THE PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY

REPORT OF AUDIT

FOR THE FISCAL YEARS ENDED

NOVEMBER 30, 2016 AND 2015

BOWMAN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

THE PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
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PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Officials in Office

The following officials were in office during the period under audit:

MEMBERS	POSITION
Robert McDade	Chairman
Bernard Sennstrom, II	First Vice-Chairman
Mary Lou Chollis	Second Vice-Chairman
Scott Hourigan	Secretary
William Masten	Treasurer
Vacant	Alternate Member #1
John Smith	Alternate Member #2

OTHER OFFICIALS	
Walter J. Ray	Solicitor
Sickels & Associates (David Palgutta)	Engineer
Pennsville National Bank	Trustee & Paying Agent
Hawkins, Delafield & Wood	Bond Council

THE PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY

PART I

FINANCIAL SECTION

FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2016 AND 2015

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
The Pennsville Township Sewerage Authority
Pennsville, New Jersey 08070

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Pennsville Township Sewerage Authority (Authority), in the County of Salem, State of New Jersey, a component unit of the Township of Pennsville, as of and for the fiscal years ended November 30, 2016 and 2015 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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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 Pennsville Township Sewerage Authority, in the County of Salem, State of New Jersey as of November 30, 2016 and 2015, and the changes in its financial position and its cash flows thereof for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Authority's proportionate share of the net pension liability, schedule of the Authority's contributions and schedule of funding progress for the OPEB plan 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
June 6, 2017

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

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
The Pennsville Township Sewerage Authority
Pennsville, New Jersey 08070

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 Pennsville Township Sewerage Authority (Authority), in the County of Salem, State of New Jersey, a component unit of the Township of Pennsville, as of and for the fiscal year ended November 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 6, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the 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.

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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

Woodbury, New Jersey
June 6, 2017

Management's Discussion and Analysis
(Unaudited)

FINANCIAL HIGHLIGHTS

The management of the Pennsville Township Sewerage Authority (the "Authority") believes their financial position is good. According to its bond covenants, the Authority is required to make a 110% cover on debt service. For the current year, the Authority generated a 159% cover. Some financial highlights for the Authority's fiscal year 2016 were:

- Actual revenues of the Authority exceeded anticipated budgeted revenues by $74,643 while budgeted expenditures exceeded actual by $338,926.
- Actual operating expenses of $1.562 million were down from fiscal year 2015 operating expenses of $1.715 million.
- Connection fee revenues were $11,240, down from 2015 revenues of $23,506.
- At year-end, total assets and deferred outflows were $10.316 million, which exceeded liabilities and deferred inflows of resources of $4.758 million. The resultant net position at year-end was $5.558 million.

OVERALL ANALYSIS

The Authority's financial position is good. During the current year, the Authority's unrestricted net position decreased by $405,520.

The Authority's rate structure is such that residential customers pay a flat rate and commercial users pay based on water consumption. There were 2 additional billable connections to the Authority's wastewater treatment system in the fiscal year 2016. The makeup of those connections is one residential and one commercial connection.

The Authority has a collection program for delinquent accounts. If a customer is delinquent for more than two quarters on their sewer bill, the Authority will terminate water service to the customer until the outstanding balance is paid. This has had a positive effect on the collection rate for the Authority of 96.35% for the current fiscal year.

The future is positive for the Authority, considering that the residential sector is the most stable when considering the volatility of a billing base, and it comprises approximately 85% of the Authority's customers. There is no particular emphasis or imbalance in the type of business enterprises within the commercial sector. Industrial users exist, but do not comprise a major portion of the Authority's billing base.

Management's Discussion and Analysis
(Unaudited)

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During the current year, the Authority disbursed $38,715 for capital assets. The resultant disbursements were for a standby power system, a blower and a video camera with crane.

The Authority is proactive in its maintenance philosophy for its capital facilities. The Authority has been aggressively budgeting funds for its Renewal and Replacement Fund to try to eliminate the need for future borrowing for any capital projects or expenditures. In fiscal year 2016, the Authority appropriated $300,000 for its Renewal and Replacement Fund to meet the needs of continual improvements to the wastewater treatment system. The Authority budgeted an additional $300,000 for fiscal year 2017. The Authority has no immediate plans of any additional borrowing for capital assets or expenditures in the next two years as a result of fiscal planning for additional wastewater treatment expectations.

The Authority has not experienced any change in its credit rating, nor does it anticipate any. Although the Authority does not operate under any debt limitations, they are required to receive approval by Pennsville Township Committee resolution, and then, the Local Finance Board, prior to issuing any new debt.

Management's Discussion and Analysis
(Unaudited)

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Pennsville Township residents and our customers, clients, investors, and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact the Pennsville Township Sewerage Authority, 90 North Broadway, Pennsville, NJ 08070.

Management's Discussion and Analysis
(Unaudited)

Comparative Statements of Revenues, Expenses and Changes in Net Position
For The Fiscal Years Ended November 30, 2016, 2015 and 2014

	2016	2015	2014 (Restated)
Operating Revenues:			
Utility Service Charges	$ 2,519,596.40	$ 2,521,341.63	$ 2,501,270.78
Other Operating Revenues	23,518.76	31,198.39	21,388.56
	2,543,115.16	2,552,540.02	2,522,659.34
Operating Expenses:			
Salaries and Wages	612,709.46	657,685.44	609,080.11
Employee Benefits	738,336.27	432,873.66	394,678.76
Other Expenses	628,530.55	694,131.19	687,372.47
Maintenance Expense	9,919.44	10,797.86	
Depreciation	378,921.00	297,616.00	290,427.00
	2,368,416.72	2,093,104.15	1,981,558.34
Operating Income	174,698.44	459,435.87	541,101.00
Non-operating Expenses	(472,759.00)	(347,486.47)	(1,171,289.72)
Change in Net Position	(298,060.56)	111,949.40	(630,188.72)
Net Position Beginning of Fiscal Year	5,856,258.10	5,744,308.70	6,374,497.42
Net Position End of Fiscal Year	$ 5,558,197.54	$ 5,856,258.10	$ 5,744,308.70

Comparative Statement of Net Position
As of November 30, 2016, 2015 and 2014

	2016	2015	2014 (Restated)
Assets:			
Unrestricted	$ 2,800,024.71	$ 2,716,852.05	$ 2,660,504.98
Restricted	2,713,253.47	2,464,223.52	2,562,398.82
Capital	3,711,524.97	4,053,731.37	3,987,743.01
Total Assets	9,224,803.15	9,234,806.94	9,210,646.81
Deferred Outflows of Resources:			
Related to Pensions	1,091,249.00	262,238.00	98,065.00
Total Deferred Outflows	1,091,249.00	262,238.00	98,065.00
Liabilities:			
Current Liabilities	992,664.60	925,781.59	932,613.97
Long-term Liabilities	3,711,111.01	2,618,302.25	2,532,846.14
Total Liabilities	4,703,775.61	3,544,083.84	3,465,460.11
Deferred Inflows of Resources:			
Unearned Revenue - Connection Fees	2,500.00	5,000.00	13,170.00
Related to Pensions	51,579.00	91,703.00	85,773.00
Total Deferred Inflows	54,079.00	96,703.00	98,943.00
Net Position:			
Net Investment in Capital Assets	3,239,597.42	3,404,331.67	3,150,791.56
Restricted	1,923,145.39	1,650,951.51	1,661,316.03
Unrestricted	395,454.73	800,974.92	932,201.11
Total Net Position	$ 5,558,197.54	$ 5,856,258.10	$ 5,744,308.70

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Comparative Statements of Net Position
As of November 30, 2016 and 2015

	2016	2015
ASSETS		
Current Assets:		
Unrestricted Assets:		
Revenue and Operating Fund:		
Cash and Cash Equivalents	$ 2,713,341.12	$ 2,613,584.41
Consumer Accounts Receivable, Net of Allowance for Doubtful Accounts of $9,363.83 and $10,770.67 in 2016 and 2015	86,683.59	103,267.64
Total Unrestricted Assets	2,800,024.71	2,716,852.05
Restricted Assets:		
Cash and Cash Equivalents	2,713,253.47	2,464,223.52
Total Restricted Assets	2,713,253.47	2,464,223.52
Total Current Assets	5,513,278.18	5,181,075.57
Noncurrent Assets:		
Capital Assets, net of Accumulated Depreciation	3,711,524.97	4,053,731.37
Total Assets	9,224,803.15	9,234,806.94
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	1,091,249.00	262,238.00
Total Deferred Outflows of Resources	1,091,249.00	262,238.00

(Continued)

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Comparative Statements of Net Position
As of November 30, 2016 and 2015

	2016	2015
LIABILITIES		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable - Operating Expenses	$ 30,960.00	$ 58,525.70
Accounts Payable - Related to Pensions	82,008.00	62,548.00
Accrued Liabilities	34,241.72	30,337.02
Reserve for Self Insurance - Medical Claims	653,693.72	568,058.28
Sewer Rent Overpayments	8,543.20	5,305.70
Total Current Liabilities Payable from Unrestricted Assets	809,446.64	724,774.70
Current Liabilities Payable from Restricted Assets:		
Developers Escrow Deposits	5,745.81	6,631.27
Accounts Payable - Renewal and Replacement Fund	-	6,823.87
Bond Service Fund:		
Revenue Bonds Payable - Current Portion	177,472.15	187,551.75
Total Current Liabilities Payable from Restricted Assets	183,217.96	201,006.89
Total Current Liabilities	992,664.60	925,781.59
Noncurrent Liabilities:		
Net OPEB Obligation	443,980.00	280,144.00
Compensated Absences	27,038.46	29,539.55
Net Pension Liability	2,733,995.00	1,633,157.00
Accrued Liabilities - Related to Pensions	34,170.00	26,062.00
Revenue Bonds Payable	471,927.55	649,399.70
Total Noncurrent Liabilities	3,711,111.01	2,618,302.25
Total Liabilities	4,703,775.61	3,544,083.84
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue - Connection Fees	2,500.00	5,000.00
Related to Pensions	51,579.00	91,703.00
Total Deferred Inflows of Resources	54,079.00	96,703.00
NET POSITION		
Net Investment in Capital Assets	3,239,597.42	3,404,331.67
Restricted for:		
Debt Service	612,100.00	612,100.00
Other Purposes	1,311,045.39	1,038,851.51
Unrestricted	395,454.73	800,974.92
Total Net Position	$ 5,558,197.54	$ 5,856,258.10

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

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Comparative Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended November 30, 2016 and 2015

	2016	2015
Operating Revenues:		
Utility Service Charges	$ 2,519,596.40	$ 2,521,341.63
Other Operating Revenues	23,518.76	31,198.39
Total Operating Income	2,543,115.16	2,552,540.02
Operating Expenses:		
Administration:		
Salaries and Wages	321,985.12	322,972.06
Fringe Benefits	395,975.29	227,522.25
Other Expenses	133,946.69	151,822.52
Cost of Providing Services:		
Salaries and Wages	290,724.34	334,713.38
Fringe Benefits	342,360.98	205,351.41
Other Expenses	494,583.86	542,308.67
Maintenance Expense - Renewal and Replacement	9,919.44	10,797.86
Depreciation	378,921.00	297,616.00
Total Operating Expenses	2,368,416.72	2,093,104.15
Operating Income	174,698.44	459,435.87
Non-operating Revenue (Expenses):		
Investment Income Net of Fees	9,332.02	8,804.96
Miscellaneous	(15,882.77)	(12,999.43)
Interest Expense	(377,448.25)	(366,798.00)
Connection Fees	11,240.00	23,506.00
Contribution to Township of Pennsville	(100,000.00)	
Change in Net Position	(298,060.56)	111,949.40
Net Position Beginning of Fiscal Year	5,856,258.10	5,744,308.70
Net Position End of Fiscal Year	$ 5,558,197.54	$ 5,856,258.10

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

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Comparative Statements of Cash Flows
For the Fiscal Years Ended November 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
Receipts from Customers and Users	$ 2,540,824.79	$ 2,537,754.67
Payments for Goods and Services	(988,068.83)	(1,115,046.37)
Payments for Employee Services	(611,305.85)	(654,291.06)
Other Receipts	22,111.92	31,198.39
Net Cash Provided by Operating Activities	963,562.03	799,615.63
Cash Flows from Capital and Related Financing Activities:		
Receipts for Connection Fees	8,740.00	15,336.00
Principal Paid on Capital Debt	(187,551.75)	(198,202.00)
Interest Paid on Capital Debt	(377,448.25)	(366,798.00)
Acquisition of Capital Assets	(38,714.60)	(374,670.36)
Payments and Deposits for Developers Escrow (Net)	(885.46)	(447.70)
Contribution to Township of Pennsville	(100,000.00)	
Miscellaneous Payments and Receipts (Net)	71,752.67	88,999.88
Net Cash Used in Capital and Related Financing Activities	(624,107.39)	(835,782.18)
Cash Flows from Investing Activities:		
Investment Income Received	9,332.02	8,804.96
Net Cash Provided by Investing Activities	9,332.02	8,804.96
Net Increase/(Decrease) in Cash and Cash Equivalents	348,786.66	(27,361.59)
Cash and Cash Equivalents, Beginning of Fiscal Year (Including $2,613,584.41 and $2,464,223.52 Reported as Restricted)	5,077,807.93	5,105,169.52
Cash and Cash Equivalents, End of Fiscal Year (Including $2,713,341.12 and $2,713,253.47 Reported as Restricted)	$ 5,426,594.59	$ 5,077,807.93
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$ 174,698.44	$ 459,435.87
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	378,921.00	297,616.00
Pension Liability Expense - GASB 68	259,271.00	34,816.00
Changes in Assets and Liabilities:		
(Increase) Decrease in Consumer Accounts Receivable	16,584.05	14,466.64
Increase (Decrease) in Accounts Payable	(34,389.57)	(88,607.66)
Increase (Decrease) in Accrued Liabilities	3,904.70	818.52
Increase (Decrease) in Sewer Rent Overpayments	3,237.50	1,946.40
Increase (Decrease) in Compensated Absences Payable	(2,501.09)	2,575.86
Increase (Decrease) in OPEB Obligation	163,836.00	76,548.00
Total Adjustments	788,863.59	340,179.76
Net Cash Provided by Operating Activities	$ 963,562.03	$ 799,615.63

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Authority was created by an ordinance adopted on October 7, 1954 by the governing body of the Township of Pennsville (the "Township") in the County of Salem, New Jersey pursuant to the Sewerage Authority Law, R.S. 4:14B-1 et seq., of the State of New Jersey. It is a public body corporate and politic, constituting a political subdivision of the State of New Jersey, established as an instrumentality exercising public and essential governmental function to provide for the public health and welfare. The comparative financial statements include the operations for which the Authority exercises oversight responsibility.

The Authority was created for the purpose of constructing, maintaining and operating sewerage collection and treatment facilities to substantially all the area constituting the Township. The Authority commenced operations in 1959 and the Authority bills and collects its revenues from users of the system.

The Authority consists of five board members and two alternates, who are appointed by resolution of the Township Committee for five-year terms. The Superintendent manages the daily operations of 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.

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 Pennsville.

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

Basis of Presentation

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

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

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 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.

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 fiscal year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense and the annual required contribution for the Authority's Other Postemployment Benefit (OPEB) Plan are not included in the budget appropriations.

The legal level of budgetary control is established at the detail shown on the Comparative Statements of Revenues, Expenses and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The Authority adopted an amending budget resolution during the fiscal year.

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

Budgets and Budgetary Accounting (Cont'd)

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 fiscal year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

Cash, Cash Equivalents and Investments

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

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

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

Inventories

Inventory consists principally of chemicals for the treatment of sewerage and sludge and is valued at cost. The Authority has determined that the inventories are immaterial and are not recorded in the financial statements.

Prepaid Expenses

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

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

Capital Assets

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased are stated at actual 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 capital asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the fiscal 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:

	Years
Sewer Mains and Interception	50-60
Vehicles	5
Buildings and Improvements	40
Pump Stations	40
Other Equipment	15 or 20

Deferred Outflows of Resources

The Authority reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its statements of net position. The only deferred outflows of resources reported in this fiscal year's financial statements are a deferred outflow of resources for contributions made to the Authority's defined benefit pension plans between the measurement date of the net pension liabilities from those plans and the end of the Authority's fiscal year.

Deferred Inflows of Resources

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

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

Compensated Absences

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

Unearned Revenue

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

Pensions

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

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 fiscal 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.

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

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from sewer services charges, delinquent penalties and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments.

Operating expenses include expenses associated with the operation and maintenance of providing sewerage collection services to the residents of the Township along with general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt and renewal and replacement expenditures.

Accounting Estimates

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

Recently Issued and Adopted Accounting Pronouncements

For the fiscal year ended November 30, 2017, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The adoption this Statement had no impact on the Authority's financial statements.

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

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

Recently Issued Accounting Pronouncements

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

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Statement will become effective for the Authority in the fiscal year ending November 30, 2017. Management does not expect this Statement will have an impact on the financial statements.

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

Recently Issued Accounting Pronouncements (Cont'd)

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities The Statement will become effective for the Authority in the fiscal year ending November 30, 2018. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The Statement will become effective for the Authority in the fiscal year ending November 30, 2017. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The Statement will become effective for the Authority in the fiscal year ending November 30, 2017. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement will become effective for the Authority in the fiscal year ending November 30, 2017. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The Statement will become effective for the Authority in the fiscal year ending November 30, 2017. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement will become effective for the Authority in the fiscal year ending November 30, 2018. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement will become effective for the Authority in the fiscal year ending November 30, 2017. Management does not expect this Statement will have an impact on the financial statements.

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

Recently Issued Accounting Pronouncements (Cont'd)

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The Statement will become effective for the Authority in the fiscal year ending November 30, 2019. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement will become effective for the Authority in the fiscal year ending November 30, 2020. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Statement will become effective for the Authority in the fiscal year ending November 30, 2018. Management does not expect this Statement will have an impact on the financial statements.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

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

Utility System Revenue Bonds

The Authority is subject to the provisions and the terms of the Utility System Revenue Bond Resolution, dated July 21, 1992, as amended. As required by the Resolution, certain cash accounts and investments of the Authority are maintained by an independent trustee, accounted for in various accounts and segregated for specific use and for the security of the bondholders. The purpose of the trust accounts are summarized as follows:

Revenue Fund - All available revenues shall be collected by the Authority and deposited with the Trustee or the name of the Trustee. The Trustee, as of the first day of each month in any fiscal year and within ten days thereafter, shall withdraw all moneys in the Revenue Fund as of such date and make payments out of such moneys into the following several funds, but as to each such fund only within the limitation herein below indicated with respect thereto and only after maximum payment within such limitation into every such fund previously mentioned in the following tabulation:

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

Utility System Revenue Bonds (Cont'd)

Revenue Fund (Cont'd)

First: Into the Operating Fund, to the extent (if any) needed to increase the amount in the Operating Fund so that it equals 25% of the amount appropriated for Operating Expenses in the Annual Budget of the Authority for such Fiscal Year.

Second: Into the Bond Service Fund, to the extent (if any) needed to increase the amount in the Bond Service Fund so that it equals the Bond Service Requirement.

Third: Into the Bond Reserve Fund, to the extent (if any) needed to increase the amount in any account of the Bond Reserve Fund so that it equals the applicable Bond Reserve Requirement.

Fourth: Into the Renewal and Replacement Fund, to the extent (if any) needed to increase the amount in the Renewal and Replacement Fund so that it equals the System Reserve Requirement.

Fifth: Into the General Fund, to any extent.

Operating Fund - The Authority shall apply the moneys deposited in the Operating Fund and any investment earnings thereon to the payment of Operating Expenses for which appropriations were made in the Annual Budget. Any such moneys deposited in the Operating Fund and any investment earnings thereon unexpended upon termination of the fiscal year in which they were deposited and any moneys and investment earnings thereon deposited into the Operating Fund may be expended by the Authority for the payment of any Operating Expense for any purpose for which moneys could be withdrawn from the Renewal and Replacement Fund.

Bond Service Fund - The Trustee shall withdraw from the Bond Service Fund immediately prior to each interest payment date of the Bonds an amount equal to the unpaid interest due on the Bonds on or before such interest payment date and shall cause the same to be applied to the payment of said interest when due and may transmit the same to Paying Agents who shall apply the same to such payment.

Bond Reserve Fund - If on any date (a) the amount in the Bond Service Fund equals or exceeds the Bond Service Requirement (b) all withdraws or payments from the Bond Reserve Fund required by any other provision of the Resolution with respect to the same and every prior date shall have sooner been made, the Trustee within ten days thereafter shall withdraw from the respective accounts in the Bond Reserve Fund the amount of any excess therein over the applicable Bond Reserve Requirement as of such date and shall pay any moneys so withdrawn into the Revenue Fund.

Renewal and Replacement Fund - If on any date, after making the withdrawals required under the provisions of Paragraph (1) of Section 512 with respect to the same and every prior date, the amount in any account of the Bond Reserve Fund shall be less than the applicable Bond Reserve Requirement as of such date, the Trustee shall withdraw from the Renewal and Replacement Fund and pay into such account of the Bond Reserve Fund the amount needed to increase the amount in such account of the Bond Reserve Fund so that it equals the applicable Bond Reserve Requirement. The Trustee shall withdraw from the Renewal and Replacement Fund amounts requisitioned by the Authority for, and apply the same to, the reasonable and necessary expenses of the Authority with respect to the System for improvements, constructions, reconstructions, major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals and for costs of equipment.

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

Utility System Revenue Bonds (Cont'd)

Construction Fund - Within the Construction Fund, the Trustee shall establish a separate account for each project. The Trustee shall credit to such separate account for any project any moneys paid into the Construction Fund constituting (1) proceeds of sale of bonds of any series authorized for the purpose of raising funds to pay costs of construction with respect to said project, (2) any proceeds of insurance (other than use and occupancy insurance) received by the Authority with respect to said project or (3) any amount accompanied upon its payment into the Construction Fund by an Officer's Certificate directing its credit to the said separate account for said project.

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

Debt Service Coverage

The computation of sufficiency of revenues for the fiscal years ended November 30, 2016 and 2015 as defined by the Utility System Revenue Bond Resolution is as follows:

	2016	2015
Operating Revenues:		
Utility Service Charges	$ 2,519,596.40	$ 2,521,341.63
Investment and Miscellaneous Income	30,347.09	37,617.22
Total Revenues	2,549,943.49	2,558,958.85
Operating Expenses:		
Administrative	639,335.10	650,150.54
Cost of Providing Services	922,701.18	1,064,720.75
Total Expenses	1,562,036.28	1,714,871.29
Excess of Revenue	987,907.21	844,087.56
110% of Current Fiscal Year's Annual Debt Service Requirement	621,500.00	621,500.00
Sufficiency of Revenues	$ 366,407.21	$ 222,587.56

In addition to the above rate covenant, the Authority has complied with all other significant financial covenants under the Utility System Revenue Bond Resolution.

In conjunction with the aforementioned Utility System Revenue Bond Resolution, the Authority has entered into a service agreement with the Township. The Township has agreed to advance to the Authority sufficient monies to eliminate any deficiency in the Authority's revenues required for its operation and administrative expenses, including certain debt service requirements, and to meet certain provisions of its coverage requirements. Any monies advanced in accordance with this agreement would be refunded at such time as the Authority deems appropriate.

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

	2016	2015
Insured by FDIC	$ 250,000.00	$ 250,000.00
Insured by GUDPA	5,210,564.79	4,887,681.18
	$ 5,460,564.79	$ 5,137,681.18

Service Fees

The following is a three-year comparison of service charge billings and collections:

Fiscal Year Ended November 30,	Beginning Balance	Billings	Total Collections	Percentage of Collections
2016	$ 114,038.31	$ 2,519,596.40	$ 2,537,587.29	96.35%
2015	123,466.13	2,521,341.63	2,530,769.45	95.69%
2014	153,313.93	2,501,270.78	2,531,118.58	95.35%

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

Capital Assets

During the fiscal year ended November 30, 2016, the following changes in Capital Assets occurred:

	Balance Nov. 30, 2015	Additions	Deletions	Completed Projects	Balance Nov. 30, 2016
Land	$ 57,890.00				$ 57,890.00
Construction in Progress	-	$ 19,109.97			19,109.97
Utility Plant, Equipment and Infrastructure	11,866,646.37	19,604.63	$ 20,000.00		11,866,251.00
Total	11,924,536.37	38,714.60	20,000.00	-	11,943,250.97
Less: Accumulated Depreciation	7,870,805.00	378,921.00	18,000.00	-	8,231,726.00
Net Capital Assets	$ 4,053,731.37	$(340,206.40)	$ 2,000.00	$ -	$3,711,524.97

During the fiscal year ended November 30, 2015, the following changes in Capital Assets occurred:

	Balance Nov. 30, 2014	Additions	Deletions	Completed Projects	Balance Nov. 30, 2015
Land and Easements	$ 57,890.00				$ 57,890.00
Construction in Progress	86,362.64	$ 281,440.36	$ 3,186.00	$ (364,617.00)	-
Utility Plant, Equipment and Infrastructure	11,487,599.37	93,230.00	78,800.00	364,617.00	11,866,646.37
Total	11,631,852.01	374,670.36	81,986.00	-	11,924,536.37
Less: Accumulated Depreciation	7,644,109.00	297,616.00	70,920.00	-	7,870,805.00
Net Capital Assets	$ 3,987,743.01	$ 77,054.36	$ 11,066.00	$ -	$4,053,731.37

Note 4: DETAIL NOTES - LIABILITIES

Compensated Absences

Authority employees may accumulate unused sick days with no restrictions. Employees are compensated for accumulated sick leave upon retirement or resignation at one-half of their then current hourly rate of pay times the number of days accumulated, up to a maximum of $15,000.00. Vacation days not used during the year may be carried forward for one year. Upon separation from the Authority, the employee will be paid for all accrued vacation time at their then current hourly rate. The accrued liability for accumulated sick leave and vacation time at November 30, 2016 and 2015 is estimated at $27,038.46 and $29,539.55, respectively.

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

Noncurrent Liabilities

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

	Balance Nov. 30, 2015	Additions	Deletions	Balance Nov. 30, 2016
Bonds and Loans Payable:				
Revenue Bonds Payable	$ 649,399.70		$ 177,472.15	$ 471,927.55
Total Bonds and Loans Payable	649,399.70	$ -	177,472.15	471,927.55
Other Liabilities:				
Net Pension Liability	1,633,157.00	1,100,838.00		2,733,995.00
Net OPEB Obligation	280,144.00	173,833.00	9,997.00	443,980.00
Other Liabilities - Related to Pension	26,062.00	8,108.00		34,170.00
Compensated Absences	29,539.55		2,501.09	27,038.46
Total Other Liabilities	1,968,902.55	1,282,779.00	12,498.09	3,239,183.46
Total Long Term Liabilities	$ 2,618,302.25	$ 1,282,779.00	$ 189,970.24	$ 3,711,111.01

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

	Balance Nov. 30, 2014	Additions	Deletions	Balance Nov. 30, 2015
Bonds and Loans Payable:				
Revenue Bonds Payable	$ 836,951.45		$ 187,551.75	$ 649,399.70
Total Bonds and Loans Payable	836,951.45	$ -	187,551.75	649,399.70
Other Liabilities:				
Net Pension Liability	1,439,273.00	193,884.00		1,633,157.00
Net OPEB Obligation	203,596.00	76,548.00		280,144.00
Other Liabilities - Related to Pension	26,062.00			26,062.00
Compensated Absences	26,963.69	2,575.86		29,539.55
Total Other Liabilities	1,695,894.69	273,007.86	-	1,968,902.55
Total Long Term Liabilities	$ 2,532,846.14	$ 273,007.86	$ 187,551.75	$ 2,618,302.25

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

Revenue Bonds Payable

Refunding Sewer Revenue Bonds, Series 1996 - On November 1, 1996, the Authority refunded $6,789,566.00 of sewer revenue bonds, with interest rates up to 5.65%. The bonds were issued for the purpose of funding various sewer capital projects in the Township. The final maturity of the bonds is November 1, 2020.

The following schedule reflects debt requirements until 2020:

Fical Year Ended November 30,	Principal	Interest	Total
2017	$ 177,472.15	$ 387,527.85	$ 565,000.00
2018	166,149.55	398,850.45	565,000.00
2019	157,149.10	407,850.90	565,000.00
2020	148,628.90	416,371.10	565,000.00
	649,399.70	$ 1,610,600.30	$ 2,260,000.00
Less: Current Maturities on Bonds	177,472.15		
Long-term Portion	$ 471,927.55		

Net Pension Liability

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

Pension Plans

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

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

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

Pension Plans (Cont'd)

General Information about the Pension Plans

Plan Descriptions

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

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et.seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the 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. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

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

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

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

Pension Plans (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 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The Authority's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

The Authority's contractually required contribution rates for the fiscal years ended November 30, 2016 and 2015 were 14.43% and 10.83% of the Authority's covered payroll. These amount were actuarially determined as the amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2016, the Authority's contractually required contribution to the pension plan for the fiscal year ended November 30, 2016 is $82,008.00, and is payable by April 1, 2017. Based on the PERS measurement date of June 30, 2015, the Authority's contractually required contribution to the pension plan for the fiscal year ended November 30, 2015 was $62,548.00, which was paid on April 1, 2016. Employee contributions to the Plan during the fiscal year ended November 30, 2016 were $40,780.14.

Based on the PERS measurement date of June 30, 2015, the Authority's contractually required contribution to the pension plan for the fiscal year ended November 30, 2015 was $62,548.00, and was payable by April 1, 2016. Based on the PERS measurement date of June 30, 2014, the Authority's contractually required contribution to the pension plan for the fiscal year ended November 30, 2015 was $63,373.00, which was paid on April 1, 2015. Employee contributions to the Plan during the fiscal year ended November 30, 2015 were $40,706.78.

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

Pension Plans (Cont'd)

General Information about the Pension Plans (Cont'd)

Contributions (Cont'd)

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

For the fiscal years ended November 30, 2016 and 2015, employee contributions totaled $0.00 and $26.85, respectively. The Authority's contributions for the fiscal years ended November 30, 2016 and 2015 were $0.00 and $49.22, respectively. There were no forfeitures during the fiscal years.

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

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

The Authority reported a liability of $2,733,995.00 and $1,633,157.00 for its proportionate share of the net pension liability for the fiscal years ended November 30, 2016 and 2016, respectively.

The net pension liability reported at November 30, 2016 was measured by the PERS plan as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2016 measurement date, the Authority's proportion was .0092311254%, which was an increase of .0019558333% from its proportion measured as of June 30, 2015.

The net pension liability reported at November 30, 2015 was measured by the PERS plan as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2015 measurement date, the Authority's proportion was .0072752921%, which was a decrease of .0004120088% from its proportion measured as of June 30, 2014.

For the fiscal years ended November 30, 2016 and 2015, the Authority recognized pension expense of $259,271.00 and $34,816.00, respectively. These amounts were based on the plan's June 30, 2016 and 2015 measurement dates, respectively.

Note 4: <u>DETAIL NOTES – LIABILITIES (CONT'D)</u>

Pension Plans (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Deferred Outflows of Resources and Deferred Inflows of Resources
At November 30, 2016 and 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	November 30, 2016 Measurement Date June 30, 2016		November 30, 2015 Measurement Date June 30, 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 50,844.00		$ 38,961.00	
Changes of Assumptions	566,338.00		175,388.00	
Net Difference between Projected and Actual Earnings on Pension Plan Investments	104,250.00			$ 26,258.00
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	335,647.00	$ 51,579.00	21,827.00	65,445.00
Authority Contributions Subsequent to the Measurement Date	34,170.00		26,062.00	
	$ 1,091,249.00	$ 51,579.00	$ 262,238.00	$ 91,703.00

The deferred outflows of resources related to pensions totaling $34,170.00 and $26,062.00 will be included as a reduction of the net pension liability in the fiscal years ended November 30, 2017 and 2016.

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

Fiscal Year Ending November 30,	
2017	$ 223,220.00
2018	223,220.00
2019	248,969.00
2020	220,016.00
2021	90,075.00
	$ 1,005,500.00

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

Pension Plans (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)

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

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

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

Pension Plans (Cont'd)

Actuarial Assumptions

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

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

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

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

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

Pension Plans (Cont'd)

Actuarial Assumptions (Cont'd)

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

Discount Rate

The discount rate used to measure the total pension liability was 3.98% and 5.55% as of June 30, 2016 and 2015 measurement dates, respectively. The respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.65% and 7.90%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 for PERS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

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

Pension Plans (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 November 30, 2016 calculated using a discount rate of 3.98%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	November 30, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Authority's Proportionate Share of the Net Pension Liability	$ 3,350,191.00	$ 2,733,995.00	$ 2,225,271.00

The following presents the Authority's proportionate share of the net pension liability at November 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:

	November 30, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Authority's Proportionate Share of the Net Pension Liability	$ 2,029,815.00	$ 1,633,157.00	$ 1,300,603.00

Pension Plan Fiduciary Net Position

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

Note 4: <u>DETAIL NOTES – LIABILITIES (CONT'D)</u>

Post-Employment Benefits

Plan Description - The Authority's defined benefit postemployment healthcare plan is affiliated with the Township of Pennsville's Postemployment Benefits Plan (the "TPPB Plan"). The plan provides fully paid Health and Life Insurance benefits to employees retired or those who were hired after March 1, 2000 with at least fifteen (15) years of service and who have reached the age of sixty-two (62). They are entitled to term life insurance, health insurance, and a dental plan under the TPPB Plan's group policies maintained for other Authority employees, with the same or similar limits in coverage provided the retiree continues the same co-pay per month at the time of retirement. Retired employees, or those who were hired after January 1, 2004 with at least twenty-five (25) years of service and who have reached the age of sixty-two (62), shall be entitled to term life insurance, health insurance, and dental plan under the TPPB Plan's group policies maintained for other Authority employees, with the same or similar limits in coverage provided the retiree continues the same co-pay per month at the time of retirement. Upon retirement all employees shall be entitled to all benefits under this contract. In the event an employee is eligible for such benefits through PERS, then those benefits shall be considered primary. When a retiree becomes eligible for Medicare, he/she shall promptly notify the Authority, and at that time the Authority health insurance shall become secondary.

The Authority's Plan is affiliated with the Township of Pennsville's Benefit Plan (TPPB Plan), an agent multiple-employer postemployment benefits plan administered by the Township of Pennsville. The benefit provisions of the plans that participate in TPPB Plan may be established or amended by the respective employer entities; for the TPPB Plan that authority rests with the Board of the Authority. The TPPB Plan does not issue a separate financial report.

Funding Policy - The contribution requirements of plan members and the Authority are established and may be amended by the Authority's governing body. Plan members are not required to make any contributions to the plan.

Retirees - The Authority presently funds its current retiree postemployment benefit costs on a "pay-as-you-go" basis. For the fiscal years ended November 30, 2016, 2015 and 2014, the Authority contributed $9,997, $6,396 and $3,784, respectively to the TPPB Plan for current premiums.

Future Retirees - In accordance with Statement No. 45 of the Governmental Accounting Standards Board, the Authority is required to disclose the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The ARC includes the costs of both current and future retirees. The current ARC was determined to be $159,826.00 at an unfunded discount rate of 5.0%. As stated above, the Authority has funded the cost of existing retirees in the amount of $9,997, and has incurred the benefit costs for future eligible employees, but has not yet begun funding this outstanding liability.

Annual OPEB Cost - For fiscal year ended November 30, 2016, the Authority's annual OPEB cost (expense) of $163,836 for the plan was equal to the ARC plus certain adjustments because the Authority's actual contributions in prior years differed from the ARC.

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

Post-employment Benefits (Cont'd)

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

	2016	2015	2014
Annual Required Contribution (ARC)	$ 159,826	$ 81,200	$ 77,000
Interest on the Net OPEB Obligation	14,007	8,144	5,180
Adjustment to the ARC	-	(6,400)	(4,300)
Annual OPEB Cost	173,833	82,944	77,880
Pay-as-You Go Cost (Existing Retirees)	(9,997)	(6,396)	(3,784)
Increase in the Net OPEB Obligation	163,836	76,548	74,096
Net OPEB Obligation - Beginning of year	280,144	203,596	129,500
Net OPEB Obligation - End of year	$ 443,980	$ 280,144	$ 203,596
Percentage of Annual OPEB Cost Contributed	5.8%	7.7%	4.9%

Funded Status and Funding Progress - The funded status of the plan as of the actuarial valuation dates is as follows:

	2016	2013	2010
Actuarial Accrued Liability (AAL)	$ 1,647,342	$ 894,000	$ 980,000
Actuarial Value of Plan Assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 1,647,342	$ 894,000	$ 980,000
Funded Ratio (Actuarial Value of Plan Assets / AAL	0.0%	0.0%	0.0%
Covered Payroll (Active Plan Members)	$ 270,300	$ 265,000	$ 250,000
UAAL as a Percentage of Covered Payroll	609.4%	337.4%	392.0%

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

Post-employment Benefits (Cont'd)

Funded Status and Funding Progress (Cont'd)

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, as shown on the previous page, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2016 actuarial valuation, the unit credit actuarial cost method was used. Under this method, an actuarial accrued liability is determined as the actuarial present value of the portion of projected benefits which is allocated to service before the current plan year. In addition, a normal cost is determined as the actuarial present value of the portion of projected benefits which is allocated to service in the current plan year for each active participant under the assumed retirement age. The UAAL is being amortized (straight-line) for thirty (30) years on an open basis. The actuarial assumptions included the following:

- *Mortality*. 1994 sex distinct Group Annuity Mortality Table.
- *Discount Rate*. 5.00% compounded annually.
- *Turnover*. U.S Office of Personnel Management employee group covered by the Federal Employees Retirement System
- *Disability*. No terminations of employment due to disability.
- *Age at Retirement.* No earlier than age 55.
- *Final Average Salary.* Over $112,000 for retirees at age 55.
- *Spousal Coverage*. Married employees will remain married.
- *Health Care Cost Inflation*. Increase 7.0% annually for both Pre-Medicare benefits and Post-Medicare benefits.
- *Administrative Expenses*. Approximately 2% is included in health care costs to administer retiree claims.

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: INTERGOVERNMENTAL AGREEMENTS

Service Agreements

In conjunction with the Authority's issuance of bonds, a service agreement between the Authority and Township of Pennsville was executed in 1959. Section 403 of the 1959 service contract between the Authority and the Township provides that an amount is to be charged to the Township when:

Operating expenses, interest on Bonds, principal or redemption premium on bonds, and deficits of the Authority resulting from failure to receive sums payable to the Authority by the Township, to maintain such reserves or sinking funds to provide for expenses of operation and maintenance of the System or for any interest on or principal on redemption premium of bonds or for any such deficits as may be required by the terms of any contracts of the Authority or agreement with or for the benefit of holders of bonds or be deemed necessary or desirable by the Authority, exceed

(1) The sum of such parts (if any) of the several amounts of service charges collected, the proceeds of bonds received by or for account of the Authority, the proceeds of insurance received, interest received on investments of funds held for benefit on security of the Authority, contributions received by or for the account of the Authority and not repayable by the Authority, reserves on hand and available therefore at the beginning of such fiscal year.

For the fiscal year 2016, the computation was as follows:

Cash Revenues	$ 2,568,255.44
Operating Expenses	1,499,498.73
Excess/(Deficit)	$ 1,068,756.71

Note 7: COMMITMENTS

The Authority had one outstanding construction projects as of November 30, 2016. This project is evidenced by a contractual commitment with a contractor and includes:

Project	Awarded	Commitment Remaining
Standby Power System Improvement	$ 94,300.00	$ 94,300.00
Total Contracts Payable	$ 94,300.00	$ 94,300.00

Note 8: DEFERRED COMPENSATION

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

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

Note 9: RISK MANAGEMENT

The Authority is a member of the New Jersey Utilities Authority Joint Insurance Fund ("NJUA") and the Municipal Excess Liability Joint Fund (the "MEL").

The following coverage is provided by the NJUA and the MEL:

Public Officials Bonds in excess of amounts statutorily required
Public Employees Dishonesty Bonds
Automobile Liability
Workers' Compensation
Employers' Liability
Commercial Property
General Liability
Public Officials Liability
Employment Practices Liability
Environmental Liability

Contributions to the Fund, including a reserve for contingencies are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Authority's agreement with the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of $500,000 for each insured event.

The Fund publishes its own financial report for the year ended December 31, 2016, which can be obtained from:

New Jersey Utilities Authority Joint Insurance Fund
Park 80 West, Plaza One
Saddle Brook, New Jersey 07663

Municipal Excess Liability Joint Insurance Fund
Park 80 West, Plaza One
Saddle Brook, New Jersey 07663

Note 9: RISK MANAGEMENT (CONT'D)

New Jersey Unemployment Compensation Insurance

The Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Authority is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Authority is billed quarterly for amounts due to the State.

Fiscal Year Ended Nov 30,	Investment Income	Authority Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2016	$ 78.65	$ 4,000.00	$ 971.92	$ 15,175.00	$ 39,503.74
2015	74.54	4,000.00	1,038.06	6,321.49	49,628.17
2014	77.15	4,000.00	934.20	-	50,837.06

Self-Insurance Health Benefits Plan

The Authority is in a self-insured plan for the reimbursement to employees for approved medical and prescription claims. The claims are on the incurred method basis. The program is administered by a private third-party agency. Terms of the plan require the Authority to pay an accumulated amount not to exceed $40,000.00 of claims for each employee in any given year. Amounts in excess of $40,000.00 are covered by a commercial insurance policy.

Note 10: INTERFUNDS RECEIVABLE AND PAYABLE

Covenants of the Bond Resolution require certain accounts upon cascading of the funds to contain specific amounts. Therefore, the Interfunds on November 30, 2016 as presented below should be reviewed by the trustee and are as follows:

	Interfund Receivable	Interfund Payable
Revenue Fund:		
Due From Construction Fund	$ 427,071.68	
Due From Renewal and Replacement Fund	235,362.19	
Due From Bond Service Fund	385,367.09	
Due From Bond Reserve Fund	45,648.45	
Renewal and Replacement Fund:		
Due To Revenue Fund		$ 235,362.19
Due To Construction Fund		64,784.00
Bond Reserve Fund:		
Due To Revenue Fund		45,648.45
Bond Service Fund:		
Due To Revenue Fund		385,367.09
Construction Fund:		
Due From Renewal and Replacement Fund	64,784.00	
Due To Revenue Fund		427,071.68
Total	$ 1,158,233.41	$ 1,158,233.41

Note 11: CONTINGENCIES

Litigation - The Authority currently does not have any current or pending litigation.

REQUIRED SUPPLEMENTARY INFORMATION

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Required 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)
12/31/2016	$ 0	$ 1,647,342	$ 1,647,342	0%	$ 270,300	609.4%
12/31/2013	$ 0	$ 894,000	$ 894,000	0%	$ 265,000	337.4%
12/31/2010	$ 0	$ 980,000	$ 980,000	0%	$ 250,000	392.0%

SCHEDULE RSI-2

Required Supplementary Information
Schedule of Employer Contributions

Fiscal Year Ended November 30,	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2016	$ 159,826.00	6.3%
2015	81,200.00	7.9%
2014	77,000.00	4.9%

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

	Measurement Date Ending June 30,			
	2016	**2015**	**2014**	**2013**
Authority's Proportion of the Net Pension Liability	0.0092311254%	0.0072752921%	0.0076873009%	0.0075216372%
Authority's Proportionate Share of the Net Pension Liability	$ 2,733,995.00	$ 1,633,157.00	$ 1,439,273.00	$ 1,437,534.00
Authority's Covered Payroll (Plan Measurement Period)	$ 603,672.00	$ 540,436.00	$ 532,544.00	$ 518,856.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	452.89%	302.19%	270.26%	277.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%	48.72%

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

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of the Authority's Contributions
Public Employees' Retirement System (PERS)
Last Four Years

	Fiscal Year Ended November 30,			
	2016	**2015**	**2014**	**2013**
Authority's Contractually Required Contribution	$ 82,008.00	$ 62,548.00	$ 63,373.00	$ 56,674.00
Authority's Contributions in Relation to the Contractually Required Contribution	(82,008.00)	(62,548.00)	(63,373.00)	(56,674.00)
Authority's Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Authority's Covered Payroll (Calendar Year)	$ 568,302.00	$ 577,552.00	$ 530,323.00	$ 527,976.00
Authority's Contributions as a Percentage of it's Covered Payroll	14.43%	10.83%	11.95%	10.73%

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.

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Notes to Required Supplementary Information
For the Fiscal Year Ended November 30, 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	December 31, 2016
Actuarial Cost Method	Unit Credit Cost
Amortization Method	Level
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	N/A
Rate of Salary Increases	N/A
Discount Rate	5.0%
Rate of Medical Inflation (Pre-Medicare medical benefits)	7.0%
Rate of Medical Inflation (Post-Medicare medical benefits)	7.0%
Administrative Expenses (included in Annual health care costs)	2.0%

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

Note 2: POSTEMPLOYMENT BENEFITS - PENSION

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None

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

SUPPLEMENTARY SCHEDULES

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Combining Schedule of Revenue, Expenses and Changes in Net Position
For the Fiscal Year Ended November 30, 2016

		Restricted Funds						
	Revenue and Operating	Renewal and Replacement	Bond Reserve	Bond Service	Construction Fund	Unemployment Compensation	Capital Assets	Total
Operating Revenues:								
Sewer Fees and Penalties	$ 2,519,596.40							$ 2,519,596.40
Other Revenue	23,518.76							23,518.76
	2,543,115.16	-	-	-	-	-	-	2,543,115.16
Operating Expenses:								
Administration	851,907.10							851,907.10
Cost of Providing Services	1,127,669.18							1,127,669.18
Renewal and Replacement Fund Expenditures	1,567.00	$ 47,067.04					$ (38,714.60)	9,919.44
Depreciation							378,921.00	378,921.00
	1,981,143.28	47,067.04	-	-	-	-	340,206.40	2,368,416.72
Operating Income (Loss)	561,971.88	(47,067.04)	-	-	-	-	(340,206.40)	174,698.44
Non-operating Revenue (Expenses):								
Investment Income	6,828.33	1,275.03			$ 1,150.01	$ 78.65		9,332.02
Interest Expense	(377,448.25)							(377,448.25)
Employee Contributions						971.92		971.92
Connection Fees					11,240.00			11,240.00
Contribution to Township of Pennsville	(100,000.00)							(100,000.00)
Miscellaneous					320.31	(15,175.00)	(2,000.00)	(16,854.69)
Net Income (Loss) Before Transfers	91,351.96	(45,792.01)	-	-	12,710.32	(14,124.43)	(342,206.40)	(298,060.56)
Transfers and Adjustments:								
Budget Contribution	(304,000.00)	300,000.00				4,000.00		
Between Funds - Net	(177,472.15)						177,472.15	
Increase (Decrease) in Net Position	(390,120.19)	254,207.99	-	-	12,710.32	(10,124.43)	(164,734.25)	(298,060.56)
Net Position (Deficit) November 30, 2015	1,276,274.92	240,684.92	$ 565,000.00	$ 47,100.00	273,238.42	49,628.17	3,404,331.67	5,856,258.10
Net Position November 30, 2016								
Net Investment in Capital Assets							$ 3,239,597.42	$ 3,239,597.42
Restricted	$ 490,700.00	$ 494,892.91	$ 565,000.00	$ 47,100.00	$ 285,948.74	$ 39,503.74		1,923,145.39
Unrestricted	395,454.73							395,454.73

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Schedule of Cash Receipts and Disbursements
For the Fiscal Year Ended November 30, 2016

		Restricted						
	Revenue and Operating	Renewal and Replacement	Bond Reserve	Bond Service	Construction Fund	Unemployment Compensation	Developers Escrow	Total
Cash and Cash Equivalents:								
Balance November 30, 2015	$ 2,613,584.41	$ 547,654.98	$ 609,425.15	$ 608,817.14	$ 640,526.10	$ 51,168.88	$ 6,631.27	$ 5,077,807.93
Receipts:								
Investment Income	4,382.93	1,275.03	1,223.30	1,222.10	1,150.01	78.65	9.64	9,341.66
Investment Income on Benefit Claims	935.80							935.80
Sewer Fees and Penalties	2,532,281.59							2,532,281.59
Sewer Rent Overpayments	8,543.20							8,543.20
Other Operating Revenue	22,111.92							22,111.92
Connection Fees					8,740.00			8,740.00
Escrow Deposits							1,500.00	1,500.00
Budget Reimbursements	42,735.74							42,735.74
Miscellaneous					320.31	971.92		1,292.23
Transfers		300,000.00				4,000.00		304,000.00
Total Cash and Cash Equivalents Available	5,224,575.59	848,930.01	610,648.45	610,039.24	650,736.42	56,219.45	8,140.91	8,009,290.07
Disbursements:								
Operating Expenses	1,482,141.77							1,482,141.77
Accounts Payable	58,525.70	6,823.87			-			65,349.57
Bond Principal	187,551.75							187,551.75
Interest on Debt - Sewer Revenue Bonds	377,448.25							377,448.25
Contribution to Township of Pennsville	100,000.00							100,000.00
Renewal and Replacement Expenses	1,567.00	47,067.04						48,634.04
Escrow Disbursements							2,395.10	2,395.10
Unemployment Disbursements						15,175.00		15,175.00
Transfers	304,000.00							304,000.00
Total Disbursements	2,511,234.47	53,890.91	-	-	-	15,175.00	2,395.10	2,582,695.48
Cash and Cash Equivalents:								
Balance November 30, 2016	$ 2,713,341.12	$ 795,039.10	$ 610,648.45	$ 610,039.24	$ 650,736.42	$ 41,044.45	$ 5,745.81	$ 5,426,594.59

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Schedule of Revenues, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Budgetary Basis
For the Fiscal Year Ended November 30, 2016

	Adopted Budget	Amendments/ Transfers	Amended Budget	2015-2016 Actual	Variance Favorable (Unfavorable)
Operating Revenues:					
Service Charges	$ 2,460,300.00		$ 2,460,300.00	$ 2,519,596.40	$ 59,296.40
Other Revenues	10,000.00		10,000.00	23,518.76	13,518.76
Interest Income	5,000.00		5,000.00	6,828.33	1,828.33
	2,475,300.00	-	2,475,300.00	2,549,943.49	74,643.49
Operating Appropriations:					
Administrative:					
Salaries and Wages:					
Board Members' Salaries	14,173.00		14,173.00	13,759.20	413.80
Office Salaries	319,318.00		319,318.00	308,225.92	11,092.08
Fringe Benefits:					
Social Security	25,512.00		25,512.00	21,424.76	4,087.24
Health Insurance	175,000.00		175,000.00	120,698.52	54,301.48
Dental Insurance	9,520.00		9,520.00	5,829.79	3,690.21
Group Life Insurance	2,300.00		2,300.00	1,799.00	501.00
Unemployment Insurance	2,000.00		2,000.00	2,000.00	-
PERS - Pension	37,500.00		37,500.00	31,576.65	5,923.35
Miscellaneous	4,500.00		4,500.00	74.57	4,425.43
Other Expenses:					
Legal Fees	35,300.00		35,300.00	26,775.90	8,524.10
Audit Fees / Financial Services	29,000.00		29,000.00	26,790.00	2,210.00
Engineer Fees	10,000.00		10,000.00	-	10,000.00
Billing Expenses	7,000.00		7,000.00	985.00	6,015.00
Computer Software Service	12,400.00		12,400.00	6,824.00	5,576.00
Computer Repairs	6,000.00		6,000.00	1,543.56	4,456.44
Office Supplies	14,000.00		14,000.00	1,217.00	12,783.00
Postage	8,500.00		8,500.00	2,586.90	5,913.10
Petty Cash	1,200.00		1,200.00	88.57	1,111.43
Seminars and Conferences	2,500.00		2,500.00	-	2,500.00
Trustee Fees	15,000.00		15,000.00	11,071.90	3,928.10
Authority Insurance - Casualty	55,000.00		55,000.00	48,061.56	6,938.44
Interlocal Agreement - Finance Services	8,000.00		8,000.00	8,000.00	-
Miscellaneous	7,000.00		7,000.00	2.30	6,997.70
Total Administrative	800,723.00	-	800,723.00	639,335.10	161,387.90
Cost of Service:					
Salaries and Wages	306,678.00		306,678.00	290,724.34	15,953.66
Fringe Benefits:					
Social Security	23,461.00		23,461.00	24,230.28	(769.28)
Health Insurance	95,500.00		95,500.00	78,321.70	17,178.30
Unemployment Insurance	2,000.00		2,000.00	2,000.00	-
PERS - Pension	37,500.00		37,500.00	31,274.00	6,226.00
Other Expenses:					
Sodium Hypochlorite	17,000.00		17,000.00	11,450.74	5,549.26
Odor Control	3,000.00		3,000.00	2,062.09	937.91
Grease & Grit Removal	7,000.00		7,000.00	5,355.11	1,644.89
Gasoline	14,000.00		14,000.00	5,849.58	8,150.42
Diesel Fuel	2,000.00		2,000.00	506.54	1,493.46
Natural Gas	12,000.00		12,000.00	9,861.64	2,138.36
Engineering Fees	15,000.00		15,000.00	6,355.08	8,644.92
Electric	175,000.00		175,000.00	135,489.54	39,510.46
Commercial Lab/Sludge	35,000.00		35,000.00	30,708.08	4,291.92
Communications	12,000.00		12,000.00	12,983.89	(983.89)
VFD Contract	21,000.00		21,000.00	20,717.90	282.10
Mechanical Equipment Contract	50,000.00		50,000.00	15,401.50	34,598.50
Transportation Maintenance	6,000.00		6,000.00	4,761.14	1,238.86
Plant Equipment Maintenance	5,000.00		5,000.00	3,829.64	1,170.36

(Continued)

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Schedule of Revenues, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Budgetary Basis
For the Fiscal Year Ended November 30, 2016

	Adopted Budget	Amendments/ Transfers	Amended Budget	2015-2016 Actual	Variance Favorable (Unfavorable)
Cost of Service (Cont'd):					
Other Expenses (Cont'd):					
Pump Maintenance	$ 5,000.00		$ 5,000.00	$ 1,732.76	$ 3,267.24
Maintenance (Paint, Tools, Etc.)	2,000.00		2,000.00	5,269.14	(3,269.14)
Collection System Supplies	20,000.00		20,000.00	29,306.51	(9,306.51)
Pumping Station Supplies	8,000.00		8,000.00	6,999.75	1,000.25
Plant Supplies	15,000.00		15,000.00	12,516.89	2,483.11
Plant Operating Permit	25,000.00		25,000.00	23,571.23	1,428.77
Plant Miscellaneous	1,500.00		1,500.00	1,833.40	(333.40)
Water	2,600.00		2,600.00	2,521.92	78.08
Sludge Disposal Liquid	160,000.00		160,000.00	131,803.42	28,196.58
Generator Maintenance	4,000.00		4,000.00	1,202.78	2,797.22
Safety Equipment	6,000.00		6,000.00	6,506.19	(506.19)
Plant Other	4,000.00		4,000.00	59.44	3,940.56
Miscellaneous	1,000.00		1,000.00	494.96	505.04
Lawn Maintenance	7,000.00		7,000.00	7,000.00	-
Total Cost of Service	1,100,239.00	-	1,100,239.00	922,701.18	177,537.82
Total Operating Appropriations	1,900,962.00	-	1,900,962.00	1,562,036.28	338,925.72
Principal Payments on Debt Service in Lieu of Depreciation	187,552.00	-	187,552.00	187,551.75	0.25
Non-Operating Appropriations:					
Contribution to Township of Pennsville		$ 100,000.00	100,000.00	100,000.00	-
Interest on Debt	377,448.00		377,448.00	377,448.25	(0.25)
Renewal & Replacement Reserves	300,000.00		300,000.00	300,000.00	-
Total Non-Operating Appropriations	677,448.00	100,000.00	777,448.00	777,448.25	(0.25)
Total Operating, Principal Payments and and Non-Operating Appropriations	2,765,962.00	100,000.00	2,865,962.00	2,527,036.28	338,925.72
Unrestricted Net Position Utilized	290,662.00	100,000.00	390,662.00		390,662.00
Total Appropriations and Unrestricted Net Position	2,475,300.00	-	2,475,300.00	2,527,036.28	(51,736.28)
Excess of Revenues Over Expenditures	$ -	$ -	$ -	$ 22,907.21	$ 22,907.21

Reconciliation to Operating Income

Excess Budgetary Revenues Over Budgetary Appropriations		$ 22,907.21
Add:		
Unemployment Insurance Contribution	$ 4,000.00	
Capitalized Budget Expenses	1,567.00	
Renewal & Replacement Reserve	300,000.00	
Contribution to Township of Pennsville	100,000.00	
Bond Principal	187,551.75	
Interest on Debt	377,448.25	
		970,567.00
		993,474.21
Less:		
Interest Income	6,828.33	
Maintenance Expense - Renewal and Replacement Reserve	9,919.44	
Change in OPEB Liability	163,836.00	
Pension Liability Expense - GASB 68	259,271.00	
Depreciation	378,921.00	
		818,775.77
Operating Income (Exhibit B)		$ 174,698.44

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Schedule of Consumer Accounts Receivable
For the Fiscal Year Ended November 30, 2016

Balance November 30, 2015		$ 114,038.31
Add:		
Sewer Rental Charges Net of Adjustments		2,519,596.40
		2,633,634.71
Less:		
Collections	$ 2,532,281.59	
Overpayments Applied	5,305.70	
		2,537,587.29
Balance November 30, 2016		$ 96,047.42

Summary	
Balance November 30, 2016	$ 96,047.42
Less Allowance for Doubtful Accounts	9,363.83
Net Accounts Receivable (Exhibit A)	$ 86,683.59

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Analysis of Capital Assets
For the Fiscal Year Ended November 30, 2016

	Balance Nov. 30, 2015	Additions	Deletions	Completed Projects	Balance Nov. 30, 2016
Land	$ 57,890.00				$ 57,890.00
Construction in Progress		$ 19,109.97			19,109.97
Utility Plant, Equipment and Other Infrastructure	11,866,646.37	19,604.63	$ 20,000.00	$ -	11,866,251.00
	11,924,536.37	38,714.60	20,000.00	-	11,943,250.97
Less: Accumulated Depreciation	7,870,805.00	378,921.00	18,000.00	-	8,231,726.00
	$ 4,053,731.37	$ (340,206.40)	$ 2,000.00	$ -	$ 3,711,524.97

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Schedule of Sewer Rent Overpayments
For the Fiscal Year Ended November 30, 2016

Balance November 30, 2015	$	5,305.70
Add:		
Receipts		8,543.20
		13,848.90
Less:		
Applied to Consumer Accounts Receivable		5,305.70
Balance November 30, 2016	$	8,543.20

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Schedule of Revenue Bonds Payable
For the Fiscal Year Ended November 30, 2016

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding November 30, 2016 Date	Amount	Interest Rate	Balance Nov. 30, 2015	Paid	Balance Nov. 30, 2016
Refunding Sewer Revenue Bonds, Series 1996	11-1-96	$ 6,789,566.00	11/01/17	$ 177,472.15	5.60%			
			11/01/18	166,149.55	5.65%			
			11/01/19	157,149.10	5.65%			
			11/01/20	148,628.90	5.65%			
				$ 649,399.70		$ 836,951.45	$ 187,551.75	$ 649,399.70

THE PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY

PART II

FINDINGS AND RECOMMENDATIONS

FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Schedule of Findings and Recommendations
For the Fiscal Year Ended November 30, 2016

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, Department of Community Affairs, State of New Jersey.

None

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Summary Schedule of Prior Year Audit Findings
And Recommendations as Prepared by Management

Schedule of Financial Statement Findings

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 the audit requirements as prescribed by the Bureau of Authority Regulations, Department of Community Affairs, State of New Jersey.

No Prior Year Findings

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APPRECIATION

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants