

**EVESHAM MUNICIPAL  
UTILITIES AUTHORITY**

**REPORT OF AUDIT**

**WITH  
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEARS ENDED**

**JUNE 30, 2016 & 2015**

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## EVESHAM MUNICIPAL UTILITIES AUTHORITY

Roster of Officials  
June 30, 2016

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<u>Members</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Joseph Fisicaro	Chairperson	
Edward Waters	Vice Chairperson	
Daniel E. Morton	Secretary	
George Tencza	Assistant Secretary	
Thomas Czerniecki	Board Member	
<u>Other Officials</u>		
Jeffrey Rollins	Executive Director	\$1,000,000.00 (A)
Robert Lender	Deputy Executive Director	\$1,000,000.00 (A)
Laura Puszcz	Assistant Executive Director of Business	\$1,000,000.00 (A)
Frank Locantore	Assistant Executive Director of Personnel, Safety and Security	\$1,000,000.00 (A)
Anthony T. Drollas	General Counsel	
Florio, Perrucci, Steinhardt & Fader, LLC	Labor & Special Counsel	
Richard Alaimo	Consulting Engineer	
T&M Associates	Auxiliary Engineer	
Buchart Horn	Environmental Consultant	
TD Bank, N.A.	Trustee	

(A) Public Employees' Faithful Performance/Dishonesty Crime Coverage of \$1,000,000.00 per employee provided by the New Jersey Utility Authorities Joint Insurance Fund and the Municipal Excess Liability Joint Insurance Fund.

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

**PART I**

**FINANCIAL SECTION**

**FOR THE FISCAL YEARS ENDED**

**JUNE 30, 2016 & 2015**

## **INDEPENDENT AUDITOR'S REPORT**

The Chairman and Members of  
The Evesham Municipal Utilities Authority  
Evesham Township, New Jersey 08053

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Evesham Municipal Utilities Authority, in the County of Burlington, State of New Jersey, a component unit of the Township of Evesham (Authority), as of and for the fiscal years ended June 30, 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 principles 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 Evesham Municipal Utilities Authority, in the County of Burlington, State of New Jersey, a component unit of the Township of Evesham, as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows thereof for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for the OPEB plan, schedule of employer contributions to the OPEB plan, schedule of the Authority's proportionate share of the net pension liability and schedule of the Authority's contributions (PERS) 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 presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules as listed in the table of contents 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, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2016 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*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
October 20, 2016



**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  
Evesham Municipal Utilities Authority  
Evesham Township, New Jersey 08053

We have audited, in accordance with the 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, the financial statements of the business-type activities of the Evesham Municipal Utilities Authority, in the County of Burlington, State of New Jersey, a component unit of the Township of Evesham, (Authority), as of and for the fiscal year ended June 30, 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 October 20, 2016.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

### 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 the 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  
October 20, 2016

**Evesham Municipal Utilities Authority**  
**Management's Discussion and Analysis**  
**(Unaudited)**

The Evesham Municipal Utilities Authority (the Authority) is a public agency providing potable water and wastewater services to Evesham Township. This section of the Authority's annual financial report provides a discussion and analysis of the financial performance for the fiscal year ending on June 30, 2016. The financial section of the annual report consists of four parts: Independent Auditor's Report, the management's discussion and analysis, the financial statements and supplemental information.

**FINANCIAL**

- **Connection Fees:** Connection Fee Revenues for FY 16 totaled \$776,308.40. This was a \$178,073.91 increase from FY 15. Developers pay connection fees upon submittal of plans for new construction to connect into the Authority's water and/or sewer system. These deposits are set up as a liability until the connection is completed. Once the water meter is installed and a new billing account is established, the liability is removed and the revenue is realized. The connection fees offset the capital expense of capacity in the water and/or sewer system. Future projections indicate that connection fees will decline as Evesham Township approaches build-out. The Authority has had a rate profile in place for many years which is reviewed annually. The Authority has continued to monitor the rate structure and make adjustments to reduce its dependency on connection fee revenues, which are too volatile to depend on as a revenue source.
- **Total Net Position:** Total assets at June 30, 2016 were \$77,068,367.60. After adding deferred outflows of resources and deducting liabilities and deferred inflows of resources, net position at June 30, 2016 was \$39,098,141.54.
- **Total Operating Revenue:** FY 16 operating revenue compared to FY 15 increased by over \$1,920,000.00 to \$19,051,400.77. This increase in operating revenue can be attributed to an increase in service charges as a result of a dry summer and an increase in connection fee revenue. In FY 16, the Authority only utilized 84% of its allocated Potomac-Raritan-Magothy aquifer allocation of 958.732 Million Gallons.
- **Total Operating Expenses:** FY 16 Operating expenses of \$15,044,032.88 increased by \$1,443,644.15 from last year's amount of \$13,600,388.73.

## **FINANCIAL (CONT'D)**

- **Interest Income:** In FY16, the Authority generated \$413,007.36 in interest income from investments. If interest income is adjusted by the adjustment of investments to “fair value”, then the Authority’s interest income on investments was \$41,319.84 lower than FY 15. All of the Authority’s investments are in secure investment vehicles which include treasury obligations, money market funds, GNMA’s, FNMA’s or direct Treasury Securities. The Authority continuously monitors all potential investment opportunities to maximize its rate of return. The interest income generated from these secure investments is an important component of the rate profile and is used in consideration of the service charge rate structure to help minimize any necessary rate increase.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The comparative statements of net position includes all of the Authority’s assets, deferred outflows and inflows of resources and liabilities. The Authority follows an 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.

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 three areas: Cash flows from operating activities, capital and related financing activities and investing activities.

In the fiscal year ending June 30, 2015, the Authority implemented GASB 68 requirements. The results of implementation were an adjustment to the June 30, 2014 net position – unrestricted of \$7,182,091.00 and the recording of an accounts payable totaling \$320,310.00. In addition, a deferred outflow of resources was recorded totaling \$578,135.00 and a deferred inflow of resources totaling \$421,736.00.

## **FINANCIAL ANALYSIS OF THE AUTHORITY**

The Authority's total assets were \$77,068,367.60 on June 30, 2016. Total assets, total deferred outflow of resources, total liabilities, total inflow of resources and total net position are detailed below:

Evesham Municipal Utilities Authority			
Net Position			
As of June 30,			
	<u>2014</u>	<u>2015 *</u>	<u>2016</u>
Current & Non-Current Assets	\$30,623,649.10	\$27,511,892.17	\$27,679,632.71
Capital Assets	<u>49,491,133.20</u>	<u>50,743,299.86</u>	<u>49,388,734.99</u>
<b>Total Assets</b>	<u>80,114,782.30</u>	<u>78,255,192.03</u>	<u>77,068,367.60</u>
Deferred Outflows of Resources	<u>235,374.10</u>	<u>709,658.06</u>	<u>1,588,302.87</u>
Current Liabilities	5,538,186.77	5,343,584.31	5,454,210.79
Long-Term Liabilities	<u>33,486,031.40</u>	<u>36,699,816.93</u>	<u>33,390,510.64</u>
<b>Total Liabilities</b>	<u>39,024,218.17</u>	<u>42,043,401.24</u>	<u>38,844,721.43</u>
Deferred Inflows of Resources	<u>579,899.50</u>	<u>1,064,680.30</u>	<u>713,807.50</u>
Net Position			
Net Investment in Capital Assets	17,067,414.57	18,925,951.23	20,987,197.33
Restricted	8,959,955.38	9,085,880.38	9,014,376.63
Unrestricted	<u>14,718,668.78</u>	<u>7,844,936.94</u>	<u>9,096,567.58</u>
<b>Total Net Position</b>	<u>\$40,746,038.73</u>	<u>\$35,856,768.55</u>	<u>\$39,098,141.54</u>

The Authority had operating income of \$4,007,367.89 for the current fiscal year.

\* *The Authority implemented GASB 68*

**FINANCIAL ANALYSIS OF THE AUTHORITY (CONT'D)**

Evesham Municipal Utilities Authority  
Revenues, Expenses and Changes in Net Position  
For the Fiscal Years Ended June 30,

	<u>2014</u>	<u>2015 *</u>	<u>2016</u>
Operating Revenues			
Service Charges	\$15,404,387.40	\$15,569,648.60	\$16,988,691.58
Connection Fees	923,508.02	598,234.49	776,308.40
Other Operating Revenues	<u>875,053.91</u>	<u>963,516.99</u>	<u>1,286,400.79</u>
Total Operating Revenue	<u>17,202,949.33</u>	<u>17,131,400.08</u>	<u>19,051,400.77</u>
Operating Expenses	9,733,394.44	9,896,080.84	10,165,187.09
Major Repairs and Other Expenses	617,939.41	716,893.60	2,005,307.60
Depreciation Expense	<u>3,149,667.61</u>	<u>2,987,414.29</u>	<u>2,873,538.19</u>
Total Operating Expenses	<u>13,501,001.46</u>	<u>13,600,388.73</u>	<u>15,044,032.88</u>
Operating Income	3,701,947.87	3,531,011.35	4,007,367.89
Non-Operating Revenues (Expenses)			
Investment Income	327,846.76	329,661.90	288,342.06
Change in Fair Value of Investments	42,896.43	34,291.71	124,665.30
Bond Interest	(997,003.07)	(876,352.56)	(721,349.07)
Municipal Appropriation	(721,381.00)	(755,712.00)	(779,235.00)
Loss on Disposal of Fixed Assets	(2,326,205.93)	(41.58)	
Contributions	<u>1,532,447.00</u>	<u>29,962.00</u>	<u>321,581.80</u>
Change in Net Position	<u>\$1,560,548.06</u>	<u>\$2,292,820.83</u>	<u>\$3,241,372.98</u>
<hr/>			
Net Position – July 1	\$39,185,490.67	\$40,746,038.73	\$35,856,768.56
Restatement	<u>-</u>	<u>(7,182,091.00)</u>	<u>-</u>
Net Position – Beginning, as restated	39,185,490.67	33,563,947.73	35,856,768.56
Change in Net Position	<u>1,560,548.06</u>	<u>2,292,820.83</u>	<u>3,241,372.98</u>
Net Position – June 30	<u>\$40,746,038.73</u>	<u>\$35,856,768.56</u>	<u>\$39,098,141.54</u>

\* The Authority implemented GASB 68

## **OVERALL ANALYSIS**

Overall the Authority is in a sound financial position due, in part, to the long term goal to eliminate its reliance on connection fees to meet its annual operating expenses. The connection fees realized in FY 16 were \$776,308.40 which was not consistent with our expectations that connection fee revenue is declining. The realized connection fees were used to partially offset the capital budget. The Authority also monitors its service charge rate structure on an annual basis, making adjustments to the rate structure as necessary. This results in gradual, predictable rate increases, which support the Authority's operations, allows for routine maintenance, capital expense repairs and capital improvement projects. The rates also support a contribution of 5% of the Authority's annual operating budget to the Township pursuant P.L. 2004, Chapter 87. The Township has continued to request this annual contribution since 2010.

## **BUDGET VARIANCES**

The Authority expended 82.70% of its \$12,030,400.00 operating budget with no major variances except the revenue lines for water and sewer service charges, water and sewer connection fees and expense lines for water and sewer fringe benefits, sewer electric and other utilities and water bulk purchases. The percentage of the amount expended to the amount budgeted compares favorably to past years.

## **CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

During the current year, the Authority expended \$3,196,054.02 from its General and Renewal and Replacement accounts for capital activities. \$1,998,662.60 was classified as repairs and charged as operating expenses. The remaining \$1,197,391.42 was capitalized as either construction in progress or capital assets for the following projects:

SCADA System	\$ 627,149.00
Screw Pump Replacements	8,147.42
Well Design & Replacement	290.00
Energy Reduction Plan	41,899.26
Buildings, Equipment and Vehicles	518,680.74
Elevated Water Tank	1,225.00

## **CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY (CONT'D)**

The Authority's Elmwood and Woodstream Wastewater Treatment Plants continue to participate in New Jersey's Clean Energy Local Government Energy Audit program. The object of the energy audit is to identify energy conservation and retrofit measures to reduce energy usage and to develop an economic basis to financially validate the planning and implementation of identified energy conservation and retrofit measures. Identified energy conservation and retrofit measures included HVAC systems, lighting systems, motor upgrades and aeration system upgrades at both wastewater treatment plants. The energy conservation at both plants is near completion.

The Elmwood Woodstream SCADA project was completed in FY 16. This upgrade replaced obsolete technology at the existing process control systems for Elmwood and Woodstream WWTP's. The new, state of the art, systems are capable of sending alarms to operations personnel remotely to their mobile communication devices and will allow them to monitor the plants from remote locations.

The Elmwood and Woodstream Wastewater Treatment Plant Upgrades for Energy Conservation and the Elmwood/Woodstream SCADA projects were financed through the New Jersey Environmental Infrastructure Trust Program in FY 14. The Authority borrowed a total of \$4,272,073 for both projects. Three quarters of this amount was obtained through the Fund at 0% interest and the remaining one quarter through the Trust at market rate.

As part of the Authority's continued capital improvement program, the Authority intends to pursue NJEIT financing for Wells 13 and 14 Treatment Improvements. This project was on hold pending a decision from the NJDEP regarding continued withdrawals of recharged water. The NJDEP recently issued a permit which will allow for the withdrawals of recharged water from several wells. The Authority's consulting engineer is currently coordinating the rebid process for this project with the NJEIT. The Well 13 and 14 Treatment Improvements are necessary to maintain peak water supply capacity through the use of an existing aquifer storage and supply well pair. The Authority is currently not using these facilities due to the loss of production from Well 14, which is related to iron present in the recharged water from Well 13. This project will install iron precipitation and filtration equipment in an expanded well building and required ancillary equipment. The anticipated cost of this project is \$1.8 million.



## **CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY (CONT'D)**

The proposed FY 17 Capital Budget and five-year Capital Program are \$9,959,800.00 and \$41,971,554.00 respectively. The following major line items making up the FY 17 Capital Budget are:

• Lift Station Rehabilitation	\$ 500,000.00
• UV Disinfection Replacement	590,000.00
• Treatment Plant Improvements	1,100,000.00
• Wells – ASR 13/14; Wells 5 & 9	2,050,000.00
• Water/Sewer Main Replacement	4,632,800.00
• Generators	\$175,000.00

These projects are currently underway at different stages in the process. The timing and amounts spent on these projects are contingent on the progress of the work and State approvals.

Looking at the five-year Capital Program, the following projects should be mentioned:

• Lift Station Rehabilitation	FY 19-20	6,100,000.00
• UV Disinfection Replacement	FY 17	500,000.00
• Treatment Plant Improvements	FY 18-21	3,592,391.00
• Water/Sewer Main Replacement	FY 18-21	12,670,103.00
• Wells 7 Building	FY 18-19	850,000.00
• Water Towers	FY 18-20	3,900,000.00

The Authority continues to assess underground infrastructure through the use of television cameras in the pipes to gather data on their condition. Type and age of the pipe and the soil conditions are used to determine an ongoing schedule of assessment and capital improvement planning for the next 5-20 years.

Heritage Village Subdivision was built in the 1950's and the water infrastructure was constructed of cement asbestos pipe. There is a total of 34,000 feet of water main that is at the end of its useful life expectancy which has an estimated replacement cost of \$8.3 million. The sewer pipes are constructed from vitrified clay and were assessed with means of television camera. This assessment clearly shows that the pipe has deteriorated with 871 cracks throughout the project with visual infiltration. There is 23,534 feet of sewer main that is at the end of its useful life cycle which has an estimated cost of \$4.1 million.

## **CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY (CONT'D)**

The Authority's consulting engineer has commenced work on this project. The water mains in Heritage Village are currently being surveyed, while the sewer main replacement is in design. The consulting engineer will continue to explore all means of repair and replacement.

Other water and sewer main replacement/renewal projects in the 5 year capital improvement plan, commencing in FY 17, include areas on Knox Boulevard, Main Street, Route 70 and Maple Avenue. These projects are estimated to cost \$4.9 million combined.

The Authority continues to assess a suitable location to construct a water storage tank to serve the south side water system as directed by the NJDEP. NJDEP regulations require that sufficient water for firefighting purposes be stored in an elevated tank to provide adequate volume and pressure by gravity in case of power failure. The projected costs to construct the tank and acquire suitable land for construction is projected to be \$3.5 million. The timing of this project is contingent on State and Pinelands approvals.

These are essential projects that will have an effect on the operation of our water and sewer facilities and must be included as part of the capital budget.

Although the Authority does not operate under any debt limitations, it is required to receive approval from the Local Finance Board prior to issuing any debt.

## **CONTACTING THE AUTHORITY'S MANAGEMENT**

This financial report is designed to provide New Jersey, and Evesham Township residents in particular, and our customers, clients, investors and creditors, with a general overview of the Authority's finances. If you have any questions about this report or need additional financial information, contact the Authority at 984 Tuckerton Road, Room 211, P.O. Box 467, Marlton, New Jersey 08053.

## EVESHAM MUNICIPAL UTILITIES AUTHORITY

Comparative Statements of Net Position

As of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current Unrestricted Assets:		
Revenue/Operating Account:		
Cash and Cash Equivalents	\$ 2,009,616.91	\$ 850,221.01
Investments	1,927,421.24	2,886,548.35
Accrued Interest Receivable	5,531.72	8,389.49
General Account:		
Cash and Cash Equivalents	9,344,243.90	8,139,385.74
Investments	334,275.40	823,492.06
Accrued Interest Receivable	715.40	1,822.38
Due from New Jersey Environmental Infrastructure Trust	97,152.00	881,839.00
Consumer Accounts Receivable	981,137.04	1,208,903.81
Other Accounts Receivable	9,671.86	3,101.24
Prepaid Expenses	926,188.01	925,384.13
Total Unrestricted Assets	<u>15,635,953.48</u>	<u>15,729,087.21</u>
Current Restricted Assets:		
Bond Service Account:		
Cash and Cash Equivalents	4,918,310.25	4,577,703.41
Accrued Interest Receivable	31,178.62	14,501.53
Bond Service Reserve Account:		
Cash and Cash Equivalents	1,369,317.67	100,729.34
Investments	3,319,217.98	4,563,528.90
Accrued Interest Receivable	8,984.82	13,556.32
Renewal and Replacement Account:		
Cash and Cash Equivalents	1,000,000.00	1,000,000.00
Investments	568,934.60	544,866.50
Accrued Interest Receivable	2,083.33	2,083.33
Construction Account:		
Cash and Cash Equivalents	2.98	2.98
Other Accounts:		
Cash and Cash Equivalents	825,648.98	965,832.65
Total Restricted Assets	<u>12,043,679.23</u>	<u>11,782,804.96</u>
Non-Current Assets:		
Capital Assets:		
Construction in Progress	7,328,687.18	6,649,976.50
Completed (Net of Accumulated Depreciation)	42,060,047.71	44,093,323.36
Total Capital Assets	<u>49,388,734.89</u>	<u>50,743,299.86</u>
Total Assets	<u>77,068,367.60</u>	<u>78,255,192.03</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to Pension	1,511,765.00	578,135.00
Deferred Loss on Refunding of Bonds	76,537.87	131,523.06
Total Deferred Outflows of Resources	<u>1,588,302.87</u>	<u>709,658.06</u>

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Comparative Statements of Net Position  
As of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>LIABILITIES</b>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable--Operations	\$ 363,410.07	\$ 669,877.67
Overpayments	3,704.89	
Prepaid Rental Charges	49,198.96	40,909.84
Prepaid Antennae Rental Charges	21,168.00	20,160.00
	<hr/>	<hr/>
Total Current Liabilities Payable from Unrestricted Assets	437,481.92	730,947.51
	<hr/>	<hr/>
Current Liabilities Payable from Restricted Assets:		
Accounts Payable	24,525.13	18,015.11
Revenue Bonds Payable--Current Portion	3,555,000.00	3,190,000.00
New Jersey Environmental Infrastructure		
Loan Payable - Current Portion	928,850.29	901,570.87
Compensated Absences	49,892.52	
Accrued Bond Interest Payable	415,138.13	468,206.88
Escrow Deposits	43,322.80	34,843.94
	<hr/>	<hr/>
Total Current Liabilities Payable from Restricted Assets	5,016,728.87	4,612,636.80
	<hr/>	<hr/>
Long-term Liabilities:		
Revenue Bonds Payable	11,969,172.59	15,688,084.97
New Jersey Environmental Infrastructure Loan Payable	12,122,204.55	13,051,054.84
Related to Pensions	8,363,443.00	7,076,745.00
OPEB Obligation	101,388.79	91,338.64
Accrued Liabilities - Related to Pension	385,269.00	320,310.00
Compensated Absences	449,032.71	472,283.48
	<hr/>	<hr/>
Total Long-term Liabilities	33,390,510.64	36,699,816.93
	<hr/>	<hr/>
Total Liabilities	38,844,721.43	42,043,401.24
	<hr/>	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to Pensions	220,346.00	421,736.00
Deferred Revenue	493,461.50	642,944.30
	<hr/>	<hr/>
Total Deferred Inflows of Resources	713,807.50	1,064,680.30
	<hr/>	<hr/>
<b>NET POSITION</b>		
Restricted for:		
Bond Covenants:		
Debt Service Reserve Requirement	4,578,280.38	4,578,280.38
System Reserve Requirement	1,500,000.00	1,500,000.00
Operating Requirement	2,936,096.25	3,007,600.00
Net Investment in Capital Assets	20,987,197.33	18,925,951.23
Unrestricted	9,096,567.58	7,844,936.94
	<hr/>	<hr/>
Total Net Position	\$ 39,098,141.54	\$ 35,856,768.55
	<hr/>	<hr/>

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

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
 Comparative Statements of Revenues, Expenses and Changes in Net Position  
 For the Fiscal Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues:		
Service Charges	\$ 16,988,691.58	\$ 15,569,648.60
Connection Fees	776,308.40	598,234.49
Miscellaneous Charges	1,286,400.79	963,516.99
	<hr/>	<hr/>
Total Operating Revenues	19,051,400.77	17,131,400.08
	<hr/>	<hr/>
Operating Expenses:		
Administrative Expenses:		
Salaries and Wages	579,664.35	528,827.49
Fringe Benefits	175,369.54	192,678.05
Other	551,802.50	550,932.42
	<hr/>	<hr/>
	1,306,836.39	1,272,437.96
	<hr/>	<hr/>
Cost of Service:		
Salaries and Wages	3,184,139.43	2,924,581.97
Fringe Benefits	1,347,072.96	1,255,193.24
Other	4,327,138.31	4,443,867.67
	<hr/>	<hr/>
	8,858,350.70	8,623,642.88
	<hr/>	<hr/>
Major Repairs and Other Expenses	2,005,307.60	716,893.60
Depreciation	2,873,538.19	2,987,414.29
	<hr/>	<hr/>
Total Operating Expenses	15,044,032.88	13,600,388.73
	<hr/>	<hr/>
Operating Income	4,007,367.89	3,531,011.35
	<hr/>	<hr/>
Non-operating Revenue (Expenses):		
Interest Income:		
Interest Revenue	288,342.06	329,661.90
Change in Fair Value of Investments	124,665.30	34,291.71
	<hr/>	<hr/>
	413,007.36	363,953.61
	<hr/>	<hr/>
Bond Interest	(721,349.07)	(876,352.56)
Municipal Appropriation	(779,235.00)	(755,712.00)
Loss on Disposal of Capital Assets		(41.58)
	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(1,087,576.71)	(1,268,152.53)
	<hr/>	<hr/>
Income Before Contributions (Carried Forward)	2,919,791.18	2,262,858.82

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
 Comparative Statements of Revenues, Expenses and Changes in Net Position  
 For the Fiscal Years Ended June 30, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
Income Before Contributions (Brought Forward)	\$ 2,919,791.18	\$ 2,262,858.82
Contributions:		
Developers	<u>321,581.80</u>	<u>29,962.00</u>
Change in Net Position	3,241,372.98	2,292,820.82
Net Position - Beginning	<u>35,856,768.56</u>	<u>33,563,947.73</u>
Net Position - End of Year:		
Restricted	\$ 9,014,376.63	\$ 9,085,880.38
Unrestricted	\$ 9,096,567.58	\$ 7,844,936.94
Net Investment in Capital Assets	<u>\$ 20,987,197.33</u>	<u>\$ 18,925,951.24</u>

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

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Comparative Statements of Cash Flows  
For the Fiscal Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 18,708,352.58	\$ 17,199,319.42
Payments to Suppliers	(9,308,256.09)	(8,140,583.67)
Payments to Employees	(3,763,803.78)	(3,453,409.46)
Other Operating Receipts	1,290,375.04	1,043,825.17
Net Cash Provided by Operating Activities	6,926,667.75	6,649,151.46
Cash Flows from Capital and Related Financing Activities:		
Capital Aquisitions	(1,197,391.42)	(4,211,285.53)
N.J. Environmental Infrastructure Loan Proceeds	784,687.00	3,390,234.00
Municipal Appropriation	(779,235.00)	(755,712.00)
Debt Service:		
Principal	(4,091,570.87)	(3,936,542.68)
Interest	(883,345.01)	(983,508.89)
Net Cash Used in Capital and Related Financing Activities	(6,166,855.30)	(6,496,815.10)
Cash Flows from Investing Activities:		
Interest on Investments	404,866.52	360,604.41
Change in Investments:		
Purchases/Unrealized Gains and Losses	(102,709.37)	(2,381,896.58)
Sales/Maturities	2,771,295.96	3,192,777.71
Net Cash Flows Provided by Investing Activities	3,073,453.11	1,171,485.54
Net Increase in Cash and Cash Equivalents	3,833,265.56	1,323,821.90
Cash and Cash Equivalents--July 1	15,633,875.13	14,310,053.23
Cash and Cash Equivalents--June 30	\$ 19,467,140.69	\$ 15,633,875.13
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 4,007,367.89	\$ 3,532,636.35
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	2,873,538.19	2,987,414.29
Pension Liability Expense - GASB 68	216,637.00	58,564.99
Change in Assets and Liabilities:		
(Increase) Decrease in Consumer Accounts Receivable	227,766.77	236,781.08
(Increase) Decrease in Other Accounts Receivable	(6,570.62)	16,302.92
(Increase) Decrease in Prepaid Expenses	(803.88)	(15,271.10)
Increase (Decrease) in Accounts Payable	(299,957.58)	(298,123.89)
Increase (Decrease) in Overpayments	3,704.89	
Increase (Decrease) in OPEB Obligation	10,050.15	30,697.64
Increase (Decrease) in Prepaid Rents	8,289.12	(4,036.83)
Increase (Decrease) in Prepaid Antenna Rents	1,008.00	(2,999.85)
Increase (Decrease) in Escrow Deposits	8,478.86	2,624.72
Increase (Decrease) in Compensated Absences Payable	26,641.75	41,516.34
Increase (Decrease) in Connection Fee Deposits	(149,482.80)	63,044.80
Net Cash Provided by Operating Activities	\$ 6,926,667.75	\$ 6,649,151.46

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

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Notes to Financial Statements  
For the Fiscal Years Ended June 30, 2016 and 2015

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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Evesham 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. The Authority was granted its franchise area consisting entirely of the Township of Evesham when it was first established as the Evesham Sewerage Authority on April 7, 1955. The Authority was reorganized on March 3, 1959 as the Evesham Municipal Utilities Authority, by ordinance of the Township Committee.

The Authority provides water supply and sewerage collection and treatment service to all residences and businesses within the Township of Evesham. The Authority also collects a connection fee for new hook-ups.

The Authority Board consists of five members and two alternates, who are appointed by Township resolution for staggered, five year terms. The daily operations of the Authority are managed by the Executive Director.

**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 government-wide 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 Evesham.



**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 inflow 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 fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal 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.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****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 fiscal year and to adopt not later than the beginning of the Authority's fiscal 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, bond issue costs, bond discounts, deferred loss on defeasance and the annual required contribution for the Authority's Other Postemployment Benefits (OPEB) Plan are not included in the budget appropriations.

The legal level of budgetary control is established at the detail shown on the Statement 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 did not adopt an amending budget resolution during the year.

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 statement 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. 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 bonds or other obligations of school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, 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. 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.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Cash, Cash Equivalents and Investments (Cont'd)**

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 Governmental Unit Deposit Protection Act. 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.

**Inventories**

Inventory consists principally of chemicals for the treatment of water, sewerage and sludge and is valued at cost. The Authority has determined that the inventories are immaterial and are not 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 fiscal year end.

**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 June 30, 1993 are stated at estimated cost. Assets purchased since are stated at actual cost. Assets contributed by developers are valued at estimated fair market value as of the date of contribution.

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed 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 - Completed. 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 \$1,000.00 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	40
Fixed & Major Moveable Equipment	5-15
Vehicles	7
Infrastructure	40

Depreciation is taken starting the month after the asset is placed in service.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Bond Discounts / Bond Premiums**

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

**Deferred Outflows of Resources**

The Authority reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its statements of net position. The only deferred outflows of resources reported in this year's financial statements are a deferred amount arising from a loss on refunding of general obligation bonds and a deferred outflow of resources for contributions made to the Authority's defined benefit pension plans between the measurement date of the net pension liabilities from those plans and the end of the Authority's fiscal year. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense.

**Deferred Inflows of Resources**

The Authority's statements of net position report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources are reported in the Authority's statements of net position for connection fee funds received prior to providing water and sewer services and for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of five (5) fiscal years, including the current fiscal year.

**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 is 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 does 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 distribution and sewer collection facilities (i.e., 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.

Operating expenses include expenses associated with the operation, maintenance and repair of the water distribution and sewer collection facilities and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt, contribution to Township and major non-recurring repairs.

**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)****Impact of Recently Issued Accounting Policies****Recently Issued and Adopted Accounting Pronouncements**

For the fiscal year ended June 30, 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 had no impact on the Authority's financial statements.

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.

Lastly, 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.

**Recently Issued Accounting Pronouncements**

The GASB has issued the following Statements which will become effective in future fiscal 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 is effective for periods beginning after June 15, 2016. Management does not expect this Statement will have an impact on the financial statements.

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

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The Statement will become effective for the Authority in fiscal year 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 (Cont'd)**

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 Statement will become effective for the Authority in fiscal year 2017. Management does not expect this Statement will have an impact on the financial statements.

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 Statement will become effective for the Authority in fiscal year 2017. Management does not expect this Statement will have an impact 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 fiscal year 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 fiscal year 2018. 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 fiscal year 2017. Management does not expect this Statement will have an impact 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.

**General Bond Resolution**

The Authority is subject to the provisions and restrictions of the General Bond Resolution adopted July 25, 1990 (Amended August 1, 1990). On August 2, 1995, July 10, 1996, November 10, 1999, October 16, 2002, February 4, 2004, August 3, 2011 and March 7, 2012, the Authority adopted Supplemental Bond Resolutions, which amended the 1990 Bond Resolution. A summary of the activities of each account created by the 1990 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.

**Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)****General Bond Resolution (Cont'd)**

**Bond Service Account** - This account is maintained to pay maturing interest and principal on the 2004 Series A Revenue Bonds, the 2011 Series A Revenue Bonds, the 2012 Series A Revenue Bonds and the Authority's New Jersey Environmental Infrastructure Trust Fund Loans. 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 June 30, 2016, the balance in the 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. The balance on June 30, 2016 of \$4,688,535.65 meets the requirements of the Bond Resolution.

**Renewal and Replacement Account** - This account is maintained to pay for the reasonable and necessary expenses for major repairs, renewals, replacements or maintenance items of a type not recurring annually. Funds on deposit must be equal to the System Reserve Requirement, currently established by the Bond Resolution at \$1,500,000.00. At June 30, 2016, the balance in the 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.

**Debt Service Coverage**

The net revenues for the current year were 1.73 times the annual debt service for the current bond year ending June 30, 2016. The Authority's Bond Resolution requires that net revenues equal at least 1.05% of debt service. Net revenues and debt service coverage is calculated as follows:

	<u>2016</u>	<u>2015</u>
Net Revenue:		
Operating Income (Exhibit B)	\$4,007,367.89	\$3,531,011.35
Add: Depreciation Expense	2,873,538.19	2,987,414.29
Major Repairs & Other Expenses	2,005,307.60	716,893.60
Interest Revenue	<u>288,342.06</u>	<u>329,661.90</u>
Net Revenues	<u>\$9,174,555.74</u>	<u>\$7,564,981.14</u>
Debt Service:		
Bond Principal	\$4,483,850.29	\$4,091,570.87
Interest Expense:		
Interest Accrued	721,349.07	876,352.56
Less - Amortization	<u>(108,927.19)</u>	<u>(60,061.33)</u>
Debt Service	<u>\$5,314,126.55</u>	<u>\$5,027,984.76</u>
Net Revenues	9,174,555.74	7,564,981.14
	=1.73%	=1.50%
Debt Service	5,314,126.55	5,027,984.76



**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 June 30, 2016 and 2015, the Authority's bank balances were exposed to custodial credit risk as follows:

	June 30,	
	<u>2016</u>	<u>2015</u>
Insured by F.D.I.C.	\$ 500,000.00	\$ 500,000.00
Insured by GUDPA	25,328,966.53	24,584,393.55
	<u>\$ 25,828,966.53</u>	<u>\$ 25,084,393.55</u>

**Investments**

**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. 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. All of the Authority's \$6,149,849.22 as of June 30, 2016 and \$8,818,435.81 as of June 30, 2015 investments in treasury obligations, money market funds, GNMA's or direct Treasury Securities 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.40A:5-15.1, the Authority does not have a formal 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 counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Authority may purchase such as Treasury securities in order to limit the exposure of governmental units to credit risk. The Authority has no investment policy that would further limit its investment choices.

**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. 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, money market funds, GNMA's or direct Treasury Securities.

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

**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 prices in active markets for identical assets; level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of June 30, 2016, all of the Authority's investments in U.S. Treasury and Agency securities are valued using quoted market prices (Level 1 inputs).

As of June 30, 2016, the Authority had the following investments and maturities:

<u>Investment</u>	<u>Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
G.N.M.A. Pool 15-65	N/A	5/20/2045	\$ 1,467,438.73
G.N.M.A. II Pool 13-66	AAA	5/16/2041	60,759.77
G.N.M.A. II Pool 14-88	AAA	11/25/2044	160,595.54
F.N.M.A. Pool #11-117	AAA	11/25/2041	30,315.33
F.N.M.A. Pool	AAA	10/20/2023	500,115.00
F.N.M.A. 12-134	AAA	9/25/2041	60,345.87
F.N.M.A. 12-130	AAA	12/25/2042	200,440.97
F.N.M.A. 14-37	AAA	7/25/2044	906,007.89
F.N.M.A. 12-99	AAA	6/25/2042	513,123.51
G.N.M.A. GTD Remic 09-46	AAA	2/20/2039	997,919.55
G.N.M.A. GTD Remic 04-34	AAA	5/20/2034	16,107.19
G.N.M.A. GTD Remic 09-34	AAA	4/20/2039	611,495.46
Freddie Mac #4150	AAA	1/15/2043	312,567.39
F.N.R.13-105	AAA	3/25/2043	229,268.76
F.H.L.M.C. Pool #4321	AAA	7/15/2043	83,348.26
			<u>\$ 6,149,849.22</u>

As of June 30, 2015, the Authority had the following investments and maturities:

<u>Investment</u>	<u>Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
G.N.M.A. Pool 15-65	N/A	5/20/2045	\$ 487,826.86
G.N.M.A. II Pool 13-66	AAA	5/16/2041	228,929.58
G.N.M.A. II Pool 14-88	AAA	11/25/2044	458,357.45
F.N.M.A. Pool #13-27	AAA	1/25/2043	195,991.36
F.N.M.A. Pool #11-117	AAA	11/25/2041	125,901.42
F.N.M.A. Pool	AAA	10/20/2023	487,020.00
F.N.M.A. 12-134	AAA	9/25/2041	231,202.93
F.N.M.A. 12-130	AAA	12/25/2042	289,619.20
F.N.M.A. 14-37	AAA	7/25/2044	1,242,693.79
F.N.M.A. 12-99	AAA	6/25/2042	733,927.14
F.N.M.A.	AAA	10/25/2041	49,478.68
G.N.M.A. GTD Remic 09-46	AAA	2/20/2039	972,788.93
G.N.M.A. GTD Remic 04-34	AAA	5/20/2034	109,940.94
G.N.M.A. GTD Remic 09-34	AAA	4/20/2039	2,100,540.00
Freddie Mac #4150	AAA	1/15/2043	492,352.76
F.N.R.13-105	AAA	3/25/2043	372,240.98
F.H.L.M.C. Pool #4321	AAA	7/15/2043	239,623.79
			<u>\$ 8,818,435.81</u>

**Note 3: DETAIL NOTES – ASSETS (CONT'D)****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>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Billings</u>	<u>Total Collections</u>	<u>Percentage of Collections</u>
2016	\$1,208,903.81	\$16,988,691.58	\$17,216,458.35	94.61%
2015	1,445,684.89	15,569,649.60	15,806,429.68	92.90%
2014	1,158,848.07	15,404,387.40	15,117,550.58	91.27%

**Capital Assets**

During the fiscal year ended June 30, 2016, the following changes in capital assets occurred:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Land	\$ 5,332,318.00			\$ 5,332,318.00
Buildings	55,333,764.70			55,333,764.70
Infrastructure	101,212,889.91	\$ 376,400.43		101,589,290.34
Fixed Equipment	5,634,674.10	87,288.58	\$ 15,232.00	5,706,730.68
Equipment	1,924,930.12	73,688.95	18,206.00	1,980,413.07
Vehicles	2,000,169.46	302,884.58	28,052.58	2,275,001.46
	171,438,746.29	840,262.54	61,490.58	172,217,518.25
Less accumulated depreciation	127,345,422.93	2,873,538.19	61,490.58	130,157,470.54
	<u>\$ 44,093,323.36</u>	<u>(\$ 2,033,275.65)</u>	<u>\$ -</u>	<u>\$ 42,060,047.71</u>

During the fiscal year ended June 30, 2015, the following changes in capital assets occurred:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Land	\$ 5,332,318.00			\$ 5,332,318.00
Buildings	55,333,764.70			55,333,764.70
Infrastructure	101,137,799.81	\$ 75,090.10		101,212,889.91
Fixed Equipment	5,606,522.36	28,151.74		5,634,674.10
Equipment	1,614,360.39	312,401.73	\$ 1,832.00	1,924,930.12
Vehicles	1,888,182.96	111,986.50		2,000,169.46
	170,912,948.22	527,630.07	1,832.00	171,438,746.29
Less accumulated depreciation	124,359,799.06	2,987,414.29	1,790.42	127,345,422.93
	<u>\$ 46,553,149.16</u>	<u>(\$ 2,459,784.22)</u>	<u>\$ 41.58</u>	<u>\$ 44,093,323.36</u>

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

Depreciation expense by major class of capital assets is:

	<u>Fiscal Year</u>	
	<u>2016</u>	<u>2015</u>
Buildings and Improvements	\$ 1,008,143.97	\$ 1,049,132.15
Infrastructure	1,586,920.01	1,919,003.67
Fixed Equipment	154,326.58	1,381.36
Equipment	36,378.42	10,543.53
Vehicles	<u>87,769.21</u>	<u>7,353.58</u>
	<u>\$ 2,873,538.19</u>	<u>\$ 2,987,414.29</u>

**Note 4: DETAIL NOTES - LIABILITIES****Long-term Liabilities**

During the fiscal year ended June 30, 2016, the following changes occurred in long-term obligations:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Bonds and Loans Payable:					
Bonds Payable	\$ 17,860,000.00		\$ (3,190,000.00)	\$ 14,670,000.00	\$ 3,555,000.00
NJEIT Loans	13,952,625.71		(901,570.87)	13,051,054.84	928,850.29
Total Bonds and Loans Payable	31,812,625.71	\$ -	(4,091,570.87)	27,721,054.84	4,483,850.29
Other Liabilities:					
Net Pension Liability	7,076,745.00	1,607,008.00	(320,310.00)	8,363,443.00	
Net OPEB Obligation	91,338.64	10,050.15		101,388.79	
Other Liabilities -					
Related to Pension	320,310.00	385,269.00	(320,310.00)	385,269.00	
Compensated Absences	472,283.48	26,641.75		498,925.23	49,892.52
Total Other Liabilities	7,960,677.12	2,028,968.90	(640,620.00)	9,349,026.02	49,892.52
Total Long Term Liabilities	\$ 39,773,302.83	\$ 2,028,968.90	\$ (4,732,190.87)	\$ 37,070,080.86	\$ 4,533,742.81

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Long-term Liabilities**

During the fiscal year ended June 30, 2015, the following changes occurred in long-term obligations:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
Bonds and Loans Payable:					
Bonds Payable	\$ 20,950,000.00		\$ (3,090,000.00)	\$ 17,860,000.00	\$ 3,190,000.00
NJEIT Loans	14,799,168.39		(846,542.68)	13,952,625.71	901,570.87
Total Bonds and Loans Payable	35,749,168.39	\$ -	(3,936,542.68)	31,812,625.71	4,091,570.87
Other Liabilities:					
Net Pension Liability		7,076,745.00		7,076,745.00	
Net OPEB Obligation	60,641.00	30,697.64		91,338.64	
Other Liabilities -					
Related to Pension		320,310.00		320,310.00	
Compensated Absences	430,767.14	41,516.34		472,283.48	
Total Other Liabilities	491,408.14	7,469,268.98	-	7,960,677.12	-
Total Long Term Liabilities	\$ 36,240,576.53	\$ 7,469,268.98	\$ (3,936,542.68)	\$ 39,773,302.83	\$ 4,091,570.87

**Revenue Bonds Payable****2004 Series A**

The 2004 Series A Revenue Bonds in the original amount of \$4,435,000.00 were issued by the Authority on March 1, 2004 pursuant to the 2004 Supplemental Bond Resolution. The Bonds carry interest rates ranging from 1.10% to 4.15%.

Proceeds from the 2004 Bonds were used to refund \$715,000.00 outstanding 1995 Series A bonds and \$3,310,000.00 Series 1996 Series A bonds and to pay certain costs of the issuance of the 2004 Bonds, including the premium for a municipal bond insurance policy.

**2011 Series A**

The 2011 Series A Revenue Bonds in the original amount of \$3,655,000.00 were issued by the Authority on November 16, 2011 pursuant to the 2011 Supplemental Bond Resolution. The Bonds carry interest rates ranging from 1.75% to 5.00%.

Proceeds from the 2011 Bonds were used to finance the acquisition, construction, renovation, and/or installation of an infrastructure project consisting of the rehabilitation of a sewerage pump station and the replacement and reconstruction of sewer mains and related improvements, make a deposit to the Bond Reserve Fund and to pay costs of issuing the 2011 Bonds.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Revenue Bonds Payable (Cont'd)****2012 Series A**

The 2012 Series A Revenue Bonds in the original amount of \$18,865,000.00 were issued by the Authority on April 4, 2012 pursuant to the 2012 Supplemental Bond Resolution. The Bonds carry interest rates ranging from 2.00% to 4.00%.

Proceeds from the 2012 Bonds were used to refund \$13,065,000.00 outstanding 2002 Series A bonds and \$7,335,000.00 Series 2003 Series A bonds and to pay costs of issuing the 2012 Bonds.

A summary of maturities on the 2004, 2011 and 2012 Revenue Bonds Payable at June 30, 2016 is as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,555,000.00	\$ 494,787.50	\$ 4,049,787.50
2018	3,695,000.00	351,827.50	4,046,827.50
2019	3,845,000.00	202,826.25	4,047,826.25
2020	625,000.00	117,433.75	742,433.75
2021	640,000.00	98,276.25	738,276.25
2022 to 2026	2,165,000.00	147,600.00	2,312,600.00
2027	145,000.00	2,718.75	147,718.75
	<u>14,670,000.00</u>	<u>\$ 1,415,470.00</u>	<u>\$ 16,085,470.00</u>
Less: Current Maturities	3,555,000.00		
Premium/ Discount on Bonds	<u>(854,172.59)</u>		
Long-term Portion	<u>\$ 11,969,172.59</u>		

**New Jersey Environmental Infrastructure Trust**

In November 2006, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$5,695,000.00 from the Trust and a \$5,699,574.00 from the Fund. The loan proceeds are being used to fund the Kings Grant Sewer Treatment Plant rehabilitation project. As of June 30, 2016, the Authority has drawn all of these funds.

The Fund Loan is a non-interest bearing loan with the first semi-annual principal payment paid July 1, 2007. The Trust Loan carries rates from 4.00% to 5.00%. Both loans have a final maturity of July 1, 2026.

In November 2008, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$1,325,000.00 from the Trust and a \$1,307,340.00 from the Fund. The loan proceeds are being used to fund the Kings Grant Sewer Treatment Plant rehabilitation project. As of June 30, 2016, the Authority has drawn all of these funds.

The Fund Loan is a non-interest bearing loan with the first semi-annual principal payment paid July 1, 2009. The Trust Loan carries rates from 5.00% to 5.50%. Both loans have a final maturity of July 1, 2028.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****New Jersey Environmental Infrastructure Trust (Cont'd)**

In November 2009, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$830,588.00 from the Fund and a \$270,000.00 from the Trust. A portion of the Fund loan principal totaling \$553,725.00 was funded by American Recovery Reinvestment Act proceeds and subsequently forgiven. As a result, the Authority is only liable for \$276,863.00 of the Fund loan. The loan proceeds are being used to fund the Kings Grant Infiltration Basin project. As of June 30, 2016, the Authority has drawn all of these funds.

In May 2014, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$1,050,000.00 from the Trust and a \$3,222,073.00 from the Fund. The loan proceeds are being used to fund the Elmwood / Woodstream SCADA project and the Elmwood / Woodstream Treatment Plant Upgrades for Energy Conservation. As of June 30, 2016, the Authority has drawn \$4,174,921.00 of these funds.

The Fund Loan is a non-interest bearing loan with the first semi-annual principal payment due July 1, 2014. The Trust Loan carries rates from 3.00% to 5.00%. Both loans have a final maturity of July 1, 2033.

The following schedule reflects the Debt Service Requirements for the Authority's N.J.E.I.T. Loans until 2034.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 928,850.29	\$ 256,006.26	\$ 1,184,856.55
2018	940,025.24	237,756.26	1,177,781.50
2019	963,077.04	219,781.26	1,182,858.30
2020	977,372.70	201,050.01	1,178,422.71
2021	996,681.34	181,393.76	1,178,075.10
2022	1,015,472.69	160,615.63	1,176,088.32
2023	1,036,695.42	138,787.50	1,175,482.92
2024	1,056,975.26	115,768.75	1,172,744.01
2025	1,075,785.99	90,375.00	1,166,160.99
2026	1,107,376.88	64,662.50	1,172,039.38
2027	1,087,972.81	39,737.50	1,127,710.31
2028	357,911.98	23,175.00	381,086.98
2029	367,911.98	15,375.00	383,286.98
2030	253,219.58	10,100.00	263,319.58
2031	233,834.21	7,775.00	241,609.21
2032	233,834.21	5,675.00	239,509.21
2033	233,834.21	3,531.25	237,365.46
2034	184,223.01	1,218.75	185,441.76
	13,051,054.84	<u>\$ 1,772,784.43</u>	<u>\$ 14,823,839.27</u>
Current Portion	<u>928,850.29</u>		
Long Term	<u>\$ 12,122,204.55</u>		

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****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 June 30, 2016 and 2015 is estimated at \$498,925.23 and \$472,283.48, respectively.

**Net Pension Liability**

For details on the net pension liability, see the Pension Plans section below. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

**Lease Obligations**

At June 30, 2016, the Authority had operating lease agreements in effect for copiers and GPS Tracking System.

Operating Leases – Future minimum rental payments under operating lease agreements are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 13,379.76
2018	13,379.76

Current year payments under operating leases totaled \$14,789.15.

The Authority's administration office is located in the Evesham Township Municipal Complex. The Authority previously paid the Township \$300,000.00 for office space for twenty years. In March 2004, in accordance with amendments to the rental agreement, the Authority paid the Township an additional \$150,847.89 for office space extending the lease to thirty years. In August 2004, the Authority paid the Township \$247,824.00 extending the lease for an additional ten years to June 30, 2038. The Authority has recorded a prepaid expense on its balance sheet and will apply the prepayment to subsequent year's budgets over a period of forty years. The Authority's total rental expense for fiscal years 2016 and 2015 was \$26,245.00, including \$22,671.41 for 2016 and \$21,591.82 for 2015 of the prepaid amount that was applied.

**Pension Plans**

A substantial number of Authority 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, Authority employees may participate in the Defined Contribution Retirement Program, 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.state.nj.us/treasury/pensions>



**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****General Information about the Pension Plans****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 otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for a certain enrollment tier 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 certain enrollment tiers, but who earn salary of at least \$5,000.00 annually.

**Vesting and Benefits Provisions**

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and 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 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****General Information about the Pension Plans (Cont'd)****Vesting and Benefits 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 6.78% in State fiscal year 2014. 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 rate for the fiscal years ended June 30, 2016 and 2015 was 12.13% and 11.52% of the Authority's covered-employee payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$320,310.00 and \$311,598.00 for the fiscal years ended June 30, 2016 and 2015. Authority employee contributions were \$229,253.55 and \$195,842.92 the fiscal years ended June 30, 2016 and 2015.

**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, Authoritys are required to contribute 3% of the employees' base salary, for each pay period, 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 fiscal year ended June 30, 2016, the Authority had no employees participating in this plan.

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

**Public Employees' Retirement System** - At June 30, 2016, the Authority reported a liability of \$8,363,443.00 for its proportionate share of the net pension liability. The net pension liability was measured 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. At June 30, 2015, the Authority's proportion was .0372569676%, which was a decrease of .000005406369% from its proportion measured as of June 30, 2014.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)****Public Employees' Retirement System (Cont'd)**

For the fiscal years ended June 30, 2016 and 2015, the Authority recognized pension expense of \$536,935.00 and \$370,322.00, respectively.

At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>June 30, 2016</u>		<u>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	\$ 199,522.00			
Changes of Assumptions	898,167.00		\$ 222,531.00	
Net Difference between Projected and Actual Earnings on Pension Plan Investments		\$ 134,468.00		\$ 421,736.00
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	28,807.00	85,878.00	35,294.00	
Authority Contributions Subsequent to the Measurement Date	385,269.00		320,310.00	
	<u>\$ 1,511,765.00</u>	<u>\$ 220,346.00</u>	<u>\$ 578,135.00</u>	<u>\$ 421,736.00</u>

The deferred outflows of resources related to pensions totaling \$385,269.00 and \$320,310.00 will be included as a reduction of the net pension liability in the fiscal years ended June 30, 2017 and June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be reconized in pension expense as follows:

**Fiscal Year Ending  
June 30, 2016**

2017	\$ 163,856.00
2018	163,856.00
2019	163,857.00
2020	269,291.00
2021	145,290.00
	<u>\$ 906,150.00</u>

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)****Public Employees' Retirement System (Cont'd)**

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

	<b><u>Deferred Outflow of Resources</u></b>	<b><u>Deferred Inflow of Resources</u></b>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
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
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

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Public Employees' Retirement System (Cont'd)****Actuarial Assumptions**

The net pension liability was measured 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. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.04%
Salary Increases:	
2012-2021	2.15% - 4.40% Based on Age
Thereafter	3.15% - 5.40% Based on Age
Investment Rate of Return	7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2008 - June 30, 2011

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables ((setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The long-term expected rate of return on plan investments (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, 2015 are summarized in the following tables:

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Public Employees' Retirement System (Cont'd)****Actuarial Assumptions (Cont'd)**

<u>Asset Class</u>	<u>Target Allocation %</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds / Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex U.S.	3.50%	-0.40%
REIT	4.25%	5.12%
	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 4.90% and 5.39% for PERS as of June 30, 2015 and 2014, respectively. For PERS, these single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, 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 for PFRS, the non-employer contributing entity, will be made based on the average of the last five years of 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 2033 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Public Employees' Retirement System (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 June 30, 2016 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:

	<b>1% Decrease (3.90%)</b>	<b>Current Discount Rate (4.90%)</b>	<b>1% Increase (5.90%)</b>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 10,394,736.00</u>	<u>\$ 8,363,443.00</u>	<u>\$ 6,660,421.00</u>

The following presents the Authority's proportionate share of the net pension liability at June 30, 2016 calculated using a discount rate of 5.39%, 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:

	<b>1% Decrease (4.39%)</b>	<b>Current Discount Rate (5.39%)</b>	<b>1% Increase (6.39%)</b>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 8,902,787.00</u>	<u>\$ 7,076,745.00</u>	<u>\$ 5,543,335.00</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 respective fiduciary net position of PERS and additions to/deductions from PERS' 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/annrpts.shtml](http://www.nj.gov/treasury/pensions/annrpts.shtml).

**Post-Employment Benefits Other Than Pension Benefits**

**Plan Description** - The Authority provides postretirement medical and prescription benefits through a health plan for retirees. The Authority's plan is provided through an agreement with the Township of Evesham (see Note 8) which is a self-insured plan. The Authority's plan was approved by the Board on October 9, 2013. The plan covers the all employees and eligible dependents in which said employee is sixty-two (62) years or older and has at least twenty (20) years of service to the Authority. Benefits to the employee will cease when the employee reaches age sixty five (65), dependent coverage ends at this time regardless of age. The benefits are determined by negotiated contract of the collective bargaining unit. A memorandum of understanding limits the authorization of postretirement benefits up to and including June 30, 2018. Retirees must continue to make contributions per Chapter 78 while they receive these benefits.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Post-Employment Benefits Other Than Pension Benefits (Cont'd)**

**Funding Policy** - The plan is funded by the Authority on a “pay as you go basis”.

**Retirees** - The Authority receives monthly contributions from retirees to offset a portion of the cost. For fiscal year ending June 30, 2016 and 2015 retirees contributed \$1,132.11 and \$416.01, respectively. The Authority's contributions to the plan for the fiscal years ended June 30, 2016, 2015, and 2014 were \$49,498.63, \$29,218.22, and \$555.07, respectively.

**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 \$60,641.00 at an unfunded discount rate of 5.0%. As stated above, the Authority has funded the cost of existing retirees in the amount of \$49,498.63, and has accrued the benefit costs for future eligible employees, but has not yet begun funding this outstanding liability.

**Annual OPEB Cost** - For fiscal year 2016, the Authority's annual OPEB cost (expense) of \$59,548.78 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 fiscal years 2016, 2015, and 2014 are as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Required Contribution (ARC)	\$ 60,641.00	\$ 60,641.00	\$ 60,641.00
Interest on the Net OPEB Obligation	4,566.93	3,032.05	-
Adjustment to the ARC	<u>(5,659.15)</u>	<u>(3,757.19)</u>	<u>-</u>
Annual OPEB Cost	59,548.78	59,915.86	60,641.00
Contributions (Existing Retirees)	<u>(49,498.63)</u>	<u>(29,218.22)</u>	<u>-</u>
Increase (Decrease) in the Net OPEB Obligation	10,050.15	30,697.64	60,641.00
Net OPEB Obligation, July 1	<u>91,338.64</u>	<u>60,641.00</u>	<u>-</u>
Net OPEB Obligation, June 30	<u>\$ 101,388.79</u>	<u>\$ 91,338.64</u>	<u>\$ 60,641.00</u>
Percentage of Annual OPEB Cost Contributed	82%	48%	5.60%



**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Post-Employment Benefits (Cont'd)**

**Funded Status and Funding Progress** - The funded status of the plan as of June 30, 2016, was as follows:

Actuarial Accrued Liability (AAL)	\$ 635,207.00
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 635,207.00</u>
Funded Ratio (Actuarial Value of Plan Assets / AAL)	100%
Covered Payroll (Active Plan Members)	\$ 3,763,803.78
UAAL as a Percentage of Covered Payroll	16.9%

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.

**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 June 30, 2014 actuarial valuation, the projected unit credit actuarial 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 an open basis. The actuarial assumptions included the following:

- *Mortality:* Group Annuity Mortality Table *Turnover*.
- *Future Costs Discount Rate:* 5% Compounded Annually
- *Spousal Coverage:* Married Employees Will Remain Married
- *Rate of Medical Inflation:* 7.0% Pre-Medicare; 5.0% Post-Medicare
- *Administration Expenses:* 2% Cost included in Health Care Costs

**Note 5: DETAIL NOTES – DEFERRED INFLOWS OF RESOURCES****Connection 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 6: DETAIL NOTES – NET POSITION****Net Position Appropriated**

As of June 30, 2016, the Authority had a balance an unrestricted net position balance of \$9,096,567.58. Of that amount, \$494,921.00 has been appropriated and included as support in the sewer operating budget, \$1,825,000.00 in the sewer capital budget, \$284,314.00 in the water operating budget and \$396,250.00 in the water capital budget for the fiscal year ending June 30, 2017.

**Note 7: DEVELOPERS' PERFORMANCE DEPOSITS**

The Authority has accepted cash deposits for several construction projects in lieu of performance bonds. Performance bonds and deposits are required by the Authority to insure the proper completion of a project. If a project is not completed to the satisfaction of the Authority, this money or bond will be used to pay for the corrections needed to meet the Authority's requirements. The Authority has established individual bank accounts for each developer's deposit. The accounts are in the name of the developer and the Authority. The Authority has no right to the deposits or interest earned until the time of developer default. Therefore, the Authority does not record the deposits in its financial statements. The total amount of performance deposits at June 30, 2016 and 2015 were \$466,295.75 and \$172,419.35, respectively.

**Note 8: INTERGOVERNMENTAL AGREEMENTS****Major Customer**

In April 1989, the Authority entered into a five year renewable agreement with the Municipal Utilities Authorities of Willingboro and Mount Laurel. The agreement was renewed in April 1994 for an additional period of five years and has been extended by mutual agreement. The agreement details the purchase of water by the Mount Laurel Township M.U.A. from the Willingboro M.U.A. and the subsequent resale of water by Mount Laurel to the Evesham M.U.A. Evesham M.U.A. is required to purchase a minimum of 50% of the quarterly gallons purchased by the Mount Laurel Township M.U.A., subject to certain daily requirements, if such water is available. Pursuant to the agreement, the Mount Laurel Township M.U.A. has title to all interconnection assets and is responsible for their maintenance, except for any extraordinary repair costs for certain defined areas of the interconnection system which would be shared equally with Evesham M.U.A. The payments for water purchases are deemed to be an operating expense to the Evesham M.U.A. and are appropriately charged to the Authority's budget. The amount paid to Mount Laurel Township M.U.A. for fiscal year 2016 was \$261,971.25 and for fiscal year 2015 was \$191,690.64. An accounts payable has been recorded totaling \$21,971.25 for payment of prior year's usage.

On November 12, 2013, the Authority entered into an agreement with the Township of Evesham to provide health and prescription benefits to the Authority employees and dependents through the Township's self-insured benefits plan. The plan is administered by Insurance Administrator of America, Inc (I.A.A.). The agreement calls for the Authority to be billed for 100% of claims associated with their employees and dependents. The Authority will also pay a percentage of the fixed costs associated with the administration of the plan. The agreement provides a maximum claim amount per employee or dependent (individually) of \$75,000.00. A stop loss policy for claims exceeding \$75,000.00 is provided by an insurance policy acquired through a commercial insurance company. The effective date of the agreement was December 1, 2013 and expired November 30, 2015. The Authority and Township continue to honor the agreement.

**Note 8: INTERGOVERNMENTAL AGREEMENTS (CONT'D)****Other Service Agreements**

In June 2000, the Authority entered into a ten year renewable agreement with New Jersey American Water Company, Inc. (NJAWC) for the supply, delivery and purchase of water. The agreement stipulates that for the initial term ending December 31, 2001, the Authority must purchase 850,000 gallons per day. The purchase requirement remained unchanged until February 1, 2002, when the minimum amount was increased to 1,000,000 gallons per day. The agreement automatically renews for two successive ten year terms unless the Authority has received final approval from the NJ Department of Environmental Protection for a new source of supply plan naming an alternative supply source other than NJAWC and the Authority provides NJAWC with written notice of termination not later than one year prior to the end of the current term. If the notice of termination is delivered, the Authority's minimum purchase amount would be decreased 20% in each year of the next successive five years. The Authority paid the NJAWC \$1,152,373.77 during the fiscal year 2016 and \$1,153,302.73 during the fiscal year 2015.

**Note 9: COMMITMENTS**

The Authority had several outstanding construction projects as of June 30, 2016. These projects are evidenced by contractual commitments with a contractor and include:

<u>Project</u>	<u>Awarded</u>	<u>Commitment Remaining</u>
Well #14	\$ 64,400.00	\$ 61,129.00
Wastewater Treatment Plant SCADA Systems	1,040,000.00	10,428.00
Wastewater Treatment Plant Upgrades	1,853,056.00	50,212.53
Sludge Transportation Services	140,816.00	67,989.20
Painting of Merchant Way Water Tank	440,900.00	13,326.00
Water Tank Inspection Services	41,250.00	41,250.00
Waterview Court Water Main Replacement	257,380.00	94,959.70
Hamilton Road Improvements	121,400.00	121,400.00
Hopewell Booster Station Control Upgrade	29,445.00	29,445.00
Mission Communication P.S. SCADA Equipment	<u>110,259.60</u>	<u>24,789.60</u>
	<u>\$ 4,098,906.60</u>	<u>\$ 514,929.03</u>

**Note 10: DEFERRED COMPENSATION**

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 11: ARBITRAGE REBATE LIABILITY**

The Tax Reform Act of 1986 placed restriction on investments of the proceeds of certain tax-exempt bonds issued after December 31, 1986. Specifically, investment earnings which are above arbitrage bond yield are required to be rebated to the United States Treasury Department within sixty days of the end of the fifth bond year. A bond year is defined as ending on the anniversary date of bond settlement.

As a result of potential arbitrage rebate due, the Authority has deposited \$190,766.64 into a trustee bank account, reserved to pay any future rebate requirement. The calculation for the fifth bond year has not been prepared as of the date of this report.

**Note 12: RISK MANAGEMENT**

The Authority is a member of the New Jersey Utility Authorities Joint Insurance Fund. The Fund provides the Authority with the following coverage:

Workers' Compensation and Employer's Liability  
Liability other than Motor Vehicles  
Property Damage other than Motor Vehicles  
Motor Vehicles  
Crime, which includes Employee Dishonesty  
Environmental Legal Liability

Contributions to the Fund, including a reserve for contingencies are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Authority's agreement with the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of \$500,000.00 for each insured event.

The Fund publishes its own financial report for the year ended December 31, 2015, which can be obtained from:

New Jersey Utility Authorities Joint Insurance Fund  
9 Campus Drive, Suite 216  
Parsippany, NJ 07054-4412

**Note 13: 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.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Required Supplementary Information  
Schedule of Funding Progress for the OPEB Plan

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2014	\$ -	\$ 635,207.00	\$ 635,207.00	0 %	N/A	N/A

## Schedule RSI-2

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Required Supplementary Information  
Schedule of Employer Contributions to the OPEB Plan

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Fiscal Year Ended June 30,	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2014	\$ 60,641.00	0%
2015	60,641.00	48%
2016	60,641.00	82%

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

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	<b><u>Measurement Date Ending June 30.</u></b>		
	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Authority's Proportion of the Net Pension Liability	0.0372569676%	0.0377976045%	0.0375789881%
Authority's Proportionate Share of the Net Pension Liability	\$ 8,363,443.00	\$ 7,076,745.00	\$ 7,182,091.00
Authority's Covered-Employee Payroll	\$ 2,780,468.00	\$ 2,417,848.00	\$ 2,405,007.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	300.79%	292.69%	298.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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.

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Required Supplementary Information  
 Schedule of the Authority's Contributions  
 Public Employees' Retirement System (PERS)  
 Last Three Fiscal Years

	<b>Fiscal Year Ended June 30,</b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Contractually Required Contribution	\$ 385,269.00	\$ 320,310.00	\$ 311,598.00
Contributions in Relation to the Contractually Required Contribution	<u>(385,269.00)</u>	<u>(320,310.00)</u>	<u>(311,598.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered-Employee Payroll	\$ 3,176,925.00	\$ 2,780,468.00	\$ 2,592,134.00
Contributions as a Percentage of Authority's Covered-Employee Payroll	12.13%	11.52%	12.02%

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.



**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2016

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**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	June 30, 2014
Actuarial Cost Method	Unit Credit Cost Method
Amortization Method	Present Value Straight Line
Remaining Amortization Period	28 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Mortality	Group Annuity Mortality Table
Future Costs Discount Rate	5% Compounded Annually
Spousal Coverage	Married Employees Will Remain Married
Rate of Medical Inflation	7.0% Pre-Medicare; 5.0% Post-Medicare
Administration Expenses	2% Cost included in Health Care Costs

For determining the GASB ARC, the rate of employer contributions to the Evesham 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.

**Public Employees' Retirement System (PERS)**

Changes in Benefit Terms - None

Changes in Assumptions - The discount rate changed from 5.39% as of June 30, 2014, to 4.90% as of June 30, 2015, in accordance with Paragraph 44 of GASB Statement No. 67.

## **SUPPLEMENTAL SCHEDULES**

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Net Position by Department  
As of June 30, 2016

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>ASSETS</b>			
Current Unrestricted Assets:			
Revenue/Operating Account:			
Cash and Cash Equivalents		\$ 2,009,616.91	\$ 2,009,616.91
Investments		1,927,421.24	1,927,421.24
Accrued Interest Receivable	\$ 1,936.10	3,595.62	5,531.72
General Account:			
Cash and Cash Equivalents	298,522.26	9,045,721.64	9,344,243.90
Investments	50,141.31	284,134.09	334,275.40
Accrued Interest Receivable	250.39	465.01	715.40
Due from New Jersey Environmental Infrastructure Trust		97,152.00	97,152.00
Consumer Accounts Receivable	321,010.03	660,127.01	981,137.04
Other Accounts Receivable	2,747.90	6,923.96	9,671.86
Prepaid Expenses	317,363.95	608,824.06	926,188.01
Total Unrestricted Assets	991,971.94	14,643,981.54	15,635,953.48
Non- Current Assets:			
Debt Service Account:			
Cash and Cash Equivalents	737,746.54	4,180,563.71	4,918,310.25
Accrued Interest Receivable	10,912.52	20,266.10	31,178.62
Debt Service Reserve Account:			
Cash and Cash Equivalents	205,397.65	1,163,920.02	1,369,317.67
Investments	497,882.70	2,821,335.28	3,319,217.98
Accrued Interest Receivable	3,144.69	5,840.13	8,984.82
Renewal and Replacement Account:			
Cash and Cash Equivalents	100,000.00	900,000.00	1,000,000.00
Investments	113,786.92	455,147.68	568,934.60
Accrued Interest Receivable	729.17	1,354.16	2,083.33
Construction Account:			
Cash and Cash Equivalents		2.98	2.98
Other Accounts:			
Cash and Cash Equivalents	243,393.04	582,255.94	825,648.98
Interfund Loan	2,100,000.00		2,100,000.00
Total Restricted Assets	4,012,993.21	10,130,686.02	14,143,679.23
Capital Assets:			
Construction in Progress	2,569,386.97	4,759,300.21	7,328,687.18
Completed (Net of Accumulated Depreciation)	9,848,649.35	32,211,398.36	42,060,047.71
Total Capital Assets	12,418,036.32	36,970,698.57	49,388,734.89
Total Assets	17,423,001.47	61,745,366.13	79,168,367.60
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to Pensions	529,117.75	982,647.25	1,511,765.00
Deferred Loss on Refunding of Bonds	16,822.49	59,715.38	76,537.87
	545,940.24	1,042,362.63	1,588,302.87

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Net Position by Department  
As of June 30, 2016

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>LIABILITIES</b>			
Current Liabilities Payable from Unrestricted Assets:			
Accounts Payable--Operations	\$ 204,287.36	\$ 159,122.71	\$ 363,410.07
Overpayments	1,296.71	2,408.18	3,704.89
Prepaid Rental Charges	17,219.64	31,979.32	49,198.96
Prepaid Antenna Rental Charges	21,168.00		21,168.00
	<hr/>		
Total Current Liabilities Payable from Unrestricted Assets	243,971.70	193,510.22	437,481.92
	<hr/>		
Current Liabilities Payable from Restricted Assets:			
Accounts Payable		24,525.13	24,525.13
Revenue Bonds Payable--Current Portion	938,442.00	2,616,558.00	3,555,000.00
New Jersey Environmental Infrastructure Loan Payable--Current Portion		928,850.29	928,850.29
Compensated Absences	17,462.38	32,430.14	49,892.52
Accrued Bond Interest Payable	60,206.45	354,931.68	415,138.13
Escrow Deposits		43,322.80	43,322.80
	<hr/>		
Total Current Liabilities Payable from Restricted Assets	1,016,110.83	4,000,618.04	5,016,728.87
	<hr/>		
Long-term Liabilities:			
Revenue Bonds Payable	2,347,148.40	9,622,024.19	11,969,172.59
New Jersey Environmental Infrastructure Loan Payable		12,122,204.55	12,122,204.55
Interfund Loan		2,100,000.00	2,100,000.00
Net Pension Liability	2,927,205.05	5,436,237.95	8,363,443.00
OPEB Obligation	35,486.07	65,902.72	101,388.79
Accrued Liabilities - Related to Pension	134,844.15	250,424.85	385,269.00
Compensated Absences	157,161.45	291,871.26	449,032.71
	<hr/>		
Total Long-term Liabilities	5,601,845.12	29,888,665.52	35,490,510.64
	<hr/>		
Total Liabilities	6,861,927.66	34,082,793.78	40,944,721.43
	<hr/>		
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to Pensions	77,121.10	143,224.90	220,346.00
Deferred Revenue	142,290.40	351,171.10	493,461.50
	<hr/>		
	219,411.50	494,396.00	713,807.50
	<hr/>		
<b>NET POSITION</b>			
Restricted for:			
Bond Covenants:			
Debt Service Reserve Requirement	972,007.94	3,606,272.44	4,578,280.38
System Reserve Requirement	525,000.00	975,000.00	1,500,000.00
Operating Requirement	1,253,033.75	1,683,062.50	2,936,096.25
Net Investment in Capital Assets	9,149,268.41	11,837,928.92	20,987,197.33
Unrestricted	(1,011,707.54)	10,108,275.12	9,096,567.58
	<hr/>		
Total Net Position	\$ 10,887,602.56	\$ 28,210,538.98	\$ 39,098,141.54
	<hr/>		

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Revenues, Expenses and Changes in Net Position by Department  
For the Fiscal Year Ended June 30, 2016

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:			
Service Charges	\$ 5,781,006.52	\$ 11,207,685.06	\$ 16,988,691.58
Connection Fees	226,135.65	550,172.75	776,308.40
Miscellaneous Charges	1,011,071.39	277,310.73	1,288,382.12
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	7,018,213.56	12,035,168.54	19,053,382.10
	<hr/>	<hr/>	<hr/>
Operating Expenses:			
Administrative Expenses:			
Salaries and Wages	289,832.40	289,831.95	579,664.35
Fringe Benefits	95,003.27	80,366.27	175,369.54
Other	236,975.92	314,826.58	551,802.50
	<hr/>	<hr/>	<hr/>
	621,811.59	685,024.80	1,306,836.39
	<hr/>	<hr/>	<hr/>
Cost of Service:			
Salaries and Wages	1,153,523.42	2,030,616.01	3,184,139.43
Fringe Benefits	420,105.05	926,967.91	1,347,072.96
Other	2,222,218.78	2,104,919.53	4,327,138.31
	<hr/>	<hr/>	<hr/>
	3,795,847.25	5,062,503.45	8,858,350.70
	<hr/>	<hr/>	<hr/>
Major Repairs and Other Expenses	701,857.66	1,303,449.94	2,005,307.60
Canceled Accounts Payable	(135.00)		(135.00)
Canceled Accounts Receivable		2,116.33	2,116.33
Depreciation	907,193.52	1,966,344.67	2,873,538.19
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	6,026,575.02	9,019,439.19	15,046,014.21
	<hr/>	<hr/>	<hr/>
Operating Income	991,638.54	3,015,729.35	4,007,367.89
	<hr/>	<hr/>	<hr/>
Non-operating Revenue (Expenses):			
Interest Revenue:			
Investment Income	100,919.72	187,422.34	288,342.06
Change in Fair Value of Investments	43,632.86	81,032.44	124,665.30
	<hr/>	<hr/>	<hr/>
	144,552.58	268,454.78	413,007.36
	<hr/>	<hr/>	<hr/>
Municipal Appropriation	(284,314.00)	(494,921.00)	(779,235.00)
Bond and Loan Interest	(85,187.68)	(636,161.39)	(721,349.07)
Interfund Loan	(300,000.00)	300,000.00	
	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(524,949.10)	(562,627.61)	(1,087,576.71)
	<hr/>	<hr/>	<hr/>
Income (Loss) Before Contributions (Carried Forward)	466,689.44	2,453,101.74	2,919,791.18

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Revenues, Expenses and Changes in Net Position by Department  
For the Fiscal Year Ended June 30, 2016

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Income (Loss) Before Contributions (Brought Forward)	\$ 466,689.44	\$ 2,453,101.74	\$ 2,919,791.18
Contributions:			
Developers	321,581.80	-	321,581.80
Change in Net Position	788,271.24	2,453,101.74	3,241,372.98
Net Position - Beginning	10,099,331.32	25,757,437.24	35,856,768.56
Net Position, End of Year:			
Restricted	\$ 2,750,041.69	\$ 6,264,334.94	\$ 9,014,376.63
Unrestricted	\$ (1,011,707.54)	\$ 10,108,275.12	\$ 9,096,567.58
Net Investment in Capital Assets	\$ 9,149,268.41	\$ 11,837,928.92	\$ 20,987,197.33

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments  
For the Fiscal Year Ended June 30, 2016

	Revenue/Operating		Restricted						
	<u>Accounts</u>	<u>General</u>	<u>Bond</u>	<u>Bond</u>	<u>Renewal and</u>	<u>Construction</u>	<u>Planning</u>	<u>Connection</u>	<u>Total</u>
			<u>Reserve</u>	<u>Service</u>	<u>Replacement</u>		<u>Escrow</u>	<u>Fee</u>	
Cash, Cash Equivalents and Investments									
July 1, 2015	\$ 3,736,769.36	\$ 8,962,877.80	\$ 4,664,258.24	\$ 4,577,703.41	\$ 1,544,866.50	\$ 2.98	\$ 34,846.28	\$ 930,986.37	\$ 24,452,310.94
Receipts:									
User Charges and Fees:									
Water	5,806,718.41								5,806,718.41
Sewer	11,368,830.10								11,368,830.10
Connection Fee Deposits:									
Water	226,135.65							162,760.50	388,896.15
Sewer	550,172.75							464,065.10	1,014,237.85
Miscellaneous Revenue Receivable:									
Water	1,011,071.39								1,011,071.39
Sewer	256,150.73								256,150.73
Prepaid Rents:									
Water	17,219.64								17,219.64
Sewer	31,979.32								31,979.32
Other Accounts Receivable	1,984.92								1,984.92
Overpayments	3,704.89								3,704.89
Prepaid Antennae Rents	21,168.00								21,168.00
N.J.Environmental Infrastructure									
Loans Receivable		784,687.00							784,687.00
Payroll Deductions Payable	3,950,352.87								3,950,352.87
Planning Escrow Deposits							76,766.22		76,766.22
Investment Income	135,649.95	25,715.07	167,982.27	24,991.16	50,528.07				404,866.52
Transfers In	253,831.45	2,101,425.46		5,290,531.56	1,083,111.68		1.10	1,242.10	8,730,143.35
Total Cash and Investments Available	27,371,739.43	11,874,705.33	4,832,240.51	9,893,226.13	2,678,506.25	2.98	111,613.60	1,559,054.07	58,321,088.30
Disbursements:									
Budgetary Expenses:									
Water	3,942,304.67								3,942,304.67
Sewer	5,109,930.31								5,109,930.31
Payroll Deductions Payable	3,955,550.77								3,955,550.77
Prepaid Expenses	478,715.82								478,715.82
Other Accounts Receivable	9,671.86								9,671.86
Accounts Payable	682,980.95								682,980.95
Municipal Appropriation	779,235.00								779,235.00
Bond Principal				3,190,000.00					3,190,000.00
Loan Principal				901,570.87					901,570.87
Bond and Loan Interest				883,345.01					883,345.01
Transfers Out	8,476,311.90	54,620.58	143,704.86		55,083.08			422.93	8,730,143.35
Capital Outlays:									
Expensed		944,174.03			1,054,488.57				1,998,662.60
Construction in Progress		678,710.68							678,710.68
Fixed Assets		518,680.74							518,680.74

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments  
For the Fiscal Year Ended June 30, 2016

	Revenue/Operating		Restricted						
	<u>Accounts</u>	<u>General</u>	<u>Bond</u>	<u>Bond</u>	<u>Renewal and</u>	<u>Construction</u>	<u>Planning</u>	<u>Connection</u>	<u>Total</u>
			<u>Reserve</u>	<u>Service</u>	<u>Replacement</u>		<u>Escrow</u>	<u>Fee</u>	
Disbursements (Cont'd):									
Expenditures for Planning Escrow							\$ 68,287.36		\$ 68,287.36
Due to Unrestricted Funds								\$ 776,308.40	776,308.40
Total Disbursements	\$ 23,434,701.28	\$ 2,196,186.03	\$ 143,704.86	\$ 4,974,915.88	\$ 1,109,571.65	\$ -	68,287.36	776,731.33	32,704,098.39
Cash, Cash Equivalents and Investments									
June 30, 2016	\$ 3,937,038.15	\$ 9,678,519.30	\$ 4,688,535.65	\$ 4,918,310.25	\$ 1,568,934.60	\$ 2.98	\$ 43,326.24	\$ 782,322.74	\$ 25,616,989.91
<u>Analysis of Balance June 30, 2016</u>									
Cash and Cash Equivalents	\$ 2,009,616.91	\$ 9,344,243.90	\$ 1,369,317.67	\$ 4,918,310.25	\$ 1,000,000.00	\$ 2.98	\$ 43,326.24	\$ 782,322.74	\$ 19,467,140.69
Investments:									
F.N.M.A. Notes	744,617.89		935,300.35						1,679,918.24
F.N.M.A. Pool	115,146.94		575,878.93						691,025.87
F.H.L.M.C.	83,348.26								83,348.26
F.R.N.			229,268.76						229,268.76
Freddie Mac		257,408.44	55,158.95						312,567.39
GNMA Remic	563,652.34	16,107.19	47,843.12						627,602.65
GNMA Pool	420,655.81	60,759.77	1,046,782.92						1,528,198.50
GNMA Bonds			428,984.95		568,934.60				997,919.55
	\$ 3,937,038.15	\$ 9,678,519.30	\$ 4,688,535.65	\$ 4,918,310.25	\$ 1,568,934.60	\$ 2.98	\$ 43,326.24	\$ 782,322.74	\$ 25,616,989.91



**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Schedule of Water Anticipated Revenues, Operating Appropriations  
Principal Payments and Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis  
For the Fiscal Year Ended June 30, 2016

	Amended <u>Budget</u>	2015-16 <u>Actual</u>	Favorable <u>(Unfavorable)</u>
Anticipated Revenues:			
Operating Revenues:			
Service Charges	\$ 5,295,843.00	\$ 5,781,006.52	\$ 485,163.52
Connection Fees	200,000.00	226,135.65	26,135.65
Miscellaneous	700,000.00	1,011,071.39	311,071.39
Total Operating Revenues	6,195,843.00	7,018,213.56	822,370.56
Other Budget Revenues:			
Investment Income	150,000.00	100,919.72	(49,080.28)
Change in Fair Value of Investments		43,632.86	43,632.86
	150,000.00	144,552.57	(5,447.43)
Total Anticipated Revenues	6,345,843.00	7,162,766.13	816,923.13
Operating Appropriations:			
Administrative:			
Salaries and Wages	286,000.00	289,832.40	(3,832.40)
Fringe Benefits	124,950.00	95,003.27	29,946.73
Trustee Fees	1,500.00	1,399.13	100.87
Audit Fees	33,600.00	29,461.00	4,139.00
Legal Fees	81,300.00	40,933.83	40,366.17
Engineer Fees	28,500.00	12,336.08	16,163.92
Office Expenses	193,400.00	114,927.12	78,472.88
Cellular Lease/Insurance Consultant	36,250.00	16,570.85	19,679.15
Dues and Meetings	8,000.00	5,459.06	2,540.94
Education and Training	42,000.00	15,888.85	26,111.15
Total Administrative Expenses	835,500.00	621,811.59	213,688.41
Cost of Service			
Salaries and Wages	1,203,650.00	1,153,523.42	50,126.58
Fringe Benefits	633,900.00	344,282.10	289,617.90
Electric and Utilities	400,000.00	334,881.65	65,118.35
Insurance	134,000.00	126,800.27	7,199.73
Vehicle Expense	35,000.00	12,308.71	22,691.29
Vehicle Repairs	33,000.00	22,235.10	10,764.90
Parts and Supplies	79,000.00	68,088.29	10,911.71
Chemicals	67,500.00	49,668.82	17,831.18
Repairs and Maintenance	83,000.00	55,184.54	27,815.46
Telephone and Communications	51,000.00	46,740.45	4,259.55
Well Testing	22,000.00	17,167.50	4,832.50
Bulk Water Purchases	1,514,850.00	1,413,535.05	101,314.95
Uniforms and Safety Equipment	17,900.00	14,500.15	3,399.85

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Schedule of Water Anticipated Revenues, Operating Appropriations  
Principal Payments and Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis  
For the Fiscal Year Ended June 30, 2016

	Amended <u>Budget</u>	2015-16 <u>Actual</u>	Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Cost of Service			
Dues and Meetings	\$ 3,000.00	\$ 2,151.65	\$ 848.35
Education and Training	9,500.00	4,964.78	4,535.22
State Fees	40,000.00	35,719.20	4,280.80
Public Information	12,000.00	9,718.16	2,281.84
One Call/Public Relations	7,200.00	5,036.91	2,163.09
OPEB Obligation		3,517.55	(3,517.55)
Total Cost of Service	4,346,500.00	3,720,024.30	626,475.70
Principal Payments on Debt Service in Lieu of Depreciation	1,026,904.00	740,372.00	286,532.00
	6,208,904.00	5,082,207.89	1,126,696.11
Non-Operating Appropriations:			
Interest on Bonds	136,939.00	120,412.90	16,526.10
Municipal Appropriation	284,314.00	284,314.00	
Total Operating, Principal Payments and Non-Operating Appropriations	6,630,157.00	5,486,934.79	1,143,222.21
Excess Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations	\$ (284,314.00)	\$ 1,675,831.34	\$ 1,960,145.34
<u>Reconciliation to Operating Income</u>			
Excess Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations			\$ 1,960,145.34
Add:			
Bond Principal		\$ 740,372.00	
Bond Interest		120,412.90	
			860,784.90
			2,820,930.24
Less:			
Investment Income		144,552.57	
Depreciation		907,193.52	
Related to Pensions		75,822.95	
Canceled Accounts Payable		(135.00)	
Major Repairs and Replacements		701,857.66	
			1,829,291.70
Operating Income (Schedule 2)			\$ 991,638.54

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

## Schedule of Sewer Anticipated Revenues, Operating Appropriations

## Principal Payments and Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis

For the Fiscal Year Ended June 30, 2016

	Amended <u>Budget</u>	2015-16 <u>Actual</u>	Favorable <u>(Unfavorable)</u>
Anticipated Revenues:			
Operating Revenues:			
Service Charges	\$ 10,587,192.00	\$ 11,207,685.06	\$ 620,493.06
Connection Fees	300,000.00	550,172.75	250,172.75
Miscellaneous	66,500.00	277,310.73	210,810.73
Total Operating Revenues	10,953,692.00	12,035,168.54	1,081,476.54
Other Budget Revenues:			
Investment Income	150,000.00	187,422.34	37,422.34
Change in Fair Value of Investments		81,032.44	81,032.44
	150,000.00	268,454.78	118,454.78
Total Anticipated Revenues	11,103,692.00	12,303,623.33	1,199,931.33
Operating Appropriations:			
Administrative:			
Salaries and Wages	286,000.00	289,831.95	(3,831.95)
Fringe Benefits	110,950.00	80,366.27	30,583.73
Trustee Fees	57,000.00	51,089.13	5,910.87
Audit Fees	33,600.00	29,461.00	4,139.00
Legal Fees	81,300.00	40,933.87	40,366.13
Engineer Fees	66,500.00	29,043.22	37,456.78
Office Expenses	193,400.00	124,340.86	69,059.14
Cellular Lease/Insurance Consultant	11,250.00	7,249.99	4,000.01
GIS Program	10,000.00	4,320.81	5,679.19
Dues and Meetings	8,000.00	3,188.72	4,811.28
Education and Training	36,000.00	25,198.98	10,801.02
Total Administrative Expenses	894,000.00	685,024.80	208,975.20
Cost of Service:			
Salaries and Wages	2,125,800.00	2,030,616.01	95,183.99
Fringe Benefits	1,202,500.00	786,153.86	416,346.14
Electric and Utilities	1,000,000.00	707,928.25	292,071.75
Insurance	134,000.00	126,800.28	7,199.72
Vehicle Expense	83,000.00	29,841.88	53,158.12
Vehicle Repairs	68,000.00	67,337.18	662.82
Parts and Supplies	100,000.00	81,677.14	18,322.86
Chemicals	260,000.00	182,728.13	77,271.87
Repairs and Maintenance	153,000.00	119,347.21	33,652.79
Telephone and Communications	119,000.00	109,060.07	9,939.93
Wastewater Testing	15,000.00	13,018.60	1,981.40
Sludge Removal	500,000.00	519,983.41	(19,983.41)

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

## Schedule of Sewer Anticipated Revenues, Operating Appropriations

## Principal Payments and Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis

For the Fiscal Year Ended June 30, 2016

	Amended Budget	2015-16 Actual	Favorable (Unfavorable)
Uniforms and Safety Equipment	\$ 40,100.00	\$ 35,198.63	\$ 4,901.37
Dues and Meetings	6,500.00	4,663.00	1,837.00
Education and Training	18,000.00	10,453.06	7,546.94
State Fees	65,000.00	64,304.87	695.13
Public Information	59,850.00	22,197.22	37,652.78
One Call/Public Relations	4,650.00	3,848.00	802.00
OPEB Obligation		6,532.60	(6,532.60)
Total Cost of Service	5,954,400.00	4,921,689.40	1,032,710.60
Principal Payments on Debt Service in Lieu of Depreciation	3,545,417.00	3,351,198.87	194,218.13
	10,393,817.00	8,957,913.07	1,435,903.93
Non-Operating Appropriations:			
Interest on Bonds	709,875.00	709,863.36	11.64
Municipal Appropriation	494,921.00	494,921.00	
Total Operating, Principal Payments and Non-Operating Appropriations	11,598,613.00	10,162,697.43	1,435,915.57
Excess in Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations	\$ (494,921.00)	\$ 2,140,925.90	\$ 2,635,846.90
<u>Reconciliation to Operating Income</u>			
Excess in Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations			\$ 2,635,846.90
Add:			
Bond Principal		\$ 3,351,198.87	
Bond Interest		709,863.36	
			4,061,062.23
			6,696,909.13
Less:			
Investment Income		268,454.78	
Depreciation		1,966,344.67	
Related to Pensions		140,814.05	
Canceled Accounts Receivable		2,116.33	
Major Repairs and Replacements		1,303,449.94	
			3,681,179.77
Operating Income (Schedule 2)			\$ 3,015,729.35

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

## Schedule of Consumer Accounts Receivable

For the Fiscal Year Ended June 30, 2016

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	<u>Water</u>	<u>Sewer</u>
Balance July 1, 2015	\$ 361,040.36	\$ 847,863.45
Rental Charges	<u>5,781,006.52</u>	<u>11,207,685.06</u>
	6,142,046.88	12,055,548.51
Less:		
Collections	\$ 5,806,718.41	\$ 11,368,830.10
Prepaid Applied	<u>14,318.44</u>	<u>26,591.40</u>
	<u>5,821,036.85</u>	<u>11,395,421.50</u>
Balance June 30, 2016	<u>\$ 321,010.03</u>	<u>\$ 660,127.01</u>

**Schedule 6****EVESHAM MUNICIPAL UTILITIES AUTHORITY**

## Schedule of Connection Fees Receivable

For the Fiscal Year Ended June 30, 2016

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	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
2015-16 Charges	\$ 226,135.65	\$ 550,172.75	\$ 776,308.40
Less:			
Cash Receipts	<u>\$ 226,135.65</u>	<u>\$ 550,172.75</u>	<u>\$ 776,308.40</u>

## EVESHAM MUNICIPAL UTILITIES AUTHORITY

## Schedule of Miscellaneous Charges Receivable

For the Fiscal Year Ended June 30, 2016

	2015-2016 <u>Charges</u>	Cash <u>Receipts</u>
Water Meter Charges	\$ 49,720.35	\$ 49,720.35
Filing, Review and Application Fees	1,490.00	1,490.00
Water Tap Fees	550.00	550.00
Cingular/AT&T Rental Agreement	129,530.13	129,530.13
Sprint Rental Agreement	123,295.21	123,295.21
Verizon Rental Agreement	51,477.33	51,477.33
T-Mobile Rental Agreement	199,549.62	199,549.62
Clearwire Rental Agreement	197,860.44	197,860.44
Cricket Rental Agreement	211,768.22	211,768.22
TTM Rental Agreement	3,283.65	3,283.65
Miscellaneous	18,289.85	18,289.85
Sale of Scrap Metal	3,815.90	3,815.90
Sale of Authority Assets	3,075.00	3,075.00
June 23, 2105 Severe Storm Reimbursements:		
Federal Assistance	36,882.74	36,882.74
Insurance	78,979.03	78,979.03
Clean Energy Rebates	156,819.65	156,819.65
Meter Test Fees	50.00	50.00
Bid Package Fees	25.00	25.00
Returned Check Fees	1,970.00	1,970.00
Water Turn-On/Off Charges	19,950.00	19,950.00
	<u>\$ 1,288,382.12</u>	<u>\$ 1,288,382.12</u>
Recap:		
Water	\$ 1,011,071.39	\$ 1,011,071.39
Sewer	277,310.73	277,310.73
	<u>\$ 1,288,382.12</u>	<u>\$ 1,288,382.12</u>
Cash Receipts		\$ 1,267,222.12
Prepaid Applied		<u>21,160.00</u>
		<u>\$ 1,288,382.12</u>

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Schedule of Accrued Interest Receivable  
For the Fiscal Year Ended June 30, 2016

	<u>Balance July 1, 2015</u>	<u>Investment Income</u>	<u>Received</u>	<u>Balance June 30, 2016</u>
Unrestricted:				
Revenue Account		\$ 2,339.93	\$ 2,339.93	
Operating Account	\$ 8,389.49	130,452.25	133,310.02	\$ 5,531.72
General Account	1,822.38	24,608.09	25,715.07	715.40
	<u>10,211.87</u>	<u>157,400.27</u>	<u>161,365.02</u>	<u>6,247.12</u>
Restricted:				
Bond Reserve Account	13,556.32	163,410.77	167,982.27	8,984.82
Bond Service Account	14,501.53	41,668.25	24,991.16	31,178.62
Renewal and Replacement Account	2,083.33	50,528.07	50,528.07	2,083.33
	<u>30,141.18</u>	<u>255,607.09</u>	<u>243,501.50</u>	<u>42,246.77</u>
	<u>\$ 40,353.05</u>	<u>\$ 413,007.36</u>	<u>\$ 404,866.52</u>	<u>\$ 48,493.89</u>
Recap:				
Water	\$ 14,123.57	\$ 144,552.58	\$ 141,703.28	\$ 16,972.87
Sewer	26,229.48	268,454.78	263,163.24	31,521.02
	<u>\$ 40,353.05</u>	<u>\$ 413,007.36</u>	<u>\$ 404,866.52</u>	<u>\$ 48,493.89</u>

**Schedule 9****EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Schedule of Prepaid Expenses  
For the Fiscal Year Ended June 30, 2016

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Balance July 1, 2015	\$ 316,496.00	\$ 608,888.13	\$ 925,384.13
Add:			
Disbursements Fiscal Year 2016	183,122.28	295,593.54	478,715.82
	<u>499,618.28</u>	<u>904,481.67</u>	<u>1,404,099.95</u>
Less:			
Charged to Operations Fiscal Year 2016	182,254.33	295,657.61	477,911.94
	<u>\$ 317,363.95</u>	<u>\$ 608,824.06</u>	<u>\$ 926,188.01</u>

## EVESHAM MUNICIPAL UTILITIES AUTHORITY

Schedule of Capital Assets -- Completed

For the Fiscal Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Disposals	Balance June 30, 2016	Useful Life
Water:					
Land and Improvements	\$ 187,079.00			\$ 187,079.00	
Buildings and Improvements	10,482,239.33			10,482,239.33	40 Yrs.
Infrastructure	45,886,312.94	\$ 376,400.43		46,262,713.37	40 Yrs.
Fixed Equipment	1,850,589.88	68,837.30	\$ 1,369.20	1,918,057.98	15 Yrs.
Equipment	450,656.32	49,227.56	5,311.80	494,572.08	5 to 15 Yrs.
Vehicles	726,235.83	215,493.38	28,052.58	913,676.63	7 Yrs.
	59,583,113.30	709,958.67	34,733.58	60,258,338.39	
Less: Accumulated Depreciation	49,537,229.10	907,193.52	34,733.58	50,409,689.04	
	<u>\$ 10,045,884.20</u>	<u>\$ (197,234.85)</u>	<u>\$ -</u>	<u>\$ 9,848,649.35</u>	
Sewer:					
Land and Improvements	\$ 5,145,239.00			\$ 5,145,239.00	
Buildings and Improvements	44,851,525.37			44,851,525.37	40 Yrs.
Infrastructure	55,326,576.97			55,326,576.97	40 Yrs.
Fixed Equipment	3,784,084.22	\$ 18,451.28	\$ 13,862.80	3,788,672.70	15 Yrs.
Equipment	1,474,273.80	24,461.39	12,894.20	1,485,840.99	5 to 15 Yrs.
Vehicles	1,273,933.63	87,391.20		1,361,324.83	7 Yrs.
	111,855,632.99	130,303.87	26,757.00	111,959,179.86	
Less: Accumulated Depreciation	77,808,193.83	1,966,344.67	26,757.00	79,747,781.50	
	<u>\$ 34,047,439.16</u>	<u>\$ (1,836,040.80)</u>	<u>\$ -</u>	<u>\$ 32,211,398.36</u>	
Recap:					
Total Fixed Capital	\$ 171,438,746.29	\$ 840,262.54	\$ 61,490.58	\$ 172,217,518.25	
Less: Accumulated Depreciation	127,345,422.93	2,873,538.19	61,490.58	130,157,470.54	
	<u>\$ 44,093,323.36</u>	<u>\$ (2,033,275.65)</u>	<u>\$ -</u>	<u>\$ 42,060,047.71</u>	
Contributions		\$ 321,581.80			
Cash Disbursed		518,680.74			
		<u>\$ 840,262.54</u>			



**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Capital Assets -- Construction in Progress  
For the Fiscal Year Ended June 30, 2016

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Balance July 1, 2015	\$ 2,567,871.97	\$ 4,082,104.53	\$ 6,649,976.50
Increased by:			
Cash Disbursements - General Fund	1,515.00	677,195.68	678,710.68
Balance June 30, 2016	<u>\$ 2,569,386.97</u>	<u>\$ 4,759,300.21</u>	<u>\$ 7,328,687.18</u>

Analysis of Balance June 30, 2016

SCADA System EW/WS	\$ 2,515,151.17	\$ 1,921,943.86	\$ 4,437,095.03
Screw Pump Replacement		1,045,504.63	1,045,504.63
Hydrogeologic Evaluation of Well 13 & 14 ASR	45,202.30		45,202.30
South Side Elevated Tank Design	9,033.50		9,033.50
Energy Reduction Plan		1,791,851.72	1,791,851.72
	<u>\$ 2,569,386.97</u>	<u>\$ 4,759,300.21</u>	<u>\$ 7,328,687.18</u>

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Accrued Interest on Revenue Bonds and Loans Payable  
For the Fiscal Year Ended June 30, 2016

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Balance July 1, 2015	\$ 69,230.49	\$ 398,976.39	\$ 468,206.88
Increased by:			
Interest Charges Fiscal Year 2016 Budget	120,412.90	709,863.36	830,276.26
Amortization of Deferred Amount of Refunding	12,750.47	42,234.72	54,985.19
Amortization of Net Discount/Premium on Bonds	(47,975.69)	(115,936.69)	(163,912.38)
Total Interest Expense	85,187.68	636,161.39	721,349.07
	154,418.17	1,035,137.78	1,189,555.95
Decreased by:			
Interest Paid	129,436.94	753,908.07	883,345.01
Amortization of Deferred Amount of Refunding	12,750.47	42,234.72	54,985.19
Amortization of Net Discount/Premium on Bonds	(47,975.69)	(115,936.69)	(163,912.38)
	94,211.72	680,206.10	774,417.82
Balance June 30, 2016	\$ 60,206.45	\$ 354,931.68	\$ 415,138.13

## Schedule 13

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Payroll Deductions Payable  
For the Fiscal Year Ended June 30, 2016

Balance July 1, 2015	\$ 4,776.83
Receipts:	
Payroll Deductions Payable	3,950,352.87
	3,955,129.70
Disbursements:	
Checks Drawn to Payroll Agencies	3,955,550.77
Balance June 30, 2016	\$ (421.07)
<u>Analysis of Balance June 30, 2016</u>	
State Unemployment Insurance	\$ (59.01)
N.J. Family Leave	11.68
Public Employees Retirement System	3,020.70
Cafeteria - 125 Plan	(3,537.84)
Life Insurance	143.40
	\$ (421.07)

## EVESHAM MUNICIPAL UTILITIES AUTHORITY

## Schedule of Revenue Bonds

For the Fiscal Year Ended June 30, 2016

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance		Paid	Balance June 30, 2016			
			Outstanding June 30, 2016			July 1, 2015						
			Date	Amount								
2004 Revenue Bonds (Series A)	3-1-04	\$ 4,435,000.00	7-1-2016	\$ 10,000.00	4.150%							
			7-1-2017	20,000.00	4.150%							
			7-1-2018	15,000.00	4.150%							
			7-1-2019	125,000.00	4.150%							
			7-1-2020	135,000.00	4.150%	\$ 680,000.00	\$ 375,000.00	\$ 305,000.00				
2011 Revenue Bonds (Series A)	11-16-11	3,655,000.00	7-1-2016	110,000.00	2.000%							
			7-1-2017	110,000.00	2.250%							
			7-1-2018	115,000.00	2.500%							
			7-1-2019	300,000.00	2.500%							
			7-1-2020	300,000.00	2.625%							
			7-1-2021	920,000.00	2.750%							
			7-1-2022	945,000.00	5.000%							
			7-1-2023	100,000.00	3.375%							
			7-1-2024	100,000.00	3.500%							
			7-1-2025	100,000.00	3.600%							
			7-1-2026	145,000.00	3.750%	3,350,000.00	105,000.00	3,245,000.00				
			2012 Revenue Bonds (Series A)	4-4-12	18,865,000.00	7-1-2016	3,435,000.00	4.00%				
						7-1-2017	3,565,000.00	4.00%				
7-1-2018	3,715,000.00	4.00%										
7-1-2019	200,000.00	3.00%										
7-1-2020	205,000.00	3.00%				13,830,000.00	2,710,000.00	11,120,000.00				
						<u>\$ 17,860,000.00</u>	<u>\$ 3,190,000.00</u>	<u>14,670,000.00</u>				
Less: Net Discount/Premium on Bonds								<u>(854,172.59)</u>				
								<u>\$ 15,524,172.59</u>				
Sewer						\$ 14,073,916.00	\$ 2,449,628.00	\$ 11,624,288.00				
Water						3,786,084.00	740,372.00	3,045,712.00				
						<u>17,860,000.00</u>	<u>3,190,000.00</u>	<u>14,670,000.00</u>				
(Premium)/Discount on Bonds												
Sewer						(730,230.88)	(115,936.69)	(614,294.19)				
Water						(287,854.09)	(47,975.69)	(239,878.40)				
						<u>(1,018,084.97)</u>	<u>(163,912.38)</u>	<u>(854,172.59)</u>				
						<u>\$ 18,878,084.97</u>	<u>\$ 3,353,912.38</u>	<u>\$ 15,524,172.59</u>				

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of New Jersey Environmental Infrastructure Loans Payable  
For the Fiscal Year Ended June 30, 2016

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance July 1, 2015</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance June 30, 2016</u>
			<u>Outstanding June 30, 2016</u>	<u>Amount</u>					
2006A Fund Loan Agreement	11-7-06	\$ 5,699,574.00	7-1-2016	\$ 289,996.03	N/A				
			7-1-2017	288,014.66	N/A				
			7-1-2018	289,914.16	N/A				
			7-1-2019	288,211.16	N/A				
			7-1-2020	289,455.66	N/A				
			7-1-2021	286,956.43	N/A				
			7-1-2022	287,257.32	N/A				
			7-1-2023	286,999.42	N/A				
			7-1-2024	285,218.64	N/A				
			7-1-2025	286,225.69	N/A				
			7-1-2026	287,634.14	N/A	\$ 3,455,142.46		\$ 289,259.15	\$ 3,165,883.31
2006A Trust Loan Agreement	11-7-06	5,695,000.00	7-1-2016	285,000.00	5.000%				
			7-1-2017	295,000.00	4.000%				
			7-1-2018	310,000.00	4.000%				
			7-1-2019	320,000.00	4.000%				
			7-1-2020	335,000.00	4.000%				
			7-1-2021	345,000.00	4.125%				
			7-1-2022	360,000.00	4.125%				
			7-1-2023	375,000.00	4.250%				
			7-1-2024	390,000.00	5.000%				
			7-1-2025	410,000.00	4.250%				
			7-1-2026	430,000.00	4.250%	4,125,000.00		270,000.00	3,855,000.00

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of New Jersey Environmental Infrastructure Loans Payable  
For the Fiscal Year Ended June 30, 2016

<u>Purpose</u>	<u>Issue</u>	<u>Issue</u>	<u>Maturities of Bonds</u>		<u>Interest</u>	<u>Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u>
			<u>Outstanding June 30, 2016</u>	<u>Date</u>					
				<u>Amount</u>	<u>Rate</u>	<u>July 1, 2015</u>			<u>June 30, 2016</u>
2008A Fund Loan Agreement	11-6-08	\$ 1,307,340.00	7-1-2016	\$ 65,942.28	N/A				
			7-1-2017	64,098.60	N/A				
			7-1-2018	65,250.90	N/A				
			7-1-2019	66,249.56	N/A				
			7-1-2020	64,313.70	N/A				
			7-1-2021	65,604.28	N/A				
			7-1-2022	66,526.12	N/A				
			7-1-2023	67,063.86	N/A				
			7-1-2024	67,655.37	N/A				
			7-1-2025	68,239.21	N/A				
			7-1-2026	17,426.69	N/A	\$ 742,770.31		\$ 64,399.74	\$ 678,370.57
2008A Trust Loan Agreement	11-6-08	1,325,000.00	7-1-2016	60,000.00	5.000%				
			7-1-2017	60,000.00	5.000%				
			7-1-2018	65,000.00	5.000%				
			7-1-2019	65,000.00	5.250%				
			7-1-2020	70,000.00	5.500%				
			7-1-2021	75,000.00	5.500%				
			7-1-2022	80,000.00	5.500%				
			7-1-2023	80,000.00	5.500%				
			7-1-2024	85,000.00	5.000%				
			7-1-2025	90,000.00	5.000%				
			7-1-2026	95,000.00	5.000%				
			7-1-2027	100,000.00	5.000%				
			7-1-2028	105,000.00	5.000%	1,085,000.00		55,000.00	1,030,000.00

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of New Jersey Environmental Infrastructure Loans Payable  
For the Fiscal Year Ended June 30, 2016

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance July 1, 2015</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance June 30, 2016</u>
			<u>Date</u>	<u>Amount</u>					
2010A Fund Loan Agreement	11-5-09	\$ 276,863.00	7-1-2016	\$ 14,077.77	N/A				
			7-1-2017	14,077.77	N/A				
			7-1-2018	14,077.77	N/A				
			7-1-2019	14,077.77	N/A				
			7-1-2020	14,077.77	N/A				
			7-1-2021	14,077.77	N/A				
			7-1-2022	14,077.77	N/A				
			7-1-2023	14,077.77	N/A				
			7-1-2024	14,077.77	N/A				
			7-1-2025	14,077.77	N/A				
			7-1-2026	14,077.77	N/A				
			7-1-2027	14,077.77	N/A				
			7-1-2028	14,077.77	N/A				
			7-1-2029	9,385.37	N/A	\$ 206,474.15		\$ 14,077.77	\$ 192,396.38
2010A Trust Loan Agreement	11-5-09	270,000.00	7-1-2016	10,000.00	5.000%				
			7-1-2017	15,000.00	5.000%				
			7-1-2018	15,000.00	5.000%				
			7-1-2019	15,000.00	4.000%				
			7-1-2020	15,000.00	5.000%				
			7-1-2021	15,000.00	3.000%				
			7-1-2022	15,000.00	4.000%				
			7-1-2023	15,000.00	4.000%				
			7-1-2024	15,000.00	4.000%				
			7-1-2025	15,000.00	4.000%				
			7-1-2026	20,000.00	3.500%				
			7-1-2027	20,000.00	4.000%				
			7-1-2028	20,000.00	4.000%				
			7-1-2029	15,000.00	4.000%	230,000.00		10,000.00	220,000.00

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of New Jersey Environmental Infrastructure Loans Payable  
For the Fiscal Year Ended June 30, 2016

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance July 1, 2015</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance June 30, 2016</u>
			<u>Date</u>	<u>Amount</u>					
2014A&B Trust Loan Agreement	5/21/14	\$ 3,222,073.00	7-1-2016	\$ 163,834.21	N/A				
			7-1-2017	163,834.21	N/A				
			7-1-2018	163,834.21	N/A				
			7-1-2019	163,834.21	N/A				
			7-1-2020	163,834.21	N/A				
			7-1-2021	163,834.21	N/A				
			7-1-2022	163,834.21	N/A				
			7-1-2023	163,834.21	N/A				
			7-1-2024	163,834.21	N/A				
			7-1-2025	163,834.21	N/A				
			7-1-2026	163,834.21	N/A				
			7-1-2027	163,834.21	N/A				
			7-1-2028	163,834.21	N/A				
			7-1-2029	163,834.21	N/A				
			7-1-2030	163,834.21	N/A				
			7-1-2031	163,834.21	N/A				
			7-1-2032	163,834.21	N/A				
			7-1-2033	109,223.01	N/A	\$ 3,058,238.79		\$ 163,834.21	\$ 2,894,404.58

(Continued)

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
Schedule of New Jersey Environmental Infrastructure Loans Payable  
For the Fiscal Year Ended June 30, 2016

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance July 1, 2015</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance June 30, 2016</u>
			<u>Date</u>	<u>Amount</u>					
2014A&B Trust Loan Agreement	5/21/14	\$ 1,050,000.00	7-1-2016	\$ 40,000.00	3.000%				
			7-1-2017	40,000.00	5.000%				
			7-1-2018	40,000.00	5.000%				
			7-1-2019	45,000.00	5.000%				
			7-1-2020	45,000.00	5.000%				
			7-1-2021	50,000.00	5.000%				
			7-1-2022	50,000.00	5.000%				
			7-1-2023	55,000.00	5.000%				
			7-1-2024	55,000.00	5.000%				
			7-1-2025	60,000.00	3.000%				
			7-1-2026	60,000.00	3.000%				
			7-1-2027	60,000.00	3.000%				
			7-1-2028	65,000.00	3.000%				
			7-1-2029	65,000.00	3.000%				
			7-1-2030	70,000.00	3.000%				
			7-1-2031	70,000.00	3.000%				
			7-1-2032	70,000.00	3.125%				
			7-1-2033	75,000.00	3.250%				
						\$ 1,050,000.00		\$ 35,000.00	\$ 1,015,000.00
						\$ 13,952,625.71	\$ -	\$ 901,570.87	\$ 13,051,054.84



**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

**PART II**

**SCHEDULE OF FINDINGS & RECOMMENDATIONS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**EVESHAM MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Findings and Recommendations**  
**For the Fiscal Year Ended June 30, 2016**

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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 Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

N/A – None

**EVESHAM MUNICIPAL UTILITIES AUTHORITY  
Summary Schedule of Prior Year Audit Findings  
and Questioned Costs as Prepared by Management**

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This section identifies the status of prior year findings related to the financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with Government Auditing Standards, OMB Circular A-133, 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.

N/A - None

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**APPRECIATION**

I express my appreciation for the assistance and courtesies rendered by the Authority officials during the course of the audit.

Respectfully submitted,

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

A handwritten signature in black ink, appearing to read "K.N. Applegate".

Kirk N. Applegate  
Certified Public Accountant  
Registered Municipal Accountant

