

**GLOUCESTER TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

REPORT OF AUDIT

**WITH
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEARS ENDED
FEBRUARY 29, 2016 & FEBRUARY 28, 2015**

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Table of Contents

<u>Exhibit No.</u>		<u>Page No.</u>
	Roster of Officials	1
<u>PART I – FINANCIAL SECTION</u>		
	Independent Auditor's Report	3
	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	6
	Management's Discussion and Analysis	8
	<u>Basic Financial Statements</u>	
A	Comparative Statements of Net Position	19
B	Comparative Statements of Revenues, Expenses and Changes in Net Position	21
C	Comparative Statements of Cash Flows	23
	Notes to Financial Statements	25
	<u>Required Supplementary Information</u>	
RSI-1	Schedule of Funding Progress for the OPEB Plan	55
RSI-2	Schedule of Employer Contributions to the OPEB Plan	55
RSI-3	Schedule of the Authority's Proportionate Share of the Net Pension Liability –PERS	56
RSI-4	Schedule of Authority Contributions – PERS	57
	Notes to Required Supplementary Information	58
	<u>Supplementary Schedules</u>	
<u>Schedule No.</u>		
1	Schedule of Net Position by Department	60
2	Schedule of Revenues, Expenses and Changes in Net Position by Department	63
3	Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments	65
4a	Schedule of Sewer Anticipated Revenues, Operating Appropriations Principal Payments and Non-operating Appropriations Compared to Budget-Non GAAP (Budgetary) Basis	67
4b	Schedule of Solid Waste Anticipated Revenues, Operating Appropriations and Non-operating Appropriations Compared to Budget-Non GAAP (Budgetary) Basis	71
5	Schedule of Consumer Accounts Receivable	74
6	Schedule of Connection Fees Receivable	74
7	Schedule of Penalties on Delinquent Accounts	74
8	Schedule of Refunds Receivable	75
9	Schedule of Interest Receivable	75
10	Schedule of Service Agreements with the Township of Gloucester	76
11	Schedule of Prepaid Expenses	76
12	Schedule of Prepaid Connection Fees	77
13	Schedule of Capital Assets-Completed	78
14	Schedule of Construction in Progress	79
15	Schedule of Accrued Interest Payable on Bonds and Loans	80

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Table of Contents (Cont'd)

Exhibit No.

Page No.

PART II – FINDINGS AND RECOMMENDATIONS

Schedule of Findings and Recommendations	82
Summary Schedule of Prior Year Audit Findings and Recommendations as Prepared by Management	83
APPRECIATION	84

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Roster of Officials
As of February 29, 2016**

Members

Richard P. Calabrese
Frank Simiriglia
Dora Guevara
Joseph Pillo
Glen Bianchini
Dorothy Bradley

Ken Garbowski

Position

Chairman
Vice-Chairman
Treasurer
Secretary
Assistant Secretary
Assistant Treasurer/
Alternate Member
Alternate Member

Other Officials

Raymond J. Carr
Marlene Hrynio
Thomas Leisse
Howard C. Long, Jr., Esq.
TD Bank Wealth Management
Fulton Bank

Executive Director
Administrative Secretary
Engineer
Solicitor
Trustee
Legal Depository

**GLOUCESTER TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

PART I

FINANCIAL SECTION

**FOR THE FISCAL YEARS ENDED
FEBRUARY 29, 2016 & FEBRUARY 28, 2015**

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
The Gloucester Township Municipal Utilities Authority
Glendora, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Gloucester Township Municipal Utilities Authority, in the County of Camden, State of New Jersey, a component unit of the Township of Gloucester (Authority), as of and for the fiscal years ended February 29, 2016 and February 28, 2015 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Gloucester Township Municipal Utilities Authority, in the County of Camden, State of New Jersey as of February 29, 2016 and February 28, 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.

Emphasis of Matter

Adoption of New Accounting Principles

As discussed in note 1 to the financial statements, during the fiscal year ended February 29, 2016, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Prior Period Restatement

Because of the implementation of GASB Statements No. 68 and No. 71, net position on the statement of revenues, expenses and changes in net position has been restated for the fiscal year ended February 28, 2014, as discussed in note 11 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements.

The 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 27, 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
June 27, 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
The Gloucester Township Municipal Utilities Authority
Glendora, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and 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 Gloucester Township Municipal Utilities Authority, in the County of Camden, State of New Jersey, a component unit of the Township of Gloucester, (Authority), as of and for the fiscal year ended February 29, 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 June 27, 2016. Our report on the financial statements included an emphasis of matter paragraph describing the restatement of the prior period financial statements resulting from the adoption of new accounting principles.

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

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
June 27, 2016

THE GLOUCESTER TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY
FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2016

Management's Discussion & Analysis (Unaudited)

The Gloucester Township Municipal Utilities Authority's ("Authority") primary function is to maintain and service the Gloucester Township sewer system, which consists of 51 pumping stations with an associated 13 miles of sanitary sewer force mains, 368 miles of sanitary gravity sewer mains and 4,851 manholes. We maintain over 300 miles of pipe that transport 8.7 million gallons of sewage per day from the Authority to the Camden County M.U.A.'s regional treatment plant. The age of various system components range from 50 plus years to the present. Currently, there are 29,183 equivalent dwelling units (300 GPD/EDU) with an associated estimated average daily flow (# of EDU's x 300 g/EDU) of 8.75 MGD.

Flows from the Authority collection system are discharged into the Camden County Municipal Utilities Authority (CCMUA) regional collection system for treatment and disposal at the CCMUA's Delaware No. 1 Treatment Plant in the City of Camden.

The Authority primarily services Gloucester Township. There are also minor points of connection from the neighboring municipalities of the Boroughs of Runnemede, Pine Hill, Magnolia and the Township of Winslow.

The majority of Gloucester Township is serviced by public sewer, with the exception of a few small areas still on individual septic systems. In order to accomplish these services, the Authority must maintain a fleet of twenty vehicles, including TV camera and two Jet Vac trucks. The TV camera can capture and record on video, pictures of such problems as breaks in sewer mains, grease blockages and intrusive tree roots. Once this camera pinpoints the problem, it enables a crew to uncover the underground pipe and make repairs with minimal interruption of service. Some problems can be fixed without unearthing the pipe by simply using a high pressure Jet Vac that can clear many blockages. When no emergencies exist, both of these pieces of equipment are used to inspect and clean the Township's sewer mains on a routine schedule as part of a preventative maintenance program. In addition to the mains, the Authority is also responsible for the lateral line from the curb line to the main. There are emergency generators located at forty-four pumping stations in case there is a power outage. The generators will automatically "power up" to insure that there is no interruption in service. In addition, there are three portable generators that are utilized to maintain the remaining pumping stations.

Although budgeted separately, the Authority is also responsible for the Township's Solid Waste program. The primary function of this program is to collect recyclables (cans, bottles, newspapers) and grass & leaves. We maintain and operate a sixty acre compost site. This budget is supported by the Township along with revenue from compost sales and tipping fees. In order to accomplish these services, the Authority must maintain another fleet of vehicles, which includes recycling trucks, compactor trucks and composting equipment. Gloucester Township has joined several other towns across New Jersey by successfully implementing a Single-Stream Recycling program. Single-Stream Recycling refers to a collection system where all of your recyclables can be put into a single collection container. Rather than having to separate items such as paper and cardboard from items such as metal and glass, the new system allows for commingling of all recyclable items for the first time. The new system allows more of what people once threw into their trash cans, into their recycling containers instead. This has lightened the load of trash disposal considerably, thereby reducing the costs for the Township. The Township purchased four Single-Stream Automated Recycling Trucks, one Compactor

Truck and one retro-fitted truck. The Township also purchased 20,500 Automated Recycling Carts (Toters). The toters have scan bars in them which tells the Authority the address, the tonnage amount recycled and if recycling is being done at all. The Recycling Trucks have GPS systems installed which informs the Authority of their locations at all times. The GTMUA began Single-Stream Recycling Collection on November 28, 2012. After almost one year of this new State-of the Art Collection System, the Township has increased its Recycling tonnage amount by forty percent. Due to this increase, cost savings and revenue earned, it amounted to an additional \$200,000.00 after the 1st year of Single Stream.

In order for all of these services to run smoothly, we have to maintain billing, bookkeeping and accounting departments. Primary functions include budgeting; accounting; managing and investing cash; managing debt; paying invoices; executing payroll; and billing and collection of receivables (sewer rents, interest on delinquent accounts, connection fees, searches, tower rentals and other various revenues). The Authority's management is responsible for the financial reporting to the Board of Commissioners. We are also responsible for purchasing and maintaining all operating equipment and supplies at our location.

The Authority's main office is located at 401 W. Landing Road, Blackwood, in the Chews Landing section of the Township, adjacent to the central maintenance garage and composting facility. All data processing, billing and administration are conducted at this location. Rules and Regulations, plus standards for operation and control, are maintained to regulate development and existing facilities.

For the fiscal year ending February 29, 2016, the Authority's net revenues were sufficient to satisfy the Authority's Bond Resolution requirement contained in Section 6.10. The Authority's ability to meet its Bond Resolution requirement for the last three fiscal years is the result of rate increases adopted in August, 2012. The increases were as follows: October 1, 2012 - \$41.00 to \$43.00 and January 1, 2014 - \$43.00 to \$46.00 for a total increase of \$5.00 per quarter.

FINANCIAL HIGHLIGHTS

- 1) Governmental Accounting Standard Board (GASB) Statement Nos. 68 & 71** - During the fiscal year ended February 29, 2016, the Authority was required to implement Governmental Accounting Standard Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. In addition, the notes to the financial statements provide a more thorough discussion of the implementation of GASB 68 and the effects to the financial statements.
- 2) NJ Environmental Infrastructure Trust Loan – Series 2001A.** On November 1, 2001, the Authority received a Wastewater Trust Infrastructure Loan, which enabled us to implement preventive measures in the repair of old lines and pump stations. These measures have kept our emergency repairs to a minimum. We borrowed 2.1 million dollars, of which half is interest free and the other half carries a 4% rate of interest. Although the Authority does not operate under any debt limitations, it is required to receive approval by Township resolution prior to issuing any new debt. The Authority has completed the slip-lining of some of the oldest lines in the Township and upgraded several pump stations. The result of these major improvements is being realized already. The Glen Oaks, College Drive, Girard Avenue and Cherrywood Pump Stations have all been completely renovated due to the funds received from this loan.

FINANCIAL HIGHLIGHTS (CONT'D)

- 3) **NJ Environmental Infrastructure Trust Loan – Series 2004A** The Authority applied for and received a second loan from the Trust in the amount of 4.1 million dollars. These funds were used for the following projects: fifteen new emergency generators, a new truck mounted hydraulic sewer cleaner with video inspection equipment, one central station, twenty-one remote telemetry units and sliplining in Catalina Hills, Pine Run Interceptor and Prospect Avenue. This encompassed the rehab of 29,500 linear feet of gravity sewer mains. Manholes were slip-lined due to deterioration from hydrogen sulfide. The Black Horse Pike needed new manholes because they were too far apart and we needed to fill in the gaps. The following pumping stations were upgraded: Pine Run and Timber Cove. Also, a new Pumping Station at Lincoln Drive has been installed to completion. The Authority had been band-aiding the Pine Run Interceptor since 1985 with expensive emergency repairs. This preventive maintenance has been very cost effective.
- 4) **NJ Environmental Infrastructure Trust Loan – Series 2008A** The Authority received a third loan from the Trust in the amount of 4.5 million dollars. The Authority has completed 100% of the work funded by the third loan. We have slip-lined many areas in the Township that are thirty (30) years old or more. The lines consisted of asbestos and concrete pipes, which were badly deteriorating. Work on slip-lining of all easements has been completed; this included some properties with wooded and marshy areas behind the homes. Laurel Hills, Tilford Rd. and Woods Lane Pump Stations were the last to be rehabilitated. They are the latest pump stations to convert to submersible Flygt Pumps. These conversions make the pumps more accessible and less hazardous to repair. The major difference is that instead of sending four (4) men out for a problem, we only need one. A sorely needed project was a new Administration Building. The original building was very old and it would not be cost effective to renovate it. The Authority went out for bids and the project moved forward. The employees moved into the new building in May, 2012. Seven years ago, the Authority purchased a Compost Screener. This machine can screen three times the amount of compost per day than our old screener could. Since we are screening faster, we have the time to re-screen overs (waste material from screener). This procedure saves on disposal fees, trucking cost and increases our material available for sale. The Authority also purchased a new Compost Turner. This machine can turn a windrow (leaf & grass pile) in seven minutes. Our old turner needed two - twenty minute passes to complete. The process of turning windrows almost six times as fast enables us to turn more often. This all results in giving us a better product and gives our operators more time for site maintenance. Both of these pieces of equipment were acquired through the NJ Environmental Infrastructure Trust Loan – Series 2008A. The Township reimburses the Authority on a yearly basis for their share of the loan.
- 5) **NJ Environmental Infrastructure Trust Loan – Series 2010A** The Authority applied for and received a fourth loan from the Trust in the amount of 2.2 million dollars. Planned projects were as follows: Pumping Station Installation and Rehab - Clementon Avenue submersible pump, including site work, pumps, control system, generator set, electrical work, etc. This is the very last station that was converted to the new submersible Flygt Pumps. Other Projects included are Gravity sewer lines, wet well rehab, Sanitary Sewer CIPP and manhole rehab. One wet well was slip-lined at the Glen Oaks Pump Station, which included cleaning and coating of the wet well. The concrete deteriorates, so the epoxy coating protects the well from erosion that is incurred by gases. White Birch and the older sections of Glendora were all sliplined up to the Front & Rowand Pumping Station discharge area. The Orr Road Pumping Station was upgraded with a new lined wet well, bypass pump, three vari-drives, three motors and a new Channel Monster. Sliplining was completed for the Central Avenue Pumping Station sending district and the Glenn Avenue Pumping Station sending district.

FINANCIAL HIGHLIGHTS (CONT'D)

- 6) Sewer Charge Collection Rate** – The collection rate for fiscal year ending February 29, 2016 was 91.78%. Sewer rents were up approximately \$31,100.00.
- 7) Connection Fees** – Connection fee revenue for fiscal year ending February 29, 2016 was \$497,740.00. This represents a 343.18% increase compared to last year. The significant increase was attributed to several large commercial entities building in the Township.
- 8) Total Sewer Operating Revenue** – Operating revenue for fiscal year ending February 29, 2016 was \$6,030,164.79 which is an increase from last year's amount of \$5,590,292.61.
- 9) Total Sewer Operating Expenses** – For fiscal year ending February 29, 2016, operating expenses of \$3,295,790.74 were up from last year's amount of \$3,214,131.22.
- 10) Solid Waste Revenue** -The Authority operates a state-of-the-art composting facility that converts leaves and grass into high quality compost and topsoil that is sold to the public. Compost sales and tipping fees generated revenue totaling \$326,827.02, which is an increase of \$14,644.66 from the previous fiscal year. The Authority also collects all of the recyclable materials in the Township. All of this is accomplished with a savings of more than a half million dollars per year to the Township.
- 11) Total Capital Assets** -Total capital assets for fiscal year ending February 29, 2016 were \$68,617,719.56, which includes land, buildings, pipelines, pump stations, vehicles, equipment, alarms, telemetering, etc. Asset value, net of accumulated depreciation is \$46,144,038.83.
- 12) 1993 Debt Service** - As of March 1, 2016, the Authority has outstanding Revenue Bonds totaling \$2,135,000.00. The Authority's Bond Resolution requires the Authority to generate "Net Revenues" that will exceed 110% of their current fiscal years' Debt Service. For the fiscal year ending February 29, 2016, the percentage of "Net Revenues" to Debt Service was 185%. At the present time, other than the four (4) Wastewater Trust loans, this is our only major debt and it will be paid off in 2018.
- 13) Interest Income** – For the fiscal year ending February 29, 2016, the Authority generated \$3,454.12 in interest income from investments. This was \$2,815.76 higher than fiscal year ending February 28, 2015.

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 include all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The Authority follows the accrual method of accounting, current year's revenues and expenses are accounted for in the 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 statements of revenues, expenses and changes in net position provide a breakdown of the various areas of revenues and expenses encountered during the current year.

The statements of cash flows provide a breakdown of the various sources of cash which include operating activities, non-capital financing activities, capital and related financing activities and investing activities.

FINANCIAL ANALYSIS OF THE AUTHORITY

The Authority's total assets were \$55,074,353.18 on February 29, 2016. Total assets, total deferred outflows of resources, total liabilities, total deferred inflows of resources and total net position are detailed below.

Gloucester Township Municipal Utilities Authority **Net Position**

	<u>Feb. 29, 2016</u>	<u>Feb. 28, 2015</u> (Restated)	<u>Feb. 28, 2014</u> (Restated)
Current Assets	\$ 8,274,889.29	\$ 7,640,173.95	\$ 7,082,932.01
Capital Assets (net of accumulated depreciation)	<u>46,799,463.89</u>	<u>47,609,607.63</u>	<u>48,053,604.56</u>
Total Assets	55,074,353.18	55,249,781.58	55,136,536.57
Total Deferred Outflows of Resources	894,658.00	382,403.33	151,482.67
Current Liabilities	3,019,825.99	2,802,038.29	2,771,309.45
Long-Term Liabilities	<u>13,983,110.39</u>	<u>15,124,498.82</u>	<u>16,323,269.85</u>
Total Liabilities	17,002,936.38	17,926,537.11	19,094,579.30
Total Deferred Inflows of Resources	1,113,556.00	982,379.00	228,440.00
Net Position			
Net Investment in Capital Assets	37,323,585.90	36,869,018.37	36,904,498.34
Restricted	4,010,080.85	3,815,261.45	3,513,771.51
Unrestricted	<u>(3,481,147.95)</u>	<u>(3,961,011.02)</u>	<u>(4,453,269.91)</u>
Total Net Position	\$ 37,852,518.80	\$ 36,723,268.80	\$ 35,964,999.94

The Authority realized operating income of \$1,866,422.12 for the current fiscal year, combined with net non-operating revenues (expenses) of (\$737,172.12), net position increased by \$1,129,250.00.

**THE GLOUCESTER TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY
REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	<u>Feb. 29, 2016</u>	<u>Feb. 28, 2015</u> (Restated)	<u>Feb. 28, 2014</u>
Operating Revenues:			
Service Charges	\$ 5,356,328.50	\$ 5,325,226.41	\$ 4,911,288.70
Service Agreements (Twp.)	1,692,822.00	1,543,647.03	1,377,485.74
Connection Fees	497,740.00	112,310.00	229,620.00
Miscellaneous Charges	<u>502,923.31</u>	<u>464,938.56</u>	<u>459,742.45</u>
Total Operating Revenues	8,049,813.81	7,446,122.00	6,978,136.89
Operating Expenses	5,172,790.46	5,123,763.84	4,945,170.22
Depreciation Expense	<u>1,010,601.23</u>	<u>983,844.87</u>	<u>1,070,362.04</u>
Total Operating Expenses	6,183,391.69	6,107,608.71	6,015,532.26
Operating Income	1,866,422.12	1,338,513.29	962,604.63
Non-Operating Revenues (Expenses)			
Investment Income	3,454.12	638.36	1,515.61
Net Unemployment Claims	22,079.44	23,917.07	28,313.34
Bond Interest	(279,604.61)	(329,122.92)	(386,713.76)
Cancellation of Construction In Progress	(46,308.21)	(338,678.34)	
Refund of Prior Year Expenses			797.72
Excess Funds Transferred to Township	(203,881.20)		
Net Reserve for System Improvements	(101,962.88)	47,851.33	(10,164.74)
Net Reserve for Payment of Debt	(16.56)	(138.91)	(335.59)
Refund of Prior Year Revenue	(38,560.00)		
Additional Prior Year Expenses	(87,098.05)		
Loss on Disposal of Fixed Assets	(1,762.82)	(919.67)	(4,990.74)
Prepaid Bond Insurance Expense	<u>(3,511.35)</u>	<u>(3,511.35)</u>	<u>(3,511.35)</u>
Total Non-Operating Revenues (Expenses)	<u>(737,172.12)</u>	<u>(599,964.43)</u>	<u>(375,089.51)</u>
Developer's Contributions-Capital Assets	<u>-</u>	<u>19,720.00</u>	<u>-</u>
Change in Net Position	1,129,250.00	758,268.86	587,515.12
Net Position, Beginning of Year	<u>36,723,268.80</u>	<u>35,964,999.94</u>	<u>40,747,343.82</u>
Net Position, End of Year, Prior to Restatement	37,852,518.80	36,723,268.80	41,334,858.94
Restatement to Record the Net Pension Liability, Pension, Related Deferred Outflows & Accounts Payable per GASB 68	<u>-</u>	<u>-</u>	<u>(5,369,859.00)</u>
Net Position – End of Year (Restated)	<u>\$37,852,518.80</u>	<u>\$ 36,723,268.80</u>	<u>\$ 35,964,999.94</u>

OVERALL ANALYSIS

Overall, the Authority is in a sound financial position due, in part, to the long term goal of eliminating its reliance on connection fee revenue in order to meet its revenue obligations. It is felt that connection fees, particularly at the level the Authority has long been accustomed to, are winding down and at some future date, the Authority must be in a financial position to afford operating expenses, debt service and capital expenditures without a substantial portion of revenue dependent on connection fees.

Connection fee revenue in the current year increased from the prior year by \$385,430.00. Developers pay connection fees upon submittal of plans to connect residential developments, commercial properties, etc. into the Authority's sewer system. The Authority treats these payments as liabilities until issuing the developer a Certificate of Approval (CA) of their hookup into our system. Then the developer must acquire a Certificate of Occupancy (CO) from the Township. This release of a CA triggers the Authority's recognition of connection fee revenue and the property is subsequently billed for sewer charges.

The Authority operates very efficiently with a minimal staff. We have saved a substantial amount of money in the past few years by having high salaried employees retire. We did not replace most of them because we have a very hard working staff in place that has absorbed much of the extra work. The few positions that were filled were at lower entry level salaries. We have also saved money because our diligent workers provided the labor for some projects in lieu of hiring independent contractors. At the Laurel Plaza Pumping Station, our employees replaced the internal piping, two pumps and electric. They rehabilitated the Woodbridge Pumping Station and we continue to slip line our aging pipe lines. Our employees also replaced two pumps at the Central Avenue Pumping Station, one pump at the Erial Pumping Station, one pump at the Glen Oaks Pumping Station, one pump at the Laurel Hills Pumping Station and one pump at the Glenn Avenue Pumping Station. The employees assisted the emergency contractor in reducing the length of the Rain Tree force main, which has drastically reduced the pump run times. Our sewer cleaning crew has cleaned fifty-seven miles of pipe, with thirty-seven main blockages cleared and eighteen miles of internal pipe lines televised. We repaired four main breaks and seven laterals. These saving measures all help in keeping the sewer charges as low as possible.

Our force mains are inspected yearly. All force main locations are marked in order to get to them faster in an emergency. The Authority personnel also performed the following services this year: Emergency callouts, most of which were outside normal working hours, inspection of new facilities, maintenance of vehicles, repairing generators and pumps, reviews of proposed pumping station and design. Service calls are provided to our users seven days a week, twenty-four hours a day for sewer back-ups. Last year along, we performed approximately 1,100 service calls.

The Authority also changed its health care plan fourteen years ago from a private provider to the State of New Jersey Health Care Plan for an initial cost savings of \$100,000.00 per year. The Authority is complying with Chapter 78, P.L. 2011, which mandates that local government employees pay a portion of their healthcare cost.

OVERALL ANALYSIS (CONT'D)

The Authority has a very old sewer system. Some of our lines were put in as early as 1958. The original pipe that was installed was asbestos clay and terracotta. House connections (laterals) were orangeburg and that was not much better than heavy tar paper rolled up to make a pipe. Over the years these pipes have deteriorated badly and need to be replaced. In order to do this, utilizing conventional methods, the street would have to be dug up, the lines replaced with PVC pipe and then the street filled in and repaved. This is a very costly measure. The Authority found a better, less expensive method called Slip-lining. This procedure is done by creating a bypass to the existing line of flow. Then a heavy canvass bag is inserted in the old line and pulled through to the other end. It is then heated to a very high temperature, cooled for several hours and it hardens to the same diameter as the old pipe. This procedure has been very successful and has a 50 year warranty. All this is done without tearing up the street and replacing it. In the past, pipes would deteriorate, the street would collapse and total restoration would have to be implemented. Obviously, it is easier and accomplished at a much lower cost than the old methods.

The U.S. Environmental Protection Agency and the Gems Landfill Trust are using the public sewer system as a vehicle for removing groundwater from the Superfund site, despite the possibility that the groundwater could be contaminated with radioactive uranium, radium and other pollutants. The DEP and "Gems Superfund" contended that the water was now at "Drinking Water Standards".

The Authority believed that the groundwater could possibly still be contaminated with radioactive material. The Authority maintains that the safety of their employees is the top priority, as they are the ones who have to monitor, maintain and repair the pump stations that will be handling this water. As a result, the employees had to take HAZMAT courses and they need to wear badges that will detect levels of radiation. They need portable meters and preventive safety gear, such as boots, gloves and protective suits. The Camden County MUA performs monthly tests on the groundwater before it is discharged into the closest pumping station, which is located in Erial. The Authority collects user fees of approximately \$12,500.00 per year. These funds are used for the purchase of all the safety equipment noted above. Testing is still performed regularly and on a positive note, after nine (9) full years of reporting, there are still no problems and Gems has met their Industrial Discharge Monitoring standards.

The Authority's recycling, grass/leaf collection and composting facility have become enormously successful. In 2015, we collected 4,384 tons of recyclables/vegetative waste and the total amount of materials that Gloucester Township accepted at our facility was 13,340 tons. If a private contractor had taken this to a landfill, the cost to the Township would have exceeded \$1,000,000.00 plus collection costs. The cost of operating these programs during that period was approximately \$1,600,000.00. The Authority has been accepting leaves and grass clippings from twenty (20) neighboring communities, who are paying us a tipping fee of \$3.00 per cubic yard for leaves and \$8.00 for a cubic yard of grass. The Authority also accepts material from landscapers for a charge of \$5.00 per cubic yard for leaves and \$10.00 per cubic yard for grass. Revenue was \$150,114.50 from this source in our fiscal year ending February 29, 2016. This added income lowers the Authority's operational costs as well as provides us with another source of income from selling compost derived from other community's waste co-mingled with ours.

OVERALL ANALYSIS (CONT'D)

Expanding this and other revenue producing endeavors is high on our list of priorities. The composting program processes grass and leaves only. Composting of yard waste is done on-site by Authority employees. Revenue from the sale of compost was \$174,602.00 in our fiscal year ending February 29, 2016. Total Revenue for all three (3) programs was \$326,827.02. Additional fees would be added to the Trash Collection Fees paid by the Township, if the Authority were not collecting grass and leaves. That figure could be well over \$300,000.00 a year for collection and \$370,000.00 for disposal. If these programs were implemented privately, additional costs and fees would be well over \$800,000.00 a year. After operational costs are factored in, we realize a savings of over \$1.2 million yearly.

Since the Camden County M.U.A. took over the treatment of our wastewater several years ago, we feel that the Gloucester Township M.U.A. has been very innovative in finding other avenues of responsibility and revenue to support them. We are always looking for ways to improve the Authority in order to better serve our community.

BUDGET VARIANCES

The Authority expended 83.69% of its \$3,938,326.00 Sewer operating budget with a few variances. It expended 85.02% of its \$1,916,834.00 Solid Waste operating budget with several variances. The Authority was not required to amend its fiscal year ending February 29, 2016 budgets. The percentage of amount expended to amount budgeted compares favorably to past years budgets.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During the current year, the Authority expended \$495,906.20 from its Renewal & Replacement Fund for capital activities. \$247,377.68 was classified as repairs/other expenses and charged as operating expenses. During the current year, the Authority disbursed \$248,528.52 for capital assets. Purchases include new pumps for the Glen Oaks, Laurel Plaza, Central Avenue, Erial Road, Glenn Avenue and Laurel Hills Pumping Stations, a new jet vac truck, a new pick-up truck and replacement of vari-drives at the Pierce Battery Pumping Station. In addition, a new camera system, a new phone system and a new portable by-pass pump were purchased. The more significant disbursements were for sewer system rehabilitation and pumping station upgrades. These projects were funded by the NJDEP Environmental Infrastructure Trust Loans – Series 2001A, 2004A and 2008A and 2010A. The result of these major improvements is being felt already. Our major emergency repairs were down from past fiscal years as a result of slip-lining and pumping station upgrades. The Authority is now in the middle of submitting paperwork for our fifth NJEIT Loan. The Authority still needs to slip-line many areas in the Township that are 30 years or older. The lines presently consist of asbestos and terracotta, which are badly deteriorating and at the end of their serviceable life and are subject to hydrogen gases. The Authority is planning for continuation of slip-lining and various other improvements. Future improvements include new pumps at the Stephens Drive and Front & Woodland Pumping Stations, a new bypass pump @ the Pierce Battery Pumping Station, replacement of vari-drives at the Girard Avenue Pumping Station, new piping & electrical cabinet at the Jarvis Road Pumping Station, impellers for the Front & Rowand Pumping Station, check valves & new piping for the Timbercove Pumping Station and sliplining for the Hydes Chemical Pumping Station sending district. Also, new generators have been ordered for the Administration Building and Orr Road Pumping Station. A new telemetering system is on the horizon for all fifty-one (51) pumping stations. All of these improvements will help the Authority to serve the public in a safer, more efficient capacity.

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

The fiscal year ending February 29, 2016 sewer capital budget and five-year capital program are \$1,608,500.00 and \$4,257,500.00 respectively. The major line items of the capital budget are:

1) Emergency Repairs	\$ 75,000.00
2) Equipment Replacement	100,000.00
3) Telemetry	330,000.00
4) Standby Generators	75,000.00
5) Sewer Rehab Program	300,000.00
6) Buildings & Grounds	50,000.00
7) Computer Upgrade	3,000.00
8) Electrical Upgrade	3,000.00
9) Pump Station Upgrades	250,000.00
10) Maintenance Equipment/Repairs	50,000.00
11) Administration Building	15,000.00
12) Record Maintenance	2,500.00
13) Health & Safety	5,000.00
14) Vehicles	350,000.00

These projects are currently underway at different stages in the process.

Looking at the five-year Capital Program, two projects should be mentioned because these are the projects that we are actively pursuing.

1) Sewer Rehab Program	FY 16	\$ 300,000.00
2) Pump Station Upgrades	FY 16	250,000.00

In any planning that is done by the Authority, these projects must be included as part of the capital budget. They are essential projects that will have an effect on the operation of our sewer facilities. The two projects are set up to upgrade and renew our aging lines and pump stations. We have been reaping the benefits of the first three (3) trust loans by seeing a major drop in emergency repairs. This is due to the fact that we were able to upgrade several pump stations and implement slip-lining of the Sewer lines, which we have discussed in detail in our Overall Analysis. The second and third trust loans have given the Authority more than double the financial relief from emergency repairs and hopefully the fourth loan will just about eliminate them.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide New Jersey, Gloucester Township residents and in particular, 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 information, contact the Authority at The Gloucester Township Municipal Utilities Authority, P.O. Box 216, Glendora, NJ 08029 or visit our website at: www.gtmtua.com.

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Comparative Statements of Net Position
As of February 29, 2016 and February 28, 2015

	<u>Feb. 29, 2016</u>	<u>Feb. 28, 2015</u> <u>(Restated)</u>
ASSETS		
Current Unrestricted Assets:		
Revenue/Operating Account:		
Cash and Cash Equivalents	\$ 1,946,306.61	\$ 3,126,313.98
Consumer Accounts Receivable	474,187.46	411,131.70
Refunds Receivable	33,120.64	
Other Accounts Receivable	36,600.77	47,551.73
Due from Township	286,012.00	
Prepaid Expenses	112,325.35	105,455.41
	<hr/>	<hr/>
Total Unrestricted Assets	2,888,552.83	3,690,452.82
Restricted Assets:		
Debt Service Account:		
Cash and Cash Equivalents	1,278,337.78	1,261,638.05
Debt Service Reserve Account:		
Cash and Cash Equivalents	948,748.56	931,740.38
Renewal and Replacement Account:		
Cash and Cash Equivalents	2,804,244.21	1,399,175.83
Due from New Jersey Environmental Infrastructure Trust	50,816.31	50,816.31
Prepaid Bond Insurance Expense	7,022.75	10,534.10
Other Accounts:		
Cash and Cash Equivalents	297,166.85	295,816.46
	<hr/>	<hr/>
Total Restricted Assets	5,386,336.46	3,949,721.13
Capital Assets:		
Construction in Progress	655,425.06	701,733.27
Completed (Net of Accumulated Depreciation)	46,144,038.83	46,907,874.36
	<hr/>	<hr/>
Total Capital Assets	46,799,463.89	47,609,607.63
	<hr/>	<hr/>
Total Assets	55,074,353.18	55,249,781.58
	<hr/>	<hr/>
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	894,658.00	382,403.33
	<hr/>	<hr/>
LIABILITIES		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable--Operations	191,633.27	201,660.68
Accounts Payable--Related to Pensions	201,434.00	227,224.00
Prepaid Rental Charges	833,596.77	760,472.40
Unearned Revenue	2,120.25	1,973.75
Compensated Absences	50,957.03	48,866.43
Accrued Liabilities	29,243.18	16,192.30
	<hr/>	<hr/>
Total Current Liabilities Payable from Unrestricted Assets	1,308,984.50	1,256,389.56
	<hr/>	<hr/>

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Comparative Statements of Net Position
As of February 29, 2016 and February 28, 2015

	Feb. 29, 2016	Feb. 28, 2015 (Restated)
LIABILITIES (CONT'D)		
Current Liabilities Payable from Restricted Assets:		
Accounts Payable	\$ 156,447.06	
Serial Bonds Payable--Current Portion	675,000.00	\$ 640,000.00
N. J. Environmental Infrastructure Loans Payable -- Current Portion	638,426.58	624,711.27
Accrued Bond and Loan Interest Payable	75,122.62	94,256.77
Accrued Liabilities	8,710.60	8,710.60
Escrow Deposits	157,134.63	177,970.09
Total Current Liabilities Payable from Restricted Assets	1,710,841.49	1,545,648.73
Long-term Liabilities:		
Serial Bonds Payable	1,460,000.00	2,135,000.00
N. J. Environmental Infrastructure Loans Payable	6,753,267.72	7,391,694.30
Net Pension Liability	5,259,535.00	5,160,516.00
OPEB Liability	215,998.07	156,716.11
Accrued Liabilities--Related to Pension	134,289.00	134,289.33
Compensated Absences	160,020.60	146,283.08
Total Long-term Liabilities	13,983,110.39	15,124,498.82
Total Liabilities	17,002,936.38	17,926,537.11
DEFERRED INFLOWS OF RESOURCES		
Deferred Connection Fee Revenue	372,495.00	674,840.00
Related to Pensions	741,061.00	307,539.00
Total Deferred Inflows of Resources	1,113,556.00	982,379.00
NET POSITION		
Net Investment in Capital Assets	37,323,585.90	36,869,018.37
Restricted for:		
Bond Covenants:		
Debt Service Reserve Requirement	948,653.34	796,787.50
Renewal and Replacement	500,000.00	500,000.00
Operating Requirement	1,921,215.50	1,864,883.00
Reserve for Payment of Bond Principal and Interest	228.53	245.09
Reserve to Pay Debt Service in Accordance with Township Agreement	270,402.26	203,881.20
Unemployment Claims	139,922.90	117,843.46
Reserve for System Upgrades	229,658.32	331,621.20
	4,010,080.85	3,815,261.45
Unrestricted	(3,481,147.95)	(3,961,011.02)
Total Net Position	\$ 37,852,518.80	\$ 36,723,268.80

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

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Comparative Statements of Revenues, Expenses and Changes in Net Position
 For the Fiscal Years Ended February 29, 2016 and February 28, 2015

	<u>Feb. 29, 2016</u>	<u>Feb. 28, 2015</u> <u>(Restated)</u>
Operating Revenues:		
Service Charges	\$ 5,356,328.50	\$ 5,325,226.41
Service Agreements	1,692,822.00	1,543,647.03
Connection Fees	497,740.00	112,310.00
Miscellaneous Charges	502,923.31	464,938.56
	<hr/>	<hr/>
Total Operating Revenues	8,049,813.81	7,446,122.00
	<hr/>	<hr/>
Operating Expenses:		
Administrative Expenses:		
Salaries and Wages	511,521.37	501,553.81
Fringe Benefits	372,575.97	371,053.32
Other	328,648.91	286,751.72
	<hr/>	<hr/>
	1,212,746.25	1,159,358.85
	<hr/>	<hr/>
Cost of Service:		
Salaries and Wages	1,659,630.63	1,525,063.59
Fringe Benefits	1,016,383.94	1,004,030.97
Other	1,036,651.96	1,183,202.95
	<hr/>	<hr/>
	3,712,666.53	3,712,297.51
	<hr/>	<hr/>
Major Repairs and Other Expenses	247,377.68	252,107.48
Depreciation	1,010,601.23	983,844.87
	<hr/>	<hr/>
Total Operating Expenses	6,183,391.69	6,107,608.71
	<hr/>	<hr/>
Operating Income	1,866,422.12	1,338,513.29
	<hr/>	<hr/>
Non-operating Revenue (Expenses):		
Investment Income	3,454.12	638.36
Net Unemployment Claims	22,079.44	23,917.07
Bond Interest	(279,604.61)	(329,122.92)
Loss on Disposal of Property, Plant and Equipment	(1,762.82)	(919.67)
Cancellation of Construction in Progress	(46,308.21)	(338,678.34)
Excess Funds Transferred to Township	(203,881.20)	
Net Reserve for System Improvements	(101,962.88)	47,851.33
Net Reserve for Payment of Bond		
Principal and Interest	(16.56)	(138.91)
Refund of Prior Year Revenue	(38,560.00)	
Additional Prior Year Expenses	(87,098.05)	
Prepaid Bond Insurance Expended	(3,511.35)	(3,511.35)
	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(737,172.12)	(599,964.43)
	<hr/>	<hr/>
Contributions -- Capital Assets	-	19,720.00
	<hr/>	<hr/>
Change in Net Position (Carried Forward)	1,129,250.00	758,268.86

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Comparative Statements of Revenues, Expenses and Changes in Net Position
 For the Fiscal Years Ended February 29, 2016 and February 28, 2015

	<u>Feb. 29, 2016</u>	<u>Feb. 28, 2015</u>
Change in Net Position (Brought Forward)	<u>\$ 1,129,250.00</u>	<u>\$ 758,268.86</u>
Net Position, Beginning, As Originally Stated	36,723,268.80	41,334,858.94
Restatement (See Note 11)	<u>-</u>	<u>(5,369,859.00)</u>
Net Position - Beginning, As Restated	36,723,268.80	35,964,999.94
Change in Net Position	<u>1,129,250.00</u>	<u>758,268.86</u>
Net Position, End of Year:		
Net Investment in Capital Assets	\$ 37,323,585.90	\$ 36,869,018.37
Restricted	\$ 4,010,080.85	\$ 3,815,261.45
Unrestricted	<u>\$ (3,481,147.95)</u>	<u>\$ (3,961,011.02)</u>

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

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Comparative Statements of Cash Flows
 For the Fiscal Years Ended February 29, 2016 and February 28, 2015

	<u>Feb. 29, 2016</u>	<u>Feb. 28, 2015</u> <u>(Restated)</u>
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 5,649,429.36	\$ 5,981,825.47
Receipts from Township	1,406,810.00	1,664,638.00
Payments to Suppliers	(2,902,701.61)	(2,939,056.30)
Payments to Employees	(2,171,152.00)	(2,026,617.40)
Other Operating Receipts	412,954.09	353,847.98
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	2,395,339.84	3,034,637.75
	<hr/>	<hr/>
Cash Flows from Noncapital Financing Activities:		
Planning Escrow Activity	(20,729.05)	8,514.88
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities:		
Loan Proceeds		803,850.00
Capital Aquisitions	(248,528.52)	(859,725.95)
Developer's Contributions - System Upgrades	(101,962.88)	47,851.33
Excess Funds Transferred to Township	(203,881.20)	
Interest Earned on Investments - Reserved to Pay Debt Service	23,983.44	22,861.09
Debt Service:		
Principal	(1,264,711.27)	(1,212,366.96)
Interest	(322,738.76)	(370,210.01)
	<hr/>	<hr/>
Net Cash Used in Capital and Related Financing Activities	(2,117,839.19)	(1,567,740.50)
	<hr/>	<hr/>
Cash Flows from Investing Activities:		
Interest on Investments	3,347.71	587.40
	<hr/>	<hr/>
Net Increase in Cash and Cash Equivalents	260,119.31	1,475,999.53
	<hr/>	<hr/>
Cash and Cash Equivalents--Beginning	7,014,684.70	5,538,685.17
	<hr/>	<hr/>
Cash and Cash Equivalents--Ending	\$ 7,274,804.01	\$ 7,014,684.70
	<hr/>	<hr/>

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Comparative Statements of Cash Flows
For the Fiscal Years Ended February 29, 2016 and February 28, 2015

	<u>Feb. 29, 2016</u>	<u>Feb. 28, 2015</u> <u>(Restated)</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 1,866,422.12	\$ 1,338,513.29
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,010,601.23	983,844.87
Refund of Prior Year Revenue	(38,560.00)	
Additional Prior Year Expenses	(87,098.05)	
Change in Assets and Liabilities:		
(Increase) Decrease in Consumer Accounts Receivable	(63,055.76)	(23,503.29)
(Increase) Decrease in Due from Township	(286,012.00)	
(Increase) Decrease in Refunds Receivable	(33,120.64)	26,216.42
(Increase) Decrease in Other Accounts Receivable	10,950.96	111,475.31
(Increase) Decrease in Prepaid Expenses	(6,869.94)	(2,792.20)
(Increase) Decrease in Deferred Outflows of Resources - Related to Pensions	(512,254.67)	(230,920.66)
Increase (Decrease) in Accounts Payable	146,419.65	14,872.50
Increase (Decrease) in Prepaid Rents	73,124.37	32,495.33
Increase (Decrease) in Unearned Revenue	146.50	(2,687.70)
Increase (Decrease) in Deferred Connection Fee Revenue	(302,345.00)	446,400.00
Increase (Decrease) in Accrued Liabilities	13,050.88	(16,087.54)
Increase (Decrease) in OPEB Liability	59,281.96	43,714.79
Increase (Decrease) in Pension Liability	99,019.00	(5,669.00)
Increase (Decrease) in Accounts Payable - Related to Pensions	(25,790.00)	23,550.00
Increase (Decrease) in Accrued Liabilities - Related to Pensions	(0.33)	(17,193.34)
Increase (Decrease) in Deferred Inflows of Resources - Related to Pensions	433,522.00	307,539.00
Increase (Decrease) in Reserve for Unemployment Claims	22,079.44	23,917.07
Increase (Decrease) in Compensated Absences Payable	15,828.12	(19,047.10)
Net Cash Provided by Operating Activities	<u>\$ 2,395,339.84</u>	<u>\$ 3,034,637.75</u>

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

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements
For the Fiscal Years Ended February 29, 2016 and February 28, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Gloucester Township 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 Township of Gloucester (the "Township") is located in the western portion of the County of Camden, approximately 15 miles southeast of Philadelphia, Pennsylvania and 59 miles south of Trenton, New Jersey, and is bounded by the Borough of Runnemede on the north, the Boroughs of Lindenwold, Stratford and Pine Hill on the east, Winslow Township on the south and Deptford Township on the west.

The Township, by ordinance dated October 6, 1958 and amended November 29, 1963, created the Gloucester Township Municipal Utilities Authority (the "Authority"). The Authority is organized under P.L. 1957 C.183 of the laws of the State of New Jersey (the Act). The Act grants power to every municipality of the State by means and through agency of a municipal utilities authority to acquire, construct, maintain, operate or improve works for the accumulation, supply or distribution of water and works for the collection, treatment, purification or disposal of sewage or other wastes. A seven-member board governs the Authority. The Township Council appoints members of the Board for five-year terms on a staggered basis. The members of the Board oversee the Authority's operations.

The Authority operates and maintains a sewage collection system within the municipal boundaries of the Township. The sewerage is then passed on to the Camden County Municipal Utilities Authority (CCMUA) system. The CCMUA in turn is responsible for the treatment of all waste materials.

The Authority bills and collects for its services from all customers and is entitled to a connection fee for new hook-ups.

Under its solid waste department, the Authority provides curbside recycling for the Township under an Intra-Local Service agreement that is executed annually detailing the arrangements with the Township. In addition to its curbside recycling, the Authority collects grass and leaves throughout the Township and receives grass and leaves from other municipalities within the County at a compost facility that is operated and maintained by the Authority.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Component Unit (Cont'd)**

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 Gloucester.

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 (sewer and solid waste) 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. Sewer and solid waste 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 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. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

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. The Act was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. 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.

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 GUDPA. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Inventories

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 Authority's 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 are stated at actual cost or estimated cost. Donated capital assets are recorded at their fair market value as of the date received.

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 & Improvements	30-40
Major Moveable Equipment	5-20
Vehicles	7
Infrastructure	40

Assets are recorded during the year by acquisition date and depreciation is calculated monthly from that date forward.

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.

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

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

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

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

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

Compensated Absences

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

Unearned Revenue

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

Pensions

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

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

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

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

Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted - This component of net position consists of net position that 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 facility charges (i.e., sewer service and solid waste revenues) and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts.

Operating expenses include expenses associated with the operation, maintenance and repair of the sewer system, solid waste operations and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Recently Issued and Adopted Accounting Pronouncements

For the fiscal year ended February 29, 2016, the Authority adopted GASB 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, and GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. As a result of adopting such Statements, the Authority was required to measure and recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their defined benefit pensions. The cumulative effect of adopting GASB Statements No. 68 and No. 71 totaled \$5,369,859.00, and was recognized as a restatement of the Authority's February 28, 2014 net position on the comparative statements of net position (see note 11).

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

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 Statement is effective for periods beginning after June 15, 2015. Management has not yet determined the impact of this Statement on the financial statements.

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

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. 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 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 Statement is effective for periods beginning after June 15, 2015. Management does not expect this Statement will have an impact 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 is effective for periods beginning after December 15, 2015. Management does not expect this Statement will have an impact on the notes to 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*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The Statement is effective for periods beginning after December 15, 2015. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Management does not expect this Statement will have an impact on the notes to 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 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. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The Statement is effective for periods beginning after December 15, 2016. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 82, *Pension Issues – an 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 requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Management has not yet determined the impact of this Statement on the financial statements.

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

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

General Bond Resolution

The Authority is subject to the provisions and restrictions of the 1993 Bond Resolution. A summary of the activities of each account created by the Bond Resolution is covered below.

Revenue Account - All revenues collected by the Authority are required to be deposited in the Revenue Account. A balance equal to an amount for operating expenses for the ensuing three months is maintained in the Revenue Account. In each quarter commencing with February 15th of each year the Trustee to the extent that monies are available, is required to transfer or credit to the following accounts: Operating, Sinking/Debt Service, Debt Service Reserve and Renewal and Replacement.

Sinking Account - Required sinking account installments of the Revenue Bonds, Series 1993 are deposited in this account. The Trustee may apply moneys on deposit to the redemption of 1993 Bonds, maturing March 1, 2018.

Debt Service Account - This fund is maintained to pay maturing interest and principal on the 1993 Revenue Bonds and the New Jersey Environmental Infrastructure Trust Loans of the Authority. On or before February 15, May 15, August 15 and November 15 amounts equal to a pro rata portion of the Debt Service Requirement for the immediately ensuing Interest Payment Date plus a pro rata portion of the amount necessary to pay the maturing Bond and loan principal should be deposited from the Revenue Account into this Account.

Debt Service Reserve Account - The amount of funds on deposit must be maintained at a level equal to the maximum annual debt service of all the series of bonds and the 2001 New Jersey Environmental Infrastructure loans then outstanding. In accordance with the Authority's bond resolution, an amount totaling \$948,653.34 was restricted by the Authority and deposited with the Authority's trustee. This amount satisfies the debt service reserve requirement for the 1993 revenue bonds.

Funding of the debt service reserve requirement for the 2004 New Jersey Environmental Infrastructure Loans has been provided by the New Jersey Environmental Infrastructure Trust. The debt service reserve fund contribution for the 2004 loan was \$178,776.61. These funds were deposited with an agent for the Trust and will be returned to the Trust upon maturity of the loans. The 2008 and 2010 loans were issued as subordinate debt under the General Bond Resolution and shall be payable out of and secured by a subordinate pledge of gross revenues and there was no deposit required into the Debt Service Reserve Fund.

Renewal and Replacement Account - All excess funds of the Authority are recorded in the Renewal and Replacement account. Amounts may be withdrawn from this account for costs necessary with respect to the System for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals. Funds on deposit must be equal to the System Reserve Requirement, currently established at \$500,000.00. The System Reserve Requirement is established by the Consulting Engineer's Certificate most recently filed with the Trustee or five percent of the Gross Revenues set forth in the Authority's then-current budget.

Construction Account - The Construction account is designated as depository for moneys from any source including proceeds from the sale of additional bonds for the construction or acquisition to the system. All moneys in the Construction account are pledged to secure the principal or redemption price and interest on the Bonds. Currently, there is no balance or required balance for the Construction Account.

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

Rebate Account - This account was established for the purpose of paying to the United States any rebatable arbitrage. All amounts in this account shall be held by the Trustee free and clear of any liens created by the Bond resolution. Currently, there is no balance or required balance for the rebate account.

Other Restricted Accounts - In addition to those accounts required by the trust indentures, an escrow fund and an unemployment trust account are maintained to hold monies that are being held in trust for others.

Debt Service Coverage

Section 6.10 of the 1993 Bond Resolution requires certain ratios of Net Revenues to Debt Service. Compliance with this covenant is calculated as follows:

	<u>Bond Year Ending March 1</u>	
	<u>2016</u>	<u>2015</u>
<u>1993 Revenue Bond Resolution</u>		
Operating Revenue	\$ 7,779,411.55	\$ 7,242,240.80
Interest Revenue	<u>3,454.12</u>	<u>638.36</u>
Total Revenues	<u>7,782,865.67</u>	<u>7,242,879.16</u>
Operating Expenses:		
Administrative	1,215,498.25	1,120,705.85
Cost of Service	<u>3,715,418.53</u>	<u>3,673,644.51</u>
Total Operating Expenses	<u>4,930,916.78</u>	<u>4,794,350.36</u>
Excess of Revenues	2,851,948.89	2,448,528.80
110% of Current Fiscal Year's Annual Debt Service Requirement	<u>1,698,747.47</u>	<u>1,695,638.87</u>
Excess of Revenues	<u>\$ 1,153,201.42</u>	<u>\$ 752,889.93</u>
Percentage of Net revenues to Debt Service	185%	159%

The ratio for bond years ending March 1, 2016 and 2015 meets the required debt service coverage of 110% required under the 1993 Bond Resolution. The bond years ending March 1, 2016 and 2015 include the Authority's four New Jersey Environmental Infrastructure Loans.

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 February 29, 2016 and February 28, 2015, the Authority's bank balances were exposed to custodial credit risk as follows:

	<u>2016</u>	<u>2015</u>
Insured by FDIC	\$ 500,000.00	\$ 500,000.00
Insured by GUDPA	<u>6,828,286.06</u>	<u>6,751,664.42</u>
Total Bank Balance	<u>\$7,328,286.06</u>	<u>\$7,251,664.42</u>

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	\$ 411,131.70	\$ 5,356,328.50	\$ 5,293,272.74	91.78%
2015	387,628.41	5,325,226.41	5,301,723.12	92.80%
2014	381,522.99	4,911,288.70	4,905,183.28	92.68%

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

During the fiscal year ended February 29, 2016, the following changes in Capital Assets occurred:

	Balance Feb. 28, 2015	Additions	Deletions	Balance Feb. 29, 2016
Land	\$ 214,000.00			\$ 214,000.00
Buildings & Improvements	2,288,512.19	\$ 3,973.00		2,292,485.19
Major Movable Equipment	2,137,666.79	99,987.54	\$ 4,193.72	2,233,460.61
Vehicles	1,385,081.66			1,385,081.66
Infrastructure	62,348,124.12	144,567.98		62,492,692.10
	68,373,384.76	248,528.52	4,193.72	68,617,719.56
Accumulated Depreciation	21,465,510.40	1,010,601.23	2,430.90	22,473,680.73
	<u>\$ 46,907,874.36</u>	<u>\$ (762,072.71)</u>	<u>\$ 1,762.82</u>	<u>\$ 46,144,038.83</u>

During the fiscal year ended February 28, 2015, the following changes in Capital Assets occurred:

	Balance Feb. 28, 2014	Additions	Deletions	Balance Feb. 28, 2015
Land	\$ 214,000.00			\$ 214,000.00
Buildings & Improvements	2,268,792.19	\$ 19,720.00		2,288,512.19
Major Movable Equipment	2,129,020.07	16,826.26	\$ 8,179.54	2,137,666.79
Vehicles	1,233,192.66	151,889.00		1,385,081.66
Infrastructure	61,609,545.29	738,578.83		62,348,124.12
	67,454,550.21	927,014.09	8,179.54	68,373,384.76
Accumulated Depreciation	20,488,925.10	983,845.17	7,259.87	21,465,510.40
	<u>\$ 46,965,624.81</u>	<u>\$ (56,831.08)</u>	<u>\$ 919.67</u>	<u>\$ 46,907,874.36</u>

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

During the fiscal year ended February 29, 2016, the following changes occurred in long-term obligations:

	(Restated)			Balance	Due Within
	Balance	Additions	Reductions	Balance	One Year
	February 28, 2015			February 29, 2016	
Bonds and Loans Payable:					
Bonds Payable	\$ 2,775,000.00		\$ (640,000.00)	\$ 2,135,000.00	\$ 675,000.00
NJEIT Loans	8,016,405.57		(624,711.27)	7,391,694.30	638,426.58
Total Bonds and Loans Payable	10,791,405.57	\$ -	(1,264,711.27)	9,526,694.30	1,313,426.58
Other Liabilities					
Net Pension Liability	5,160,516.00	300,453.00	(201,434.00)	5,259,535.00	
Net OPEB Obligation	156,716.11	59,281.96		215,998.07	
Other Liabilities -					
Related to Pension	134,289.33	134,289.00	(134,289.33)	134,289.00	
Compensated Absences	195,149.51	15,828.12		210,977.63	50,957.03
Total Other Liabilities	5,646,670.95	1,137,994.23	(324,398.85)	5,321,453.06	6,263.40
Total Long Term Liabilities	\$ 16,438,076.52	\$ 1,137,994.23	\$ (370,095.95)	\$ 5,952,075.22	\$ 51,805.76

During the fiscal year ended February 28, 2015, the following changes occurred in long-term obligations:

	(Restated)			Balance	Due Within
	Balance	Additions	Reductions	Balance	One Year
	February 28, 2014			February 28, 2015	
Bonds and Loans Payable:					
Bonds Payable	\$ 3,380,000.00		\$ (605,000.00)	\$ 2,775,000.00	\$ 640,000.00
NJEIT Loans	8,623,772.53		(607,366.96)	8,016,405.57	624,711.27
Total Bonds and Loans Payable	12,003,772.53	\$ -	(1,212,366.96)	10,791,405.57	1,264,711.27
Other Liabilities					
Net Pension Liability	5,166,185.00	221,555.00	(227,224.00)	5,160,516.00	
Net OPEB Obligation	113,001.32	43,714.79		156,716.11	
Accrued Liabilities -					
Related to Pension	151,482.67	134,289.33	(151,482.67)	134,289.33	
Compensated Absences	214,196.61		(19,047.10)	195,149.51	48,866.43
Total Other Liabilities	5,644,865.60	399,559.12	(397,753.77)	5,646,670.95	48,866.43
Total Long Term Liabilities	\$ 17,648,638.13	\$ 399,559.12	\$ (1,610,120.73)	\$ 16,438,076.52	\$ 1,313,577.70

Note 4: DETAIL NOTES - LIABILITIES**Compensated Absences**

Authority employees are entitled to fifteen (15) paid sick leave days each year. Unused sick leave may be accumulated and carried forward to subsequent years, up to a maximum of forty-five (45) days. Vacation days not used during the year may not be accumulated and carried forward; however, employees have until March 31 of the succeeding year to use any unused vacation days from the prior year. Authority employees are permitted to sell back a maximum of fifteen sick days a year. Upon separation in good standing or retirement from the Authority, the employee may sell back up to forty-five accumulated sick days at the time of departure or retirement. Any employee hired after March 1, 2010 shall be limited to thirty (30) days upon separation of service or retirement. The payout at the time of separation or retirement shall be paid at the salary level in effect for the employee at that time.

Authority employees are also entitled to compensatory time, which is defined as paid time away from the job that is earned and accrued by an employee in lieu of cash payment for overtime, which is accrued at the rate of no less than one and one half hours of compensatory time for each hour of overtime worked. Accrued compensatory time can be paid out at time of good separation or retirement from Authority. Employees cannot accrue more than 240 hours of compensatory time, and any employee engaged in public safety activity, emergency response activity, or seasonal activity cannot accrue more than 480 hours of compensatory time. The accrued liability for accumulated sick time and compensatory time at February 29, 2016 and February 28, 2015 is estimated at \$210,977.63 and \$195,149.51, respectively.

Retirement Systems

A substantial number of the Authority's employees participate in the Public Employees' Retirement System ("PERS"), which is administered by the New Jersey Division of Pensions and Benefits. 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>

General Information about the Pension Plans**Plan Descriptions**

Public Employees' Retirement System - The Public Employees' Retirement System (PERS) 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.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Retirement Systems (Cont'd)****General Information about the Pension Plans (Cont'd)****Plan Descriptions (Cont'd)**

Defined Contribution Retirement Program - The Defined Contribution Retirement Program ("DCRP") 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 Benefit Provisions

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 8 to 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

<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)**Retirement Systems (Cont'd)****General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

Defined Contribution Retirement Program - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable 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 February 29, 2016 and February 28, 2015 was 11.87% and 13.92% of the Authority's covered-employee payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$201,434.00 and \$227,224.00 for the fiscal years ended February 29, 2016 and February 28, 2015. Employee contributions were \$119,238.62 and \$114,150.01 for the fiscal years ended February 29, 2016 and February 28, 2015, respectively.

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

For the fiscal year ended February 29, 2016, employee contributions totaled \$239.28, and the Authority's contributions were \$130.56. For the fiscal year ended February 28, 2015, employee contributions totaled \$233.28, and the Authority's contributions were \$136.56. There were no forfeitures during the year.

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

Public Employees' Retirement System – At February 29, 2016, the Authority reported a liability of \$5,259,535.00 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 0.0234298649%, which was an decrease of 0.0041329657% from its proportion measured as of June 30, 2014.

For the fiscal years ended February 29, 2016 and February 28, 2015, the Authority recognized pension expense of \$221,716.00 and 281,095.00, respectively.

At February 29, 2016 and February 28, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>February 29, 2016</u>		<u>February 28, 2015</u>	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience	\$ 125,474.00			
Changes of Assumptions	564,832.00		\$ 162,274.00	
Net Difference between Projected and Actual Earnings on Pension Plan Investments		\$ 84,563.00		\$ 307,539.00
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	70,063.00	656,498.00	85,840.00	
Authority Contributions Subsequent to the Measurement Date	134,289.00		134,289.33	
	<u>\$ 894,658.00</u>	<u>\$ 741,061.00</u>	<u>\$ 382,403.33</u>	<u>\$ 307,539.00</u>

The deferred outflows of resources related to pensions totaling \$134,289.00 and \$134,289.33 will be included as a reduction of the net pension liability in the fiscal years ended February 28, 2017 and February 29, 2016.

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

Public Employees' Retirement System (Cont'd) - The Authority will amortize the other deferred outflows of resources and deferred inflows of resources related to PERS over the following number of years:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
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)**Retirement Systems (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

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

Fiscal Year Ending February 29, 2016		Fiscal Year Ending February 28, 2015	
2017	\$ (11,445.00)	2016	\$ (31,276.00)
2018	(11,445.00)	2017	(31,276.00)
2019	(11,443.00)	2018	(31,276.00)
2020	65,442.00	2019	(31,274.00)
2021	(11,801.00)	2020	45,609.00
		Thereafter	20,069.00
	<u>\$ 19,308.00</u>		<u>\$ (59,424.00)</u>

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 females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of returns for each major asset class included in PERS's target asset allocation as of June 30, 2015 is summarized in the table on the following page.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Retirement Systems (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% as of June 30, 2015 and 5.39% as of June 30, 2014. 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% as of June 30, 2015 and long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% as of June 30, 2014, 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 will be made based on the average of the last five years. 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. 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)**Retirement Systems (Cont'd)****Sensitivity of Authority's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

The following presents the Authority's proportionate share of the net pension liability at June 30, 2015 calculated using a discount rate of 4.90%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease <u>(3.90%)</u>	Current Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 6,536,959.00</u>	<u>\$ 5,259,535.00</u>	<u>\$ 4,188,553.00</u>

The following presents the Authority's proportionate share of the net pension liability at June 30, 2014 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:

	1% Decrease <u>(4.39%)</u>	Current Discount Rate <u>(5.39%)</u>	1% Increase <u>(6.39%)</u>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 5,023,735.00</u>	<u>\$ 3,993,322.00</u>	<u>\$ 3,128,037.00</u>

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated at the beginning of this note.

Post-Employment Benefits

Authority Plan Description - The Authority provides dental/prescription/vision coverage to employees that have retired from the Authority in addition to health and prescription drugs coverage provided through the State Pension Fund. Dental/Prescription/Vision coverage and the amount of the benefit are established by the Authority. GASB Statement 45 requires that accrued liabilities associated with the dental coverage be recorded on the Authority's financial statements.

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

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**State Health Benefit Plan**

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

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

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Authority on a monthly basis. The Authority funds these benefits on a pay-as-you-go basis.

The Authority's contributions to SHBP for the fiscal years ended February 29, 2016, February 28, 2015 and February 28, 2014, were \$240,630.70, \$201,648.36 and \$124,940.05, respectively, which equaled the required contributions each year. There were 16 retired participants eligible at February 29, 2016, 15 retired participants eligible at February 28, 2015 and 13 retired participants eligible at February 28, 2014.

Authority's Plan – Dental/Prescription/Vision Coverage

Plan Description - The Authority also provides dental, prescription and vision coverage to retirees and their covered dependents. The reimbursements are administered by the Authority; therefore, payments are made directly by the Authority to the retirees.

Funding Policy - The Authority presently funds its current retiree post-employment benefit costs on a “pay-as-you-go” basis. The Authority's contributions to the plan for the fiscal years ending February 29, 2016, February 28, 2015 and February 28, 2014, were \$16,881.10, \$16,579.38 and \$5,791.27, respectively.

Annual OPEB Cost and Net OPEB Obligation - The Authority's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

The following table details the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation for the fiscal years ended February 29, 2016, February 28, 2015 and February 28, 2014:

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Authority's Plan – Dental/Prescription/Vision Coverage (Cont'd)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Required Contribution (ARC)	\$ 57,902.00	\$ 61,645.00	\$ 61,645.00
Interest on the Net OPEB Obligation		5,650.07	2,891.95
Adjustment to the ARC	<u>17,672.96</u>	<u>(7,000.90)</u>	<u>(3,583.36)</u>
Annual OPEB Cost	75,574.96	60,294.17	60,953.59
Contributions (Existing Retirees)	<u>(16,293.00)</u>	<u>(16,579.38)</u>	<u>(5,791.27)</u>
Increase in the Net OPEB Obligation	59,281.96	43,714.79	55,162.32
Net OPEB Obligation, Beginning of Fiscal Year	<u>156,716.11</u>	<u>113,001.32</u>	<u>57,839.00</u>
Net OPEB Obligation, End of Fiscal Year	<u>\$ 215,998.07</u>	<u>\$ 156,716.11</u>	<u>\$ 113,001.32</u>
Percentage of Annual OPEB Cost Contributed	21.6%	27.5%	9.5%

Annual OPEB Cost - For 2016, the Authority's annual OPEB cost (expense) was \$75,574.96. The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016, 2015 and 2014 are as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Pay as You Go Cost (Existing Retirees)</u>	<u>Annual OPEB Obligation</u>	<u>Percentage of Annual OPEB Cost Contributed</u>
2016	\$ 75,574.96	\$ 16,293.00	\$ 59,281.96	21.56%
2015	60,294.17	16,579.38	43,714.79	27.50%
2014	60,953.59	5,791.27	55,162.32	9.50%

Funded Status and Funding Progress - As of February 29, 2016, the most recent actuarial valuation date, the Authority's Plan was 0% funded. The actuarial accrued liability for benefits was \$629,973.00 and the actuarial value of plan assets was \$0.00, resulting in an unfunded actuarial accrued liability (UAAL) of \$629,973.00. (For additional information, please refer to the "Required Supplementary Information Schedule of Funding Progress for OPEB Plan" shown after the Notes to the Financial Statements section.) 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 - 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 of 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 February 29, 2016, actuarial valuation, the "unit credit" cost method was used. The actuarial assumptions included a 3.0% investment rate of return (net of administrative expenses) and an annual dental and vision cost trend rate of 5.0%. The Authority's Plan unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at February 29, 2016, was twenty-five years.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Lease Obligations**

At February 29, 2016, the Authority had an expired lease agreement in effect for a postage meter. The Authority continues to lease the postage meter on an annual basis. Future minimum rental payments under operating lease agreement for the fiscal year ending February 28, 2017 is \$576.00.

Rental payments under the operating lease for the fiscal years ended February 29, 2016 and February 28, 2015 were \$658.96 and \$657.58, respectively.

Revenue Bonds Payable - Series 1993

The Revenue Bonds, Series 1993 were issued to provide funds: (i) to advance refund the Authority's Second Lien Revenue Bonds, Series A, which were originally issued in February 1988 in the principal amount of \$3,660,000; (ii) to advance refund the Authority's Second Lien Revenue Bonds, Series B, which were originally issued in May 1988 in the principal amount of \$6,040,000; and (iii) to defray issuance costs of the 1993 Bonds.

The Bonds were issued originally for \$10,440,000 and carried interest rates ranging from 2.75% to 5.65% with a final maturity in 2018.

The following schedule reflects the Debt Service Requirements until 2018.

Bond Year Ending <u>March 1,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 675,000	\$ 120,628	\$ 795,628 (Maximum Debt Service)
2017	710,000	82,490	792,490
2018	<u>750,000</u>	<u>42,375</u>	<u>792,375</u>
	2,135,000	<u>\$ 245,493</u>	<u>\$ 2,380,493</u>
Current Portion	<u>675,000</u>		
Long Term	<u>\$ 1,460,000</u>		

New Jersey Environmental Infrastructure Trust

In November 2001, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$1,095,000.00 from the Trust and a \$1,095,500.00 from the Fund. The loan proceeds were used to fund a sewer system rehabilitation project. As of February 29, 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 August 1, 2003. The Trust Loan carries rates from 4.00% to 5.50%. Both loans have a final maturity of August 1, 2021.

In November 2004, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$2,110,000.00 from the Trust and a \$2,069,790.00 from the Fund. The loan proceeds were used to fund the continuation of a sewer system rehabilitation project. As of February 29, 2016, the Authority has drawn all of these funds.

The Fund Loan is a non-interest bearing loan with its semi-annual principal payment due August 1 and February 1. The Trust Loan carries rates from 3.00% to 5.00%. Both loans have a final maturity of August 1, 2024.

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

In November 2008, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling 1,960,000.00 from the Trust and a \$1,937,488.00 from the Fund. The loan proceeds are being used to fund the continuation of a sewer system rehabilitation project, construct a new administration building and provide equipment for its composting facility. As of February 29, 2016, the Authority has drawn all of these funds.

The Fund Loan is a non-interest bearing loan with its semi-annual principal payment due August 1 and February 1. The Trust Loan carries rates from 5.00% to 5.50%. Both loans have a final maturity of August 1, 2029.

In November 2010, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$540,000.00 from the Trust and a \$1,653,750.00 from the Fund. The loan proceeds are being used to fund the continuation of a sewer system rehabilitation project. As of February 29, 2016, the Authority has drawn down \$2,142,933.69. The balance of \$50,816.31 of loan proceeds is recorded as a receivable on Exhibit A.

The Fund Loan is a non-interest bearing loan with its semi-annual principal payment due August 1 and February 1. The Trust Loan carries rates from 3.00% to 5.00%. Both loans have a final maturity of August 1, 2029.

The following schedule reflects the Debt Service Requirements for all N.J.E.I.T. Loans until 2029.

<u>Bond Year Ending</u> <u>March 1,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 638,426.58	\$ 171,006.26	\$ 809,432.84
2018	646,501.95	156,806.26	803,308.21
2019	662,045.72	141,431.26	803,476.98
2020	685,209.00	125,181.26	810,390.26
2021	704,473.89	107,775.01	812,248.90
2022	710,101.45	89,750.01	799,851.46
2023	585,120.42	73,243.76	658,364.18
2024	592,905.55	58,537.51	651,443.06
2025	622,009.29	43,784.38	665,793.67
2026	351,376.63	32,150.00	383,526.63
2027	355,240.97	23,962.50	379,203.47
2028	366,906.59	15,400.00	382,306.59
2029	375,316.88	6,275.00	381,591.88
2030	<u>96,059.38</u>	<u>800.00</u>	<u>96,859.38</u>
	7,391,694.30	<u>\$ 1,046,103.21</u>	<u>\$ 8,437,797.51</u>
Current Portion	<u>638,426.58</u>		
Long Term	<u>\$ 6,753,267.72</u>		

Note 5: DETAIL NOTES – DEFERRED INFLOWS OF RESOURCES**Connection Fees**

The Authority receives payments for connection fees when new users connect to the 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**Reserve for System Upgrades**

The Authority has several agreements with developers whose projects have connected to the Authority's system. These agreements require that money be deposited with the Authority for future costs that the Authority may incur as a result of the impact on the system by the developer's project. The Authority records these funds as "Reserve for System Upgrades".

Reserve to Pay Debt Service

The solid waste agreements (See Note 7) between the Township of Gloucester and the Authority stipulate that the Authority shall reserve for payment of the Township's share of the Authority's future debt service any excess funds generated from grass collection, recycling and composting activities in excess of 35% of the compost facilities operating budget. There is a \$270,402.26 balance as of February 29, 2016 and a \$203,881.20 balance as of February 28, 2015 reserved to pay future debt service in accordance with Township agreements. The balance as of February 28, 2015 was returned to the Township at its request in fiscal year 2016.

Note 7: 1983 SERVICE CONTRACT

Under a Service Contract, dated October 24, 1983 between the Township of Gloucester and the Authority, the Township is obligated to pay to the Authority "amounts" equal to any deficits in Authority revenues necessary to pay or provide for (i) operation and maintenance expenses and administrative or other expenses of the Authority, (ii) the principal of and interest on bonds or notes of the Authority, (iii) the maintenance of such reserves as may be required by the General Bond Resolution or by any contract deemed necessary by the Authority, and (iv) amounts necessary to enable the Authority to comply with the terms of the General Bond Resolution.

Amounts referred to above are considered revenues if and when received under the General Bond Resolution and are available to provide for the 1993 Revenue Bonds and the requirements of the General Bond Resolution.

Note 8: INTERGOVERNMENTAL AGREEMENTS

The Authority has entered into three agreements with the Township of Gloucester. The first agreement is for the collection of residential grass clippings. The Authority provides curbside collection from April to October. The second agreement is for recycling in the Township. The Authority provides curbside collection of recyclable material on a year round basis. Each agreement is renewed annually.

The third agreement is for the expansion of the Authority's compost facilities. The Township has agreed to provide the funding for this project. Section IIB, Paragraph 7 of the agreement stipulates that the Authority shall reserve any earnings generated from grass collection, recycling and composting activities in excess of 35% of the compost facilities operating budget for payment of the Township's share of the Authority's future debt service. The Authority has determined the amount of allowable Unrestricted Net Position at February 29, 2016 to be \$180,337.50 and there's a \$270,402.26 balance restricted for payment of future debt service.

Note 9: COMMITMENTS AND CONTINGENCIES**Litigation**

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

Note 10: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded coverage for the past several years.

Note 11: RESTATEMENT OF NET POSITION

As indicated in note 1 to the financial statements, the Authority adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, for the fiscal year ended February 29, 2016. As a result of implementing these two Statements, a restatement of unrestricted net position on the comparative statements of revenues, expenses and changes in net position was required to record the Authority's proportionate share of its net pension liability for the fiscal year ended February 28, 2014.

The cumulative effect on the financial statements as reported for February 28, 2014 is as follows:

<u>GASBS 68 and 71 Implementation</u>					
	<u>As Previously Reported February 28, 2014</u>	<u>Deferred Outflows (1)</u>	<u>Accounts Payable and Accrued Expense (2)</u>	<u>Net Pension Liability (3)</u>	<u>As Restated February 28, 2014</u>
Net Position:					
Net Investment					
in Capital Assets	\$ 36,904,498.34				\$ 36,904,498.34
Restricted	3,513,771.51				3,513,771.51
Unrestricted (Deficit)	916,589.09	\$ 151,482.67	\$ (355,156.67)	\$ (5,166,185.00)	(4,453,269.91)
Total Net Position	<u>\$ 41,334,858.94</u>	<u>\$ 151,482.67</u>	<u>\$ (355,156.67)</u>	<u>\$ (5,166,185.00)</u>	<u>\$ 35,964,999.94</u>

(1) Represents the Authority's Proportionate Share of the PERS Plan Total Deferred Outflows of Resources at February 28, 2014 plus an accrual for the Authority's February 28, 2015 PERS Plan Required Contribution (April 1, 2015 PERS Pension Invoice), Contribution Subsequent to the Measurement Date.

(2) Represents the Authority's Accounts Payable for the February 28, 2014 PERS Plan Required Contribution (April 1, 2014 PERS Pension Invoices), plus an Accrual for the Authority's February 28, 2015 PERS Plan Required Contribution (April 1, 2015 PERS Pension Invoice).

(3) Represents the Authority's Proportionate Share of the PERS, February 28, 2014 Net Pension Liability.

Note 11: RESTATEMENT OF NET POSITION (CONT'D)

GASB Statement 68 and GASB Statement No. 71 implementation required prior year restatement when comparative statements are presented. The following represents the cumulative effects of the restatement on the statement of net position of the Authority for the fiscal year ended February 28, 2015 (Cont'd):

DEFERRED OUTFLOWS OF RESOURCES

Related to Pensions	\$ -	\$ 382,403.33	\$ 382,403.33
---------------------	------	---------------	---------------

LIABILITIES

Current Liabilities Payable from Unrestricted Assets:

Accounts Payable - Related to Pension	-	227,224.00	227,224.00
Total Current Liabilities Payable from Unrestricted Assets	1,029,165.56	227,224.00	1,256,389.56
Total Current Liabilities	2,574,814.29	227,224.00	2,802,038.29

Long-term Liabilities:

Net Pension Liability	-	5,160,516.00	5,160,516.00
Accrued Liabilities - Related to Pension	-	134,289.33	134,289.33
Total Long-term Liabilities	9,829,693.49	5,294,805.33	15,124,498.82
Total Liabilities	12,404,507.78	5,522,029.33	17,926,537.11

DEFERRED INFLOWS OF RESOURCES

Related to Pensions	-	307,539.00	307,539.00
Total Deferred Inflows of Resources	674,840.00	307,539.00	982,379.00

NET POSITION

Unrestricted	1,486,153.98	(5,447,165.00)	(3,961,011.02)
Total Net Position	42,170,433.80	(5,447,165.00)	36,723,268.80

Note 11: RESTATEMENT OF NET POSITION (CONT'D)

GASB Statement 68 and GASB Statement No. 71 implementation required prior year restatement when comparative statements are presented. The following represents the cumulative effects of the restatement on the statement of revenues, expenses and changes in net position of the Authority for the fiscal year ended February 28, 2015 (Cont'd):

Statement of Revenues, Expenses and Changes in Net Position - February 28, 2015

	<u>Previously Reported</u>	<u>Cumulative Effect - Increase / (Decrease)</u>	<u>Restated Balance</u>
Operating Expenses:			
Administration:			
Employee Benefits	\$ 332,400.32	\$ 38,653.00	\$ 371,053.32
Total Administration	1,120,705.85	38,653.00	1,159,358.85
Cost of Providing Service:			
Employee Benefits	965,377.97	38,653.00	1,004,030.97
Total Cost of Providing Service	3,673,644.51	38,653.00	3,712,297.51
Total Operating Expenses	6,030,302.71	77,306.00	6,107,608.71
Operating Income	1,415,819.29	(77,306.00)	1,338,513.29
Change in Net Position	835,574.86	(77,306.00)	758,268.86
Net Position - Beginning	41,334,858.94	(5,369,859.00)	35,964,999.94
Net Position - Ending	42,170,433.80	(5,447,165.00)	36,723,268.80

REQUIRED SUPPLEMENTARY INFORMATION

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITYRequired Supplementary Information
Schedule of Funding Progress for the OPEB Plan

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)
2/29/2016 *	\$ -	\$ 629,973.00	\$ 629,973.00	0 %	\$1,697,126.00	37.1%
2/28/2013 **	-	598,346.00	598,346.00	0 %	2,173,769.03	27.5%
2/28/2010	-	113,228.00	113,228.00	0 %	2,250,022.82	5.0%

Schedule RSI-2

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITYRequired Supplementary Information
Schedule of Employer Contributions to the OPEB Plan

Fiscal Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2016	\$ 57,902.00	28%
2015	61,645.00	27%
2014	61,645.00	10%

* In the previous valuations, we assumed that benefits provided to eligible employees represented by Teamsters Local 500 after the expiration date of the current collective bargaining agreement were subject to the \$8,000.00 annual maximum.

** Assumption Change - The February 28, 2013 OPEB Plan unfunded actuarial accrued liability and annual required contribution has significantly changed because the maximum annual plan benefit to eligible employees no longer applies.

GLOUCESTER TOWNSHIP 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

	Measurement Date Ending June 30,		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability	0.0234298649%	0.0275628306%	0.0270311242%
Authority's Proportionate Share of the Net Pension Liability	\$ 5,259,535.00	\$ 5,160,516.00	\$ 5,166,185.00
Authority's Covered-Employee Payroll	\$ 1,623,632.00	\$ 1,906,420.00	\$ 1,395,720.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	323.94%	270.69%	370.14%
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.

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

	Fiscal Year Ended		
	February 29, 2015	2014	February 28, 2013
Contractually Required Contribution	\$ 201,434.00	\$ 227,224.00	\$ 203,674.00
Contributions in Relation to the Contractually Required Contribution	<u>(201,434.00)</u>	<u>(227,224.00)</u>	<u>(203,674.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered-Employee Payroll	\$ 1,697,126.00	\$ 1,631,933.00	\$ 1,829,983.00
Contributions as a Percentage of Authority's Covered-Employee Payroll	11.87%	13.92%	11.13%

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.

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Notes to Required Supplementary Information
For the Year Ended February 29, 2016

Note 1: OTHER POSTEMPLOYMENT BENEFITS

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

Valuation Date	February 29, 2016
Actuarial Cost Method	Unit Credit Cost Method
Amortization Method	Present Value of Straight Line
Remaining Amortization Period	25 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Mortality	Group Annuity Morality Table
Future Costs Discount Rate	5% Compounded
Turnover Rate	U.S. Office of Personnel Management
Disability	No terminations due to disability
Age at Retirement	No Earlier than 60
Spousal Coverage	Married Employees will remain Married
Rate of Medical Inflation	5%
Administration Expenses	Cost included in Dental Care Costs

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

Note 2: POSTEMPLOYMENT BENEFITS - PENSION

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None

Changes in Assumptions - 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

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Net Position by Department

As of February 29, 2016

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
ASSETS			
Current Unrestricted Assets:			
Cash and Cash Equivalents	\$ 1,804,794.11	\$ 141,512.50	\$ 1,946,306.61
Consumer Accounts Receivable	474,187.46		474,187.46
Refunds Receivable	12,026.07	21,094.57	33,120.64
Other Accounts Receivable	33,747.77	2,853.00	36,600.77
Due from Gloucester Township		286,012.00	286,012.00
Prepaid Expenses	71,997.44	40,327.91	112,325.35
Total Unrestricted Assets	2,396,752.85	491,799.98	2,888,552.83
Restricted Assets:			
Debt Service Account:			
Cash and Cash Equivalents	1,278,337.78		1,278,337.78
Debt Service Reserve Account:			
Cash and Cash Equivalents	948,748.56		948,748.56
Renewal and Replacement Account:			
Cash and Cash Equivalents	2,804,244.21		2,804,244.21
Due from New Jersey Environmental Infrastructure Trust	50,816.31		50,816.31
Prepaid Bond Insurance Expense	7,022.75		7,022.75
Other Accounts:			
Cash and Cash Equivalents	297,166.85		297,166.85
Total Restricted Assets	5,386,336.46	-	5,386,336.46
Capital Assets:			
Construction in Progress	655,425.06		655,425.06
Completed (Net of Accumulated Depreciation)	45,383,854.49	760,184.34	46,144,038.83
Total Capital Assets	46,039,279.55	760,184.34	46,799,463.89
Total Assets	53,822,368.86	1,251,984.32	55,074,353.18
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	894,658.00	-	894,658.00

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Net Position by Department

As of February 29, 2016

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
LIABILITIES			
Current Liabilities Payable from Unrestricted Assets:			
Accounts Payable--Operations	\$ 152,784.37	\$ 38,848.90	\$ 191,633.27
Accounts Payable--Related to Pensions	201,434.00		201,434.00
Prepaid Rental Charges	833,596.77		833,596.77
Unearned Revenue	2,120.25		2,120.25
Compensated Absences	50,957.03		50,957.03
Accrued Liabilities	29,230.72	12.46	29,243.18
Total Current Liabilities Payable from Unrestricted Assets	1,270,123.14	38,861.36	1,308,984.50
Current Liabilities Payable from Restricted Assets:			
Accounts Payable	156,447.06		156,447.06
Serial Bonds Payable--Current Portion	675,000.00		675,000.00
N. J. Environmental Infrastructure Loans Payable -- Current Portion	577,289.63	61,136.95	638,426.58
Accrued Bond and Loan Interest Payable	72,923.77	2,198.85	75,122.62
Accrued Liabilities	8,710.60		8,710.60
Escrow Deposits	157,134.63		157,134.63
Total Current Liabilities Payable from Restricted Assets	1,647,505.69	63,335.80	1,710,841.49
Long-term Liabilities:			
Serial Bonds Payable	1,460,000.00		1,460,000.00
N. J. Environmental Infrastructure Loans Payable	5,874,450.68	878,817.04	6,753,267.72
Net Pension Liability	5,259,535.00		5,259,535.00
OPEB Liability	215,998.07		215,998.07
Accrued Liabilities--Related to Pension	134,289.00		134,289.00
Compensated Absences	160,020.60		160,020.60
Total Long-term Liabilities	13,104,293.35	878,817.04	13,983,110.39
Total Liabilities	16,021,922.18	981,014.20	17,002,936.38
DEFERRED INFLOWS OF RESOURCES			
Deferred Connection Fee Revenue	372,495.00		372,495.00
Related to Pensions	741,061.00		741,061.00
Total Deferred Inflows of Resources	1,113,556.00	-	1,113,556.00

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Net Position by Department
As of February 29, 2016

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
NET POSITION			
Net Investment in Capital Assets	\$ 37,503,355.55	\$ (179,769.65)	\$ 37,323,585.90
Restricted for:			
Bond Covenants:			
Debt Service Reserve Requirement	948,653.34		948,653.34
Renewal and Replacement	500,000.00		500,000.00
Operating Requirement	1,921,215.50		1,921,215.50
Reserve for Payment of Bond Principal and Interest	228.53		228.53
Unemployment Claims	139,922.90		139,922.90
Reserve to Pay Debt Service			
in Accordance with Township Agreement		270,402.26	270,402.26
Reserve for System Upgrades	229,658.32		229,658.32
	3,739,678.59	270,402.26	4,010,080.85
Unrestricted	(3,661,485.45)	180,337.50	(3,481,147.95)
Total Net Position	\$ 37,581,548.69	\$ 270,970.11	\$ 37,852,518.80

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenues, Expenses and Changes in Net Position by Department
For the Fiscal Year Ended February 29, 2016

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Operating Revenues:			
Service Charges	\$ 5,356,328.50		\$ 5,356,328.50
Service Agreements		\$ 1,692,822.00	1,692,822.00
Connection Fees	497,740.00		497,740.00
Miscellaneous Charges	176,096.29	326,827.02	502,923.31
Total Operating Revenues	6,030,164.79	2,019,649.02	8,049,813.81
Operating Expenses:			
Administrative Expenses:			
Salaries and Wages	359,363.37	152,158.00	511,521.37
Fringe Benefits	291,889.39	80,686.58	372,575.97
Other	328,648.91		328,648.91
	979,901.67	232,844.58	1,212,746.25
Cost of Service:			
Salaries and Wages	971,816.11	687,814.52	1,659,630.63
Fringe Benefits	622,443.59	393,940.35	1,016,383.94
Other	721,629.37	315,022.59	1,036,651.96
	2,315,889.07	1,396,777.46	3,712,666.53
Major Repairs and Other Expenses	247,377.68		247,377.68
Depreciation	939,287.56	71,313.67	1,010,601.23
Total Operating Expenses	4,482,455.98	1,700,935.71	6,183,391.69
Operating Income	1,547,708.81	318,713.31	1,866,422.12
Non-operating Revenue (Expenses):			
Investment Income	3,454.12		3,454.12
Net Unemployment Claims	22,079.44		22,079.44
Loss on Disposal of Property, Plant and Equipment	(1,762.82)		(1,762.82)
Cancellation of Construction in Progress	(46,308.21)		(46,308.21)
Excess Funds Returned to Township		(203,881.20)	(203,881.20)
Net Reserve for System Improvements	(101,962.88)		(101,962.88)
Net Reserve for Payment of Bond			
Principal and Interest	(16.56)		(16.56)
Bond Interest	(252,550.61)	(27,054.00)	(279,604.61)
Refund of Prior Year Revenue	(38,560.00)		(38,560.00)
Additional Prior Year Expenses	(60,172.91)	(26,925.14)	(87,098.05)
Prepaid Bond Insurance Expended	(3,511.35)		(3,511.35)
Total Non-Operating Revenues (Expenses)	(479,311.78)	(257,860.34)	(737,172.12)
Change in Net Position (Carried Forward)	1,068,397.03	60,852.97	1,129,250.00

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenues, Expenses and Changes in Net Position by Department
For the Fiscal Year Ended February 29, 2016

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Change in Net Position (Brought Forward)	\$ 1,068,397.03	\$ 60,852.97	\$ 1,129,250.00
Net Position, Beginning of Year (Restated)	36,513,151.66	210,117.14	36,723,268.80
Net Position, End of Year:			
Net Investment in Capital Assets	\$ 37,503,355.55	\$ (179,769.65)	\$ 37,323,585.90
Restricted	\$ 3,739,678.59	\$ 270,402.26	\$ 4,010,080.85
Unrestricted	\$ (3,661,485.45)	\$ 180,337.50	\$ (3,481,147.95)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments
For the Fiscal Year Ended February 29, 2016

		<u>Accounts Required by Bond Resolution</u>					
	<u>Revenue/Operating Accounts</u>	<u>Revenue</u>	<u>Debt Service Reserve</u>	<u>Debt Service</u>	<u>Renewal and Replacement</u>	<u>Other Accounts</u>	<u>Total</u>
Cash and Cash Equivalents							
Balance February 28, 2015	\$ 536,143.45	\$ 2,590,170.53	\$ 931,740.38	\$ 1,261,638.05	\$ 1,399,175.83	\$ 295,816.46	\$ 7,014,684.70
Receipts:							
Service Fees	4,519,370.91						4,519,370.91
Service Agreements	1,406,810.00						1,406,810.00
Connection Fee Deposits	110,520.00						110,520.00
Penalties on Delinquent Accounts -- Sewer	98,946.43						98,946.43
Other Revenue -- Sewer	69,738.07						69,738.07
Other Revenue -- Solid Waste	323,974.02						323,974.02
Prepaid Sewer Rents	833,596.77						833,596.77
Prepaid Connection Fees	84,875.00						84,875.00
Prepaid Land Lease Agreements	2,120.25						2,120.25
Tipping Fees Receivable	19,242.00						19,242.00
Accrued Liabilities	4,511.68						4,511.68
Reserve for System Upgrades					47,934.00		47,934.00
Planning Escrow Deposits						35,342.95	35,342.95
Investment Income	1,677.54		524.24		1,145.93		3,347.71
Payroll Deduction Payable	2,572,329.08						2,572,329.08
Unemployment Account Deposits						25,551.58	25,551.58
Reserve to Pay Future Debt Service				23,983.44			23,983.44
Due to Unrestricted - Interest Receivable						106.41	106.41
Transfers In	4,688,830.00	7,643,034.64	16,920.00	1,594,313.06	2,273,251.14		16,216,348.84
Total Cash and Cash							
Equivalents Available	15,272,685.20	10,233,205.17	949,184.62	2,879,934.55	3,721,506.90	356,817.40	33,413,333.84

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments
For the Fiscal Year Ended February 29, 2016

	Accounts Required by Bond Resolution						Total
	Revenue/Operating Accounts	Revenue	Debt Service Reserve	Debt Service	Renewal and Replacement	Other Accounts	
Disbursements:							
Budgetary Expenses:							
Sewer	\$ 3,032,880.61						\$ 3,032,880.61
Solid Waste	1,571,053.05						1,571,053.05
Prepaid Expenses	100,230.35						100,230.35
Accounts Payable	155,723.18				\$ 45,937.50		201,660.68
Payroll Deductions Payable	2,545,810.83						2,545,810.83
Accrued Liabilities	4,549.62						4,549.62
Additional Prior Year Expenses	87,098.05						87,098.05
Bond and Loan Principal				\$ 1,264,711.27			1,264,711.27
Bond and Loan Interest				322,738.76			322,738.76
Transfers Out	7,502,753.87	\$ 8,559,484.20	\$ 436.06	14,146.74	139,527.97		16,216,348.84
Capital Outlays:							
Expensed					90,930.62		90,930.62
Capital Assets					248,528.52		248,528.52
Reserve for System Upgrades					149,896.88		149,896.88
Excess Funds Transferred to Township					203,881.20		203,881.20
Refund of Prior Year Revenue					38,560.00		38,560.00
Expenditures for Planning Escrow						\$ 56,178.41	56,178.41
Unemployment Claims						3,472.14	3,472.14
Total Disbursements	15,000,099.56	8,559,484.20	436.06	1,601,596.77	917,262.69	59,650.55	26,138,529.83
Cash and Cash Equivalents							
Balance February 29, 2016	\$ 272,585.64	\$ 1,673,720.97	\$ 948,748.56	\$ 1,278,337.78	\$ 2,804,244.21	\$ 297,166.85	\$ 7,274,804.01

GLOUCESTER TOWNSHIP 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 February 29, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Anticipated Revenues:			
Operating Revenues:			
Service Charges	\$ 5,035,853.00	\$ 5,356,328.50	\$ 320,475.50
Connection Fees	230,000.00	497,740.00	267,740.00
Other Revenue	173,500.00	176,096.29	2,596.29
Total Operating Revenues	5,439,353.00	6,030,164.79	590,811.79
Other Budget Revenues:			
Investment Income	17,000.00	3,454.12	(13,545.88)
Total Anticipated Revenues	5,456,353.00	6,033,618.91	577,265.91
Operating Appropriations:			
Administrative:			
Salaries and Wages:			
Boardmembers	30,450.00	30,087.50	362.50
Administrative Employees	170,900.00	161,202.89	9,697.11
Office Personnel	202,370.00	153,119.06	49,250.94
Overtime - Summer Help	11,000.00	43.58	10,956.42
Longevity	15,250.00	14,910.34	339.66
Total Salaries and Wages	429,970.00	359,363.37	70,606.63
Employee Benefits:			
Prescription	3,500.00	2,791.54	708.46
Dental	26,000.00	14,168.00	11,832.00
Hospitalization	272,165.00	202,370.71	69,794.29
Eye Care	5,000.00	1,975.95	3,024.05
Social Security Tax	35,000.00	30,062.14	4,937.86
Public Employees' Retirement System	46,750.00	39,488.75	7,261.25
Unemployment Insurance	1,000.00	1,032.30	(32.30)
Total Employee Benefits	389,415.00	291,889.39	97,525.61

(Continued)

GLOUCESTER TOWNSHIP 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 February 29, 2016

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Administrative (Cont'd):			
Other Expenses:			
Services	\$ 4,000.00	\$ 3,962.94	\$ 37.06
Compliance Testing	2,000.00	1,487.00	513.00
Payroll Services	11,000.00	12,796.01	(1,796.01)
Postage and Envelopes	28,200.00	24,911.04	3,288.96
Stationery and Printing	13,800.00	3,739.68	10,060.32
Maintenance Contracts	16,000.00	15,587.30	412.70
Supplies and Equipment	4,700.00	2,783.44	1,916.56
Supplies - Office	5,000.00	4,348.46	651.54
Equipment and Repair	5,400.00	1,740.90	3,659.10
Auditor Fees	45,000.00	54,880.00	(9,880.00)
Trustee Fees	20,000.00	31,515.00	(11,515.00)
Solicitor Fees/Retainer	38,800.00	61,792.92	(22,992.92)
Engineer Fees/Retainer	34,200.00	32,016.25	2,183.75
Workers' Compensation Insurance	4,400.00	1,474.31	2,925.69
Auto Insurance	605.00	605.00	
General Liability Insurance Policies	7,876.00	7,876.00	
Bank Service Fees	10,000.00	8,415.16	1,584.84
Bond Counsel	10,000.00	413.50	9,586.50
Public Official Bond	6,303.00	6,303.00	
Contingencies	6,500.00	6,459.91	40.09
Employee Appreciation	3,000.00	1,175.00	1,825.00
Telephone	11,000.00	6,623.57	4,376.43
Gas and Oil	2,300.00	1,054.52	1,245.48
I.T. Specialist	12,000.00	12,000.00	
Service Agreement with Township	12,000.00	10,400.00	1,600.00
Hardware & Software Maintenance	15,000.00	14,273.00	727.00
Transportation-Other	100.00	15.00	85.00
Total Other Expenses	329,184.00	328,648.91	535.09
Total Administrative	1,148,569.00	979,901.67	168,667.33
Cost of Service:			
Salaries and Wages:			
Foreman Salaries	150,645.00	139,210.94	11,434.06
Overtime (Foreman)	8,000.00	4,961.35	3,038.65
Laborers Salaries	785,900.00	750,951.27	34,948.73
Overtime (Laborers)	25,000.00	22,122.12	2,877.88
Summer Help	36,000.00	21,312.89	14,687.11
Longevity (Laborers)	26,780.00	25,770.86	1,009.14
Longevity (Foremen)	7,791.00	7,486.68	304.32
Total Salaries and Wages	1,040,116.00	971,816.11	68,299.89

(Continued)

GLOUCESTER TOWNSHIP 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 February 29, 2016

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Cost of Service (Cont'd):			
Employee Benefits:			
Prescription	\$ 4,500.00	\$ 4,817.48	\$ (317.48)
Dental	39,000.00	20,958.15	18,041.85
Hospitalization	587,325.00	414,337.68	172,987.32
Eye Care	5,800.00	2,275.00	3,525.00
Social Security Tax	83,150.00	70,772.40	12,377.60
Public Employees' Retirement System	123,750.00	108,716.15	15,033.85
Unemployment Insurance	1,000.00	566.73	433.27
Total Employee Benefits	844,525.00	622,443.59	222,081.41
Other Expenses:			
Services	1,900.00	1,038.91	861.09
Stationery and Printing	1,500.00	176.29	1,323.71
Custodial Supplies	6,000.00	6,937.20	(937.20)
Supplies and Equipment	4,600.00		4,600.00
Supplies - Office	2,200.00	1,700.55	499.45
Equipment - Other	18,200.00	14,524.25	3,675.75
Equipment - Automotive	29,000.00	19,465.50	9,534.50
Workers' Compensation Insurance	40,000.00	4,545.16	35,454.84
Auto Insurance	15,708.00	15,708.00	
General Liability/Special Multiperil Insurance Policies	26,868.00	27,144.00	(276.00)
Boiler Insurance	9,240.00	9,240.00	
Maintenance Contracts	4,000.00	3,710.00	290.00
Electricity	285,000.00	276,213.43	8,786.57
Uniforms	11,000.00	6,136.64	4,863.36
Telecommunications	11,000.00	9,061.71	1,938.29
Force Main Inspections	10,000.00	6,585.00	3,415.00
Water	11,500.00	9,460.76	2,039.24
Cleaning Solvent	2,000.00		2,000.00
Natural Gas	23,000.00	12,937.40	10,062.60
Gas and Oil	79,000.00	35,215.93	43,784.07
Registration	1,600.00	339.00	1,261.00
Garage Expenses	10,000.00	10,000.00	
Tires	11,500.00	9,147.14	2,352.86
Transportation-Other	350.00	5.00	345.00
Hardware Supplies	1,400.00	470.25	929.75
Safety Shoes	3,800.00	2,899.75	900.25
Administration Building Expenses	8,000.00	8,000.00	
Hydrogen Sulfide Remediation	75,000.00	91,719.80	(16,719.80)
Accessories	1,200.00		1,200.00
Collection System Pump Stations	27,000.00	21,142.57	5,857.43
Collection System Supplies	27,000.00	21,162.12	5,837.88

(Continued)

GLOUCESTER TOWNSHIP 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 February 29, 2016

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Other Expenses:			
Solicitor Fees	\$ 9,000.00	\$ 6,302.16	\$ 2,697.84
Engineer Fees	20,000.00	12,897.50	7,102.50
Miscellaneous	1,800.00	1,531.02	268.98
Trash Disposal	1,000.00	98.94	901.06
Markouts	7,000.00	8,880.27	(1,880.27)
Mobile Units	1,250.00	361.56	888.44
Safety Equipment	14,000.00	12,802.91	1,197.09
Generator Maintenance	40,000.00	32,408.77	7,591.23
Generator Repairs	40,000.00	9,159.88	30,840.12
MUA Contribution/Unemployment	12,500.00	12,500.00	
Total Other Expenses	905,116.00	721,629.37	183,486.63
Total Cost of Service	2,789,757.00	2,315,889.07	473,867.93
Total Operating Appropriations	3,938,326.00	3,295,790.74	642,535.26
Principal Payments on Debt in Lieu of Depreciation	1,240,422.00	1,205,421.34	35,000.66
Non-operating Appropriations:			
Interest on Bonds and Loans	277,605.00	252,550.61	25,054.39
Total Operating Appropriations, Principal Payments and Non-Operating Appropriations	5,456,353.00	4,753,762.69	702,590.31
Excess Anticipated Revenues over Operating Appropriations, Principal Payments and Non-Operating Appropriations	\$ -	\$ 1,279,856.22	\$ 1,279,856.22
<u>Reconciliation to Operating Income</u>			
Excess Anticipated Revenues over Operating Appropriations, Principal Payments and Non-Operating Appropriations			\$ 1,279,856.22
Add:			
Bond and Loan Principal		\$ 1,205,421.34	
Bond and Loan Interest		252,550.61	
			1,457,971.95
			2,737,828.17
Less:			
Depreciation		939,287.56	
Major Repairs and Other Expenses		247,377.68	
Interest on Investments		3,454.12	
			1,190,119.36
Operating Income (Schedule 2)			\$ 1,547,708.81

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Solid Waste Anticipated Revenues, Operating Appropriations and
Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
For the Fiscal Year Ended February 29, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance-- Favorable (Unfavorable)</u>
Anticipated Revenues:			
Operating Revenues:			
Service Agreements	\$ 1,688,179.00	\$ 1,692,822.00	\$ 4,643.01
Other Revenue	315,000.00	326,827.02	11,827.02
Total Anticipated Revenues	2,003,179.00	2,019,649.02	16,470.03
Operating Appropriations:			
Administrative:			
Salaries and Wages	150,475.00	147,287.08	3,187.92
Longevity	4,900.00	4,870.92	29.08
	155,375.00	152,158.00	3,217.00
Employees Benefits:			
Prescription	85.00	704.81	(619.81)
Dental	2,890.00	2,386.36	503.64
Hospitalization	63,810.00	51,958.55	11,851.45
Eye Care	578.00	203.49	374.51
Social Security Tax	12,206.00	9,285.16	2,920.84
Public Employees' Retirement System	17,765.00	16,001.87	1,763.13
Unemployment Insurance	255.00	146.34	108.66
Total Employee Benefits	97,589.00	80,686.58	16,902.42
Total Administration	252,964.00	232,844.58	20,119.42
Cost of Service:			
Salaries and Wages:			
Laborers	562,590.00	543,138.82	19,451.18
Foreman	27,500.00	20,540.54	6,959.46
Temporary Help	110,000.00	86,532.03	23,467.97
Summer Help	3,500.00		3,500.00
Overtime	17,000.00	18,770.93	(1,770.93)
Longevity	20,570.00	18,832.20	1,737.80
Total Salaries and Wages	741,160.00	687,814.52	53,345.48
Employees Benefits:			
Prescription	415.00	3,441.12	(3,026.12)
Dental	14,110.00	11,651.04	2,458.96
Hospitalization	311,541.00	253,680.00	57,861.00
Eye Care	2,822.00	993.51	1,828.49
Social Security Tax	59,594.00	45,333.42	14,260.58
Public Employees' Retirement System	86,735.00	78,126.79	8,608.21
Unemployment Insurance	1,245.00	714.47	530.53
Total Employee Benefits	476,462.00	393,940.35	82,521.65

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Solid Waste Anticipated Revenues, Operating Appropriations and
Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
For the Fiscal Year Ended February 29, 2016

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Other Expenses:			
Workers' Compensation Insurance	\$ 6,000.00	\$ 3,427.61	\$ 2,572.39
Auto Insurance	31,009.00	31,009.00	
Office Supplies	4,300.00	2,824.80	1,475.20
Gas and Oil	105,000.00	85,662.12	19,337.88
Registration	300.00	137.00	163.00
Tires	54,000.00	42,959.29	11,040.71
Compost Testing	750.00	463.00	287.00
Uniforms	4,900.00	4,133.19	766.81
Other Services	500.00	488.93	11.07
Hardware	1,000.00	10.00	990.00
Towing	2,100.00		2,100.00
General Liability Insurance Policies	21,791.00	21,791.00	
Safety Shoes	3,000.00	2,114.96	885.04
Grass Phone	1,500.00	1,500.00	
Testing Equipment	2,000.00	27.00	1,973.00
Other Equipment	28,000.00	17,230.76	10,769.24
Equipment - Automotive	27,500.00	17,027.74	10,472.26
Printing	998.00	729.44	268.56
Disposal and Tipping Fees	500.00		500.00
Trailer -- Electric	7,000.00	5,439.25	1,560.75
RFID Hardware & Truck Fees	9,000.00		9,000.00
RFID Software and Truck Fees	13,750.00	817.77	12,932.23
RFID Reader Fees	3,600.00		3,600.00
Gloucester Township Day	1,000.00		1,000.00
Miscellaneous	6,000.00	6,972.08	(972.08)
Stationery and Printing	150.00	116.31	33.69
Residue Disposal	25,000.00	4,359.76	20,640.24
Trash Disposal	1,000.00	917.30	82.70
Compost Marketing, Delivery & Packaging	2,100.00	252.50	1,847.50
Grading Materials	17,000.00	14,837.68	2,162.32
Solicitor Fees	6,000.00	7,155.49	(1,155.49)
Auditing Fees	4,500.00	4,500.00	
Compliance Testing	1,500.00	96.65	1,403.35
Payroll Service Fees	5,500.00	5,475.03	24.97
Engineering Fees	10,000.00	522.50	9,477.50
Communications	5,500.00	4,463.43	1,036.57
MUA Contribution/Unemployment	10,500.00	10,500.00	
N.J. DEP Inspection Fees	10,500.00	9,133.00	1,367.00
N.J. Recycling Center Fees	9,000.00	7,928.00	1,072.00
N.J. Permits	2,500.00		2,500.00
Total Other Expenses	446,248.00	315,022.59	131,225.41
Total Cost of Services	1,663,870.00	1,396,777.46	267,092.54
Total Operating Appropriations	1,916,834.00	1,629,622.04	287,211.96

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Solid Waste Anticipated Revenues, Operating Appropriations and
Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
For the Fiscal Year Ended February 29, 2016

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Principal Payments on Debt In Lieu of Depreciation	\$ 59,290.00	\$ 59,289.93	\$ 0.07
Non-operating Appropriations: Interest on Bonds	27,055.00	27,054.00	1.00
Total Operating Appropriations, Principal Payments and Non-Operating Appriations	2,003,179.00	1,715,965.97	287,213.03
Deficit Anticipated Revenues over Operating and Non-Operating Appropriations	\$ -	\$ 303,683.05	\$ 303,683.05
Excess Anticipated Revenues over Operating Appropriations			\$ 303,683.05
Add:			
Loan Principal		\$ 59,289.93	
Loan Interest		27,054.00	
			86,343.93
			390,026.98
Less:			
Depreciation			71,313.67
Operating Income (Schedule 2)			\$ 318,713.31

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Consumer Accounts Receivable
For the Fiscal Year Ended February 29, 2016

Balance Feb. 28, 2015		\$ 411,131.70
Increased by:		
Service Fees		<u>5,356,328.50</u>
		5,767,460.20
Decreased by:		
Collections	\$ 4,519,370.91	
Overpayments Applied	13,429.43	
Prepayments Applied	<u>760,472.40</u>	
		<u>5,293,272.74</u>
Balance Feb. 29, 2016		<u><u>\$ 474,187.46</u></u>

Schedule 6**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

Schedule of Connection Fees Receivable
For the Fiscal Year Ended February 29, 2016

Connection Charges 2015-16		\$ 497,740.00
Decreased by:		
Collections	\$ 110,520.00	
Prepaid Connection Permit Applied	<u>387,220.00</u>	
		<u><u>\$ 497,740.00</u></u>

Schedule 7**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

Schedule of Penalties on Delinquent Accounts
For the Fiscal Year Ended February 29, 2016

Balance Feb. 28, 2015	\$ 28,309.73
Accrued in Fiscal Year 2016	<u>104,384.47</u>
	132,694.20
Decreased by:	
Collections	<u>98,946.43</u>
Balance Feb. 29, 2016	<u><u>\$ 33,747.77</u></u>

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Refunds Receivable

For the Fiscal Year Ended February 29, 2016

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Accrued 2015-2016	\$ 12,026.07	\$ 21,094.57	\$ 33,120.64
Balance Feb. 29, 2016	<u>\$ 12,026.07</u>	<u>\$ 21,094.57</u>	<u>\$ 33,120.64</u>

Schedule 9

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Interest Receivable

For the Fiscal Year Ended February 29, 2016

	<u>Balance Feb. 28, 2015</u>	<u>Interest Earned</u>	<u>Interest Collected</u>	<u>Balance Feb. 29, 2016</u>	
Unrestricted Earnings:					
Revenue Fund	\$ 2.91	\$ 1,783.95	\$ 1,677.54	\$ 109.32	(1)
Debt Service Reserve Fund		524.24	524.24		
Renewal and Replacement Fund		1,145.93	1,145.93		
	<u>2.91</u>	<u>3,454.12</u>	<u>3,347.71</u>	<u>109.32</u>	
Restricted Earnings:					
Performance Escrow Deposits	<u>(2.91)</u>		<u>106.41</u>	<u>(109.32)</u>	(2)
	<u>\$ -</u>	<u>\$ 3,454.12</u>	<u>\$ 3,454.12</u>	<u>\$ -</u>	

(1) Includes Due from Escrow Deposit Fund

(2) Due to Revenue Fund

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Service Agreements with the Township of Gloucester
For the Fiscal Year Ended February 29, 2016

Fiscal Year 2016 Service Agreements:

Recycling Services	\$ 727,418.00
Grass Collection	693,368.00
Compost	<u>185,616.00</u>

1,606,402.00

Agreement to Pay Debt Service

86,420.00

1,692,822.00

Decreased by:

Collections	<u>1,406,810.00</u>
-------------	---------------------

Balance Feb. 29, 2016

\$ 286,012.00

Schedule 11

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Prepaid Expenses
For the Fiscal Year Ended February 29, 2016

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Balance Feb. 28, 2015	\$ 64,640.75	\$ 40,814.66	\$ 105,455.41
Add:			
Disbursements Fiscal Year 2016	<u>59,902.44</u>	<u>40,327.91</u>	<u>100,230.35</u>
	124,543.19	81,142.57	205,685.76
Less:			
Charged to Operations Fiscal Year 2016	<u>52,545.75</u>	<u>40,814.66</u>	<u>93,360.41</u>
Balance Feb. 29, 2016	<u><u>\$ 71,997.44</u></u>	<u><u>\$ 40,327.91</u></u>	<u><u>\$ 112,325.35</u></u>

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Prepaid Connection Fees
For the Fiscal Year Ended February 29, 2016

Balance Feb. 28, 2015	\$ 674,840.00
Increased by:	
Cash Received	<u>84,875.00</u>
	759,715.00
Decreased by:	
Applied	<u>387,220.00</u>
Balance Feb. 29, 2016	<u><u>\$ 372,495.00</u></u>

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Capital Assets - Completed
For the Fiscal Year Ended February 29, 2016

	Balance Feb. 28, 2015	Additions	Disposals	Balance Feb. 29, 2016	Useful Life
Sewer:					
Land	\$ 114,000.00			\$ 114,000.00	
Buildings and Improvements	1,682,509.96	\$ 3,973.00		1,686,482.96	40 Yrs.
Sewer Mains	52,172,595.59	22,609.89		52,195,205.48	40 Yrs.
Pumping Stations	9,883,981.39	121,958.09		10,005,939.48	40 Yrs.
Telemetry	291,547.14			291,547.14	15 Yrs.
Alarm System	23,155.39		\$ 3,029.73	20,125.66	15 Yrs.
Paging System	1,861.50			1,861.50	20 Yrs.
Camera System	48,990.00			48,990.00	7 Yrs.
Vehicles	1,385,081.66			1,385,081.66	7 Yrs.
Telephone System	7,420.00	15,619.00		23,039.00	20 Yrs.
Furniture	38,895.29			38,895.29	10 Yrs.
Equipment-Other	648,125.76	84,159.24	1,163.99	731,121.01	5-10 Yrs.
	66,298,163.68	248,319.22	4,193.72	66,542,289.18	
Less: Accumulated Depreciation	20,221,578.03	939,287.56	2,430.90	21,158,434.69	
	<u>\$ 46,076,585.65</u>	<u>\$ (690,968.34)</u>	<u>\$ 1,762.82</u>	<u>\$ 45,383,854.49</u>	
Solid Waste:					
Land	\$ 100,000.00			\$ 100,000.00	
Improvements	557,012.23			557,012.23	40 Yrs.
Equipment-Other	1,418,208.85	\$ 209.30		1,418,418.15	7 Yrs.
	2,075,221.08	209.30	\$ -	2,075,430.38	
Less: Accumulated Depreciation	1,243,932.37	71,313.67		1,315,246.04	
	<u>\$ 831,288.71</u>	<u>\$ (71,104.37)</u>	<u>\$ -</u>	<u>\$ 760,184.34</u>	
Recap:					
Total Capital Assets	\$ 68,373,384.76	\$ 248,528.52	\$ 4,193.72	\$ 68,617,719.56	
Less:					
Accumulated Depreciation	21,465,510.40	1,010,601.23	2,430.90	22,473,680.73	
	<u>\$ 46,907,874.36</u>	<u>\$ (762,072.71)</u>	<u>\$ 1,762.82</u>	<u>\$ 46,144,038.83</u>	
Cash Disbursed		<u>\$ 248,528.52</u>			

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Construction in Progress
For the Fiscal Year Ended February 29, 2016

Balance Feb. 28, 2015	\$ 701,733.27
Decreased by:	
Canceled	<u>46,308.21</u>
Balance Feb. 29, 2016	<u><u>\$ 655,425.06</u></u>

Analysis of Balance

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Pump Station Rehabilitation	\$ 655,425.06	-	\$ 655,425.06

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Accrued Interest Payable on Bonds and Loans

For the Fiscal Year Ended February 29, 2016

Balance Feb. 28, 2015		\$ 94,256.77
Interest Charges for the Fiscal Year Ended Feb. 29, 2016:		
Budget - Sewer:		
Series 1993 Revenue Bonds	\$ 120,627.50	
NJEIT Loans	131,923.11	
	<hr/>	
	252,550.61	
Budget - Solid Waste:		
NJEIT Loan	27,054.00	
Bond Service Account Interest (Sewer)	24,000.00	
	<hr/>	
		303,604.61
		<hr/>
		397,861.38
Paid		322,738.76
		<hr/>
Balance Feb. 29, 2016		\$ 75,122.62
		<hr/>
<u>Analysis of Balance</u>		
Sewer:		
Bonds	\$ 60,313.75	
NJEIT Loans	12,610.02	
	<hr/>	
		72,923.77
Solid Waste - NJEIT Loans		2,198.85
		<hr/>
		\$ 75,122.62
		<hr/>

**GLOUCESTER TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

PART II

FINDINGS AND RECOMMENDATIONS

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Recommendations
For the Fiscal Year Ended February 29, 2016

Section 2 - Schedule of Financial Statement Findings

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

None

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Summary Schedule of Prior Year Audit Findings
And Recommendations as Prepared by Management

This section identifies the status of prior year findings 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.

FINANCIAL STATEMENT FINDINGS

None

APPRECIATION

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

