

**WILLINGBORO
MUNICIPAL UTILITIES AUTHORITY**

REPORT OF AUDIT

**WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY

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WILLINGBORO MUNICIPAL UTILITIES AUTHORITY

Roster of Officials
As of December 31, 2016

Members

Clayton Sills
Carl Turner
Jacqueline Jennings
T. Wayne Scott
Christopher P. Walker
Webster Evans
Charles Green

Position

Chairman
Vice-Chairman
Commissioner
Commissioner
Commissioner
Alternate Commissioner
Alternate Commissioner

Other Officials

Andrew Weber
Dialyo Diggs
Michael A. Armstrong, Esq.
L. Russell Trice, P.E.
 of Richard A. Alaimo Associates
Nicholas Talvacchia, Esq.
 of Cooper Levenson
TD Bank, National Association
CEB LLC
William R. Mayer, Esq.
 of DeCotiis, FitzPatrick & Cole, LLP
James Mackie

Executive Director
Treasurer
Secretary

Consulting Engineer

Solicitor
Trustee for Bondholders
Insurance Broker

Bond Counsel
Director of Operations and
Maintenance

**WILLINGBORO MUNICIPAL UTILITIES
AUTHORITY**

PART I

FINANCIAL SECTION

**FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
The Willingboro Municipal Utilities Authority
Willingboro, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Willingboro Municipal Utilities Authority, in the County of Burlington, State of New Jersey, a component unit of the Township of Willingboro (Authority), as of and for the years ended December 31, 2016 and 2015 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 business-type activities of the Willingboro Municipal Utilities Authority, in the County of Burlington, State of New Jersey as of December 31, 2016 and 2015, and the changes in its financial position and its cash flows thereof 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, analysis and schedule of funding progress for the OPEB plan, schedule of the Authority's proportionate share of the net pension liability and schedule of Authority contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements. The Schedule of Expenditures of State Financial Assistance, as required by the State of New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 12, 2017 on our consideration of the 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 Authority's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
July 12, 2017

**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**

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
The Willingboro Municipal Utilities Authority
Willingboro, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Willingboro Municipal Utilities Authority, in the County of Burlington, State of New Jersey, a component unit of the Township of Willingboro, (Authority), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as findings number 2016-001, 2016-002 and 2016-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 or audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2016-001, 2016-003 and 2016-004.

The Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
July 12, 2017

**Willingboro Municipal Utilities Authority
Management's Discussion and Analysis
For the Years Ended December 31, 2016 and 2015
(Unaudited)**

The Willingboro Municipal Utilities Authority (Authority) provides water and wastewater services to Willingboro Township and portions of Westampton Township. Additionally, the Authority has long term contracts with the Edgewater Park Sewerage Authority to provide wastewater treatment and with the Townships of Mount Laurel and Evesham for the provision of up to 5 million gallons per day (gpd) of potable water.

This section of the Authority's annual financial report provides a discussion and analysis of the Authority's financial performance for the years ending December 31, 2016 and 2015. The entire annual financial report consists of five parts; Independent Auditor's Reports, the management's discussion and analysis, the basic financial statements, required supplementary information and supplemental schedules.

FINANCIAL HIGHLIGHTS

Comparative Statements of Net Position

During 2015 and 2016, the Authority expended over \$3.7 million dollars for capital additions. These additions consisted primarily of emergency generator replacements, Tweedstone pump station upgrades, Wells 6, 9, 10 and 11 electrical upgrades and for radium removal from well 5a.

Total assets at the end of 2016 equaled \$55,328,019.35. \$39,964,478.82 of the total was comprised of capital assets.

The Authority's debt ratio has decreased from .342 at the end of 2015 to .309 at the end of 2016. This is a result of the debt payments made during the year.

Comparative Statements of Revenues, Expenses and Changes in Net Position

In 2016, the Authority generated operating income of \$2,010,504.18, an increase of \$807,693.82 when compared to 2015. The increase is due primarily to an increase in revenues from service fees (\$499,753.67), and connection fee revenues (\$967,021.60).

Both sewer and water rates remained the same as 2015. The minimum quarterly rate is \$108.00 (sewer \$53.00 and water \$55.00 per quarter).

Connection fee revenue continues to come in as a result of the new apartment complex continuing to connect units.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America which are promulgated by the Governmental Accounting Standards Board. The Authority is structured as a single enterprise fund with revenues recognized when earned and expenses recognized when incurred. Capital assets, which meet certain criteria, are capitalized and depreciated over their useful lives (with the exception of land and construction in progress). A summary of the Authority's significant accounting policies is described in the "Notes to the Financial Statements" which is included with the audit as described above.

The comparative statements of net position includes all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources. As the Authority follows the accrual method of accounting, the current year's revenues and expenses are accounted for in the comparative statements of revenues, expenses and changes in net position regardless of when cash is received or paid. Net position – the difference between the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is a measure of the Authority's financial health or position.

Management's Discussion and Analysis (Cont'd)
(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)

The comparative statements of revenues, expenses and changes in net position provides a breakdown of the various areas of revenues and expenses encountered during the current year.

The comparative statements of cash flows provides a breakdown of the various sources of cash flow, categorized into four areas: Cash flows from operating activities, non-capital financing activities, capital and related financing activities and investing activities.

ANALYSIS OF THE AUTHORITY'S FINANCIAL STATEMENTS

Overall, the Authority's finances in 2016 continues to show improvement over the past several years. Operating revenues continue to grow while management was able to hold operating expenses not including depreciation to just a 2.85% increase.

The table below compares the percent change in revenues and appropriations from one year to the next over the past five years.

Operating Fund Trends
Percent Change from Year to Year
Over the Last 5 Years

	2011- 2012	2012- 2013	2013- 2014	2014- 2015	2015- 2016	Average % Change	CY Difference
Water Operating Revenues	3.26%	10.68%	-1.57%	2.32%	14.67%	5.87%	8.80%
Water Operating Expenses	3.53%	5.69%	6.66%	1.45%	5.75%	4.62%	1.14%
Sewer Operating Revenues	0.98%	3.85%	3.76%	7.00%	13.21%	5.76%	7.45%
Sewer Operating Expenses	12.00%	3.61%	2.93%	4.87%	9.40%	6.56%	2.84%

Since 2011 revenues of the Authority increased approximately \$1,600,000.00 while the cost of service (exclusive of depreciation) has increased by approximately \$2,200,000.00. Employee related costs continue to be the largest component of the operating budget. Increases in salaries, health insurance and pension are expected to rise ahead of the rate of inflation and will continue to have a significant impact upon the Authority's overall financial position.

The amount of the Authority's total liabilities increased in 2016 by \$1,326,756.72 as compared to 2015. This is primarily the result of the increase in the liabilities associated with GASB 68 and GASB 71.

The Authority continues to produce an operating surplus and has one of the lowest combined sewer and water rates in southern New Jersey.

There are significant challenges ahead for the Authority to find new sources of revenue, raise rates, continue to attempt to reduce operating expenses and continue to invest in its aging infrastructure. The Authority's infrastructure continues to age and the need to invest more funds in the infrastructure will become more and more pressing. Most of the funding for a more aggressive capital program will likely need to be generated through rate increases or the issuance of bonds. Over the past several years, the Authority has conducted an extensive evaluation of its existing infrastructure and has adopted a plan to address its improvement.

Management's Discussion and Analysis (Cont'd)
(Unaudited)

ANALYSIS OF THE AUTHORITY'S FINANCIAL STATEMENTS (CONT'D)

Exhibit A

Comparative Statements of Net Position
As of December 31, 2016, 2015 and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets			
Current Assets			
Unrestricted Assets	\$ 11,097,426.24	\$ 9,320,683.12	\$ 7,303,919.04
Restricted Assets	4,266,114.29	5,529,668.84	7,111,601.16
Capital Assets	39,964,478.82	39,183,371.29	36,901,185.21
Total Assets	<u>\$ 55,328,019.35</u>	<u>\$ 54,033,723.25</u>	<u>\$ 51,316,705.41</u>
Deferred Outflows of Resources			
Deferred Loss on Refunding	\$ 127,498.56	\$ 168,510.91	\$ 202,213.09
Related to Pensions	2,549,584.00	1,175,122.00	317,469.00
Total Deferred Outflows of Resources	<u>\$ 2,677,082.56</u>	<u>\$ 1,343,632.91</u>	<u>\$ 519,682.09</u>
Liabilities			
Current Liabilities			
Unrestricted Liabilities	\$ 1,206,924.51	\$ 1,287,318.51	\$ 1,433,714.38
Restricted Liabilities	3,660,374.53	2,514,145.57	2,258,342.22
Long-Term Liabilities	25,576,286.62	25,315,364.86	22,644,905.58
Total Liabilities	<u>\$ 30,443,585.66</u>	<u>\$ 29,116,828.94</u>	<u>\$ 26,336,962.18</u>
Deferred Inflows of Resources			
Deferred Revenue	\$ 73,847.50	\$ 13,725.60	
Related to Pensions	325,066.00	167,383.00	\$ 410,007.00
Total Deferred Inflows of Resources	<u>\$ 398,913.50</u>	<u>\$ 181,108.60</u>	<u>\$ 410,007.00</u>
Net Position			
Net Investment in Capital Assets	\$ 21,475,106.12	\$ 21,200,046.75	\$ 21,200,674.88
Restricted	6,440,976.72	6,448,913.89	6,181,797.33
Unrestricted	(753,480.09)	(1,569,542.02)	(2,293,053.89)
Total Net Position	<u>\$ 27,162,602.75</u>	<u>\$ 26,079,418.62</u>	<u>\$ 25,089,418.32</u>

Management's Discussion and Analysis (Cont'd)
(Unaudited)

ANALYSIS OF THE AUTHORITY'S FINANCIAL STATEMENTS (CONT'D)

Exhibit B

Comparative Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2016, 2015 and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenues			
Service Charges	\$ 8,313,028.56	\$7,813,274.89	\$7,619,586.68
Intergovernmental Service Agreements	1,835,396.78	1,740,428.07	1,621,093.42
Connection Fees	1,398,564.60	431,543.00	477,038.56
Other Operating Revenue	1,011,648.14	1,033,449.16	826,116.21
Total Operating Revenue	<u>12,558,638.08</u>	<u>11,018,695.12</u>	<u>10,543,834.87</u>
Operating Expenses			
Administration	1,880,192.92	1,574,317.02	1,500,806.68
Cost of Providing Services	5,630,060.09	5,767,917.92	5,508,789.97
Major Repairs	219,827.63	108,232.22	313,453.67
Depreciation	2,818,053.26	2,365,417.60	2,254,579.05
Total Operating Expenses	<u>10,548,133.90</u>	<u>9,815,884.76</u>	<u>9,577,629.37</u>
Net Non-Operating Expenses	<u>(927,320.05)</u>	<u>(847,898.06)</u>	<u>(908,301.16)</u>
Contributed Capital	-	635,088.00	58,824.00
Change in Net Position	<u>1,083,184.13</u>	<u>990,000.30</u>	<u>116,728.34</u>
Net Position - Beginning	<u>26,079,418.62</u>	<u>25,089,418.32</u>	<u>24,972,689.98</u>
Net Position - Ending	<u>\$ 27,162,602.75</u>	<u>\$ 26,079,418.62</u>	<u>\$ 25,089,418.32</u>

Management's Discussion and Analysis (Cont'd) (Unaudited)

BUDGET VARIANCES

Total excess revenues over expenses - budgetary basis were \$2,745,777.83.

The largest sewer revenue variation was in connection fees and amounted to \$456,545.60 more than the budget projected and other miscellaneous revenues amounted to \$244,660.65 more than the budget projected. The largest water revenue variation was in connection fees and amounted to \$275,119.00 more than the budget projected and other miscellaneous revenues amounted to \$118,535.70 more than the budget projected. These variance were due to an apartment complex continuing to connect units to the system and the price paid for solar renewable energy certificates continued to increase in 2016.

The largest sewer expenditure variation was Public Employees Retirement System, which amounted to \$230,158.65 (\$67,968.71 Administration Employee Benefits and \$162,189.94 Cost of Service Employee Benefits) more than the budget projected. The largest water expenditure variation was Public Employees Retirement System, which amounted to \$278,215.35 (\$67,968.71 Administration Employee Benefits and \$210,246.64 Cost of Service Employee Benefits) more than the budget projected. This was primarily due to the fact that liabilities associated with GASB 68 & 71 continuing to increase pension expense.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

SEWER

The proposed five-year Capital Programs for the Sewer Department total \$18,679,367.00. The major line items making up a portion of the Sewer Capital Budget are:

1. Replacement of Piping
2. Collection Equipment
3. Treatment Plant Improvements
4. Admin Software & Equipment
5. Lab Equipment
6. Pumps Improvements

WATER

The proposed five-year Capital Programs for the Water Department total \$44,125,000.00. The major line items making up a portion of the Water Capital Budget are:

1. Replacement of Piping
2. Equipment & Valves
3. Water Plant Upgrades
4. Admin Software & Equipment
5. Replacement of Meters
6. Well & Tank Rehabilitation

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide Authority customers, investors, clients and creditors, with an overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact Andrew Weber, Executive Director, Willingboro Municipal Utilities Authority, 433 John F. Kennedy Way, Willingboro, New Jersey 08046. You may also visit our web site www.wmua.info

BASIC FINANCIAL STATEMENTS

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY

Comparative Statements of Net Position
As of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 4,185,360.62	\$ 5,393,479.51
Investments	4,361,006.00	1,711,679.13
Service Fees Receivable	1,721,078.63	1,268,143.14
Intergovernmental Service Agreements Receivable	496,862.77	575,749.66
Other Accounts Receivable	977.07	1,298.36
Investment Income Receivable	21.42	5.80
Inventory	332,119.73	370,327.52
	<hr/>	<hr/>
Total Unrestricted Assets	11,097,426.24	9,320,683.12
Restricted Assets:		
Cash and Cash Equivalents	324,969.65	225,428.67
Investments	3,584,124.08	3,702,615.30
NJ EIT Loan Receivable	357,002.00	1,597,040.00
Investment Income Receivable	18.56	4,584.87
	<hr/>	<hr/>
Total Restricted Assets	4,266,114.29	5,529,668.84
	<hr/>	<hr/>
Total Current Assets	15,363,540.53	14,850,351.96
Capital Assets:		
Construction in Progress	5,403,719.99	3,330,067.78
Completed (net of depreciation)	34,560,758.83	35,853,303.51
	<hr/>	<hr/>
Total Capital Assets	39,964,478.82	39,183,371.29
	<hr/>	<hr/>
Total Assets	55,328,019.35	54,033,723.25
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding	127,498.56	168,510.91
Related to Pensions	2,549,584.00	1,175,122.00
	<hr/>	<hr/>
Total Deferred Outflows of Resources	2,677,082.56	1,343,632.91
	<hr/>	<hr/>

(Continued)

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY

Comparative Statements of Net Position

As of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
LIABILITIES		
Current Liabilities Payable from		
Unrestricted Assets:		
Accounts Payable	\$ 252,044.87	\$ 319,759.72
Accounts Payable - Related to Pension	264,957.00	271,375.00
Current Portion of Compensated Absences Payable	13,571.46	
Unearned Revenue	620,533.02	624,988.85
Overpaid Consumer Accounts Receivable	55,818.16	71,194.94
	<hr/>	<hr/>
Total Current Liabilities Payable from		
Current Assets	1,206,924.51	1,287,318.51
	<hr/>	<hr/>
Current Liabilities Payable from		
Restricted Assets:		
Accrued Interest Payable	172,816.17	203,405.30
Accounts Payable	1,872,384.70	773,251.74
Retainage Payable	69,874.90	40,167.96
Developer's Deposits	69,731.26	14,144.57
Current Portion of Other Liabilities	86,781.56	79,541.00
Current Portion of Loans Payable	773,785.94	758,635.00
Current Portion of Bonds Payable	615,000.00	645,000.00
	<hr/>	<hr/>
Total Current Liabilities Payable		
from Restricted Assets	3,660,374.53	2,514,145.57
	<hr/>	<hr/>
Total Current Liabilities	4,867,299.04	3,801,464.08
	<hr/>	<hr/>
Long-term Liabilities:		
Compensated Absences Payable	284,149.42	369,096.97
OPEB Liability	477,312.60	414,506.00
Other Liabilities		37,256.69
Accrued Liabilities - Related to Pension	132,479.00	135,688.00
Net Pension Liability	8,833,175.00	7,085,727.00
Loans Payable	11,330,144.20	12,128,952.40
Bonds Payable	4,519,026.40	5,144,137.80
	<hr/>	<hr/>
Total Long-Term Liabilities	25,576,286.62	25,315,364.86
	<hr/>	<hr/>
Total Liabilities	30,443,585.66	29,116,828.94
	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue	73,847.50	13,725.60
Related to Pensions	325,066.00	167,383.00
	<hr/>	<hr/>
Total Deferred Inflows of Resources	398,913.50	181,108.60
	<hr/>	<hr/>

(Continued)

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Comparative Statements of Net Position
 As of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
NET POSITION		
Net Investment in Capital Assets	\$ 21,475,106.12	\$ 21,200,046.75
Restricted for:		
Bond Resolution Covenants	6,243,986.74	6,251,469.24
Unemployment Compensation	196,989.98	197,444.65
Unrestricted	<u>(753,480.09)</u>	<u>(1,569,542.02)</u>
Total Net Position	<u>\$ 27,162,602.75</u>	<u>\$ 26,079,418.62</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Comparative Statements of Revenues, Expenses and Changes in Net Position
 For The Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues:		
Service Fees	\$ 8,313,028.56	\$ 7,813,274.89
Intergovernmental Service Agreements	1,835,396.78	1,740,428.07
Connection Fees	1,398,564.60	431,543.00
Other Operating Revenues	1,011,648.14	1,033,449.16
Total Operating Revenues	<u>12,558,638.08</u>	<u>11,018,695.12</u>
Operating Expenses:		
Administration:		
Salaries and Wages	761,781.58	687,674.54
Fringe Benefits	481,833.43	393,591.66
Other Expenses	636,577.91	493,050.82
Total Administration	<u>1,880,192.92</u>	<u>1,574,317.02</u>
Cost of Providing Service:		
Salaries and Wages	2,003,345.26	2,130,998.41
Fringe Benefits	1,662,606.88	1,333,821.18
Other Expenses	1,964,107.95	2,303,098.33
Total Cost of Providing Service	<u>5,630,060.09</u>	<u>5,767,917.92</u>
Major Repairs	219,827.63	108,232.22
Depreciation	2,818,053.26	2,365,417.60
Total Operating Expenses	<u>10,548,133.90</u>	<u>9,815,884.76</u>
Operating Income	2,010,504.18	1,202,810.36
Non-operating Income (Expenses):		
Investment Income	33,254.18	12,007.25
Net Unemployment Activity	(1,260.41)	4,170.97
Debt Issue Costs	(121,566.41)	(65,093.08)
Loss on Disposal of Assets	(170,571.83)	(36,021.26)
Interest Expense	(367,175.58)	(462,961.94)
Contribution to Willingboro Township Per N.J.S.A. 40A:5A-1	(300,000.00)	(300,000.00)
Total Non-operating Income (Expenses)	<u>(927,320.05)</u>	<u>(847,898.06)</u>
Income Before Contributions	1,083,184.13	354,912.30
Contributed Capital	-	635,088.00
Change in Net Position	1,083,184.13	990,000.30
Net Position - Beginning	<u>26,079,418.62</u>	<u>25,089,418.32</u>
Net Position - Ending	<u>\$ 27,162,602.75</u>	<u>\$ 26,079,418.62</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY

Comparative Statements of Cash Flows
For The Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Receipts from Customers and Users	\$ 9,754,544.13	\$ 9,403,747.76
Payments to Employees	(4,397,094.64)	(4,256,638.99)
Payments to Suppliers	(2,880,036.68)	(2,978,035.25)
Other Operating Receipts	2,470,655.93	1,478,569.48
Net Cash Provided by Operating Activities	<u>4,948,068.74</u>	<u>3,647,643.00</u>
Cash Flows From Noncapital Financing Activities:		
Unemployment Activity	(1,260.41)	4,170.97
Contribution to Willingboro Township Per N.J.S.A. 40A:5A-1	(300,000.00)	(300,000.00)
Planning Escrow Activity	55,586.69	(54,871.59)
Net Cash Used in Noncapital Financing Activities:	<u>(245,673.72)</u>	<u>(350,700.62)</u>
Cash Flows From Capital and Related Financing Activities :		
Capital Acquisitions	(2,619,830.47)	(4,560,298.30)
Retainage Payable	(21,062.25)	(51,221.92)
NJEIT Drawdowns	1,224,608.00	5,056,004.35
Bonds Issued	4,810,000.00	
Premium Received	391,531.90	
Bonds Refunded	(5,135,000.00)	
Debt Issue Costs	(121,566.41)	(65,093.08)
Debt Service Principal	(1,403,635.00)	(1,311,607.06)
Debt Service Interest	(442,987.92)	(440,072.08)
Net Cash Used in Capital and Related Financing Activities	<u>(3,317,942.15)</u>	<u>(1,372,288.09)</u>
Cash Flows From Investing Activities:		
Investment Income	37,804.87	12,018.66
Maturity of Investment	500,000.00	
Purchases of Investments	(7,578,171.68)	(3,950,347.62)
Generation of Investments (Solar Renewable Energy Credits - See Note 3)	(173,493.00)	(283,648.00)
Proceeds from Sales of Investments	4,720,829.03	4,439,065.39
Net Cash Provided by (Used in) Investing Activities	<u>(2,493,030.78)</u>	<u>217,088.43</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,108,577.91)	2,141,742.72
Cash and Cash Equivalents - Beginning	<u>5,618,908.18</u>	<u>3,477,165.46</u>
Cash and Cash Equivalents - Ending	<u>\$ 4,510,330.27</u>	<u>\$ 5,618,908.18</u>

(Continued)

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Comparative Statements of Cash Flows
 For The Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Operating Income	\$ 2,010,504.18	\$ 1,202,810.36
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	2,818,053.26	2,365,417.60
Pension Liability Expense - GASB 68	521,042.00	221,439.00
Change in Assets and Liabilities:		
Service Fees Receivable	(452,935.49)	(11,276.58)
Intergovernmental Service Fees Receivable	78,886.89	(151,582.46)
Other Accounts Receivable	321.29	(148.28)
Inventory	38,207.79	(5,067.90)
Accounts Payable	(67,714.85)	(91,479.13)
Unearned Revenue	(4,455.83)	34,042.69
Overpaid Consumer Accounts Receivable	(15,376.78)	(21,138.85)
OPEB Expense	62,806.60	63,160.00
Compensated Absences	(71,376.09)	4,847.80
Other Liabilities	(30,016.13)	22,893.15
Deferred Revenue	60,121.90	13,725.60
	\$ 4,948,068.74	\$ 3,647,643.00
Net Cash Provided by Operating Activities	\$ 4,948,068.74	\$ 3,647,643.00

The accompanying Notes to Financial Statements are an integral part of this statement.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Willingboro Municipal Utilities Authority (the "Authority") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Reporting Entity

The Authority is a public body corporate and politic of the State of New Jersey and was originally created as a sewerage authority by an ordinance adopted on December 3, 1956 by the governing body of the Township of Willingboro (the "Township"), pursuant to the Sewerage Authority Law, Chapter 138 of the Laws of 1946, as amended. By ordinance of the governing body of the Township adopted October 7, 1957, the Authority was reorganized as a municipal utilities authority pursuant to the Municipal and County Utilities Authorities Law.

The Authority was created for the purpose of constructing, maintaining and operating water supply and distribution and sewerage collection and treatment facilities for the relief of waters in, bordering or entering the areas within the territorial boundaries of the Township from pollution or threatened pollution and for the improvement of conditions affecting the public health.

The Authority currently provides water supply and sewerage collection and treatment service to all residences and businesses within the Township and a portion of Westampton Township. The Authority also provides bulk water to Mt. Laurel Township and sewerage treatment service to Edgewater Park Township.

Component Unit

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be or is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

The basic, but not the only-criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units and is a component unit of the Township of Willingboro.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Presentation**

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

The transactions of the Authority are divided into two separate activities (water and sewer) within the enterprise fund type. Each activity is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources liabilities, deferred inflows of resources, net position, revenues and expenditures.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues -- Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Water and sewer service charges are recognized as revenue when services are provided. Connection fees are collected in advance and, accordingly, the Authority defers these revenues until the municipality issues a release for certificate of occupancy and determines that water distribution and sewage collection services are being provided to the properties.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Expenses - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current year and to adopt not later than the beginning of the Authority's year. The governing body may amend the budget at any point during the year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense, amortization of bond issue costs, bond discounts and deferred loss on defeasance are not included in the budget appropriations.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Budgets and Budgetary Accounting (Cont'd)**

The legal level of budgetary control is established at the detail shown on the comparative statements of revenues, expenses and changes in net position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended.

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the comparative statements of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

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 Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, 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 amount of their deposits to the governmental units.

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the GUDPA. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Inventory

Inventory is recorded at cost and consists principally of spare parts for the infrastructure and chemicals for the treatment of water and sewerage. The Authority has determined that the inventories are material and are recorded in the financial statements.

Prepaid Expenses

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the applicable year end.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Capital Assets**

Capital Assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased prior to January 1, 1994 are stated at estimated cost. Assets purchased since are stated at actual cost.

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the capital asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the year that the project is completed, these costs are transferred to capital assets. Interest costs incurred during construction are not capitalized into the cost of the asset.

Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$6,000 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

Depreciation

Depreciation is provided using the straight-line method over the following estimated useful life of the assets:

	<u>Years</u>
Buildings	30-40
Major Moveable Equipment	7-20
Vehicles	8-15
Infrastructure	10-25

Depreciation is calculated as of the month of acquisition.

Bond and Loan Discounts / Premiums

Bond and loan discounts / premiums arising from the issuance of long-term debt are amortized over the life of the loans, in a systematic and rational method, from the issue date to maturity as a component of interest expense. Bond and loan discounts / premiums are presented as an adjustment of the face amount on the loans.

Deferred Outflows and Deferred Inflows of Resources

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Deferred Outflows and Deferred Inflows of Resources (Cont'd)**

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the GASB standards. The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources:

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

Deferred Revenue - Deferred revenue arises when resources associated with revenue transactions are received or reported as a receivable before the period when resources are required to be used or when use is first permitted in which enabling legislation includes time requirements.

Deferred Loss on Refunding - Deferred loss on refunding arising from the issuance of the revenue refunding bonds, is recorded as a deferred outflow of resources. It is amortized in a systematic and rational manner over the duration of the related debt as a component of interest expense.

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Net Position**

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", the Authority has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

Restricted – Net position is 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.

Unrestricted - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets." This component includes net position that may be allocated for specific purposes by the Board.

Income Taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from water treatment and sewer collection facilities (e.g., water and sewer rents and connection fees) and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in debt securities and money market funds.

Operating expenses include expenses associated with the operation, maintenance and repair of the water treatment and sewer collection systems and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt.

Accounting 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 affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Recently Issued and Adopted Accounting Pronouncements**

For the year ended December 31, 2016, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The adoption this Statement resulted in additional disclosures, see note 3.

In addition, the Authority adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The adoption this Statement had no impact on the Authority's financial statements.

Next, the Authority adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption this Statement had no impact on the Authority's financial statements.

Furthermore, the Authority adopted GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The adoption this Statement had no impact on the Authority's financial statements.

Additionally, the Authority adopted GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The adoption this Statement had no impact on the Authority's financial statements.

Lastly, the Authority adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The adoption this Statement had no impact on the Authority's financial statements.

Recently Issued Accounting Pronouncements

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

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Statement will become effective for the Authority in the year ending December 31, 2017. Management does not expect this Statement will have an impact on the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Recently Issued Accounting Pronouncements**

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the Authority in the year ending December 31, 2018. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The Statement will become effective for the Authority in the year ending December 31, 2017. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement will become effective for the Authority in the year ending December 31, 2017. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement will become effective for the Authority in the year ending December 31, 2017. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The Statement will become effective for the Authority in the year ending December 31, 2019. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement will become effective for the Authority in the year ending December 31, 2019. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Statement will become effective for the Authority in the year ending December 31, 2018. Management has not yet determined the impact of this Statement on the financial statements.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**Compliance with Finance Related Legal and Contractual Provisions**

Management of the Authority is unaware of any material violations of finance related legal and contractual provisions.

Senior Bond Resolution

The Authority is subject to the provisions and restrictions of the General Bond Resolution adopted June 17, 1986 and Supplemental Resolutions adopted April 11 and May 5, 1991, October 15 and November 12, 1996, September 15 and October 1, 1998, March 20 and March 28, 2001 and August 20, 2002 (collectively the "Bond Resolution"). A summary of the activities of each account created by the Bond Resolution is covered below.

Revenue Account - All money collected by the Authority for service charges or from any other source for operating, maintaining or repairing the system is deposited in this account. The Trustee, on the first day of each month, shall make payments into the other accounts to satisfy bond resolution or operating requirements.

Operating Account - The balance on deposit must be equal to at least 50% of the annual appropriation for operating expenses. At December 31, 2016, the balance in the operating account meets the requirements of the Bond Resolution.

Bond Service Account - The balance on deposit must be sufficient to enable the Trustee to withdraw amounts equal to interest due on bonds, principal amount maturing on bonds and sinking fund installments when such payments are required. At December 31, 2016, the balance in the bond service account meets the requirements of the Bond Resolution.

Bond Reserve Account - The amount of funds on deposit must be maintained at a level equal to the Maximum Debt Service to insure funds are available for payment of Debt Service. At December 31, 2016, the balance in the bond reserve account meets the requirements of the Bond Resolution.

Renewal and Replacement Account - These funds are maintained for reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually. At December 31, 2016, the balance in the renewal and replacement account meets the requirements of the Bond Resolution.

General Account - All excess funds of the Authority are recorded in the general account. If the Authority is not in default in the payment of bond principal or interest and all fund requirements are satisfied, the Authority may use the excess funds for any lawful purpose.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)

Senior Bond Resolution (Cont'd)

Debt Service Coverage

Section 709 of the Senior Bond Resolution requires certain ratios of Net Revenues to Debt Service. Compliance with this covenant is calculated as follows:

	<u>2016</u>	<u>2015</u>
Net Revenues		
Operating Income (Exhibit B)	\$ 2,010,504.18	\$ 1,202,810.36
Add: Depreciation Expense	2,818,053.26	2,365,417.60
Major Repairs & Other Expenses	219,827.63	108,232.22
OPEB Obligation	62,806.60	63,160.00
Interest Revenue	<u>33,254.18</u>	<u>12,007.25</u>
Total Net Revenues	<u>\$ 5,144,445.85</u>	<u>\$ 3,751,627.43</u>
Senior Bonds Debt Service		
Interest Charges	\$ 292,494.70	\$ 323,441.30
Bond Principal	<u>823,104.90</u>	<u>847,489.09</u>
Total Senior Bond Debt Service	<u>\$ 1,115,599.60</u>	<u>\$ 1,170,930.39</u>
Net Revenues	<u>\$5,144,445.85</u>	<u>\$3,751,627.43</u>
Senior Bonds Debt Service	1,115,599.60	1,170,930.39
	<u>461.14%</u>	<u>320.40%</u>

This ratio meets the required debt service coverage.

Junior Lien Bond Resolution

The Authority is further subject to the provisions and restrictions of the Junior Lien Bond Resolution adopted August 18, 2009 (the "Junior Lien Resolution"). Section 402 of the Junior Lien Resolution creates a direct and special obligation on the Authority where the full faith and credit of the Authority is pledged to the payment of principal and interest on the Junior Lien Bond authorized under the Junior Lien Resolution. However, the obligation of the Authority to apply revenues or other funds to the payment of principal and interest on the Junior Lien Bonds is subject to prior obligation of the Authority to apply such revenues or other funds to the payment of operating expenses. The pledge of revenues and other such funds is subordinate to the provisions of the Senior Bond Resolution and the lien and pledge created by the Senior Bond Resolution.

Note 3: DETAIL NOTES - ASSETS**Cash and Cash Equivalents**

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below.

As of December 31, 2016 and 2015, the Authority's bank balances of \$4,766,169.08 and \$5,623,072.60 were exposed to custodial credit risk as follows:

	<u>2016</u>	<u>2015</u>
Insured by FDIC and GUDPA	\$ 4,758,225.58	\$ 5,623,072.60
Uninsured and Uncollateralized	7,943.50	
	<hr/>	<hr/>
Total	<u>\$ 4,766,169.08</u>	<u>\$ 5,623,072.60</u>

Investments

New Jersey authorities are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey authorities. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or other obligations of the local unit or units within which the Authority is located, bonds or other obligations approved by the Division of Investment in the Department of Treasury for investment by authorities, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. The Authority has no investment policy that would further limit its investment choices.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty to the transactions fails. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority has no investment policy to limit its exposure to custodial credit risk. All of the Authority's \$7,945,130.08 as of December 31, 2016 and \$5,414,294.43 as of December 31, 2015 investments in treasury obligations, solar renewable energy certificates and money market funds are held in the name of the Authority.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As stated in note 1, investments are purchased in accordance with N.J.S.A. 40A:5-15.1. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority has no investment policy that would further limit its exposure to credit risk.

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Investments (Cont'd)**

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority's investment policies place no limit on the amount the Authority may invest in any one issuer. All of the Authority's investments are either in treasury obligations, solar renewable energy certificates and money market funds.

As of December 31, 2016 and 2015, the Authority had the following investments and maturities:

<u>Investment</u>	<u>Maturity</u>	<u>Credit Rating</u>	<u>Fair Value</u> <u>December 31, 2016</u>	<u>Fair Value</u> <u>December 31, 2015</u>
Governmental Money Market	Demand	AAA	\$ 7,834,205.08	\$ 4,402,574.43
Solar Renewable Energy Credits	Demand	N/A	110,925.00	499,480.00
U.S. Treasury Bond	5/15/2016	N/A		512,240.00
			<u>\$ 7,945,130.08</u>	<u>\$ 5,414,294.43</u>

Fair Value Measurements of Investments - The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted process in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of December 31, 2016 and 2015:

- Governmental money markets, solar renewable energy credits and U.S. Treasury and Agency securities are valued using quoted market prices (Level 1 inputs).

Service Fees

The following is a three-year comparison of service charge billings and collections for all types of accounts maintained by the Authority:

<u>Year</u>	<u>Beginning Balance</u>	<u>Billings</u>	<u>Total Collections</u>	<u>Percentage of Collections</u>
2016	\$ 1,268,143.14	\$ 8,313,028.56	\$ 7,860,093.07	82.04%
2015	1,256,866.56	7,813,274.89	7,801,998.31	86.02%
2014	788,431.73	7,619,586.68	7,151,151.85	85.05%

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Capital Assets**

During the year ended December 31, 2016, the following changes in capital assets occurred:

	<u>Balance</u> <u>Jan. 1, 2016</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Capital Assets not being Depreciated					
Land	\$ 1,254,200.00				\$ 1,254,200.00
Construction in Progress	3,330,067.78	\$ 3,769,732.62	\$ (1,696,080.41)		5,403,719.99
Total Capital Assets not being Depreciated	4,584,267.78	3,769,732.62	(1,696,080.41)	\$ -	6,657,919.99
Capital Assets being Depreciated					
Buildings	28,648,659.34		5,995.00		28,654,654.34
Major Moveable Equipment	914,252.77		89,871.04		1,004,123.81
Vehicles	990,180.66				990,180.66
Infrastructure	44,213,251.12		1,600,214.37	665,202.35	45,148,263.14
Total Capital Assets being Depreciated	74,766,343.89	-	1,696,080.41	665,202.35	75,797,221.95
Total Capital Assets	79,350,611.67	3,769,732.62	-	665,202.35	82,455,141.94
Less Accumulated Depreciation	40,167,240.38	2,818,053.26	-	494,630.52	42,490,663.12
Capital Assets, Net	<u>\$ 39,183,371.29</u>	<u>\$ 951,679.36</u>	<u>\$ -</u>	<u>\$ 170,571.83</u>	<u>\$ 39,964,478.82</u>

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Capital Assets (Cont'd)**

During the year ended December 31, 2015, the following changes in capital assets occurred:

	<u>Balance</u> <u>Jan. 1, 2015</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
Capital Assets not being Depreciated					
Land	\$ 1,254,200.00				\$ 1,254,200.00
Construction in Progress	3,925,733.28	\$ 4,683,624.94	\$ (5,279,290.44)		3,330,067.78
Total Capital Assets not being Depreciated	<u>5,179,933.28</u>	<u>4,683,624.94</u>	<u>(5,279,290.44)</u>	<u>\$ -</u>	<u>4,584,267.78</u>
Capital Assets being Depreciated					
Buildings	28,609,790.56		38,868.78		28,648,659.34
Major Moveable Equipment	508,114.11		411,793.66	5,655.00	914,252.77
Vehicles	862,004.38		222,733.83	94,557.55	990,180.66
Infrastructure	39,891,620.59		4,605,894.17	284,263.64	44,213,251.12
Total Capital Assets being Depreciated	<u>69,871,529.64</u>	<u>-</u>	<u>5,279,290.44</u>	<u>384,476.19</u>	<u>74,766,343.89</u>
Total Capital Assets	<u>75,051,462.92</u>	<u>4,683,624.94</u>	<u>-</u>	<u>384,476.19</u>	<u>79,350,611.67</u>
Less Accumulated Depreciation	<u>38,150,277.71</u>	<u>2,365,417.60</u>	<u>-</u>	<u>348,454.93</u>	<u>40,167,240.38</u>
Capital Assets, Net	<u>\$ 36,901,185.21</u>	<u>\$ 2,318,207.34</u>	<u>\$ -</u>	<u>\$ 36,021.26</u>	<u>\$ 39,183,371.29</u>

Note 4: DETAIL NOTES – DEFERRED OUTFLOWS OF RESOURCES**Deferred Loss on Refunding**

In 2005, the Authority advanced refunded \$2,515,000.00 of the Series 1998G and \$6,470,000.00 of the Series 2001I Bonds. The Authority issued \$9,555,000.00 of Water-Sewer Revenue Refunding Bonds, Series 2005 J Bonds to provide resources to purchase U.S. government securities that were placed in irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds were considered to be defeased and the liability was removed from the financial statements. The refunded bonds were fully called on January 1, 2010.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$484,631.31. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations over the life of the refunding bonds using the straight line method. The advance refunding was undertaken to reduce total debt payments over 17 years by \$464,399.75, and to obtain a present value economic gain of \$358,216.53.

Note 4: DETAIL NOTES – DEFERRED OUTFLOWS OF RESOURCES (Cont'd)**Deferred Loss on Refunding (Cont'd)**

In 2016, the Authority refunded \$5,135,000.00 of the Series 2005 J Bonds. The Authority issued \$4,810,000.00 of Water-Sewer Revenue Refunding Bonds, Series 2016 L Bonds to refund the outstanding bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$154,060.67. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations over the life of the refunding bonds using the straight line method. The refunding was undertaken to reduce total debt payments over 5 years by \$352,743.34, and to obtain a present value economic gain of \$278,048.19.

The deferred outflow of resources for the deferred loss on refunding at December 31, 2016 and 2015 was \$127,498.56 and \$168,510.91, respectively.

Note 5: DETAIL NOTES – LIABILITIES

During the year ended December 31, 2016, the following changes occurred in long-term obligations:

	<u>Balance</u> <u>January 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2016</u>	<u>Due Within</u> <u>One Year</u>
Loans Payable					
NJEIT Loans	\$ 12,714,572.63		\$ (774,065.00)	\$ 11,940,507.63	\$ 773,785.94
Premium on Loans	173,014.77		(9,592.26)	163,422.51	
Total Loans Payable	12,887,587.40	\$ -	(783,657.26)	12,103,930.14	773,785.94
Bonds Payable					
Bonds	5,780,000.00	4,810,000.00	(5,780,000.00)	4,810,000.00	615,000.00
Premium on Bonds	9,137.80	391,531.90	(76,643.30)	324,026.40	
Total Loans Payable	5,789,137.80	5,201,531.90	(5,856,643.30)	5,134,026.40	615,000.00
Other Liabilities					
Compensated Absences	369,096.97	35,454.21	(106,830.30)	297,720.88	13,571.46
OPEB Liability	414,506.00	82,015.00	(19,208.40)	477,312.60	
Other Liabilities	116,797.69	22,892.67	(52,908.80)	86,781.56	86,781.56
Accrued Liabilities -					
Related to Pension	135,688.00	132,479.00	(135,688.00)	132,479.00	
Net Pension Liability	7,085,727.00	3,376,905.00	(1,629,457.00)	8,833,175.00	
Total Other Liabilities	8,121,815.66	3,649,745.88	(1,944,092.50)	9,827,469.04	100,353.02
Total Long Term Liabilities	\$ 26,798,540.86	\$ 8,851,277.78	\$ (8,584,393.06)	\$ 27,065,425.58	\$ 1,489,138.96

Note 5: DETAIL NOTES – LIABILITIES (Cont'd)

During the year ended December 31, 2015, the following changes occurred in long-term obligations:

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015	Due Within One Year
Loans Payable					
NJEIT Loans	\$ 10,754,342.69	\$ 2,651,837.00	\$ (691,607.06)	\$ 12,714,572.63	\$ 758,635.00
Premium on Loans	81,257.80	99,174.35	(7,417.38)	173,014.77	
Total Loans Payable	10,835,600.49	2,751,011.35	(699,024.44)	12,887,587.40	758,635.00
Bonds Payable					
Bonds	6,400,000.00		(620,000.00)	5,780,000.00	645,000.00
Premium on Bonds	10,965.35		(1,827.55)	9,137.80	
Total Loans Payable	6,410,965.35	-	(621,827.55)	5,789,137.80	645,000.00
Other Liabilities					
Compensated Absences	364,249.17	45,803.48	(40,955.68)	369,096.97	
OPEB Liability	351,346.00	79,524.00	(16,364.00)	414,506.00	
Other Liabilities	93,904.54	102,434.15	(79,541.00)	116,797.69	79,541.00
Accrued Liabilities -					
Related to Pension	135,688.00	135,688.00	(135,688.00)	135,688.00	
Net Pension Liability	5,780,848.00	1,925,418.00	(620,539.00)	7,085,727.00	
Total Other Liabilities	6,726,035.71	1,685,165.63	(289,385.68)	8,121,815.66	79,541.00
Total Long Term Liabilities	\$ 23,972,601.55	\$ 4,436,176.98	\$ (1,610,237.67)	\$ 26,798,540.86	\$ 1,483,176.00

Compensated Absences

Authority employees may accumulate unused sick days with no restrictions. Employees are compensated for accumulated sick leave upon retirement or resignation at one-half of their then current hourly rate of pay times the number of days accumulated, up to a maximum of \$15,000.00. Vacation days not used during the year may be carried forward for one year. Upon separation from the Authority, the employee will be paid for all accrued vacation time at their then current hourly rate. The accrued liability for accumulated sick leave and vacation time at December 31, 2016 and 2015 is estimated at \$297,720.88 and \$369,096.97, respectively.

Retirement Systems

A substantial number of the Authority's employees participate in the Public Employees' Retirement System ("PERS"), a defined benefit pension plan, which is administered by the New Jersey Division of Pensions and Benefits ("the Division"). In addition, employees have the option to participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://www.nj.gov/treasury/pensions>

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Retirement Systems (Cont'd)****Plan Descriptions**

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Authority, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in PFRS after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

Vesting and Benefit Provisions

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

Tier Definition

- 1 Members who were enrolled prior to July 1, 2007
- 2 Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3 Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
- 4 Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
- 5 Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Retirement Systems (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

Defined Contribution Retirement Program - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non-forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The Authority's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

The Authority's contractually required contribution rates for the years ended December 31, 2016 and 2015 were 12.28% and 12.74% of the Authority's covered payroll. These amount were actuarially determined as the amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2016, the Authority's contractually required contribution to the pension plan for the year ended December 31, 2016 is \$264,957.00, and is payable by April 1, 2017. Based on the PERS measurement date of June 30, 2015, the Authority's contractually required contribution to the pension plan for the year ended December 31, 2015 was \$271,375.00, which was paid on April 1, 2016. Employee contributions to the Plan during the year ended December 31, 2016 were \$155,759.90.

Based on the PERS measurement date of June 30, 2015, the Authority's contractually required contribution to the pension plan for the year ended December 31, 2015 was \$271,375.00, and was payable by April 1, 2016. Based on the PERS measurement date of June 30, 2014, the Authority's contractually required contribution to the pension plan for the year ended December 31, 2014 was \$254,538.00, which was paid on April 1, 2015. Employee contributions to the Plan during the year ended December 31, 2015 were \$150,356.15.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Retirement Systems (Cont'd)****Contributions (Cont'd)**

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Authority's contribution amounts for each pay period, 3% of the employees' base salary, are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the years ended December 31, 2016 and 2015, there were no employees participating in DCRP.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The following information relates only to the Public Employees' Retirement System ("PERS"), which is a cost-sharing multiple-employer defined benefit pension plan.

The Authority reported a liability of \$8,833,175.00 and \$7,085,727.00 for its proportionate share of the net pension liability for the years ended December 31, 2016 and 2015, respectively.

The net pension liability reported at December 31, 2016 was measured by the PERS plan as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2016 measurement date, the Authority's proportion was .0298245452%, which was a decrease of .0017405311% from its proportion measured as of June 30, 2015.

The net pension liability reported at December 31, 2015 was measured by the PERS plan as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2015 measurement date, the Authority's proportion was .0315650763%, which was an increase of .0006889903% from its proportion measured as of June 30, 2014.

For the years ended December 31, 2016 and 2015, the Authority recognized pension expense of \$792,402.00 and \$475,970.00, respectively. These amounts were based on the plan's June 30, 2016 and 2015 measurement dates, respectively.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Retirement Systems (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

At December 31, 2016 and 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
	<u>Measurement Date June 30, 2016</u>		<u>Measurement Date June 30, 2015</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 164,270.00		\$ 169,041.00	
Changes of Assumptions	1,829,762.00		760,950.00	
Net Difference between Projected and Actual Earnings on Pension Plan Investments	336,817.00			\$ 113,925.00
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	86,256.00	\$ 325,066.00	109,443.00	53,458.00
Authority Contributions Subsequent to the Measurement Date	132,479.00		135,688.00	
	<u>\$ 2,549,584.00</u>	<u>\$ 325,066.00</u>	<u>\$ 1,175,122.00</u>	<u>\$ 167,383.00</u>

The deferred outflows of resources related to pensions totaling \$132,479.00 and \$135,688.00 will be included as a reduction of the net pension liability in the years ended December 31, 2017 and 2016, respectively.

Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

<u>Year Ending December 31,</u>	
2017	\$ 473,850.00
2018	473,850.00
2019	557,043.00
2020	460,108.00
2021	127,188.00
	<u>\$ 2,092,039.00</u>

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Retirement Systems (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

The amortization of the other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Retirement Systems (Cont'd)****Actuarial Assumptions**

The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016 and 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	Measurement Date <u>June 30, 2016</u>	Measurement Date <u>June 30, 2015</u>
Inflation	3.08%	3.04%
Salary Increases:		
2012-2021		2.15% - 4.40% Based on Age
Through 2026	1.65% - 4.15% Based on Age	
Thereafter	2.65% - 5.15% Based on Age	3.15% - 5.40% Based on Age
Investment Rate of Return	7.65%	7.90%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience		
Study upon which Actuarial		
Assumptions were Based	July 1, 2011 - June 30, 2014	July 1, 2008 - June 30, 2011

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016 and 7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 and 2015 are summarized in the table on the following page.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Retirement Systems (Cont'd)****Actuarial Assumptions (Cont'd)**

<u>Asset Class</u>	<u>Measurement Date</u> <u>June 30, 2016</u>		<u>Measurement Date</u> <u>June 30, 2015</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%	5.00%	1.04%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad U.S. Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Equities	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds / Absolute Return	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
Global Debt ex U.S.	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%
	<u>100.00%</u>		<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015 measurement dates, respectively. The respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.65% and 7.90%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 for PERS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Retirement Systems (Cont'd)****Sensitivity of Authority's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

The following presents the Authority's proportionate share of the net pension liability at December 31, 2016 calculated using a discount rate of 3.98%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease <u>(2.98%)</u>	Current Discount Rate <u>(3.98%)</u>	1% Increase <u>(4.98%)</u>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 10,824,025.00</u>	<u>\$ 8,833,175.00</u>	<u>\$ 7,189,556.00</u>

The following presents the Authority's proportionate share of the net pension liability at December 31, 2015 calculated using a discount rate of 4.90%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease <u>(3.90%)</u>	Current Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 8,806,692.00</u>	<u>\$ 7,085,727.00</u>	<u>\$ 5,642,883.00</u>

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS' respective fiduciary net position have been determined on the same basis as they are reported by PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions.

Postemployment Benefits Other Than Pension

The Authority provides reimbursement of Medicare B premiums to employees that have retired from the Authority in addition to benefits provided through the State Pension Fund. The reimbursement for Medicare Part B deduction and the amount of the benefit is established by the Authority. GASB Statement 45 requires that accrued liabilities associated with the reimbursement of Medicare Part B deduction to retirees be recorded on the Authority's financial statements.

The State Pension Fund provides health benefits through the State Health Benefit Plan which is a cost-sharing multiple-employer defined benefit postemployment healthcare plan. As a result, GASB Statement 45 requires that the actuarial accrued liability for employee benefits are recorded as an obligation of the State Health Benefit Plan and not the Authority.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**State Health Benefit Plan**

Plan Description - The Authority contributes to the State Health Benefits Program (“SHBP”), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan, administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The Authority provides postemployment health care benefits, at its cost, to all Authority retirees who at the date of retirement have not less than twenty-five (25) years of service credit in a State locally administered retirement system and have served at least twenty (20) years as an employee of the Authority. Benefits provided include health insurance and prescription coverage for retirees and their dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.nj.gov/treasury/pensions>.

Funding Policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Authority on a monthly basis. The Authority contributions to SHBP for the years ended December 31, 2016, 2015, and 2014, were \$269,318.27, \$214,556.52 and \$211,113.81 respectively, which equaled the required contributions for each year. There were approximately 16 retirees, 10 retiree spouses and 7 dependents at December 31, 2016.

Authority's Plan – Medicare B Reimbursement

Plan Description - The Authority also provides Medicare Part B reimbursement to retirees and their covered dependents. The reimbursements are administered by the Authority; therefore, payments are made directly by the Authority to the retirees.

Funding Policy - The Authority presently funds these post-employment benefit costs on a “pay-as-you-go” basis. The Authority's contributions to the plan for the years ended December 31, 2016, 2015, and 2014, were \$19,208.40, \$16,364.40 and \$15,105.60, respectively, which equaled the required contributions each year. There were approximately 10 retirees and 3 retiree spouses receiving this benefit at December 31, 2016.

Future Retirees - In accordance with Statement No. 45 of the Governmental Accounting Standards Board, the Authority is required to expense the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of Statement No. 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) over a period not to exceed thirty (30) years. The ARC includes the costs of both current and future retirees. The current ARC was determined to be \$84,029.00 at an unfunded discount rate of 4.5%. As stated above, the Authority has funded the cost of existing retirees in the amount of \$19,208.40, and has accrued the benefit costs for future eligible employees, but has not yet begun funding this outstanding liability.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Authority's Plan – Medicare B Reimbursement (Cont'd)**

Annual OPEB Cost - For year ended December 31, 2016, the Authority's annual OPEB cost (expense) of \$82,015.00 for the plan was equal to the ARC plus certain adjustments because the Authority's actual contributions in prior years differed from the ARC.

The Authority's annual required contribution (ARC), the interest on the net OPEB obligation, the adjustment to the ARC, the increase or decrease in the net OPEB obligation, the net OPEB obligation, and the percentage of annual OPEB cost contributed to the plan for years ended December 31, 2016, 2015, and 2014 are as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Normal cost	\$ 17,574.00	\$ 17,574.00	\$ 17,574.00
Amortization Payment	66,455.00	66,455.00	66,455.00
Annual required contribution (expense)	84,029.00	84,029.00	84,029.00
Interest on Net OPEB obligation	13,021.00	13,021.00	13,021.00
Adjustment to ARC	(15,035.00)	(17,526.00)	(19,962.20)
Annual OPEB Cost	82,015.00	79,524.00	77,087.80
Contributions Made	(19,208.40)	(16,364.00)	(15,105.60)
Net OPEB obligation - beginning of year	414,506.00	351,346.00	289,363.80
Net OPEB obligation - end of year	<u>\$ 477,312.60</u>	<u>\$ 414,506.00</u>	<u>\$ 351,346.00</u>
Percentage of Annual OPEB Cost Contributed	23.42%	20.58%	19.60%

Funded Status and Funding Progress - The funded status of the plan as of December 31, 2016, was as follows:

Actuarial Accrued Liability (AAL)	\$ 963,296.00
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 963,296.00</u>
Funded Ratio (Actuarial Value of Plan Assets / AAL)	0.0%
Covered Payroll (Active Plan Members)	Not Provided
UAAL as a Percentage of Covered Payroll	Not Provided

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Authority's Plan – Medicare B Reimbursement (Cont'd)**

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

In the January 1, 2014 actuarial valuation, the projected unit credit cost method was used. Under this method, an actuarial accrued liability is determined as the actuarial present value of the portion of projected benefits which is allocated to service before the current plan year. In addition, a normal cost is determined as the actuarial present value of the portion of projected benefits which is allocated to service in the current plan year for each active participant under the assumed retirement age. The UAAL is being amortized (straight-line) for thirty (30) years on a closed basis. The remaining period is 22 years. The actuarial assumptions included the following:

- *Mortality.* Sex-distinct RP-2014 Employee/Annuitant Mortality Tables with generational mortality improvements at scale MP-2014
- *Assumed Retirement Age.* at first eligibility after completing 25 years of service.
- *Annual Discount Rate.* Future costs have been discounted at the rate of 4.5% compounded annually for GASB 45 purposes.
- *Medicare Part B trend.* 4.5% per annum

Revenue Bonds and Loans Payable - 2005 J, NJEIT 2008 K, 2016 L and NJEIT Junior Lien Series 2010, 2014, and 2015

The Revenue Bonds Series 2005 J and 2016 L are direct obligations of the Authority. The Bonds are secured by a pledge on the Revenues derived by the Authority from the operation of its water supply and distribution facilities and its sewerage treatment facilities. The Bonds are further secured by the limited Service Agreement between the Authority and the Township (See Note 7).

On March 9, 2005, the Authority issued the 2005 Series J Bonds to advance refund the callable maturities of the Authority's 1998 Series G Bonds and the 2001 Series H Bonds and to pay certain costs related to the issuance of the Series J Bonds. The Bonds were originally issued for \$9,555,000.00 and carry interest rates ranging from 2.50% to 4.00%. This issue was refunded by the Series 2016 L Bonds and was paid off in April of 2016.

On November 9, 2008, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust (the "NJEIT Series 2008 K Bonds") totaling \$4,428,000.00 for the completion of emergency repairs to a sewer main. The first part of the loan award for \$2,198,000.00 is interest free. The \$2,230,000.00 portion carries interest rates that range from 5.00% to 5.50% with a final maturity in 2028.

On March 10, 2010, the Authority closed on four loans from the New Jersey Environmental Infrastructure Trust (the "NJEIT Junior Lien Series 2010") totaling \$4,787,982.00 for the completion of a micro-turbine facility, the installation of solar electric generating systems and the replacement of water main (the "2010 Project"). The total cost of the 2010 Project was \$9,533,946.00 and was financed with an interim loan of \$9,491,928.00 from the New Jersey Environmental Infrastructure Trust. Proceeds from the loan were used to retire the interim loan. In addition, the Authority received principal forgiveness under the federal government's American Resource and Recovery Act in the amount of \$4,745,964.00. Two parts of the loan award for \$2,372,982.00 are interest free. The remaining \$2,415,000.00 portion carries interest rates of 2.00% with a final maturity in 2029.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Revenue Bonds and Loans Payable - 2005 J, NJEIT 2008 K, 2016 L and NJEIT Junior Lien Series 2010, 2014, and 2015 (Cont'd)**

On May 24, 2014, the Authority closed on four loans from the New Jersey Environmental Infrastructure Trust (the "NJEIT Junior Lien Series 2014") totaling \$4,297,486.00 for Painting 1 MG Ground Storage Tank, Replacement of Lake Drive & Beechnut Lane Pump Station, Well 9 Electrical Upgrades, Trickling Filter Walkway Grating, Digester Cleaning and Repairs, and for the purchase of new water meters (the "2014 Project"). Two parts of the loan award for \$3,242,486.00 are interest free. The remaining \$1,055,000.00 portion carries interest rates that range from 3.00% to 5.50% with a final maturity in 2033.

On May 28, 2015, the Authority closed on four loans from the New Jersey Environmental Infrastructure Trust (the "NJEIT Junior Lien Series 2015") totaling \$2,651,837.00 for emergency generator replacements, trailered pumps, Tweedstone pump station upgrades and Wells 6, 9, 10, and 11 electrical upgrades. In addition, the Authority received principal forgiveness in the amount of \$635,088.00. Two parts of the loan award for \$1,871,837.00 are interest free. The remaining \$780,000.00 portion carries interest rates that range from 4.0% to 5.00% with a final maturity in 2034.

On March 1, 2016, the Authority issued the 2016 Series L Bonds to refund the maturities of the Authority's 2005 Series J Bonds and to pay certain costs related to the issuance of the Series L Bonds. The Bonds were issued for \$4,810,000.00 and carry interest rates ranging from 2.00% to 4.00% with a final maturity in 2021.

Maturities of the Series 2016 L Bonds:

<u>Bond Year</u>	<u>Principal</u>	<u>Rates</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 615,000.00	2.00%	\$ 173,950.00	\$ 788,950.00
2018	985,000.00	4.00%	148,100.00	1,133,100.00
2019	1,030,000.00	4.00%	107,800.00	1,137,800.00
2020	1,070,000.00	4.00%	65,800.00	1,135,800.00
2021	1,110,000.00	4.00%	22,200.00	1,132,200.00
	<u>4,810,000.00</u>		<u>\$ 517,850.00</u>	<u>\$ 5,327,850.00</u>
Current Maturities	(615,000.00)			
Premium on Bonds	<u>324,026.40</u>			
Long-Term Portion	<u>\$ 4,519,026.40</u>			

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Revenue Bonds and Loans Payable - 2005 J, NJEIT 2008 K and NJEIT Junior Lien Series 2010, 2014, and 2015 (Cont'd)****Maturities of the Series NJEIT 2008 K and NJEIT Junior Lien Series 2010, 2014, and 2015:**

<u>Year Ending</u> <u>December 31,</u>	<u>Interest</u> <u>Free Loan</u> <u>Principal</u>	<u>Loan</u> <u>Principal</u>	<u>Total</u> <u>Principal</u>	<u>Rates</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 498,785.94	\$ 275,000.00	\$ 773,785.94	5.00%	\$ 200,381.26	\$ 475,381.26
2018	498,785.94	290,000.00	788,785.94	5.00%	186,631.26	476,631.26
2019	498,635.00	300,000.00	798,635.00	4.00% - 5.25%	172,131.26	472,131.26
2020	501,186.04	330,000.00	831,186.04	5.00% - 5.50%	158,056.26	488,056.26
2021	500,219.96	345,000.00	845,219.96	3.00% - 5.50%	140,956.26	485,956.26
2022-2026	2,499,092.17	1,655,000.00	4,154,092.17	3.00% - 5.50%	460,406.30	2,115,406.30
2027-2031	1,908,953.07	925,000.00	2,833,953.07	3.00% - 5.00%	144,406.30	1,069,406.30
2032-2034	599,849.51	315,000.00	914,849.51	3.125% - 4.00%	20,418.76	335,418.76
	<u>\$7,505,507.63</u>	<u>\$4,435,000.00</u>	<u>11,940,507.63</u>		<u>\$1,483,387.66</u>	<u>\$5,918,387.66</u>
			Current Maturities	(773,785.94)		
			Premium on Bonds	163,422.51		
			Long-Term Portion	<u>\$ 11,330,144.20</u>		

Note 6: DETAIL NOTES – DEFERRED INFLOWS OF RESOURCESConnection Fees

The Authority receives payments for connection fees when new users connect to the water and/or sewer system. The Authority does not supply the user with supplies or services to make the physical connection and is therefore considered a non-exchange transaction. The Authority recognizes the revenue in the period that the user exercises their right to connect to the system.

Note 7: INTERGOVERNMENTAL AGREEMENTS**Major Customers**

The Authority derives a significant portion of its total water service fees from Mount Laurel Township Municipal Utilities Authority (MLTMUA). Since the charges are based upon the flow from the system, the Authority's revenues are subject to large fluctuations from this customer. A comparison of billings is shown below:

<u>Year</u>	<u>MLTMUA</u> <u>Water Billings</u>	<u>Total</u> <u>Water Billings</u>	<u>Percentage</u>
2016	\$ 1,046,721.41	\$ 5,412,796.45	19.34%
2015	958,600.16	4,989,509.77	19.21%
2014	884,236.52	4,868,704.23	18.16%

Note 7: INTERGOVERNMENTAL AGREEMENTS (CON'T)**Mount Laurel Service Agreement**

The Authority, the Mount Laurel Township Municipal Utilities Authority (MLTMUA), and the Evesham Municipal Utilities Authority (EMUA) signed an agreement dated April 19, 1989 for the purchase and sale of potable water. The Authority sells bulk water to MLTMUA, which in turn sells a portion to EMUA.

Under the agreement, the Authority must make available 5 million gallons per day and the MLTMUA must purchase a minimum of 67.5 million gallons per annual quarter. The charge imposed by the Authority is based on metered flow at the lowest prevailing Authority potable water service charge, plus 25%.

The agreement was made for an initial term of five years and is automatically renewed for five year terms unless written notice is given at least two years prior to the end of the then existing term by any of the principals to the agreement.

Edgewater Park Agreement

The Authority entered into a forty year agreement with Edgewater Park Sewerage Authority on December 4, 1965, in which the Authority agreed to accept for appropriate treatment and disposal through its facilities, the sewage and industrial waste collected in Edgewater Park Township. In exchange, Edgewater Park Sewerage Authority annually pays to the Authority:

- a) Residential Accounts – An amount equal to that charged to Willingboro Township residents less \$4.50.
- b) Commercial Accounts – The same per gallon charge currently billed to a Willingboro Township commercial customer.

The Authorities continue to operate under to original agreement.

Township of Willingboro Service Agreement

A Service Agreement was entered into on June 15, 1990 between the Authority and the Township. Under the Service Agreement, the Township agrees to pay any shortfall the Authority may encounter in making payments for either Operating Expenses and/or Debt Service (Annual Charges).

The purpose of this agreement is to grant temporary relief to the Authority should it experience difficulty in meeting its obligations. The agreement calls for the Township to be reimbursed for any Annual Charges paid by the Township when the Authority's operations permit. Ultimately, all Operating Expenses and Debt Service of the Authority are borne by revenues of the system.

Note 8: COMMITMENTS

The Authority had several outstanding or planned construction projects as of December 31, 2016. These projects are evidenced by contractual commitments with contractors and include:

<u>Project</u>	<u>Awarded</u>	<u>Commitment Remaining</u>
Lining of Windsor Interceptor	\$ 273,005.50	\$ 20,707.44
WPCP Emergency Generator Replacement	617,142.64	56,188.40
SPS Tweedstone	409,463.41	15,031.95
Well 5A Radium Removal Treatment Plant Upgrades	3,952,074.00	2,308,179.32
Well 10 Pump Replacement	130,525.00	26,800.00
Well 11 Redevelopment & Pump Replacement	96,490.00	81,190.00
	<u>\$ 5,478,700.55</u>	<u>\$2,508,097.11</u>

Note 9: DEFERRED COMPENSATION SALARY ACCOUNT

The Authority offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Authority or its creditors. Since the Authority does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Authority's financial statements.

Note 10: 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. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded coverage for the past several years.

Note 11: CAPITAL DEBT REFUNDING

On March 1, 2016, the Authority issued \$4,810,000.00 in revenue refunding bonds with an interest rate ranging from 2.00% to 4.00% to refund \$5,135,000.00 of outstanding 2005 Series J bonds with an interest rate of 4.00%. The net proceeds of \$5,188,668.79 (after payment of issuance costs and additional proceeds added) were used to refund the outstanding maturities. As a result of the current refunding, the Authority will reduce its total debt service payments over the next 5 years by \$352,743.34, and to obtain a present value economic gain of \$278,048.19.

Note 12: CONTINGENCIES

Litigation - The Authority is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Authority, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 13: CHANGE ORDERS

During the year 2016, the Authority amended contracts by approving the change orders to the well 6 water treatment plant electrical upgrades contract that resulted in the total amount of change orders executed for this projects to exceed the originally awarded contract price by more than twenty percent (20%).

N.J.A.C. 5:30-11.3 (a) 9 and 10 states that the total number of change orders executed for a particular contract shall not cause the originally awarded contract price to be exceeded by more than twenty percent (20%) unless otherwise authorized, and that if proposed change orders do exceed that twenty percent limitation, no work shall be performed or purchases made until the procedures of N.J.A.C. 5:30-11.9 have been completed.

N.J.A.C. 5:30-11.9 delineates the required procedures for change orders, which exceed the twenty percent (20%) limitation. The Authority has complied with all provisions of N.J.A.C. 5:30-11.9.

REQUIRED SUPPLEMENTARY INFORMATION

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Required Supplementary Information
 Schedule of Funding Progress for the OPEB Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability - (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a) / c)</u>
1/1/2014	\$ -	\$ 963,296.00	\$ 963,296.00	0 %	N/A	N/A

Schedule RSI-2

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Required Supplementary Information
 Schedule of Employer Contributions to the OPEB Plan

<u>Year Ended December 31,</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>
2016	\$ 84,029.00	22.86%
2015	84,029.00	19.47%
2014	84,029.00	17.98%

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Required Supplementary Information
 Schedule of the Authority's Proportionate Share of the Net Pension Liability
 Public Employees' Retirement System (PERS)
 Last Four Years

	<u>Measurement Date Ending June 30,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability	0.0298245452%	0.0315650763%	0.0308760860%	0.0312818035%
Authority's Proportionate Share of the Net Pension Liability	\$ 8,833,175.00	\$ 7,085,727.00	\$ 5,780,848.00	\$ 5,978,574.00
Authority's Covered Payroll (Plan Measurement Period)	\$ 2,064,316.00	\$ 2,124,428.00	\$ 2,135,256.00	\$ 2,157,884.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	427.90%	333.54%	270.73%	277.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%	48.72%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Required Supplementary Information
 Schedule of the Authority's Contributions
 Public Employees' Retirement System (PERS)
 Last Four Years

	<u>Year Ended December 31,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Contractually Required Contribution	\$ 264,957.00	\$ 271,375.00	\$ 254,538.00	\$ 235,702.00
Authority's Contribution in Relation to the Contractually Required Contribution	<u>(264,957.00)</u>	<u>(271,375.00)</u>	<u>(254,538.00)</u>	<u>(235,702.00)</u>
Authority's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Calendar Year)	\$ 2,158,469.00	\$ 2,130,154.00	\$ 2,100,862.00	\$ 2,100,737.00
Authority's Contributions as a Percentage of its Covered Payroll	12.28%	12.74%	12.12%	11.22%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
Notes to Required Supplementary Information
For the Year Ended December 31, 2016

Note 1: OTHER POSTEMPLOYMENT BENEFITS

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	January 1, 2014
Actuarial Cost Method	Projected Unit Credit Cost Method
Amortization Method	Closed, Level Dollar Method
Remaining Amortization Periods	22 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Investment Rate of Return	4.5%
Rate of Medicare Part B Inflation	4.5%

For determining the GASB ARC, the rate of employer contributions to the Willingboro Municipal Utilities Authority Plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a portion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer Normal Costs or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

Note 2: POSTEMPLOYMENT BENEFITS - PENSION**Public Employees' Retirement System (PERS)**

Changes in Benefit Terms - None

Changes in Assumptions - For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

SUPPLEMENTARY SCHEDULES

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
Combining Schedule of Revenue, Expenses and Changes in Net Position
Restricted and Unrestricted Accounts
For the Year Ended December 31, 2016

	Unrestricted		Restricted				Totals
	Operating	General	Bond Reserve	Bond Service	Renewal and Replacement	Unemployment Compensation	
Operating Revenues:							
Service Fees	\$ 8,313,028.56						\$ 8,313,028.56
Intergovernmental Service Agreements	1,835,396.78						1,835,396.78
Connection Fees	1,398,564.60						1,398,564.60
Other Operating Revenues	1,011,648.14						1,011,648.14
Total Operating Revenues	12,558,638.08	\$ -	\$ -	\$ -	\$ -	\$ -	12,558,638.08
Operating Expenses:							
Administration:							
Salaries and Wages	761,781.58						761,781.58
Employee Benefits	481,833.43						481,833.43
Other Expenses	636,577.91						636,577.91
Cost of Providing Service:							
Salaries and Wages	2,003,345.26						2,003,345.26
Employee Benefits	1,662,606.88						1,662,606.88
Other Expenses	1,964,107.95						1,964,107.95
Major Repairs		219,827.63					219,827.63
Depreciation		2,818,053.26					2,818,053.26
Total Operating Expenses	7,510,253.01	3,037,880.89	-	-	-	-	10,548,133.90
Operating Income (Loss)	5,048,385.07	(3,037,880.89)					2,010,504.18
Non-operating Revenue (Expenses):							
Investment Income	10,134.67	146.56	1,393.49	20,712.89	60.83	805.74	33,254.18
Net Unemployment Activity						(1,260.41)	(1,260.41)
Debt Issue Costs		(121,566.41)					(121,566.41)
Loss on Disposal of Assets		(170,571.83)					(170,571.83)
Bond Interest		45,223.21		(412,398.79)			(367,175.58)
Contribution to Willingboro Township		(300,000.00)					(300,000.00)
Income (Loss) Before Transfers	5,058,519.74	(3,584,649.36)	1,393.49	(391,685.90)	60.83	(454.67)	1,083,184.13
Transfers	(4,991,802.24)	4,675,770.66	(75,593.49)	391,685.90	(60.83)		
Change in Net Position	66,717.50	1,091,121.30	(74,200.00)	-	-	(454.67)	1,083,184.13
Net Position - Beginning	3,738,632.50	19,630,504.73	1,512,836.74	-	1,000,000.00	197,444.65	26,079,418.62
Net Position - Ending:							
Net Investment in Capital Assets		\$ 21,475,106.12					\$ 21,475,106.12
Restricted	\$ 3,805,350.00		\$ 1,438,636.74	\$ -	\$ 1,000,000.00	\$ 196,989.98	\$ 6,440,976.72
Unrestricted		\$ (753,480.09)					\$ (753,480.09)

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenues, Expenses and Changes in Fund Net Position by Department
 For the Year Ended December 31, 2016

	<u>Sewer</u>	<u>Water Treatment</u>	<u>Total</u>
Operating Revenues:			
Service Fees	\$ 3,946,953.52	\$ 4,366,075.04	\$ 8,313,028.56
Intergovernmental Service Agreements	788,675.37	1,046,721.41	1,835,396.78
Connection Fees	862,045.60	536,519.00	1,398,564.60
Other Operating Revenues	360,760.65	650,887.49	1,011,648.14
	<u>5,958,435.14</u>	<u>6,600,202.94</u>	<u>12,558,638.08</u>
Operating Expenses:			
Administration:			
Salaries and Wages	380,890.79	380,890.79	761,781.58
Fringe Benefits	240,916.72	240,916.72	481,833.43
Other Expenses	318,288.96	318,288.96	636,577.91
Total Administration	<u>940,096.46</u>	<u>940,096.46</u>	<u>1,880,192.92</u>
Cost of Providing Service:			
Salaries and Wages	759,026.93	1,244,318.33	2,003,345.26
Fringe Benefits	721,573.57	941,033.31	1,662,606.88
Other Expenses	913,161.42	1,050,946.53	1,964,107.95
Total Cost of Providing Service	<u>2,393,761.92</u>	<u>3,236,298.17</u>	<u>5,630,060.09</u>
Major Repairs and Other Expenses	65,800.34	154,027.29	219,827.63
Depreciation	1,622,788.75	1,195,264.51	2,818,053.26
Total Operating Expenses	<u>5,022,447.47</u>	<u>5,525,686.43</u>	<u>10,548,133.90</u>
Operating Income	<u>935,987.67</u>	<u>1,074,516.51</u>	<u>2,010,504.18</u>
Non-operating Income (Expenses):			
Investment Income	18,377.92	14,876.26	33,254.18
Net Unemployment Activity	(630.21)	(630.20)	(1,260.41)
Debt Issue Costs	(7,354.77)	(114,211.64)	(121,566.41)
Loss on Disposal of Assets		(170,571.83)	(170,571.83)
Interest Expense	(178,100.64)	(189,074.94)	(367,175.58)
Contribution to Willingboro Township	(200,000.00)	(100,000.00)	(300,000.00)
Total Non-operating Expenses	<u>(367,707.70)</u>	<u>(559,612.35)</u>	<u>(927,320.05)</u>
Increase in Net Position	<u>568,279.97</u>	<u>514,904.16</u>	<u>1,083,184.13</u>
Net Position - Beginning	<u>12,742,792.23</u>	<u>13,336,626.39</u>	<u>26,079,418.62</u>
Net Position - Ending	<u>\$ 13,311,072.20</u>	<u>\$ 13,851,530.55</u>	<u>\$ 27,162,602.75</u>
Net Position:			
Net Investment in Capital Assets	\$ 7,401,489.46	\$ 14,073,616.66	\$ 21,475,106.12
Restricted for:			
Bond Resolution Covenants	2,892,128.34	3,351,858.40	6,243,986.74
Unemployment Compensation	98,495.00	98,494.99	196,989.98
Unrestricted (Deficit)	<u>2,918,959.40</u>	<u>(3,672,439.49)</u>	<u>(753,480.09)</u>
	<u>\$ 13,311,072.20</u>	<u>\$ 13,851,530.55</u>	<u>\$ 27,162,602.75</u>

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Schedule of Cash Receipts and Cash Disbursements
 For the Year Ended December 31, 2016

	Unrestricted		Restricted				Total
	Operating Accounts	General	Bond Reserve	Bond Service	Renewal and Replacement	Other	
Cash, Cash Equivalents and Investments January 1, 2016	\$ 5,393,479.51	\$ 1,711,679.13	\$ 1,525,077.00	\$ 1,177,538.30	\$ 1,000,000.00	\$ 225,428.67	\$ 11,033,202.61
Receipts:							
User Charges and Fees	7,163,909.28						7,163,909.28
Intergovernmental Service Agreements Receivable	1,914,283.67						1,914,283.67
Rent Overpayments	55,818.16						55,818.16
Other Accounts Receivable	1,011,969.43						1,011,969.43
Connection Fees	1,384,839.00						1,384,839.00
Investment Income (Including Unrealized Losses)	10,022.24	137.37	5,959.73	20,713.01	60.78	911.74	37,804.87
Developer's Escrow Deposits						74,333.57	74,333.57
NJ EIT Drawdowns	1,224,608.00						1,224,608.00
Unearned Revenue	620,533.02						620,533.02
Premium Received				391,531.90			391,531.90
Bonds Issued				4,810,000.00			4,810,000.00
Deferred Revenue	73,847.50						73,847.50
Transfers In	92,460.51	1,429,673.84		1,765,931.31		65,619.42	3,353,685.08
Total Cash and Investments Available	18,945,770.32	3,141,490.34	1,531,036.73	8,165,714.52	1,000,060.78	366,293.40	33,150,366.09
Disbursements:							
Budgetary Expenses	7,213,092.04			38,604.52		5,675.04	7,257,371.60
Debt Service Principal				6,538,635.00			6,538,635.00
Debt Service Interest				442,987.92			442,987.92
Construction in Progress	1,932,280.08						1,932,280.08
Capital Accounts Payable & Retainage	708,612.64						708,612.64
Operating Accounts Payable	304,118.30					15,641.42	319,759.72
Developer's Escrow Expenses						18,746.88	18,746.88
Cost of Issuance	121,566.41						121,566.41
Net Unemployment Activity						1,260.41	1,260.41
Transfers Out	3,261,224.57		92,399.73		60.78		3,353,685.08
Total Disbursements	13,540,894.04	0.00	92,399.73	7,020,227.44	60.78	41,323.75	20,694,905.74
Cash, Cash Equivalents and Investments December 31, 2016	\$ 5,404,876.28	\$ 3,141,490.34	\$ 1,438,637.00	\$ 1,145,487.08	\$ 1,000,000.00	\$ 324,969.65	\$ 12,455,460.35
<u>Analysis of Balance December 31, 2016</u>							
Cash and Cash Equivalents	\$ 4,185,360.62					\$ 324,969.65	\$ 4,510,330.27
Investments:							
Governmental Mutual Funds	1,219,515.66	\$ 3,030,565.34	\$ 1,438,637.00	\$ 1,145,487.08	\$ 1,000,000.00		7,834,205.08
Unsold Solar Renewable Energy Certificates		110,925.00					110,925.00
	\$ 5,404,876.28	\$ 3,141,490.34	\$ 1,438,637.00	\$ 1,145,487.08	\$ 1,000,000.00	\$ 324,969.65	\$ 12,455,460.35

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Schedule of Sewer Operations -- Revenues, Operating Appropriations,
 Principal Payments and Non-Operating Appropriations Compared To Budget -- Non-GAAP Budgetary Basis
 For the Year Ended December 31, 2016

	Adopted Budget	Actual	Variance Favorable / (Unfavorable)
Operating Revenues:			
Service Charges:			
Residential	\$ 3,545,000.00	\$ 3,505,022.99	\$ (39,977.01)
Business & Commercial	385,000.00	441,930.53	56,930.53
Intergovernmental	725,000.00	788,675.37	63,675.37
	<u>4,655,000.00</u>	<u>4,735,628.89</u>	<u>80,628.89</u>
Connection Fees	402,500.00	862,045.60	459,545.60
Other Operating Revenues:			
Turn Off/On Fees	50,000.00	46,100.00	(3,900.00)
Other Miscellaneous Revenue	70,000.00	314,660.65	244,660.65
	<u>120,000.00</u>	<u>360,760.65</u>	<u>240,760.65</u>
Total Operating Revenues	5,177,500.00	5,958,435.14	780,935.14
Non-Operating Revenues:			
Investment Income	10,500.00	18,377.92	7,877.92
Total Budget Revenues	<u>5,188,000.00</u>	<u>5,976,813.06</u>	<u>788,813.06</u>
Operating Appropriations:			
Administration			
Salaries and Wages	375,750.00	380,890.79	(5,140.79)
Employee Benefits:			
Social Security Tax	28,754.00	28,202.23	551.77
Unemployment & Disability Insurance	3,090.00	351.14	2,738.87
Public Employees Retirement System	35,045.50	103,014.21	(67,968.71)
Health Insurance	118,519.00	87,738.59	30,780.42
Dental Insurance	9,193.00	4,894.24	4,298.76
Prescription Plan	15,141.00	13,570.04	1,570.96
Uniforms	257.50	54.00	203.50
OPEB Obligation		3,092.28	(3,092.28)
Total Employee Benefits	<u>210,000.00</u>	<u>240,916.72</u>	<u>(30,916.72)</u>
Other Expenses:			
Telephone	3,750.00	5,476.88	(1,726.88)
Electricity	6,000.00	2,494.66	3,505.35
Gas Heat	1,500.00	950.86	549.14
Vehicle, Gasoline	1,500.00	16.01	1,484.00
Vehicle, Maintenance	1,000.00	14.98	985.03

(Continued)

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Schedule of Sewer Operations -- Revenues, Operating Appropriations,
 Principal Payments and Non-Operating Appropriations Compared To Budget -- Non-GAAP Budgetary Basis
 For the Year Ended December 31, 2016

	Adopted Budget	Actual	Variance Favorable / (Unfavorable)
Operating Appropriations (Cont'd):			
Administration (Cont'd):			
Other Expenses (Cont'd):			
Maintenance of Building and Site	\$ 3,500.00	\$ 2,183.14	\$ 1,316.87
Equipment Maintenance	10,000.00	8,711.04	1,288.97
Insurance	17,500.00	18,652.24	(1,152.24)
Printing	7,500.00	8,362.79	(862.79)
Postage	21,000.00	19,937.82	1,062.19
Miscellaneous Supplies and Expenses	30,000.00	45,556.27	(15,556.27)
Safety Services	1,000.00	28.00	972.00
Engineer Fees	42,500.00	45,826.92	(3,326.92)
Legal Fees	32,500.00	62,742.23	(30,242.23)
Information Management	15,000.00	34,970.40	(19,970.40)
Auditor Fees	30,500.00	20,812.50	9,687.50
Trustee Fees	50,250.00	28,802.26	21,447.74
Consulting Fees	-	12,750.00	(12,750.00)
	<hr/>	<hr/>	<hr/>
Total Other Expenses	275,000.00	318,288.96	(43,288.96)
	<hr/>	<hr/>	<hr/>
Total Administration	860,750.00	940,096.46	(79,346.46)
	<hr/>	<hr/>	<hr/>
Cost of Providing Service:			
Salaries and Wages	993,000.00	759,026.93	233,973.07
	<hr/>	<hr/>	<hr/>
Employee Benefits:			
Social Security Tax	75,965.00	62,260.12	13,704.88
Unemployment & Disability Insurance	2,060.00	841.98	1,218.02
Public Employees Retirement System	85,956.00	248,145.94	(162,189.94)
Health Insurance	259,749.00	302,819.04	(43,070.04)
Dental Insurance	20,570.00	15,199.73	5,370.27
Prescription Plan	56,700.00	56,431.17	268.83
Uniforms	8,000.00	8,094.10	(94.10)
OPEB Obligation	-	27,781.49	(27,781.49)
	<hr/>	<hr/>	<hr/>
Total Employee Benefits	509,000.00	721,573.57	(212,573.57)
	<hr/>	<hr/>	<hr/>
Other Expenses:			
Telephone	13,615.00	14,493.60	(878.60)
Electricity	321,000.00	165,075.09	155,924.91
Gas Heat	25,000.00	13,007.08	11,992.92
Vehicles, Gasoline	16,000.00	5,309.11	10,690.89
Vehicles, Maintenance	15,000.00	6,062.73	8,937.27
Maintenance of Buildings and Sites	17,000.00	14,147.71	2,852.29
Equipment Maintenance	75,000.00	76,046.03	(1,046.03)
Insurance	110,000.00	158,480.04	(48,480.04)
System Maintenance	55,000.00	56,303.75	(1,303.75)

(Continued)

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Schedule of Sewer Operations -- Revenues, Operating Appropriations,
 Principal Payments and Non-Operating Appropriations Compared To Budget -- Non-GAAP Budgetary Basis
 For the Year Ended December 31, 2016

	Adopted Budget	Actual	Variance Favorable / (Unfavorable)
Operating Appropriations (Cont'd):			
Cost of Providing Service (Cont'd):			
Other Expenses (Cont'd):			
Miscellaneous Supplies and Expenses	\$ 30,000.00	\$ 49,589.55	\$ (19,589.55)
Chemicals	100,000.00	82,261.19	17,738.81
Safety Services	6,500.00	8,094.64	(1,594.64)
Permits and Fees	82,000.00	78,069.33	3,930.67
Laboratory Tests and Analyses	30,000.00	19,755.91	10,244.09
Lab Supplies & Expenses	25,000.00	24,771.62	228.38
Sludge Disposal Fees	190,000.00	141,694.04	48,305.96
Total Other Expenses	1,111,115.00	913,161.42	197,953.58
Total Cost of Providing Service	2,613,115.00	2,393,761.92	219,353.08
Total Principal Payments on Debt in lieu of Depreciation	667,635.00	748,094.59	(80,459.59)
Total Operating Appropriations	4,141,500.00	4,081,952.97	59,547.03
Non-Operating Appropriations			
Interest on Debt	219,300.00	186,106.70	33,193.30
Renewal and Replacement	615,200.00	65,800.34	549,399.66
Municipal Contributions	200,000.00	200,000.00	
Total Non-Operating Appropriations	1,034,500.00	451,907.04	582,592.96
Total Operating, Principal Payments and Non-Operating Appropriations	5,176,000.00	4,533,860.01	642,139.99
Unreserved Net Position Utilized to Balance Budget	200,000.00	-	200,000.00
Net Total Appropriations	4,976,000.00	4,533,860.01	442,139.99
Excess Revenues over Expenditures	\$ 212,000.00	\$ 1,442,953.05	\$ 1,230,953.05
Adjustments to Reconcile to GAAP Basis Change in Net Assets:			
Excess Revenues over Expenditures		\$ 1,442,953.05	
Employee Unemployment Compensation Deductions		(630.21)	
Bond Principal		748,094.59	
Depreciation Expense		(1,622,788.75)	
Debt Issue Costs		(7,354.77)	
Amortization of Premium on Bonds		12,069.61	
Amortization of Loss Amount on Refunding		(4,063.55)	
Total GAAP Basis Change in Net Position		\$ 568,279.97	

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY

Schedule of Water Treatment Operations -- Revenues, Operating Appropriations,
Principal Payments and Non-Operating Appropriations Compared To Budget -- Non-GAAP Budgetary Basis
For the Year Ended December 31, 2016

	Adopted Budget	Actual	Variance Favorable / (Unfavorable)
Operating Revenues:			
Service Charges:			
Residential	\$ 3,598,275.00	\$ 3,707,048.80	\$ 108,773.80
Business & Commercial	562,000.00	659,026.24	97,026.24
Intergovernmental	1,000,000.00	1,046,721.41	46,721.41
	<u>5,160,275.00</u>	<u>5,412,796.45</u>	<u>252,521.45</u>
Connection Fees	261,400.00	536,519.00	275,119.00
Other Operating Revenues:			
Fire Hydrants and Fire Service Lines	92,000.00	92,911.76	911.76
Elevated Tank Rentals	220,000.00	292,515.03	72,515.03
Turn Off/On Fees	50,000.00	46,100.00	(3,900.00)
Other Miscellaneous Revenue	100,825.00	219,360.70	118,535.70
	<u>462,825.00</u>	<u>650,887.49</u>	<u>188,062.49</u>
Total Operating Revenues	<u>5,884,500.00</u>	<u>6,600,202.94</u>	<u>715,702.94</u>
Non-Operating Revenues:			
Investment Income	10,500.00	14,876.26	4,376.26
Total Budget Revenues	<u>5,895,000.00</u>	<u>6,615,079.20</u>	<u>720,079.20</u>
Operating Appropriations:			
Administration:			
Salaries and Wages	375,750.00	380,890.79	(5,140.79)
Employee Benefits:			
Social Security Tax	28,754.00	28,202.23	551.77
Temporary Disability Insurance	3,090.00	351.14	2,738.87
Public Employees Retirement System	35,045.50	103,014.21	(67,968.71)
Health Insurance	118,519.00	87,738.59	30,780.42
Dental Insurance	9,193.00	4,894.24	4,298.76
Prescription Plan	15,141.00	13,570.04	1,570.96
Uniforms	257.50	54.00	203.50
OPEB Obligation		3,092.28	(3,092.28)
Total Employee Benefits	<u>210,000.00</u>	<u>240,916.72</u>	<u>(30,916.72)</u>
Other Expenses:			
Telephone	3,750.00	5,476.88	(1,726.88)
Electricity	6,000.00	2,494.66	3,505.35
Gas Heat	1,500.00	950.86	549.14
Vehicle, Gasoline	1,500.00	16.01	1,484.00

(Continued)

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY

Schedule of Water Treatment Operations -- Revenues, Operating Appropriations,
Principal Payments and Non-Operating Appropriations Compared To Budget -- Non-GAAP Budgetary Basis
For the Year Ended December 31, 2016

	Adopted <u>Budget</u>	<u>Actual</u>	Variance Favorable / <u>(Unfavorable)</u>
Operating Appropriations (Cont'd):			
Administration (Cont'd):			
Other Expenses (Cont'd):			
Vehicle, Maintenance	\$ 1,000.00	\$ 14.98	\$ 985.03
Maintenance of Building and Site	3,500.00	2,183.14	1,316.87
Equipment Maintenance	10,000.00	8,711.04	1,288.97
Insurance	17,500.00	18,652.24	(1,152.24)
Printing	7,500.00	8,362.79	(862.79)
Postage	21,000.00	19,937.82	1,062.19
Miscellaneous Supplies and Expenses	30,000.00	45,556.27	(15,556.27)
Safety Services	1,000.00	28.00	972.00
Engineer Fees	42,500.00	45,826.92	(3,326.92)
Legal Fees	32,500.00	62,742.23	(30,242.23)
Information Management	15,000.00	34,970.40	(19,970.40)
Auditor Fees	30,500.00	20,812.50	9,687.50
Trustee Fees	50,250.00	28,802.26	21,447.74
Consulting Fees	-	12,750.00	(12,750.00)
Total Other Expenses	<u>275,000.00</u>	<u>318,288.96</u>	<u>(43,288.96)</u>
Total Administration	<u>860,750.00</u>	<u>940,096.46</u>	<u>(79,346.46)</u>
Cost of Providing Service:			
Salaries and Wages	<u>1,279,000.00</u>	<u>1,244,318.33</u>	<u>34,681.67</u>
Employee Benefits:			
Social Security Tax	97,844.00	97,624.66	219.34
Temporary Disability Insurance	4,090.00	10,211.91	(6,121.91)
Public Employees Retirement System	127,996.00	338,242.64	(210,246.64)
Health Insurance	328,650.00	352,677.26	(24,027.26)
Dental Insurance	34,020.00	21,035.58	12,984.42
Prescription Plan	71,400.00	79,248.08	(7,848.08)
Uniforms	14,000.00	13,152.62	847.38
OPEB Obligation		28,840.56	(28,840.56)
Total Employee Benefits	<u>678,000.00</u>	<u>941,033.31</u>	<u>(263,033.31)</u>
Other Expenses:			
Telephone	26,750.00	20,732.01	6,017.99
Electricity	450,000.00	248,265.87	201,734.13
Gas Heat	9,000.00	6,849.63	2,150.37
Vehicles, Gasoline	50,000.00	18,157.31	31,842.69
Vehicles, Maintenance	35,000.00	14,032.45	20,967.55
Maintenance of Buildings and Sites	25,000.00	32,129.16	(7,129.16)
Equipment Maintenance	100,000.00	178,311.75	(78,311.75)
Insurance	155,000.00	223,166.73	(68,166.73)
System Maintenance	10,000.00	1,129.85	8,870.15

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WILLINGBORO MUNICIPAL UTILITIES AUTHORITY

Schedule of Water Treatment Operations -- Revenues, Operating Appropriations,
Principal Payments and Non-Operating Appropriations Compared To Budget -- Non-GAAP Budgetary Basis
For the Year Ended December 31, 2016

	Adopted <u>Budget</u>	<u>Actual</u>	Variance Favorable / (Unfavorable)
Operating Appropriations (Cont'd):			
Cost of Providing Service (Cont'd):			
Other Expenses (Cont'd):			
Miscellaneous Supplies and Expenses	\$ 48,000.00	\$ 105,267.43	\$ (57,267.43)
Safety Services	8,000.00	8,191.08	(191.08)
Chemicals	210,000.00	150,554.73	59,445.27
Laboratory Tests and Analyses	26,900.00	3,842.69	23,057.31
Permits and Fees	32,000.00	40,315.84	(8,315.84)
	<hr/>	<hr/>	<hr/>
Total Other Expenses	1,185,650.00	1,050,946.53	134,703.47
	<hr/>	<hr/>	<hr/>
Total Cost of Providing Service	3,142,650.00	3,236,298.17	(93,648.17)
	<hr/>	<hr/>	<hr/>
Total Principal Payments on Debt in lieu of Depreciation	815,000.00	655,540.41	159,459.59
	<hr/>	<hr/>	<hr/>
Total Operating Appropriations	4,818,400.00	4,831,935.04	(13,535.04)
	<hr/>	<hr/>	<hr/>
Non-Operating Appropriations			
Interest on Debt	310,600.00	226,292.09	84,307.91
Renewal and Replacement	766,000.00	154,027.29	611,972.71
Municipal Contributions	100,000.00	100,000.00	
	<hr/>	<hr/>	<hr/>
Total Non-Operating Appropriations	1,176,600.00	480,319.38	696,280.62
	<hr/>	<hr/>	<hr/>
Total Operating, Principal Payments and Non-Operating Appropriations	5,995,000.00	5,312,254.42	682,745.58
	<hr/>	<hr/>	<hr/>
Unreserved Net Position Utilized to Balance Budget	100,000.00	-	100,000.00
	<hr/>	<hr/>	<hr/>
Net Total Appropriations	5,895,000.00	5,312,254.42	582,745.58
	<hr/>	<hr/>	<hr/>
Excess Revenues over Expenditures	\$ -	\$ 1,302,824.78	\$ 1,302,824.78
	<hr/>	<hr/>	<hr/>
Adjustments to Reconcile to GAAP Basis Net Income:			
Excess Revenues Over Expenditures		\$ 1,302,824.78	
Employee Unemployment Compensation Deductions		(630.20)	
Bond Principal		655,540.41	
Depreciation Expense		(1,195,264.51)	
Loss on Disposal of Assets		(170,571.83)	
Debt Issue Costs		(114,211.64)	
Amortization of Premium on Bonds		74,165.95	
Amortization of Deferred Loss on Refunding		(36,948.80)	
		<hr/>	
Total GAAP Basis Change in Net Position		\$ 514,904.16	
		<hr/>	

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
Schedules of Anticipated Revenues, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget by Department--Budgetary Basis
For the Year Ended December 31, 2016

Reconciliation to Operating Income

Revenues Over Expenses and Other Costs		
Schedule 4 - Sewer Department	\$ 1,442,953.05	
Schedule 5 - Water Department	<u>1,302,824.78</u>	
		\$ 2,745,777.83
Add:		
Debt Service Principal Payments	1,403,635.00	
Interest on Debt	412,398.79	
Contribution to Willingboro Township Per N.J.S.A. 40A:5A-1	<u>300,000.00</u>	
		<u>2,116,033.79</u>
		4,861,811.62
Less:		
Investment Income	33,254.18	
Depreciation	<u>2,818,053.26</u>	
		<u>2,851,307.44</u>
Operating Income (Exhibit B)		<u><u>\$ 2,010,504.18</u></u>

Reconciliation of Actual Expenditures

Cash Disbursements	\$ 7,257,371.60
OPEB Expense	62,806.60
Accounts Payable	252,044.87
Pension Liability Expense - GASB 68	521,042.00
Change in Other Liabilities	(30,016.13)
Change in Inventory	38,207.79
Change in Compensated Absences Payable	(71,376.09)
Debt Principal	1,403,635.00
Debt Interest	<u>412,398.79</u>
Total Sewer and Water Budgetary Appropriations	<u><u>\$ 9,846,114.43</u></u>

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY

Analysis of Service Fees Receivable
For the Year Ended December 31, 2016

	<u>Sewer Department</u>	<u>Water Treatment Department</u>	<u>Total</u>
Balance Jan. 1, 2016	\$ 580,937.31	\$ 687,205.83	\$ 1,268,143.14
Increased by:			
Service Fees	3,946,953.52	4,366,075.04	8,313,028.56
	<u>4,527,890.83</u>	<u>5,053,280.87</u>	<u>9,581,171.70</u>
Decreased by:			
Collections	3,401,321.25	3,762,588.03	7,163,909.28
Unearned Revenue Realized	306,705.61	318,283.24	624,988.85
Overpayments Applied	35,597.47	35,597.47	71,194.94
	<u>3,743,624.33</u>	<u>4,116,468.74</u>	<u>7,860,093.07</u>
Balance Dec. 31, 2016	<u>\$ 784,266.50</u>	<u>\$ 936,812.13</u>	<u>\$ 1,721,078.63</u>

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY

Schedule of Investment Income Receivable

For the Year Ended December 31, 2016

	Balance <u>Jan. 1, 2016</u>	Investment Income <u>Earned</u>	Investment Income <u>Collected</u>	Balance <u>Dec. 31, 2016</u>
Unrestricted Earnings:				
Operating Accounts		\$ 10,028.67	\$ 10,022.24	\$ 6.43
General Fund	\$ 5.80	146.56	137.37	14.99
	<u>5.80</u>	<u>10,175.23</u>	<u>10,159.61</u>	<u>21.42</u>
Restricted Earnings:				
Bond Reserve Fund	4,573.69	1,393.49	5,959.73	7.45
Bond Service Fund	6.05	20,712.89	20,713.01	5.93
Renewal and Replacement Fund	5.13	60.83	60.78	5.18
Other		911.74	911.74	
	<u>4,584.87</u>	<u>23,078.95</u>	<u>27,645.26</u>	<u>18.56</u>
	<u>\$ 4,590.67</u>	<u>\$ 33,254.18</u>	<u>\$ 37,804.87</u>	<u>\$ 39.98</u>
Sewer Department	\$ 2,168.88	\$ 18,377.92	\$ 20,544.92	\$ 1.88
Water Treatment Department	2,421.79	14,876.26	17,259.95	38.10
	<u>\$ 4,590.67</u>	<u>\$ 33,254.18</u>	<u>\$ 37,804.87</u>	<u>\$ 39.98</u>

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY

Analysis of Capital Assets
For the Year Ended December 31, 2016

	Balance Jan. 1, 2016	Additions	Deletions	Balance Dec. 31, 2016
Sewer Department:				
Plant:				
Buildings	\$ 14,743,563.46	\$ 5,995.00		\$ 14,749,558.46
Major Moveable Equipment	321,422.40			321,422.40
Vehicles	280,985.68			280,985.68
Infrastructure	18,458,009.71	647,659.92		19,105,669.63
	<u>33,803,981.25</u>	<u>653,654.92</u>	<u>\$ -</u>	<u>34,457,636.17</u>
Administration:				
Buildings	151,720.25			151,720.25
Major Moveable Equipment	86,476.97	44,935.52		131,412.49
Vehicles	7,130.00			7,130.00
	<u>245,327.22</u>	<u>44,935.52</u>	<u>-</u>	<u>290,262.74</u>
Land:				
Plant	578,000.00			578,000.00
Administration	30,000.00			30,000.00
	<u>608,000.00</u>	<u>-</u>	<u>-</u>	<u>608,000.00</u>
	34,657,308.47	698,590.44	-	35,355,898.91
Less Depreciation	<u>18,528,852.13</u>	<u>1,622,788.75</u>	<u>-</u>	<u>20,151,640.88</u>
	<u>\$ 16,128,456.34</u>	<u>\$ (924,198.31)</u>	<u>\$ -</u>	<u>\$ 15,204,258.03</u>

(Continued)

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY

Analysis of Capital Assets
For the Year Ended December 31, 2016

	Balance Jan. 1, 2016	Additions	Deletions	Balance Dec. 31, 2016
Water Treatment Department:				
Plant:				
Buildings	\$ 13,601,655.38			\$ 13,601,655.38
Major Moveable Equipment	419,876.43			419,876.43
Vehicles	694,934.98			694,934.98
Infrastructure	25,755,241.41	\$ 952,554.45	\$ 665,202.35	26,042,593.51
	<u>40,471,708.20</u>	<u>952,554.45</u>	<u>665,202.35</u>	<u>40,759,060.30</u>
Administration:				
Buildings	151,720.25			151,720.25
Major Moveable Equipment	86,476.97	44,935.52		131,412.49
Vehicles	7,130.00			7,130.00
	<u>245,327.22</u>	<u>44,935.52</u>	<u>-</u>	<u>290,262.74</u>
Land:				
Plant	616,200.00			616,200.00
Administration	30,000.00			30,000.00
	<u>646,200.00</u>	<u>-</u>	<u>-</u>	<u>646,200.00</u>
	41,363,235.42	997,489.97	665,202.35	41,695,523.04
Less Depreciation	<u>21,638,388.25</u>	<u>1,195,264.51</u>	<u>494,630.52</u>	<u>22,339,022.24</u>
	<u>\$ 19,724,847.17</u>	<u>\$ (197,774.54)</u>	<u>\$ 170,571.83</u>	<u>\$ 19,356,500.80</u>
Recap:				
Capital Assets	\$ 76,020,543.89	\$ 1,696,080.41	\$ 665,202.35	\$ 77,051,421.95
Less Depreciation	<u>40,167,240.38</u>	<u>2,818,053.26</u>	<u>494,630.52</u>	<u>42,490,663.12</u>
	<u>\$ 35,853,303.51</u>	<u>\$ (1,121,972.85)</u>	<u>\$ 170,571.83</u>	<u>\$ 34,560,758.83</u>
Transferred from Construction in Progress		<u>\$ 1,696,080.41</u>		

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY

Analysis of Construction in Progress
For the Year Ended December 31, 2016

Balance Jan. 1, 2016		\$ 3,330,067.78
Add:		
Disbursed	\$ 1,932,280.08	
Retainage Payable	45,073.87	
Accounts Payable	<u>1,792,378.67</u>	
		<u>3,769,732.62</u>
		7,099,800.40
Less:		
Transferred to Completed		<u>1,696,080.41</u>
Balance Dec. 31, 2016		<u><u>\$ 5,403,719.99</u></u>

Schedule 10**WILLINGBORO MUNICIPAL UTILITIES AUTHORITY**

Analysis of Accrued Interest Payable
For the Year Ended December 31, 2016

	<u>Sewer</u>	<u>Water Treatment</u>	<u>Total</u>
Balance Jan. 1, 2016	\$ 82,646.52	\$ 120,758.78	\$ 203,405.30
Increased by:			
Accrued	<u>186,106.70</u>	<u>226,292.09</u>	<u>412,398.79</u>
	268,753.22	347,050.87	615,804.09
Decreased by:			
Cash Disbursed	<u>194,014.57</u>	<u>248,973.35</u>	<u>442,987.92</u>
Balance Dec. 31, 2016	<u><u>\$ 74,738.65</u></u>	<u><u>\$ 98,077.52</u></u>	<u><u>\$ 172,816.17</u></u>
Analysis of Interest Expense:			
Accrued	\$ 186,106.70	\$ 226,292.09	\$ 412,398.79
Deferred Loss on Refunding	4,063.55	36,948.80	41,012.35
Premium on Bonds	<u>(12,069.61)</u>	<u>(74,165.95)</u>	<u>(86,235.56)</u>
Total Interest Expense	<u><u>\$ 178,100.64</u></u>	<u><u>\$ 189,074.94</u></u>	<u><u>\$ 367,175.58</u></u>

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenue Bonds Payable
 For the Year Ended December 31, 2016

Purpose	Original		Interest Rate	Maturities		Balance Jan. 1, 2016	Issued	Decreased	Balance Dec. 31, 2016
	Date	Amount		Date	Amount				
2005 Series J Water & Sewer Revenue Bonds	3-9-2005	\$ 9,555,000.00				\$ 5,780,000.00		\$ 5,780,000.00	
2016 Series L Water & Sewer Revenue Refunding Bonds	3-1-2016	4,810,000.00	2.00%	1-1-2017	\$ 615,000.00				
			4.00%	1-1-2018	985,000.00				
			4.00%	1-1-2019	1,030,000.00				
			4.00%	1-1-2020	1,070,000.00				
			4.00%	1-1-2021	1,110,000.00				
					<u>4,810,000.00</u>	\$ 4,810,000.00		\$ 4,810,000.00	
Premium on Bonds - Amortized						5,780,000.00	4,810,000.00	5,780,000.00	4,810,000.00
						<u>9,137.80</u>	<u>391,531.90</u>	<u>76,643.30</u>	<u>324,026.40</u>
						<u>\$ 5,789,137.80</u>	<u>\$ 5,201,531.90</u>	<u>\$ 5,856,643.30</u>	<u>\$ 5,134,026.40</u>
Disbursed								\$ 645,000.00	
Refunded								<u>5,135,000.00</u>	
								<u>\$ 5,780,000.00</u>	

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenue Loans Payable
 For the Year Ended December 31, 2016

<u>Purpose</u>	<u>Original</u>		<u>Interest</u> <u>Rate</u>	<u>Maturities</u>		<u>Balance</u> <u>Jan. 1, 2016</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
	<u>Date</u>	<u>Amount</u>		<u>Date</u>	<u>Amount</u>			
New Jersey Environmental Infrastructure Trust Loan, Series 2008 (Non-Interest Bearing)	11-9-08	\$ 2,198,000.00		2-1-2017	\$ 25,616.03			
				8-1-2017	85,995.61			
				2-1-2018	24,106.54			
				8-1-2018	87,505.10			
				2-1-2019	22,521.58			
				8-1-2019	88,939.12			
				2-1-2020	20,778.12			
				8-1-2020	93,233.62			
				2-1-2021	18,785.59			
				8-1-2021	94,260.07			
				2-1-2022	16,710.04			
				8-1-2022	95,203.50			
				2-1-2023	14,551.47			
				8-1-2023	99,082.89			
				2-1-2024	12,226.86			
				8-1-2024	99,777.25			
				2-1-2025	10,038.10			
				8-1-2025	103,626.45			
				2-1-2026	7,698.39			
				8-1-2026	104,305.72			
				2-1-2027	5,283.21			
				8-1-2027	107,928.50			
				2-1-2028	2,717.08			
	8-1-2028	111,400.53						
				1,352,291.37		\$ 1,463,752.07	\$ 111,460.70	\$ 1,352,291.37
New Jersey Environmental Infrastructure Trust Loan, Series 2008 (Interest Bearing)	11-9-08	2,230,000.00	5.00%	9-1-2017	100,000.00			
			5.00%	9-1-2018	105,000.00			
			5.25%	9-1-2019	110,000.00			
			5.50%	9-1-2020	120,000.00			
			5.50%	9-1-2021	125,000.00			

(Continued)

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenue Loans Payable
 For the Year Ended December 31, 2016

<u>Purpose</u>	<u>Original</u>		<u>Interest</u> <u>Rate</u>	<u>Maturities</u>		<u>Balance</u> <u>Jan. 1, 2016</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
	<u>Date</u>	<u>Amount</u>		<u>Date</u>	<u>Amount</u>			
New Jersey Environmental Infrastructure Trust Loan, Series 2008 (Interest Bearing) (Cont'd)	11-9-08	\$ 2,230,000.00	5.50%	9-1-2022	\$ 130,000.00			
			5.50%	9-1-2023	140,000.00			
			5.00%	9-1-2024	145,000.00			
			5.00%	9-1-2025	155,000.00			
			5.00%	9-1-2026	160,000.00			
			5.00%	9-1-2027	170,000.00			
			5.00%	9-1-2028	180,000.00			
				<u>1,640,000.00</u>	\$ 1,735,000.00	\$ 95,000.00	\$ 1,640,000.00	
New Jersey Environmental Infrastructure Trust Loan, Series 2010 Clean Water (Non-Interest Bearing)	3-10-10	1,753,612.00		2-1-2017	31,314.50			
				8-1-2017	62,629.00			
				2-1-2018	31,314.50			
				8-1-2018	62,629.00			
				2-1-2019	31,314.50			
				8-1-2019	62,629.00			
				2-1-2020	31,314.50			
				8-1-2020	62,629.00			
				2-1-2021	31,314.50			
				8-1-2021	62,629.00			
				2-1-2022	31,314.50			
				8-1-2022	62,629.00			
				2-1-2023	31,314.50			
				8-1-2023	62,629.00			
				2-1-2024	31,314.50			
				8-1-2024	62,629.00			
				2-1-2025	31,314.50			
	8-1-2025	62,629.00						
	2-1-2026	31,314.50						
	8-1-2026	62,629.00						
	2-1-2027	31,314.50						

(Continued)

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenue Loans Payable
For the Year Ended December 31, 2016

Purpose	Original		Interest Rate	Maturities		Balance Jan. 1, 2016	Decreased	Balance Dec. 31, 2016	
	Date	Amount		Date	Amount				
New Jersey Environmental Infrastructure Trust Loan, Series 2010 Clean Water (Non-Interest Bearing) (Cont'd)	3-10-10	\$ 1,753,612.00		8-1-2027	\$ 62,629.00				
				2-1-2028	31,314.50				
				8-1-2028	62,629.00				
				2-1-2029	31,314.50				
				8-1-2029	62,629.00				
							<u>1,221,265.50</u>	\$ 1,315,209.00	\$ 93,943.50
New Jersey Environmental Infrastructure Trust Loan, Series 2010 Clean Water (Interest Bearing)	3-10-10	1,785,000.00	2.00%	8-1-2017	80,000.00				
			2.00%	8-1-2018	85,000.00				
			2.00%	8-1-2019	90,000.00				
			2.00%	8-1-2020	95,000.00				
			2.00%	8-1-2021	100,000.00				
			2.00%	8-1-2022	100,000.00				
			2.00%	8-1-2023	105,000.00				
			2.00%	8-1-2024	110,000.00				
			2.00%	8-1-2025	60,000.00				
							<u>825,000.00</u>	900,000.00	75,000.00
New Jersey Environmental Infrastructure Trust Loan, Series 2010 Drinking Water (Non-Interest Bearing)	3-10-10	619,370.00		2-1-2017	11,060.17				
				8-1-2017	22,120.35				
				2-1-2018	11,060.17				
				8-1-2018	22,120.35				
				2-1-2019	11,060.17				
				8-1-2019	22,120.35				
				2-1-2020	11,060.17				
				8-1-2020	22,120.35				

(Continued)

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenue Loans Payable
 For the Year Ended December 31, 2016

Purpose	Original		Interest Rate	Maturities		Balance Jan. 1, 2016	Decreased	Balance Dec. 31, 2016
	Date	Amount		Date	Amount			
New Jersey Environmental Infrastructure Trust Loan, Series 2010 Drinking Water (Non-Interest Bearing) (Cont'd)	3-10-10	\$ 619,370.00		2-1-2021	\$ 11,060.17			
				8-1-2021	22,120.35			
				2-1-2022	11,060.17			
				8-1-2022	22,120.35			
				2-1-2023	11,060.17			
				8-1-2023	22,120.35			
				2-1-2024	11,060.17			
				8-1-2024	22,120.35			
				2-1-2025	11,060.17			
				8-1-2025	22,120.35			
				2-1-2026	11,060.17			
				8-1-2026	22,120.35			
				2-1-2027	11,060.17			
				8-1-2027	22,120.35			
				2-1-2028	11,060.17			
				8-1-2028	22,120.35			
				2-1-2029	11,060.17			
	8-1-2029	22,120.64						
				431,347.05		\$ 464,527.57	\$ 33,180.52	\$ 431,347.05
New Jersey Environmental Infrastructure Trust Loan, Series 2010 Drinking Water (Interest Bearing)	3-10-10	630,000.00	2.00%	8-1-2017	30,000.00			
			2.00%	8-1-2018	30,000.00			
			2.00%	8-1-2019	30,000.00			
			2.00%	8-1-2020	35,000.00			
			2.00%	8-1-2021	35,000.00			
			2.00%	8-1-2022	35,000.00			
			2.00%	8-1-2023	35,000.00			
			2.00%	8-1-2024	5,000.00			
				235,000.00		260,000.00	25,000.00	235,000.00

(Continued)

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenue Loans Payable
 For the Year Ended December 31, 2016

<u>Purpose</u>	<u>Original</u>		<u>Interest</u> <u>Rate</u>	<u>Maturities</u>		<u>Balance</u> <u>Jan. 1, 2016</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
	<u>Date</u>	<u>Amount</u>		<u>Date</u>	<u>Amount</u>			
New Jersey Environmental Infrastructure Trust Loan, Series 2014 Clean Water (Non-Interest Bearing)	5-21-14	\$ 2,365,598.00		2-1-2017	\$ 40,094.88			
				8-1-2017	80,189.76			
				2-1-2018	40,094.88			
				8-1-2018	80,189.76			
				2-1-2019	40,094.88			
				8-1-2019	80,189.76			
				2-1-2020	40,094.88			
				8-1-2020	80,189.76			
				2-1-2021	40,094.88			
				8-1-2021	80,189.76			
				2-1-2022	40,094.88			
				8-1-2022	80,189.76			
				2-1-2023	40,094.88			
				8-1-2023	80,189.76			
				2-1-2024	40,094.88			
				8-1-2024	80,189.76			
				2-1-2025	40,094.88			
				8-1-2025	80,189.76			
				2-1-2026	40,094.88			
				8-1-2026	80,189.76			
				2-1-2027	40,094.88			
				8-1-2027	80,189.76			
				2-1-2028	40,094.88			
				8-1-2028	80,189.76			
				2-1-2029	40,094.88			
				8-1-2029	80,189.76			
				2-1-2030	40,094.88			
				8-1-2030	80,189.76			
				2-1-2031	40,094.88			
				8-1-2031	80,189.76			
				2-1-2032	40,094.88			
				8-1-2032	80,189.76			

(Continued)

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenue Loans Payable
 For the Year Ended December 31, 2016

Purpose	Original		Interest Rate	Maturities		Balance Jan. 1, 2016	Decreased	Balance Dec. 31, 2016
	Date	Amount		Date	Amount			
New Jersey Environmental Infrastructure Trust Loan, Series 2014 Clean Water (Non-Interest Bearing) (Cont'd)	5-21-14	\$ 2,365,598.00		2-1-2033	\$ 40,094.88			
				8-1-2033	80,189.84			
					<u>2,044,838.96</u>	\$ 2,165,123.60	\$ 120,284.64	\$ 2,044,838.96
New Jersey Environmental Infrastructure Trust Loan, Series 2014 Clean Water (Interest Bearing)	5-21-14	770,000.00	5.00%	8-1-2017	30,000.00			
			5.00%	8-1-2018	30,000.00			
			5.00%	8-1-2019	30,000.00			
			5.00%	8-1-2020	35,000.00			
			5.00%	8-1-2021	35,000.00			
			5.00%	8-1-2022	35,000.00			
			5.00%	8-1-2023	40,000.00			
			5.00%	8-1-2024	40,000.00			
			3.00%	8-1-2025	45,000.00			
			3.00%	8-1-2026	45,000.00			
			3.00%	8-1-2027	45,000.00			
			3.00%	8-1-2028	45,000.00			
			3.00%	8-1-2029	50,000.00			
			3.00%	8-1-2030	50,000.00			
			3.00%	8-1-2031	50,000.00			
			3.125%	8-1-2032	55,000.00			
3.25%	8-1-2033	55,000.00						
				<u>715,000.00</u>	745,000.00	30,000.00	715,000.00	
New Jersey Environmental Infrastructure Trust Loan, Series 2014 Drinking Water (Non-Interest Bearing)	5-21-14	876,888.00		2-1-2017	14,862.50			
				8-1-2017	29,725.01			
				2-1-2018	14,862.50			

(Continued)

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenue Loans Payable
For the Year Ended December 31, 2016

<u>Purpose</u>	<u>Original</u>		<u>Interest</u> <u>Rate</u>	<u>Maturities</u>		<u>Balance</u> <u>Jan. 1, 2016</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
	<u>Date</u>	<u>Amount</u>		<u>Date</u>	<u>Amount</u>			
New Jersey Environmental Infrastructure Trust Loan, Series 2014 Drinking Water (Non-Interest Bearing) (Cont'd)	5-21-14	\$ 876,888.00		8-1-2018	\$ 29,725.01			
				2-1-2019	14,862.50			
				8-1-2019	29,725.01			
				2-1-2020	14,862.50			
				8-1-2020	29,725.01			
				2-1-2021	14,862.50			
				8-1-2021	29,725.01			
				2-1-2022	14,862.50			
				8-1-2022	29,725.01			
				2-1-2023	14,862.50			
				8-1-2023	29,725.01			
				2-1-2024	14,862.50			
				8-1-2024	29,725.01			
				2-1-2025	14,862.50			
				8-1-2025	29,725.01			
				2-1-2026	14,862.50			
				8-1-2026	29,725.01			
				2-1-2027	14,862.50			
				8-1-2027	29,725.01			
				2-1-2028	14,862.50			
				8-1-2028	29,725.01			
				2-1-2029	14,862.50			
				8-1-2029	29,725.01			
				2-1-2030	14,862.50			
				8-1-2030	29,725.01			
				2-1-2031	14,862.50			
				8-1-2031	29,725.01			
				2-1-2032	14,862.50			
				8-1-2032	29,725.01			
				2-1-2033	14,862.50			
				8-1-2033	14,295.31			
					<u>742,557.97</u>	\$ 802,575.48	\$ 60,017.51	\$ 742,557.97

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WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenue Loans Payable
 For the Year Ended December 31, 2016

Purpose	Original		Interest Rate	Maturities		Balance Jan. 1, 2016	Decreased	Balance Dec. 31, 2016
	Date	Amount		Date	Amount			
New Jersey Environmental Infrastructure Trust Loan, Series 2014 Drinking Water (Interest Bearing)	5-21-14	\$ 285,000.00	5.00%	8-1-2017	\$ 10,000.00	\$ 275,000.00	\$ 10,000.00	\$ 265,000.00
			5.00%	8-1-2018	10,000.00			
			5.00%	8-1-2019	10,000.00			
			5.00%	8-1-2020	15,000.00			
			5.00%	8-1-2021	15,000.00			
			5.00%	8-1-2022	15,000.00			
			5.00%	8-1-2023	15,000.00			
			5.00%	8-1-2024	15,000.00			
			3.00%	8-1-2025	15,000.00			
			3.00%	8-1-2026	15,000.00			
			3.00%	8-1-2027	15,000.00			
			3.00%	8-1-2028	15,000.00			
			3.00%	8-1-2029	20,000.00			
			3.00%	8-1-2030	20,000.00			
			3.00%	8-1-2031	20,000.00			
			3.125%	8-1-2032	20,000.00			
3.25%	8-1-2033	20,000.00						
				265,000.00				
New Jersey Environmental Infrastructure Trust Loan, Series 2015 Clean Water (Non-Interest Bearing)	5-28-15	1,176,180.00		2-1-2017	19,935.25			
				8-1-2017	39,870.50			
				2-1-2018	19,935.25			
				8-1-2018	39,870.50			
				2-1-2019	19,935.25			
				8-1-2019	39,870.50			
				2-1-2020	19,935.25			
				8-1-2020	39,870.50			
				2-1-2021	19,935.25			
				8-1-2021	39,870.50			

(Continued)

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenue Loans Payable
 For the Year Ended December 31, 2016

<u>Purpose</u>	<u>Original</u>		<u>Interest</u> <u>Rate</u>	<u>Maturities</u>		<u>Balance</u> <u>Jan. 1, 2016</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
	<u>Date</u>	<u>Amount</u>		<u>Date</u>	<u>Amount</u>			
New Jersey Environmental Infrastructure Trust Loan, Series 2015 Clean Water (Non-Interest Bearing) (Cont'd)	5-28-15	\$ 1,176,180.00		2-1-2022	\$ 19,935.25			
				8-1-2022	39,870.50			
				2-1-2023	19,935.25			
				8-1-2023	39,870.50			
				2-1-2024	19,935.25			
				8-1-2024	39,870.50			
				2-1-2025	19,935.25			
				8-1-2025	39,870.50			
				2-1-2026	19,935.25			
				8-1-2026	39,870.50			
				2-1-2027	19,935.25			
				8-1-2027	39,870.50			
				2-1-2028	19,935.25			
				8-1-2028	39,870.50			
				2-1-2029	19,935.25			
				8-1-2029	39,870.50			
				2-1-2030	19,935.25			
				8-1-2030	39,870.50			
				2-1-2031	19,935.25			
				8-1-2031	39,870.50			
				2-1-2032	19,935.25			
				8-1-2032	39,870.50			
				2-1-2033	19,935.25			
				8-1-2033	39,870.50			
				2-1-2034	19,935.25			
				8-1-2034	39,870.75			
					<u>1,076,503.75</u>	\$ 1,136,309.50	\$ 59,805.75	\$ 1,076,503.75

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WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenue Loans Payable
 For the Year Ended December 31, 2016

Purpose	Original		Interest Rate	Maturities		Balance Jan. 1, 2016	Decreased	Balance Dec. 31, 2016
	Date	Amount		Date	Amount			
New Jersey Environmental Infrastructure Trust Loan, Series 2015 Clean Water (Interest Bearing)	5-28-15	\$ 490,000.00	5.00%	8-1-2017	\$ 15,000.00	\$ 490,000.00	\$ 15,000.00	\$ 475,000.00
			5.00%	8-1-2018	20,000.00			
			5.00%	8-1-2019	20,000.00			
			5.00%	8-1-2020	20,000.00			
			5.00%	8-1-2021	20,000.00			
			5.00%	8-1-2022	20,000.00			
			5.00%	8-1-2023	25,000.00			
			5.00%	8-1-2024	25,000.00			
			5.00%	8-1-2025	25,000.00			
			5.00%	8-1-2026	25,000.00			
			4.00%	8-1-2027	30,000.00			
			4.00%	8-1-2028	30,000.00			
			4.00%	8-1-2029	30,000.00			
			4.00%	8-1-2030	30,000.00			
			4.00%	8-1-2031	35,000.00			
			4.00%	8-1-2032	35,000.00			
			4.00%	8-1-2033	35,000.00			
4.00%	8-1-2034	35,000.00						
				475,000.00				
New Jersey Environmental Infrastructure Trust Loan, Series 2015 Drinking Water (Non-Interest Bearing)	5-28-15	695,657.00		2-1-2017	11,790.79			
				8-1-2017	23,581.59			
				2-1-2018	11,790.79			
				8-1-2018	23,581.59			
				2-1-2019	11,790.79			
				8-1-2019	23,581.59			
				2-1-2020	11,790.79			
				8-1-2020	23,581.59			
				2-1-2021	11,790.79			

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WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenue Loans Payable
 For the Year Ended December 31, 2016

<u>Purpose</u>	<u>Original</u>		<u>Interest</u> <u>Rate</u>	<u>Maturities</u>		<u>Balance</u> <u>Jan. 1, 2016</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
	<u>Date</u>	<u>Amount</u>		<u>Date</u>	<u>Amount</u>			
New Jersey Environmental Infrastructure Trust Loan, Series 2015 Drinking Water (Non-Interest Bearing) (Cont'd)	5-28-15	\$ 695,657.00		8-1-2021	\$ 23,581.59			
				2-1-2022	11,790.79			
				8-1-2022	23,581.59			
				2-1-2023	11,790.79			
				8-1-2023	23,581.59			
				2-1-2024	11,790.79			
				8-1-2024	23,581.59			
				2-1-2025	11,790.79			
				8-1-2025	23,581.59			
				2-1-2026	11,790.79			
				8-1-2026	23,581.59			
				2-1-2027	11,790.79			
				8-1-2027	23,581.59			
				2-1-2028	11,790.79			
				8-1-2028	23,581.59			
				2-1-2029	11,790.79			
				8-1-2029	23,581.59			
				2-1-2030	11,790.79			
				8-1-2030	23,581.59			
				2-1-2031	11,790.79			
				8-1-2031	23,581.59			
				2-1-2032	11,790.79			
				8-1-2032	23,581.59			
				2-1-2033	11,790.79			
				8-1-2033	23,581.59			
				2-1-2034	11,790.79			
				8-1-2034	23,581.78			
					<u>636,703.03</u>	\$ 672,075.41	\$ 35,372.38	\$ 636,703.03

(Continued)

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenue Loans Payable
 For the Year Ended December 31, 2016

Purpose	Original		Interest Rate	Maturities		Balance Jan. 1, 2016	Decreased	Balance Dec. 31, 2016
	Date	Amount		Date	Amount			
New Jersey Environmental Infrastructure Trust Loan, Series 2015 Drinking Water (Interest Bearing)	5-28-15	\$ 290,000.00	5.00%	8-1-2017	\$ 10,000.00	\$ 290,000.00	\$ 10,000.00	\$ 280,000.00
			5.00%	8-1-2018	10,000.00			
			5.00%	8-1-2019	10,000.00			
			5.00%	8-1-2020	10,000.00			
			5.00%	8-1-2021	15,000.00			
			5.00%	8-1-2022	15,000.00			
			5.00%	8-1-2023	15,000.00			
			5.00%	8-1-2024	15,000.00			
			5.00%	8-1-2025	15,000.00			
			5.00%	8-1-2026	15,000.00			
			4.00%	8-1-2027	15,000.00			
			4.00%	8-1-2028	15,000.00			
			4.00%	8-1-2029	20,000.00			
			4.00%	8-1-2030	20,000.00			
			4.00%	8-1-2031	20,000.00			
			4.00%	8-1-2032	20,000.00			
			4.00%	8-1-2033	20,000.00			
4.00%	8-1-2034	20,000.00						
					<u>280,000.00</u>			
						\$ 12,714,572.63	774,065.00	11,940,507.63
Premium on Loans - Amortized						<u>173,014.77</u>	<u>9,592.26</u>	<u>163,422.51</u>
						<u>\$ 12,887,587.40</u>	<u>\$ 783,657.26</u>	<u>\$ 12,103,930.14</u>
Disbursed							\$ 758,635.00	
Deobligated by NJEIT							<u>15,430.00</u>	
							<u>\$ 774,065.00</u>	

**WILLINGBORO MUNICIPAL UTILITIES
AUTHORITY**

PART III

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**FOR THE YEAR ENDED
DECEMBER 31, 2016**

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY STATE OF NEW JERSEY CIRCULAR 15-08-OMB**

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
The Willingboro Municipal Utilities Authority
Willingboro, New Jersey

Report on Compliance for Major State Program

We have audited the Willingboro Municipal Utilities Authority's (Authority), in the County of Burlington, State of New Jersey, compliance with the types of compliance requirements described in the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on the Authority's major state program for the year ended December 31, 2016. The Authority's major state program is identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state award applicable to the Authority's major state program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey; and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and State of New Jersey Circular 15-08-OMB, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Major State Program

In our opinion, the Willingboro Municipal Utilities Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Authority's major state program for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the Authority's major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Authority's major state program and to test and report on internal control over compliance in accordance with the State of New Jersey Circular 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
July 12, 2017

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Schedule of Expenditures of State Financial Assistance
 For the Year Ended December 31, 2016

<u>State Grantor/ Program Title</u>	<u>State GMIS Number</u>	<u>Program or Award Amount</u>	<u>Match</u>	<u>Grant Period</u>		<u>December 31, 2015</u>	
				<u>From</u>	<u>To</u>	<u>Accounts Receivable</u>	<u>Deferred Revenue</u>
State Department of Environmental Protection Division of Water Quality: Environmental Infrastructure Trust	N/A	\$4,323,314.00	N/A	Open		\$ 33,230.00	\$ 20,572.22
State Department of Environmental Protection Division of Water Quality: Environmental Infrastructure Trust	N/A	3,342,565.00	N/A	Open		1,563,810.00	1,132,365.00
						<u>\$ 1,597,040.00</u>	<u>\$ 1,152,937.22</u>

The accompanying Notes to Financial Statements and Notes to Schedule of Expenditures of State Financial Assistance are an integral part of this schedule.

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
 Schedule of Expenditures of State Financial Assistance
 For the Year Ended December 31, 2016

<u>Revenue Recognized</u>	<u>Cash Receipts</u>	<u>Adjustments</u>	<u>Disbursements or Expenditures</u>	<u>December 31, 2016</u>		<u>(Memo Only)</u>	
				<u>Accounts Receivable</u>	<u>Deferred Revenue</u>	<u>Cash Received 2016</u>	<u>Accumulated Expenditures</u>
	\$ 17,800.00	\$ (15,430.00)				\$ 17,800.00	\$ 4,302,742.00
	1,206,808.00		\$ 811,982.00	\$ 357,002.00	\$ 320,383.00	1,206,808.00	3,022,182.00
<u>\$ -</u>	<u>\$ 1,224,608.00</u>	<u>\$ (15,430.00)</u>	<u>\$ 811,982.00</u>	<u>\$ 357,002.00</u>	<u>\$ 320,383.00</u>	<u>\$ 1,224,608.00</u>	<u>\$ 7,324,924.00</u>

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
Notes to Schedule of Expenditures of State Financial Assistance
For the Year Ended December 31, 2016

Note 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance includes state award activity of the Willingboro Municipal Utilities Authority (hereafter referred to as the "Authority"). The Authority is defined in note 1 to the Authority's basic financial statements. The information in this schedule is presented in accordance with the requirements of State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All state awards received directly from state agencies, as well as state financial assistance passed through other government agencies, are included on the schedule of expenditures of state financial assistance. Because this schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position and changes in net position of the Authority.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of state financial assistance is presented using the accrual basis of accounting. The basis of accounting is described in note 1 to the Authority's basic financial statements. Such expenditures are recognized following State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported in the Authority's financial reports.

Note 4: RELATIONSHIP TO STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related state financial reports.

Note 5: ADJUSTMENTS

Amounts reported in the column entitled "adjustments" represent amounts that were cancelled as a result of the project being completed.

Note 6: MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

**WILLINGBORO MUNICIPAL UTILITIES
AUTHORITY**

PART II

SINGLE AUDIT SECTION

**FOR THE YEAR ENDED
DECEMBER 31, 2016**

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016

Section 1- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? x yes no

Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? x yes no

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified? yes x none reported

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

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

Identification of major programs:

GMIS Number(s)

Name of State Program

N/A

Environmental Infrastructure Trust

Dollar threshold used to determine Type A programs \$ 750,000.00

Auditee qualified as low-risk auditee? x yes no

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016

Section 2- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Bureau of Authority Regulations, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Finding No. 2016-001

Criteria or Specific Requirement

Management is required to establish and maintain effective internal controls that will allow management or employees, in the normal course of performing their assigned function, to prevent, or detect and correct misstatements on a timely basis. Also, in accordance with N.J.A.C. 5-30-5.7, all local units are required to have a properly maintained general ledger.

Condition

The Authority did not adhere to its internal control procedures that are designed to reconcile the general ledger with other subsidiary records as required by N.J.A.C. 5-30-5.7.

Context

Numerous journal entries were required to adjust the Authority's general ledger.

Effect

Without a properly maintained general ledger system, the immediate and current identification of assets, liabilities, revenues, expenditures and net position cannot be achieved. The number of and material amount of the audit adjustments required to correct the general ledger indicates ineffective controls over the preparation of financial statements and as a result, there's a significant likelihood that the Authority's controls are not effective in detecting material misstatements in the preparation of the financial statements and related disclosures in a timely manner.

Cause

These errors are a result of a breakdown in the internal controls over the Authority's general ledger.

Recommendation

The Authority should review their internal controls over the general ledger to ensure compliance with N.J.A.C. 5-30-5.7 and as required, reconcile the general ledger with other subsidiary records.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016

Section 2- Schedule of Financial Statement Findings (Cont'd)

Finding No. 2016-002

Criteria or Specific Requirement

Good internal control practices dictate that cash accounts be reconciled in a timely manner to prevent misappropriations of cash.

Condition

The Authority failed to reconcile their bank accounts in a timely manner.

Context

During our testing of the Authority's cash accounts, we noted that the cash accounts had not been reconciled in six months.

Effect

There is an increased possibility of the misappropriation of Authority cash or errors not being detected in a timely manner.

Cause

The Authority did not maintain adequate oversight over the reconciliation process of the cash accounts.

Recommendation

The Authority should review their internal controls and establish procedures to ensure that all cash accounts are reconciled in a timely manner.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016

Section 2- Schedule of Financial Statement Findings (Cont'd)

Finding No. 2016-003

Criteria or Specific Requirement

N.J.A.C. 5:30-5.2 requires the Authority to maintain an encumbrance and payable accounting system. This system must be maintained in such a way to record charges against amounts appropriated at the time the charges are authorized so that the funds allocated for such purposes are reserved and cannot be used for other charges within that budget appropriation.

Condition

N.J.A.C. 5:30-5.2 requires the Authority to maintain an encumbrance and payable accounting system. During our audit, we noted that there was a break down in the internal controls related to the Authority's encumbrance and payable accounting system that resulted in payables not being recorded.

Context

During our testing of unrecorded liabilities, we found 12 invoices, totaling \$1,964,877.27, that should have been recorded as a payable as of December 31, 2016.

Effect

Not properly monitoring controls over encumbrances and payables could result in overexpenditures or incorrect reporting of financial statements.

Cause

These errors are a result of a breakdown in the internal controls related to their encumbrance and payable accounting system.

Recommendation

The Authority should review their internal controls over encumbrances and payables to ensure that all purchases are recorded correctly in order to achieve fair presentation and compliance with N.J.A.C. 5:30-5.2.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016

Section 2- Schedule of Financial Statement Findings (Cont'd)

Finding No. 2016-004

Criteria or Specific Requirement

The provisions of N.J.S.A. 40A:11 (Local Public Contract Law), N.J.S.A. 19:44A-20.4 (Pay-to-Play Law), N.J.A.C. 5:30-5 and N.J.A.C. 5:30-11 must be followed by the Authority.

Condition

The Authority did not comply with several provisions of N.J.S.A. 40A:11 (Local Public Contract Law), N.J.S.A. 19:44A-20.4 (Pay-to-Play Law), N.J.A.C. 5:30-5 and N.J.A.C. 5:30-11 when purchase amounts for goods and services exceeded the respective thresholds.

Context

During our test of bids and contracts, we found the following issues:

- The Authority had over expended the contracts awarded for Solicitor and Labor Counsel.
- Certificate of Available Funds for 2 contracts were not in compliance with State requirements.
- In the award of 1 non-fair and open contract, the Authority failed to obtain a Political Contribution Disclosure (c.271) in accordance with State requirements.
- 1 change order was not approved by the Board.

Effect

Noncompliance with N.J.S.A. 40A:11, N.J.S.A. 19:44A-20.4, N.J.A.C. 5:30-5 and N.J.A.C. 5:30-11.

Cause

There were breakdowns in internal control over bids and contracts.

Recommendation

That the Authority comply with all the provisions of N.J.S.A. 40A:11 (Local Public Contract Law), N.J.S.A. 19:44A-20.4 (Pay-to-Play Law), N.J.A.C. 5:30-5 and N.J.A.C. 5:30-11 when purchase amounts for goods and services exceed the respective thresholds.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016

Section 3- Schedule of State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major State programs, as required by State of New Jersey Circular 15-08-OMB.

None

WILLINGBORO MUNICIPAL UTILITIES AUTHORITY
Summary Schedule of Prior Year Audit Findings
And Questioned Costs as Prepared by Management

This section identifies the status of prior year findings related to the financial statements and state financial assistance that are required to be reported in accordance with Government Auditing Standards, State of New Jersey Circular 15-08-OMB and with the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

FINANCIAL STATEMENT FINDINGS

Finding No. 2015-001

Condition

The Authority's official Board meeting minutes did not comply with N.J.S.A. 10:4-14 requirements.

Current Status

This finding has been resolved.

STATE FINANCIAL ASSISTANCE PROGRAMS

None

38000

APPRECIATION

We express our appreciation for the courtesies extended and assistance rendered to us during the course of this audit.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

