
FHLMC Deb	AAA	130,000	130,461	130,461		
FHLMC Multiclass Mtg Part		151,822	154,102		101,244	\$52,858
FICO Strips Ser E		65,000	62,807		62,807	
FNMA	AAA	255,000	254,390		254,390	
FNMA MTN	AA-	55,000	47,973		47,973	
FNMA MTN	AAA	60,000	60,210	60,210		
FNMA Deb	AAA	450,000	466,770		466,770	
FNMA Gtd REMIC		129,705	129,665		129,665	
Federal Farm Credit Banks	AAA	495,000	512,733	29,946	418,890	63,897
Federal Home Loan Banks	AAA	1,355,000	1,421,035	439,635	502,669	478,731
GNMA Pass Thru Cert.		14,936	14,873		3,834	11,039
Financing Corp.	AAA	25,000	33,579		33,579	
Tennessee Valley Authority	AA+	70,000	83,498		83,498	
US Treasury Bonds	AAA	700,000	925,866	62,383	496,226	367,257
US Treasury Notes	AAA	4,910,000	5,066,495	732,116	2,756,353	1,578,026
NCUA Guaranteed Notes		30,000	29,958	29,958		
Private Export Funding	AAA	145,000	152,206	75,838	76,368	
		<u>9,221,463</u>	<u>9,726,640</u>	<u>1,645,645</u>	<u>5,529,187</u>	<u>2,551,808</u>

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

5. Bonds Payable

As of November 30, 2014 and 2013, the Authority has the following principal amount of debt outstanding and unamortized losses from refunding transactions.

	Balance 11/30/13	Increases	Decreases	Balance 11/30/14	Amount Due Within One Year
Upper Wallkill Facilities Fund:					
2003 Series G Wastewater Revenue Bonds	\$2,360,000		\$1,155,000	\$1,205,000	\$1,205,000
2008 Series A Wastewater Revenue Bonds	3,875,000		80,000	3,795,000	85,000
2008 Series B Wastewater Revenue Bonds	29,566,573	\$1,455,412	250,000	30,771,985	350,000
2012 Wastewater Revenue Refunding Bonds	3,155,000		15,000	3,140,000	20,000
	<u>38,956,573</u>	<u>1,455,412</u>	<u>1,500,000</u>	<u>38,911,985</u>	<u>1,660,000</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

5. Bonds Payable, (continued)

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

	<u>2014</u>	<u>2013</u>
2003 Series G	\$53,433	\$97,233
Series 2008 A	174,344	177,344
Series 2008 B	29,677	15,475
Series 2012	<u>104,956</u>	<u>105,406</u>
	<u>362,410</u>	<u>395,458</u>
Amortization of Deferred (Gains)/Losses on Refunding:		
1986 Refunding	50,534	50,533
2003 NJWWT Refunding		(12,802)
2012 Refunding	<u>36,993</u>	<u>36,992</u>
	<u>449,937</u>	<u>470,181</u>

Series 2003G Wastewater Revenue Refunding Bonds

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

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

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

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2014	505,000	3.65	3.86
2014	700,000	5.00	3.86

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

5. Bonds Payable, (continued)

Series 2008 Wastewater Revenue Bonds

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

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

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

Optional Redemption

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

5. Bonds Payable, (continued)

Sinking Fund Redemption

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

5. Bonds Payable, (continued)

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

<u>Date</u>	<u>Original Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Maturity Amount</u>
12/1/14	280,255	3.610%	69,745	350,000
12/1/15	981,935	3.820%	308,065	1,290,000
12/1/16	973,941	3.970%	371,059	1,345,000
12/1/17	1,037,128	4.120%	472,872	1,510,000
12/1/18	1,045,824	4.270%	564,176	1,610,000
12/1/19	1,128,900	4.430%	716,100	1,845,000
12/1/20	1,147,604	4.580%	847,396	1,995,000
12/1/21	1,138,242	4.690%	961,758	2,100,000
12/1/22	1,069,141	4.790%	1,025,859	2,095,000
12/1/23	1,263,940	4.830%	1,356,060	2,620,000
12/1/24	1,193,410	4.910%	1,426,590	2,620,000
12/1/25	1,125,500	4.970%	1,494,500	2,620,000
12/1/26	1,060,209	5.030%	1,559,791	2,620,000
12/1/27	997,565	5.090%	1,622,435	2,620,000
12/1/28	937,515	5.150%	1,682,485	2,620,000
12/1/29	881,866	5.200%	1,738,134	2,620,000
12/1/30	826,924	5.260%	1,793,076	2,620,000
12/1/31	776,254	5.310%	1,843,746	2,620,000
12/1/32	782,176	5.360%	2,032,824	2,815,000
12/1/33	735,124	5.390%	2,074,876	2,810,000
12/1/34	693,480	5.410%	2,116,520	2,810,000
12/1/35	609,926	5.700%	2,205,074	2,815,000
12/1/36	572,425	5.720%	2,237,575	2,810,000
12/1/37	540,452	5.730%	2,274,548	2,815,000
12/1/38	506,868	5.750%	2,303,132	2,810,000
12/1/39	478,936	5.750%	2,331,064	2,810,000
	<u>22,785,540</u>		<u>37,429,460</u>	<u>60,215,000</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

5. Bonds Payable, (continued)

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

<u>Maturity</u>	<u>Original Principal</u>	<u>Accreted Principal 11/30/14</u>	<u>Carrying Value 11/30/14</u>
12/1/14	280,255	69,745	350,000
12/1/15	981,935	260,154	1,242,089
12/1/16	973,941	269,350	1,243,291
12/1/17	1,037,128	298,980	1,336,108
12/1/18	1,045,824	313,821	1,359,645
12/1/19	1,128,900	353,096	1,481,996
12/1/20	1,147,604	372,746	1,520,350
12/1/21	1,138,242	379,806	1,518,048
12/1/22	1,069,141	365,431	1,434,572
12/1/23	1,263,940	438,169	1,702,109
12/1/24	1,193,410	419,593	1,613,003
12/1/25	1,125,500	401,253	1,526,753
12/1/26	1,060,209	383,228	1,443,437
12/1/27	997,565	365,516	1,363,081
12/1/28	937,515	348,171	1,285,686
12/1/29	881,866	331,168	1,213,034
12/1/30	826,924	314,689	1,141,613
12/1/31	776,254	298,653	1,074,907
12/1/32	782,176	304,217	1,086,393
12/1/33	735,124	287,772	1,022,896
12/1/34	693,480	272,654	966,134
12/1/35	609,926	254,814	864,740
12/1/36	572,425	240,115	812,540
12/1/37	540,452	227,199	767,651
12/1/38	506,868	213,953	720,821
12/1/39	478,936	202,152	681,088
	<u>22,785,540</u>	<u>7,986,445</u>	<u>30,771,985</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

5. Bonds Payable, (continued)

Redemption

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

Series 2012 Wastewater Revenue Refunding Bonds

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

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

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

5. Bonds Payable, (continued)

	Balance <u>11/30/13</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>11/30/14</u>	Amount Due Within <u>One Year</u>
<u>Solid Waste Facilities Fund</u>					
2003 Series Revenue Refunding					
Bonds	7,740,000		7,740,000	0	
2006 Series Revenue Bonds	<u>11,945,978</u>	<u>459,191</u>	<u>1,610,000</u>	<u>10,795,169</u>	<u>3,745,000</u>
	<u>19,685,978</u>	<u>459,191</u>	<u>9,350,000</u>	<u>10,795,169</u>	<u>3,745,000</u>

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

	<u>2014</u>	<u>2013</u>
2003 Series		387,000
2006 Series	<u>703,111</u>	<u>429,339</u>
	703,111	816,339
Amortization of Deferred Loss on Refunding		<u>436,732</u>
	<u>703,111</u>	<u>1,253,071</u>

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

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

As of November 30, 2014, the Solid Waste Revenue Bonds, Refunding Series 2003 Bonds have been retired.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

5. Bonds Payable, (continued)

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

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

<u>Date</u>	<u>Original Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Maturity Amount</u>
12/1/14	2,612,550	4.310%	1,132,450	3,745,000
12/1/15	2,492,692	4.400%	1,267,308	3,760,000
12/1/16	<u>2,373,404</u>	4.480%	<u>1,396,596</u>	<u>3,770,000</u>
	<u>7,478,646</u>		<u>3,796,354</u>	<u>11,275,000</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 11/30/14</u>	<u>Carrying Value 11/30/14</u>
12/1/14	2,612,550	1,132,450	3,745,000
12/1/15	2,492,692	1,107,170	3,599,862
12/1/16	<u>2,373,404</u>	<u>1,076,903</u>	<u>3,450,307</u>
	<u>7,478,646</u>	<u>3,316,523</u>	<u>10,795,169</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

5. Bonds Payable, (continued)

Principal and interest due on outstanding bonds is as follows:

Upper Wallkill Facilities Fund

<u>Fiscal Year</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	3.00-4.43%	1,660,000	304,123	1,964,123
2016	3.00-4.00%	1,617,089	317,374	1,934,463
2017	3.00-4.00%	1,623,291	358,972	1,982,263
2018	3.00-4.27%	1,721,108	418,755	2,139,863
2019	3.00-4.27%	1,749,645	482,643	2,232,288
2020-2024	3.125-4.85%	8,857,075	4,012,059	12,869,134
2025-2029	3.125-5.15%	8,671,960	6,632,306	15,304,266
2030-2034	3.625-5.39%	6,898,843	8,406,445	15,305,288
2035-2039	5.00-5.75%	5,186,886	10,126,739	15,313,625
2040	5.00-5.75%	926,088	2,135,037	3,061,125
		<u>38,911,985</u>	<u>33,194,453</u>	<u>72,106,438</u>

Solid Waste Facilities Fund

<u>Fiscal Year</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	4.310%	3,745,000		3,745,000
2016	4.400%	3,599,862	160,138	3,760,000
2017	4.480%	3,450,307	319,693	3,770,000
		<u>10,795,169</u>	<u>479,831</u>	<u>11,275,000</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

6. Note Payable

On February 14, 2014, the Authority issued \$5,496,000 Paulins Kill Basin Water Reclamation System Project Note, Series 2014. The Note was issued to provide funds, together with other funds of the Authority, to finance: (a) the current refunding of the Authority's \$5,496,000 Paulins Kill Basin Water Reclamation System Project Note, Series 2013, dated February 15, 2013 that matured February 15, 2014. The proceeds of the note were used to finance the construction of a central wastewater collection and treatment system to serve the needs of the Borough of Branchville and the surrounding area within the Township of Frankford; (b) the capitalized interest on the Note; and (c) the costs of issuance of the Note. The Note bears interest at a rate of 1.50% and matures on February 13, 2015.

7. Pension Plans

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

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

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

Other Pension Funds

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

7. Pension Plans, (continued)

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

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

Basis of Accounting

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

Investment Valuation

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

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

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

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

7. Pension Plans, (continued)

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

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

Funding Status and Funding Progress

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

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

Actuarial Methods and Assumptions

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

7. Pension Plans, (continued)

Employer and Employee Pension Contributions

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

Annual Pension Costs (APC)

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

<u>Three Year Trend Information for PERS</u>			
<u>Year</u>	<u>Annual</u>	<u>Percentage</u>	<u>Net</u>
<u>Funding</u>	<u>Pension</u>	<u>of APC</u>	<u>Pension</u>
	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
11/30/14	\$263,454	100%	\$ 0
11/30/13	292,699	100%	0
11/30/12	289,855	100%	0

8. Post-retirement Medical Benefits

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

8. Post-retirement Medical Benefits, (continued)

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

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

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

Basis of Accounting

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

Investment Valuation

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

Significant Legislation

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

8. Post-retirement Medical Benefits, (continued)

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

Post-Retirement Medical Benefits Contribution

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

8. Post-retirement Medical Benefits, (continued)

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Authority's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended November 30, 2014, 2013 and 2012 were \$260,665, \$277,909 and \$244,281, 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, 2014, 2013 and 2012 were \$25,596, \$14,286 and \$9,379, respectively.

9. Deferred Compensation Plan

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

10. Unamortized Bond Premiums

The Authority received a net premium of \$34,954 on its issuance of the Series 2008 A and B Bonds and \$100,730 on the issuance of the Series 2012 Wastewater Revenue Refunding Bonds. At November 30, 2014, the balance which remains to be amortized over the life of the Bonds using the straight-line method is \$115,881. Under the requirements of GASB Statement No. 65, the unamortized balance is reported in the financial statements as a deferred inflow of resources.

11. Closure and Postclosure Care Cost

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

11. Closure and Postclosure Care Cost, (continued)

As of November 30, 2014, the Authority reported \$3,674,687 as landfill postclosure care reserve and an unfunded deficit of (\$10,899,294) on its cell closure reserve. A comparison of the Closure Account balance and the current total closure liability calculation clearly demonstrates that the Authority cannot finance the entire closure liability through the Closure Account. Therefore, the Authority is considering options for alternative financing of the closures. At this point, the most feasible alternative is to extend the life of the facility by reestablishing the solid waste transfer station and fund the planned cell closures through the New Jersey Environmental Infrastructure Trust, in conjunction with the establishment of waste flow control. By extending the life of the facility, the debt can be extended over a longer period of time.

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

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

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

The Authority is required by state and federal laws and regulations to make annual contributions to a trust account to finance postclosure care. The Authority is in compliance with these requirements, and, at November 30, 2014, cash and cash equivalents, investments and receivables of \$9,827,963 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, 2014
(Continued)

12. Reserves Required by Bond Resolution

Upper Wallkill Facilities Fund:

The following reserves are required by the bond resolution:

Operating Requirement:	\$972,000
Funded by:	
Cash, Cash Equivalents and Investments	<u>972,000</u>
Excess/(Deficit)	<u>-0-</u>
Future Debt Service Requirement:	3,072,750
Funded by:	
Cash, Cash Equivalents and Investments	-0-
Insurance Policy with Assured Guarantee Municipal Corp.	1,478,933
Insurance Policy with Financial Security Assistance	<u>1,593,817</u>
Excess/(Deficit)	<u>-0-</u>
Renewal and Replacement Requirement:	1,400,000
Funded by:	
Cash, Cash Equivalents and Investments	<u>1,400,000</u>
Excess/(Deficit)	<u>-0-</u>
Current Debt Service Requirement:	1,590,256
Funded by:	
Cash, Cash Equivalents and Investments	<u>1,590,256</u>
Excess/(Deficit)	<u>-0-</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

12. Reserves Required by Bond Resolution, (continued)

Solid Waste Facilities Fund:

The following cash reserves are required by the bond resolution:

Future Debt Service (Bond Reserve) Requirement:	\$1,499,782
Funded by:	
Insurance Policy with MBIA Insurance ⁽¹⁾	<u>1,499,782</u>
Excess/(Deficit)	<u>-0-</u>
Revenue Fund Requirement:	1,714,250
Funded by:	
Cash, Cash Equivalents and Investments	<u>1,714,250</u>
Excess/(Deficit)	<u>-0-</u>
Renewal and Replacement Requirement:	1,290,000
Funded by:	
Cash, Cash Equivalents and Investments	<u>1,290,000</u>
Excess/(Deficit)	<u>-0-</u>
Current Debt Service Requirement:	3,745,000
Funded by:	
Cash, Cash Equivalents and Investments	<u>3,745,000</u>
Excess/(Deficit)	<u>-0-</u>

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

For the fiscal year ended November 30, 2014, the Authority received \$-0- in Debt Service Aid from the State of New Jersey to offset its FY 2014 debt service.

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

13. Commitments and Contingent Liabilities

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

14. Other Matters

Solid Waste Facilities

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

	Tipping Fee	
	<u>Revenues</u>	<u>Tonnage</u>
2010	9,544,710	96,931 tons
2011	10,646,315	108,512 tons
2012	10,713,626	102,229 tons
2013	10,980,880	103,732 tons
2014	10,670,725	99,902 tons

15. Flow Control

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

16. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

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

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

Fiscal Year	Authority	Employee	Interest	Amount	Ending
<u>Ending</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Interest</u>	<u>Reimbursed</u>	<u>Balance</u>
11-30-12	-0-	4,901	986	630	611,112
11-30-13	-0-	5,151	797	617	616,443
11-30-14	-0-	5,554	619	639	621,977

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2014
(Continued)

17. Designation of Unrestricted Net Position

As of November 30, 2014, the Authority's accounts maintain funds that, although may be spent for any lawful purpose by the Authority, have been designated by the Board for the following purposes and amounts:

	<u>Upper Wallkill Facilities</u>	<u>Solid Waste Facilities</u>	<u>Hampton Commons Facilities</u>	<u>Wallkill Watershed Project</u>	<u>Total</u>
Workers Compensation	9,439				9,439
Vernon Twp. Rate Stabilization	343,244				343,244
Wallkill Watershed Projects Appropriated in subsequent year's budget			<u>3,000</u>	153,013	153,013
	<u>352,683</u>	<u>-0-</u>	<u>3,000</u>	<u>153,013</u>	<u>508,696</u>

18. Subsequent Events

On February 13, 2015, the Authority issued \$10,210,000 Paulins Kill Basin Water Reclamation System Project Note, Series 2015. The Series 2015 Project Note was issued to refinance the Series 2014 Project Note that matures on February 15, 2015. The Series 2015 Project Note has an interest rate of 2.00% and matures on December 1, 2016.

The Authority has evaluated subsequent events through March 28, 2015, the date which the financial statements were available to be issued and no additional items, except as noted above, were noted for disclosure.

Supplementary Schedules

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

UPPER WALLKILL FACILITIES FUND

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

	Unrestricted	Invested in Capital Assets	Restricted			Totals (Memo)	
			Future Debt Service	Current Debt Service	Renewal and Replacement	Operations	2014
Operating Revenue:							
User Charges - Sewer	4,950,934					4,950,934	4,898,000
Treatment of Sludge	96,807					96,807	87,115
Treatment of Septage	566,690					566,690	515,176
Treatment of Leachate	218,600					218,600	214,600
Operating and Maintenance Charges	61,500					61,500	78,591
Connection Fees	688,351					688,351	512,662
Other	34,964					34,964	14,918
Finance Charges	13,679					13,679	8,092
	<u>6,631,525</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,631,525</u>	<u>6,329,154</u>
Operating Expenses:							
Cost of Providing Services	2,811,010					2,811,010	2,700,005
Administrative and General Expense	617,086					617,086	654,983
Reserves	189,262						
Depreciation	2,897,822					2,897,822	3,019,440
	<u>6,515,180</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,325,918</u>	<u>6,374,428</u>
Operating Income	<u>116,345</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>305,607</u>	<u>(45,274)</u>

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

	Restricted						Totals (Memo)	
	Unrestricted	Invested in Capital Assets	Future Debt Service	Current Debt Service	Renewal and Replacement	Operations	2014	2013
Non-Operating Revenue:								
Interest Income			1				1	58,930
Budget Appropriation - Reserve for Vernon Rate Stabilization	189,262							
Non-Operating Expenses:								
Interest Expense	(449,937)	(1,455,412)				(449,937)	(470,181)	(1,394,021)
Accretion				0			0	(260)
Loss on Disposal of Equipment					(54,065)		(54,065)	
Bond Insurance Premiums							0	(4,402)
Other Expenses								
Amortization	6,467					6,467	6,467	4,265
Net Income/(Loss) Before Transfers	(191,928)	(1,455,412)	1	0	0	(1,647,339)	(1,850,943)	
Transfers:								
Interest Income	1		(1)				0	0
Other	1,202,614	143,370	(1,478,933)	130,324		2,625	0	0
Increase (Decrease) in Net Position	1,010,687	(1,312,042)	(1,478,933)	130,324	0	2,625	(1,647,339)	(1,850,943)
Net Position - December 1,	1,689,200	965,980	1,478,933	1,459,932	1,400,000	969,375	7,963,420	9,814,363
Net Position - November 30,	2,699,887	(346,062)	0	1,590,256	1,400,000	972,000	6,316,081	7,963,420
Designated	352,683							
Undesignated	2,347,204							
	2,699,887							

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
UPPER WALKILL FACILITIES FUND
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED AND RESTRICTED ACCOUNTS
FOR THE YEAR ENDED NOVEMBER 30, 2014

	Trustee Revenue Account	Revenue Operating Account	General Planning Replacement	Petty Cash	Renewal and Replacement
Cash, Cash Equivalents and Investments - December 1, 2013	1,454,665	182,067	86	400	1,569,535
Cash Receipts:					
User and Other Charges		6,645,299			
Interest on Investments					
Other		89,490			
Transfers	6,921,901	3,665,353			
Total Cash Receipts	<u>6,921,901</u>	<u>10,400,142</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Investments Available	<u>8,376,566</u>	<u>10,582,209</u>	<u>86</u>	<u>400</u>	<u>1,569,535</u>
Cash Disbursements:					
Operations		3,769,545			
Bond Interest Payments					
Bond Principal Payments					
Other	65,588	40,356			
Transfers	6,480,469	6,718,928			103,525
Total Cash Disbursements	<u>6,546,057</u>	<u>10,528,829</u>	<u>-</u>	<u>-</u>	<u>103,525</u>
Cash, Cash Equivalents and Investments - November 30, 2014	<u>1,830,509</u>	<u>53,380</u>	<u>86</u>	<u>400</u>	<u>1,466,010</u>
Analysis of Balance:					
Unrestricted	858,509	53,380	86	400	66,010
Restricted	972,000	-	-	-	1,400,000
	<u>1,830,509</u>	<u>53,380</u>	<u>86</u>	<u>400</u>	<u>1,466,010</u>
Cash and Cash Equivalents	1,830,509	53,380	86	400	1,466,010
Investments	-	-	-	-	-
	<u>1,830,509</u>	<u>53,380</u>	<u>86</u>	<u>400</u>	<u>1,466,010</u>
Analysis of Restricted Accounts:					
Operations	972,000				
	<u>972,000</u>				

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

UPPER WALLKILL FACILITIES FUND
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED AND RESTRICTED ACCOUNTS
FOR THE YEAR ENDED NOVEMBER 30, 2014

	Phase II Construction	Debt Service	Future Debt Service	Phase III Construction	General
Cash, Cash Equivalents and Investments - December 1, 2013	98,787	1,582,757	1,681,906	401,667	-
Cash Receipts:					
User and Other Charges					
Interest on Investments					
Other					
Transfers	1,582,457	1,613,592			1,525,873
Total Cash Receipts	<u>1,582,457</u>	<u>1,613,592</u>	<u>-</u>	<u>-</u>	<u>1,525,873</u>
Cash and Investments Available	<u>1,681,244</u>	<u>3,196,349</u>	<u>1,681,906</u>	<u>401,667</u>	<u>1,525,873</u>
Cash Disbursements:					
Operations					
Bond Interest Payments		214,983			
Bond Principal Payments		1,155,000			
Other	48,065				
Transfers	115,647		1,681,905		
Total Cash Disbursements	<u>163,712</u>	<u>1,369,983</u>	<u>1,681,905</u>	<u>-</u>	<u>-</u>
Cash, Cash Equivalents and Investments - November 30, 2014	<u>1,517,532</u>	<u>1,826,366</u>	<u>1</u>	<u>401,667</u>	<u>1,525,873</u>
Analysis of Balance:					
Unrestricted	-	-	1	-	1,525,873
Restricted	1,517,532	1,826,366	-	401,667	-
	<u>1,517,532</u>	<u>1,826,366</u>	<u>1</u>	<u>401,667</u>	<u>1,525,873</u>
Cash and Cash Equivalents	1,517,532	1,826,366	1	401,667	1,525,873
Investments	-	-	-	-	-
	<u>1,517,532</u>	<u>1,826,366</u>	<u>1</u>	<u>401,667</u>	<u>1,525,873</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
UPPER WALLKILL FACILITIES FUND
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED AND RESTRICTED ACCOUNTS
FOR THE YEAR ENDED NOVEMBER 30, 2014

	Series 2008 A&B Bond Service Fund	Series 2012 Bond Service Fund	Vernon Twp Stabilization Fund	Total
Cash, Cash Equivalents and Investments - December 1, 2013	618,935	76,142	154,134	7,821,081
Cash Receipts:				
User and Other Charges				6,645,299
Interest on Investments				-
Other			189,262	278,752
Transfers	50,779	21,413		15,381,368
Total Cash Receipts	50,779	21,413	189,262	22,305,419
Cash and Investments Available	669,714	97,555	343,396	30,126,500
Cash Disbursements:				
Operations				3,769,545
Bond Interest Payments	128,740	52,703		396,426
Bond Principal Payments	289,932	15,000		1,459,932
Other			153	154,162
Transfers	251,042	29,852		15,381,368
Total Cash Disbursements	669,714	97,555	153	21,161,433
Cash, Cash Equivalents and Investments - November 30, 2014	-	-	343,243	8,965,067
Analysis of Balance:				
Unrestricted	-	-	343,243	2,847,502
Restricted	-	-	-	6,117,565
	-	-	343,243	8,965,067
Cash and Cash Equivalents	-	-	343,243	8,965,067
Investments	-	-	-	-
	-	-	343,243	8,965,067

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

UPPER WALLKILL FACILITIES FUND
SCHEDULE OF OPERATING REVENUES AND COST
FUNDED BY OPERATING REVENUES COMPARED TO
BUDGET YEAR ENDED NOVEMBER 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2013

	<u>FY 2014</u>	<u>FY 2014</u>	<u>FY 2014</u>	<u>FY 2013</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Actual</u>	<u>Actual</u>
		<u>Modifications</u>		
Revenues:				
User Charges - Sewers	4,955,500	4,955,500	4,950,934	4,898,000
Interest Income from Operating Investments	12,000	12,000	1	58,930
Treatment of Sludge	65,000	65,000	96,807	87,115
Treatment of Septage	372,000	372,000	566,690	515,176
Treatment of Leachate	215,000	215,000	218,600	214,600
Connection Fees	231,000	231,000	688,351	512,662
Operating and Maintenance Charges to Municipalities	95,000	95,000	61,500	78,591
Other	27,000	27,000	34,964	14,918
Finance Charges			13,679	8,092
Total Operating Revenue	5,972,500	5,972,500	6,631,526	6,388,084
Expenses:				
Cost of Providing Services:				
(1) Salaries, Operating Staff	982,000	982,000	935,366	923,699
(2) Fringe Benefits, Operating Staff	618,500	618,500	482,653	527,247
(3) Utilities	632,000	632,000	489,689	525,274
(4) Motor Vehicles & Equipment	16,000	16,000	16,733	12,855
(5) Stationary Equipment	62,000	62,000	34,355	39,728
(6) Electrical Equipment Maintenance Repair, Operating	27,000	27,000	13,256	20,512
(7) Insurance, Plant Operations	199,000	199,000	204,148	195,938
(8) Testing Services	13,500	13,500	7,689	10,938
(10) Outside Services	115,000	115,000	389,834	140,773
(11) Safety Equipment	6,000	6,000	3,633	3,309
(12) Chemicals & Wood Chips	189,000	189,000	138,096	190,985
(13) Miscellaneous Plant Supplies	17,000	17,000	19,916	23,162
(14) Taxes and Fees	55,000	55,000	50,768	51,064

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2013

	<u>FY 2014 Budget</u>	<u>FY 2014 Budget After Modifications</u>	<u>FY 2014 Actual</u>	<u>FY 2013 Actual</u>
(15) Laboratory Supplies	10,000	10,000	9,252	7,406
(16) Custodial Supplies	6,000	6,000	1,709	4,638
(17) Purchases Related to Operating and Maintenance Services	15,000	15,000	13,913	22,477
Subtotal Cost of Providing Services	<u>2,963,000</u>	<u>2,963,000</u>	<u>2,811,010</u>	<u>2,700,005</u>
Administrative Expenses:				
Publications and Subscriptions	100	100		
Seminars and Dues	3,000	3,000	1,583	2,275
Indirect Administrative Expenses	599,000	599,000	568,523	586,013
Engineering Consulting Fees	37,000	37,000	28,883	34,386
Trustee Fees	15,000	15,000	5,388	16,887
General Legal Fees	25,000	25,000	6,307	6,048
Office Supplies	3,000	3,000	1,316	2,695
Printing	400	400	299	291
Travel & Expenses, Administrative Staff	1,000	1,000	199	158
General Advertising	1,000	1,000	261	1,964
Personnel Services	5,000	5,000	4,327	4,266
Subtotal Administrative Expenses	<u>689,500</u>	<u>689,500</u>	<u>617,086</u>	<u>654,983</u>
Capital Outlay	<u>225,000</u>	<u>225,000</u>	<u>179,506</u>	<u>51,742</u>
Reserves:				
Renewal and Replacement				150,000
Vernon Rate Stabilization	100,000	100,000	189,262	154,134
Subtotal Reserves	<u>100,000</u>	<u>100,000</u>	<u>189,262</u>	<u>304,134</u>
Debt Service:				
Interest Expense	405,000	405,000	362,410 ⁽¹⁾	395,457
Bond Principal	1,590,000	1,590,000	1,590,000	1,460,000
Subtotal Debt Service	<u>1,995,000</u>	<u>1,995,000</u>	<u>1,952,410</u>	<u>1,855,457</u>
Total Costs Funded by Operating Revenues	<u>5,972,500</u>	<u>5,972,500</u>	<u>5,749,274</u>	<u>5,566,321</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2013

	<u>FY 2014 Budget</u>	<u>FY 2014 Budget After Modifications</u>	<u>FY 2014 Actual</u>	<u>FY 2013 Actual</u>
Excess or (Deficit) in Actual Revenues and Expenses			882,252	821,763
Reconciliation of Budgetary Basis To Change in Net Position:				
Depreciation			(2,897,822)	(3,019,440)
Amortization of:				
Bond Discount				(2,201)
Deferred Gains/Losses on Early Extinguishment of Debt			(87,527)	(74,725)
Bond Premiums			6,467	6,467
Accreted Interest - Capital Appreciation Bonds			(1,455,412)	(1,394,021)
Capital Outlay			179,506	51,742
Loss on Disposal of Equipment				(260)
Other Non-Operating Expenses			(54,065)	(4,402)
Vernon Rate Stabilization			189,262	154,134
Budget Appropriation-Renewal & Replacement				150,000
Bond Principal Payments			<u>1,590,000</u>	<u>1,460,000</u>
			<u>(2,529,591)</u>	<u>(2,672,706)</u>
Change in Net Position			<u>(1,647,339)</u>	<u>(1,850,943)</u>

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
UPPER WALKHILL FACILITIES FUND
SCHEDULE OF REVENUE BONDS PAYABLE
NOVEMBER 30, 2014

<u>Description</u>	<u>Original Issue</u>		<u>Date</u>	<u>Maturities Interest Rate</u>	<u>Amount</u>	<u>Balance Dec. 1, 2013</u>	<u>Issued 2013-2014</u>	<u>Accreted Principal</u>	<u>Paid or Refunded 2013-2014</u>	<u>Balance Nov. 30, 2014</u>
	<u>Date</u>	<u>Amount</u>								
2003 Wastewater Revenue Refunding Bonds (Series G)	10/12/03	11,270,000	12/01/14	4.434%	1,205,000	2,360,000			1,155,000	1,205,000
2008 Wastewater Revenue Bonds (Series A)	09/15/08	4,095,000	12/01/14	3.750%	85,000					
			12/01/15	4.000%	85,000					
			12/01/16	4.000%	90,000					
			12/01/17	4.000%	95,000					
			12/01/18	4.000%	95,000					
			12/01/19	4.000%	100,000					
			12/01/20	4.000%	105,000					
			12/01/21	4.000%	110,000					
			12/01/22	4.125%	115,000					
			12/01/23	4.125%	120,000					
			12/01/24	4.250%	120,000					
			12/01/25	4.250%	125,000					
			12/01/26	4.500%	135,000					
			12/01/27	4.500%	140,000					
			12/01/28	4.500%	145,000					
			12/01/29	4.500%	150,000					
			12/01/30	4.500%	160,000					
			12/01/31	5.000%	165,000					
			12/01/32	5.000%	175,000					
			12/01/33	5.000%	180,000					
			12/01/34	5.000%	190,000					
			12/01/35	5.000%	200,000					
			12/01/36	5.000%	210,000					
			12/01/37	5.000%	220,000					
			12/01/38	5.000%	235,000					
			12/01/39	5.000%	245,000					
						3,875,000			80,000	3,795,000

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY
UPPER WALLKILL FACILITIES FUND
SCHEDULE OF REVENUE BONDS PAYABLE
NOVEMBER 30, 2014

Description	Original Issue		Maturities Interest		Balance Dec. 1, 2013	Issued 2013-2014	Accreted Principal	Paid or Refunded 2013-2014	Balance Nov. 30, 2014
	Date	Amount	Date	Rate					
2008 Wastewater Revenue Bonds (Series B)	09/15/08	23,403,738	12/01/14	3.610%	350,000				
			12/01/15	3.820%	1,242,089				
			12/01/16	3.970%	1,243,291				
			12/01/17	4.120%	1,336,108				
			12/01/18	4.270%	1,359,645				
			12/01/19	4.430%	1,481,996				
			12/01/20	4.580%	1,520,350				
			12/01/21	4.690%	1,518,048				
			12/01/22	4.790%	1,434,572				
			12/01/23	4.850%	1,702,109				
			12/01/24	4.910%	1,613,003				
			12/01/25	4.970%	1,526,753				
			12/01/26	5.030%	1,443,437				
			12/01/27	5.090%	1,363,081				
			12/01/28	5.150%	1,285,686				
			12/01/29	5.200%	1,213,034				
			12/01/30	5.260%	1,141,613				
			12/01/31	5.310%	1,074,907				
			12/01/32	5.360%	1,086,393				
			12/01/33	5.390%	1,022,896				
			12/01/34	5.410%	966,134				
			12/01/35	5.700%	864,740				
			12/01/36	5.720%	812,540				
			12/01/37	5.730%	767,651				
			12/01/38	5.750%	720,821				
			12/01/39	5.750%	681,088				
					29,566,573		1,455,412	250,000	30,771,985

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

**UPPER WALLKILL FACILITIES FUND
SCHEDULE OF REVENUE BONDS PAYABLE
NOVEMBER 30, 2014**

Description	Original Issue		Maturities			Balance Dec. 1, 2013	Issued 2013-2014	Accreted Principal	Paid or Refunded 2013-2014	Balance Nov. 30, 2014
	Date	Amount	Date	Interest Rate	Amount					
2012 Wastewater Revenue Refunding Bonds	07/11/12	3,165,000	12/01/14	3.000%	20,000					
			12/01/15	3.000%	290,000					
			12/01/16	3.000%	290,000					
			12/01/17	3.000%	290,000					
			12/01/18	3.000%	295,000					
			12/01/19	4.000%	120,000					
			12/01/20	4.000%	125,000					
			12/01/21	4.000%	130,000					
			12/01/22	4.000%	135,000					
			12/01/23	3.125%	140,000					
			12/01/24	3.125%	145,000					
			12/01/25	3.125%	150,000					
			12/01/26	3.375%	155,000					
			12/01/27	3.375%	160,000					
			12/01/28	3.375%	165,000					
			12/01/29	3.625%	170,000					
			12/01/30	3.625%	175,000					
			12/01/31	3.625%	185,000					
						3,155,000			15,000	3,140,000
						38,956,573	0	1,455,412	1,500,000	38,911,985

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

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

	<u>Unrestricted</u>	<u>Invested in Capital Assets</u>	<u>Restricted Renewal and Replacement</u>	<u>Total November 30,</u>	
				<u>2014</u>	<u>2013</u>
Operating Revenue:					
Sewer Charges	167,810			167,810	165,310
Interest Income	106			106	134
	<u>167,916</u>	<u>-</u>	<u>-</u>	<u>167,916</u>	<u>165,444</u>
Operating Expenses:					
Operating, Maintenance and Reserves	150,173			150,173	155,161
Depreciation		67,433		67,433	67,155
	<u>150,173</u>	<u>67,433</u>	<u>-</u>	<u>217,606</u>	<u>222,316</u>
Operating Income	17,743	(67,433)	-	(49,690)	(56,872)
Non-Operating Revenue/(Expenses):					
Budget Appropriation			6,000	6,000	4,000
Net Income/(Loss) Before Transfers	17,743	(67,433)	6,000	(43,690)	(52,872)
Transfers:					
Other	(8,350)	8,350		-	-
Increase (Decrease) in Net Position	9,393	(59,083)	6,000	(43,690)	(52,872)
Net Position - December 1,	<u>109,107</u>	<u>400,235</u>	<u>52,790</u>	<u>562,132</u>	<u>615,004</u>
Net Position - November 30,	<u>118,500</u>	<u>341,152</u>	<u>58,790</u>	<u>518,442</u>	<u>562,132</u>
Designated	3,000				
Undesignated	<u>115,500</u>				
	<u>118,500</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, 2014

	Revenue Operating Account	Renewal and Replacement Account	Total
Cash, Cash Equivalents and Investments- December 1, 2013	111,507	52,790	164,297
Cash Receipts:			
Sewer Charges	167,810		167,810
Interest on Investments	106		106
Other	3,268		3,268
Total Cash Receipts	<u>171,184</u>	-	<u>171,184</u>
Total Cash And Investments Available	<u>282,691</u>	<u>52,790</u>	<u>335,481</u>
Cash Disbursements:			
Operating and Maintenance Costs	145,071		145,071
Renewal and Replacement Expenses			-
Total Cash Disbursements	<u>145,071</u>	-	<u>145,071</u>
Cash, Cash Equivalents and Investments- November 30, 2014	<u>137,620</u>	<u>52,790</u>	<u>190,410</u>
Analysis of Balance:			
Unrestricted	131,620	-	131,620
Restricted	6,000	52,790	58,790
	<u>137,620</u>	<u>52,790</u>	<u>190,410</u>
Cash and Cash Equivalents	84,717	52,790	137,507
Investments	52,903	-	52,903
	<u>137,620</u>	<u>52,790</u>	<u>190,410</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED NOVEMBER 30, 2013**

	FY 2014 Budget	FY 2014 Budget After Modification	FY 2014 Actual	FY 2013 Actual
Revenue:				
Retained Earnings Appropriated	9,000	9,000	9,000	9,000
Service Agreements (Hampton Commons Homeowners Association)	137,690	137,690	137,690	135,639
(Lowe's)	30,120	30,120	30,120	29,671
Interest on Investments and Deposits	1,190	1,190	106	134
Miscellaneous				
Total Operating Revenue	178,000	178,000	176,916	174,444
Expenses:				
Operating and Maintenance				
(1) Payment to Upper Wallkill for Operating and Maintenance Services	46,500	46,500	46,500	46,500
(2) Utilities	27,700	27,700	23,052	23,461
(3) Outside Services	23,500	23,500	11,767	11,481
(4) Testing Services	3,500	3,500	3,795	4,408
(5) Engineering Fees	2,000	2,000		767
(6) Legal Fees	1,000	1,000		2,485
(7) Plant Supplies	1,000	1,000	720	545
(8) Chemicals	3,500	3,500	1,215	2,539
(9) Electrical and Mechanical Equipment Repair	500	500	136	66
(10) Equipment Purchases	3,000	3,000	5,161	4,412
(11) Laboratory Supplies	1,000	1,000	850	728
(12) Insurance	3,000	3,000	2,854	2,680
(13) Safety Equipment	800	800	695	93
(14) Taxes and Fees	6,000	6,000	4,717	6,868
(15) Printing Expenses				103
(16) Indirect Administration, Legal and Fiscal Expenses	45,000	45,000	42,711	44,025
Total Operating and Maintenance Expenses	168,000	168,000	144,173	151,161
Capital Outlay	4,000	4,000		
Renewal and Replacement	6,000	6,000	6,000	4,000
	178,000	178,000	150,173	155,161
Excess or (Deficit) in Actual Revenues and Expenses			26,743	19,283
Reconciliation of Budgetary Basis To Change in Net Position:				
Retained Earnings Appropriated			(9,000)	(9,000)
Depreciation			(67,433)	(67,155)
Renewal and Replacement Appropriation			6,000	4,000
			(70,433)	(72,155)
Change in Net Position			(43,690)	(52,872)

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

SOLID WASTE FACILITIES FUND
 SCHEDULE OF REVENUE, EXPENSES AND
 CHANGES IN NET POSITION
 RESTRICTED AND UNRESTRICTED
 NOVEMBER 30, 2014

	Unrestricted	Invested in Capital Assets	Cell Closure	Current Debt Service	Restricted Renewal and Replacement	Operations	Landfill Postclosure	Totals (Memo)	
								2014	2013
Operating Revenue:									
Tipping Fees	10,670,725							10,670,725	10,980,861
Recycle Markets	305,070							305,070	366,215
Operating Grant	114,000							114,000	111,200
Interest from Users	16,306							16,306	19,950
Miscellaneous	108,305							108,305	10,006
	<u>11,214,406</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,214,406</u>	<u>11,488,232</u>
Operating Expenses:									
Administration, Operations, Maintenance and Reserves	6,560,135							6,560,135	5,833,856
Depreciation	2,383,801							2,383,801	2,420,016
	<u>8,943,936</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,943,936</u>	<u>8,253,872</u>
Operating Income	<u>2,270,470</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,270,470</u>	<u>3,234,360</u>
Non-Operating Revenue And (Expenses):									
Interest Income	1,563		1,563				165,686	167,249	373,223
Miscellaneous	1,400		1,400					1,400	600
Budget Appropriation - Renewal & Replacement				350,000				350,000	0
Investment Expenses	(50,132)						(28,547)	(78,679)	(90,188)
Amortization of Bond Premiums								0	130,221
Cell Closure Expenditures (Net)			(2,759,455)				(470,807)	(2,759,455)	(2,921,500)
Postclosure Expenditures (Net)								(470,807)	(557,883)
Loss on Disposal of Fixed Assets		(29,851)						0	(25,625)
Accretion	(703,111)	(429,340)						(29,851)	(122,849)
Interest Expense								(1,132,451)	(1,253,072)
	<u>1,517,227</u>	<u>(459,191)</u>	<u>(2,756,492)</u>	<u>0</u>	<u>350,000</u>	<u>0</u>	<u>(333,668)</u>	<u>(1,682,124)</u>	<u>(1,232,713)</u>
Income or (Loss) Before Transfers									
Transfers:									
Other	(1,206,159)	7,113,998		(6,308,112)	293,273	107,000		0	0
	<u>311,068</u>	<u>6,654,807</u>	<u>(2,756,492)</u>	<u>(6,308,112)</u>	<u>643,273</u>	<u>107,000</u>	<u>(333,668)</u>	<u>(1,682,124)</u>	<u>(1,232,713)</u>
Increase/(Decrease) in Net Position									
Net Assets - December 1,	594,112	(1,648,605)	(8,142,802)	8,920,661	561,282	1,607,250	4,008,355	5,900,253	7,132,966
Net Assets - November 30,	905,180	5,006,202	(10,899,294)	2,612,549	1,204,555	1,714,250	3,674,687	4,218,129	5,900,253
Designated	0								
Undesignated	905,180								
	905,180								

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, 2014

	Trustee Revenue Account	Revenue Operating Account	Petty Cash	General Fund
Cash, Cash Equivalents and Investments - December 1, 2013	858,930	1,667,348	2,100	1
Cash Receipts:				
Solid Waste Revenues		11,302,564		
Interest on Investments				
Budget				
Other	340,621	116,982		
Transfers	11,109,489	6,461,700		65,348
Total Cash Receipts	<u>11,450,110</u>	<u>17,881,246</u>	<u>-</u>	<u>65,348</u>
Cash and Investments Available	<u>12,309,040</u>	<u>19,548,594</u>	<u>2,100</u>	<u>65,349</u>
Cash Disbursements:				
Operations		6,590,849		
Bond Interest Payments				
Bond Principal Payments				
Other		284,810		
Construction Expenditures				
Transfers	11,424,061	11,109,489		
Total Cash Disbursements	<u>11,424,061</u>	<u>17,985,148</u>	<u>-</u>	<u>-</u>
Cash, Cash Equivalents and Investments - November 30, 2014	<u>884,979</u>	<u>1,563,446</u>	<u>2,100</u>	<u>65,349</u>
Analysis of Balance:				
Unrestricted	645,812	-	2,100	65,349
Restricted	239,167	1,563,446	-	-
	<u>884,979</u>	<u>1,563,446</u>	<u>2,100</u>	<u>65,349</u>
Cash and Cash Equivalents	884,979	1,563,446	2,100	65,349
Investments	-	-	-	-
	<u>884,979</u>	<u>1,563,446</u>	<u>2,100</u>	<u>65,349</u>
Analysis of Restricted Accounts:				
Renewal and Replacement				
Current Debt Service				
Operations	150,804	1,563,446		
Cell Closure	88,363			
	<u>239,167</u>	<u>1,563,446</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, 2014

	Construction	Current Debt Service	Renewal and Replacement	Bond Reserve
Cash, Cash Equivalents and Investments - December 1, 2013	14,249	4,810,571	646,727	3,874,000
Cash Receipts:				
Solid Waste Revenues				
Interest on Investments				
Budget			350,000	
Other				
Transfers		8,477,929	293,273	
Total Cash Receipts	-	8,477,929	643,273	-
Cash and Investments Available	14,249	13,288,500	1,290,000	3,874,000
Cash Disbursements:				
Operations				
Bond Interest Payments		193,500		
Bond Principal Payments		9,350,000		
Other				
Construction Expenditures				
Transfers	189			3,874,000
Total Cash Disbursements	189	9,543,500	-	3,874,000
Cash, Cash Equivalents and Investments - November 30, 2014	14,060	3,745,000	1,290,000	-
Analysis of Balance:				
Unrestricted	-	-	-	-
Restricted	14,060	3,745,000	1,290,000	-
	14,060	3,745,000	1,290,000	-
Cash and Cash Equivalents	14,060	3,745,000	1,290,000	-
Investments	-	-	-	-
	14,060	3,745,000	1,290,000	-

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, 2014

	Planning Fund	Retained Percentages	Cell Closure Account
Cash, Cash Equivalents and Investments - December 1, 2013	54,459	10,190	2,250,587
Cash Receipts:			
Solid Waste Revenues			
Interest on Investments			1,562
Budget			
Other		6,955	1,400
Transfers			
Total Cash Receipts	-	6,955	2,962
Cash and Investments Available	54,459	17,145	2,253,549
Cash Disbursements:			
Operations			627,980
Bond Interest Payments			
Bond Principal Payments			
Other		9,675	
Construction Expenditures			
Transfers			
Total Cash Disbursements	-	9,675	627,980
Cash, Cash Equivalents and Investments - November 30, 2014	54,459	7,470	1,625,569
Analysis of Balance:			
Unrestricted	54,459	-	-
Restricted	-	7,470	1,625,569
	54,459	7,470	1,625,569
Cash and Cash Equivalents	54,459	7,470	1,625,569
Investments	-	-	-
	54,459	7,470	1,625,569
Analysis of Restricted Accounts:			
Construction		7,470	
Cell Closure		7,470	

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, 2014

	Landfill Postclosure Account	Total
Cash, Cash Equivalents and Investments - December 1, 2013	9,589,859	23,779,021
Cash Receipts:		
Solid Waste Revenues		11,302,564
Interest on Investments	165,687	167,249
Budget		350,000
Other	100,964	566,922
Transfers		26,407,739
Total Cash Receipts	<u>266,651</u>	<u>38,794,474</u>
Cash and Investments Available	<u>9,856,510</u>	<u>62,573,495</u>
Cash Disbursements:		
Operations		7,218,829
Bond Interest Payments		193,500
Bond Principal Payments		9,350,000
Other	28,547	323,032
Construction Expenditures		-
Transfers		26,407,739
Total Cash Disbursements	<u>28,547</u>	<u>43,493,100</u>
Cash, Cash Equivalents and Investments - November 30, 2014	<u>9,827,963</u>	<u>19,080,395</u>
Analysis of Balance:		
Unrestricted	-	767,720
Restricted	9,827,963	18,312,675
	<u>9,827,963</u>	<u>19,080,395</u>
Cash and Cash Equivalents	101,323	9,353,755
Investments	9,726,640	9,726,640
	<u>9,827,963</u>	<u>19,080,395</u>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITYSOLID WASTE FACILITIES FUND
SCHEDULE OF OPERATING REVENUESCOMPARED TO BUDGET, YEAR ENDED NOVEMBER 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2013

	FY 2014 Budget	FY 2014 Budget after Modifications	FY 2014 Actual	FY 2013 Actual
Revenue:				
Tipping Fees	9,941,000	9,941,000	10,670,725	10,980,861
Gross Sales on Recycle Markets	370,000	370,000	305,070	366,215
Interest on Investment and Deposits	5,000	5,000		167,147
Bond Reserve Fund				3,874,000
Interest from Users			16,306	19,950
Operating Grant	110,000	110,000	114,000	111,200
Miscellaneous	187,000	187,000	108,305	10,006
Total Revenue	10,613,000	10,613,000	11,214,406	15,529,379
Expenses:				
Operating and Maintenance (LF)				
(1) Salaries	1,622,000	1,622,000	1,692,976	1,549,063
(2) Benefits	934,000	934,000	845,755	815,004
(3) Personnel Services	18,500	18,500	20,210	20,600
(4) Engineering and Consulting	105,000	105,000	173,938	137,571
(5) Legal Fees	20,000	20,000	22,582	9,280
(6) Indirect Administrative	599,000	599,000	568,523	586,013
(7) Trustee and Banking Fees	8,000	8,000	8,081	15,085
(8) Insurance	187,500	187,500	204,963	197,873
(9) Auditing/Accounting Fees	2,500	2,500		2,800
(10) Seminars and Dues	3,200	3,200	3,611	3,764
(11) Travel and Expenses	1,000	1,000	1,064	1,820
(12) Office Supplies	9,000	9,000	10,583	4,971
(14) Advertising	7,000	7,000	1,967	4,200
(15) Printing	6,000	6,000	6,132	5,679
(16) Publications and Subscriptions	500	500		259
(17) Custodial Supplies	9,000	9,000	10,472	8,871
(18) Safety Equipment	11,000	11,000	12,459	11,348
(19) Chemicals and Woodchips	254,500	254,500	236,298	205,049
(21) Plant Supplies	28,000	28,000	25,340	21,623
(22) Testing Services	30,000	30,000	28,566	29,370
(23) Outside Services	214,200	214,200	193,030	191,857
(24) Utilities	495,000	495,000	468,264	459,003
(25) Motor Vehicles and Equipment	188,000	188,000	203,868	182,619
(26) Equipment/Stationary	23,000	23,000	11,739	13,023
(27) Electrical Equipment Repairs	20,000	20,000	16,972	14,165
(28) Leachate Disposal	205,000	205,000	204,400	204,400
(29) Recycling Services	40,000	40,000	23,203	28,570
(30) Landfill Gas System	68,600	68,600	61,887	45,403
(31) Host Community Benefit Payments	515,000	515,000	492,448	508,508
(32) Taxes and Fees	461,500	461,500	476,422	452,335
(33) Enforcement Program	100,000	100,000		
	6,186,000	6,186,000	6,025,753	5,730,126

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITYSOLID WASTE FACILITIES FUNDSCHEDULE OF OPERATING REVENUESCOMPARED TO BUDGET, YEAR ENDED NOVEMBER 30, 2014WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2013

	<u>FY 2014 Budget</u>	<u>FY 2014 Budget after Modifications</u>	<u>FY 2014 Actual</u>	<u>FY 2013 Actual</u>
Capital Outlay	140,000	140,000		73,245
Debt Service:				
Bond Principal	2,615,000	2,615,000	2,615,000	8,921,000
Interest on Bonds	1,135,000	1,135,000	703,111 ⁽¹⁾	816,339 ⁽¹⁾
	<u>3,750,000</u>	<u>3,750,000</u>	<u>3,318,111</u>	<u>9,737,339</u>
Reserves:				
Renewal and Replacement	350,000	350,000	350,000	
Cell Closure Escrow	84,000	84,000	84,000	
Post Closure Care Fund	103,000	103,000	100,382	103,730
	<u>537,000</u>	<u>537,000</u>	<u>534,382</u>	<u>103,730</u>
Total Solid Waste Appropriations	<u>10,613,000</u>	<u>10,613,000</u>	<u>9,878,246</u>	<u>15,644,440</u>
Excess or Deficit in Actual Revenues and Expenses			1,336,160	(115,061)
Reconciliation of Budgetary Basis To Change in Net Position:				
Depreciation Expense			(2,383,801)	(2,420,016)
Amortization				(306,512)
Loss on Disposal of Fixed Assets				(25,625)
Accreted Interest - Capital Appreciation Bonds			(459,191)	(122,849)
Interest on Non-Operating Investments			167,249	206,076
Other Non-Operating Income			1,400	600
Capital Outlay				73,245
Investment Expenses			(78,679)	(90,188)
Net Closure/Postclosure Care Expenses			(3,230,262)	(3,479,383)
Budget Appropriation - Ren. & Repl.			350,000	
Bond Reserve Fund Balance Anticipated				(3,874,000)
Bond Principal Payments			<u>2,615,000</u>	<u>8,921,000</u>
Change in Net Position			<u>(1,682,124)</u>	<u>(1,232,713)</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, 2014

Description	Original Issue		Date	Interest Rate	Amount	Balance Dec. 1, 2013	Issued	Accreted Principal	Refunded or Paid	Balance Nov. 30, 2014
	Date	Amount								
Solid Waste Revenue Bonds, Refunding Series 2003	4/04/03	38,740,000				7,740,000			7,740,000	0
Solid Waste Revenue Bonds, Series 2006	06/21/06	14,997,820	12/01/2014	4.310%	3,745,000					
			12/01/2015	4.400%	3,599,862					
			12/01/2016	4.480%	3,450,307	11,945,978		459,191	1,610,000	10,795,169
GRAND TOTAL						19,685,978	0	459,191	9,350,000	10,795,169

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

OTHER SEWER COMPANIES
STATEMENT OF NET POSITION
FOR THE YEAR ENDED NOVEMBER 30, 2014

	<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	4,191	2	461	60	4,714
Total Assets	<u>4,191</u>	<u>2</u>	<u>461</u>	<u>60</u>	<u>4,714</u>
 <u>Liabilities And Net Position:</u>					
Escrow Deposits Payable	4,191	2	461	60	4,714
Total Liabilities And Net Position	<u>4,191</u>	<u>2</u>	<u>461</u>	<u>60</u>	<u>4,714</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, 2014

	Planning Fund	2013				2014		Total
		Construction Fund	Acq. & Imp. Fund	Bond Service Fund	Operating Fund	Operating Fund		
Cash, Cash Equivalents and Investments- December 1, 2013	373	12,684	3,151,548	82,232	119,411	-	3,366,248	
Cash Receipts:								
Interest on Investments			163	5	2	39,413	39,583	
Other		8,403					8,403	
Transfers		866,419		82,211		131,207	1,079,837	
Total Cash Receipts	-	874,822	163	82,216	2	170,620	1,127,823	
Total Cash And Investments Available	373	887,506	3,151,711	164,448	119,413	170,620	4,494,071	
Cash Disbursements:								
Construction in Progress		866,419					866,419	
Interest on Note			960,424	82,211			82,211	
Transfers					119,413		1,079,837	
Total Cash Disbursements	-	866,419	960,424	82,211	119,413	-	2,028,467	
Cash, Cash Equivalents and Investments- November 30, 2014	373	21,087	2,191,287	82,237	-	170,620	2,465,604	
Analysis of Balance:								
Unrestricted	373	21,087	2,191,287	82,237	-	170,620	2,465,604	
Restricted	373	21,087	2,191,287	82,237	-	170,620	2,465,604	
Cash and Cash Equivalents Investments	373	21,087	2,191,287	82,237	-	170,620	2,465,604	
	373	21,087	2,191,287	82,237	-	170,620	2,465,604	

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, 2014

Cash, Cash Equivalents and Investments- December 1, 2013	341,368
Cash Receipts:	
Grants	22,786
Reimbursements	7,053
	<hr/>
Total Cash Receipts	29,839
	<hr/>
Total Cash And Investments Available	371,207
	<hr/>
Cash Disbursements:	
Project Expenses	228,032
	<hr/>
Total Cash Disbursements	228,032
	<hr/>
Cash, Cash Equivalents and Investments- November 30, 2014	143,175
	<hr/> <hr/>
Analysis of Balance:	
Unrestricted	143,175
Restricted	-
	<hr/>
	143,175
	<hr/> <hr/>
Cash and Cash Equivalents	143,175
Investments	-
	<hr/>
	143,175
	<hr/> <hr/>

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

Schedule of Expenditures of Federal Awards
Fiscal Year Ended November 30, 2014

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
U.S. Environmental Protection Agency: Pass Through New Jersey Department of Environmental Protection: Performance Partnership Grants: Watershed Restoration Grant Paulins Kill Headwaters	66.605	042-4801-100-442	\$ 611,776	06/19/07	09/30/13	592,334	592,334	609,960	609,960
Section 319H Pollution Control and Management Implementation Grant	66.605	042-4801-100-442	\$ 1,400,000	06/18/09	04/17/16	672,200	672,200	453,847	520,766
Section 319H Pollution Control and Management Implementation Grant	66.605	042-4801-100-442	\$ 700,000	09/03/13	09/02/18	126,000	126,000	45,787	160,539
U.S. Department of Agriculture: Natural Resources Conservation Service									
Contribution Agreement 68-2B29-14-222	10.902	N/A	\$ 75,000	09/25/14	09/30/17	-	-	-	2,676
Contribution Agreement 68-2B29-14-223	10.902	N/A	\$ 25,000	09/25/14	09/14/15	-	-	-	3,336
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	1308503865-WRWMG-FY15	\$ 30,322	04/01/14	08/31/16	-	-	-	3,804
						1,390,534	1,390,534	1,109,594	1,301,081

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

Schedule of Expenditures of State Financial Assistance
Fiscal Year Ended November 30, 2014

State Grantor/Pass-Through Grantor/Program	Pass Through Entity ID No.	State Account Number	Program Amount	Grant Period		Cash Received		Program Expenditures		
				From	To	Prior Years	Current Year	Prior Years	Current Year	Total
<u>New Jersey Department of Environmental Protection:</u>										
Recycling Enhancement Act Tax Fund	n/a	042-4900-752-008	\$ 110,000	06/01/13	05/31/14	110,000	110,000	0	110,000	110,000
Recycling Enhancement Act Tax Fund	n/a	042-4900-752-008	\$ 114,000	06/01/14	05/31/15	0	0	0	0	0
Total State Financial Assistance						0	110,000	0	110,000	110,000

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

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Sussex County Municipal Utilities Authority, as of and for the year ended November 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2015.

Internal Control Over Financial Reporting

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

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



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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sussex County Municipal Utilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as item 2014-1.

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

Sussex County Municipal Utilities Authority's Response to Findings

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

Purpose of this Report

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

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

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

March 28, 2015



SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

NOVEMBER 30, 2014

2014-1

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, which is based on U.S. Environmental Protection Agency "Solid Waste Disposal Facility Criteria" rules, require that Municipal Solid Waste Landfills to recognize a portion of the estimated cost of landfill closure in each period that solid waste is accepted.

EFFECT

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

CAUSE

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

RECOMMENDATION

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

VIEWS OF RESPONSIBLE OFFICIALS/CORRECTIVE ACTIONS

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

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Comments and Recommendations

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SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

GENERAL COMMENTS

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

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

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

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

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

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

GENERAL COMMENTS, (continued)

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

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

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

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

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

NOVEMBER 30, 2014

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, Wielkatz, Cerullo & Cova, P.A.

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