THE MANTUA TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

REPORT OF AUDIT

FOR THE FISCAL YEARS ENDED

SEPTEMBER 30, 2016 AND 2015

BOWMAN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

The Mantua Township Municipal Utilities Authority
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ROSTER OF OFFICIALS

As of September 30, 2016

MEMBERS	POSITION
Heather Pool	Chairman
Charles W. Burkett	Vice-Chairman
Mario Dilisciandro	Treasurer
Thomas Gregg	Secretary
Vincent Voltaggio	Engineering Coordinator
Shawn Layton	Alternate #1
vacant	Alternate #2
MANAGEMENT	
William M. Krebs	Executive Director/Superintendent
PROFESSIONALS	
John Alice, Esq.	Solicitor
Mark R. Brunermer, PE, CME	Engineer

THE MANTUA TOWNSHIP

MUNICIPAL UTILITIES AUTHORITY

FINANCIAL SECTION

FOR THE FISCAL YEARS ENDED

SEPTEMBER 30, 2016 AND 2015

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of The Mantua Township Municipal Utilities Authority, State of New Jersey, a component unit of the Township of Mantua ("Authority"), as of and for the fiscal years ended September 30, 2016 and 2015 and the related notes to the financial statements, which collectively comprise The Mantua Township Municipal Utilities Authority's 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 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 the 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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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 Mantua Township Municipal Utilities Authority as of September 30, 2016 and 2015, and its changes in 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.

Auditor's Updated Opinion on Fiscal Year 2015 Financial Statements

In our report dated July 15, 2016, we expressed an opinion that the fiscal year 2015 financial statements did not fairly present the financial position of the business-type activities and its changes in financial position and its cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America because of an unrecorded liability for the Authority's other post-employment benefit plan. As described in Note 12, the Authority has recorded this item and has restated its fiscal year 2015 financial statements to conform with accounting principles generally accepted in the United States of America. Accordingly, our present opinion on the fiscal year 2015 financial statements, as presented herein, is different from that expressed in our previous report.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 Mantua Township Municipal Utilities Authority's financial statements. The accompanying supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary schedules as listed in the table of contents are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2017 on our consideration of The Mantua Township Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Mantua Township Municipal Utilities Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
May 12, 2017

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

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

We have audited, in accordance with 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 Mantua Township Municipal Utilities Authority, State of New Jersey, a component unit of the Township of Mantua, as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated May 12, 2017.

Internal Control Over Financial Reporting

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

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

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 that are required to be reported under *Government Auditing Standards*, and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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 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 Mantua Township Municipal Utilities Authority'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
May 12, 2017

MANTUA TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY

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Management's Discussion and Analysis
(MD&A)

FINANCIAL HIGHLIGHTS

Management believes the financial position of the Mantua Township Municipal Utilities Authority (the "Authority") is strong. According to its bond covenants, the Authority is required to make a 110% cover on debt service. For the current year, the Authority did meet the required cover and remains confident of meeting all of its financial obligations. Key financial highlights for the Authority's fiscal year 2016 were:

- During 2016, the Authority posted a prior period adjustment of $151,686.00 to correct the beginning balance of net position in the financial statements in fiscal year 2015, the earliest period presented, to accrue the liability for the Authority's other post-employment benefits (OPEB) plan. The fiscal year 2015 statements were restated to include the current period activity for the OPEB plan. The prior period adjustment of $118,401.00 is noted in this MD&A in the fiscal year 2014 financial statements, the earliest period presented, as a correction of the beginning balance of net position and a restatement of the fiscal year 2014 financial statements.

- Operating expenses were $3,687,417.99, versus $3,582,780.77 in 2015 and $3,299,482.23 in 2014. The increase in 2016 versus prior years is primarily the result of maintenance and renewal work on the system infrastructure.

- Consumer accounts receivable as of September 30, 2016 and 2015 were $355,489.63 and $398,052.16, respectively, demonstrating the Authority's improved collection efforts.

- Service charges and connection fee revenues in 2016 were $4,123,606.89 and $20,200.00, respectively.

- At year-end, total assets were $15,425,206.78; deferred outflows were $703,906.96; liabilities were $6,571,737.42; and deferred inflows were $98,212.00. The resultant net position at year-end was $9,459,164.32.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor’s Report, required supplementary information which includes the management’s discussion and analysis (this section) and pension schedules, the basic financial statements, and supplemental information.

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies (“business-type activities”). The focus of the financials 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 Statements of Net Position includes all of the Authority’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources. As the Authority follows the accrual method of accounting, the current year’s revenue and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position regardless of when cash is received or paid. Net position - the difference between the Authority’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources - are a measure of the Authority’s financial health or position. The statements of revenues, expenses and changes in fund net position provide a breakdown of the various areas of revenues and expenses encountered during the current year.

The Statements of Cash Flows provides a breakdown of the various sources of cash flow, categorized into four areas: Cash flows from operating activities, noncapital financing activities, capital and related financing activities and investing activities.

Schedules for the Authority’s post-retirement plan and the State-administered pension plan are presented as Required Supplementary Information.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

The Authority's total net position was $9,459,164.32 on September 30, 2016. Total assets, deferred outflows of resources, total liabilities, deferred inflows of resources, and total net position are detailed below.

THE MANTUA TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Net Position
as of September 30, 2016, 2015, and 2014

	2016	Restated 2015*	Restated 2014
Current Assets	$ 2,590,885.96	$ 2,403,689.62	$ 1,424,714.02
Restricted Cash and Investments	1,296,216.24	1,208,596.87	1,877,845.78
Capital Assets	11,538,104.58	11,944,473.68	12,556,283.89
Total Assets	**15,425,206.78**	**15,556,760.17**	**15,858,843.69**
Deferred Outflows of Resources			
Related to Pensions	639,023.00	261,626.00	-
Deferred Loss on Refinancing (Net of Accumulated Amortization)	64,883.96		
Total Deferred Outflows of Resources	**703,906.96**	**261,626.00**	**-**
Current Liabilities	1,074,253.70	1,062,035.76	1,328,853.05
Long-term Liabilities	5,497,483.72	5,196,276.73	3,583,534.54
Total Liabilities	**6,571,737.42**	**6,258,312.49**	**4,912,387.59**
Deferred Inflows of Resources	**98,212.00**	**87,283.00**	**-**
Net Position (Deficit):			
Net Investment in Capital Assets	8,530,025.97	8,651,731.78	8,570,029.95
Restricted	1,212,647.12	1,163,095.87	1,536,373.53
Unrestricted	(283,508.77)	(342,036.97)	840,052.62
Total Net Position	**$ 9,459,164.32**	**$ 9,472,790.68**	**$ 10,946,456.10**

* The Authority Implemented GASB 68

The statements above reflect a prior period adjustment to correct the beginning balance of net position in the financial statements in fiscal year 2014, the earliest period presented, to accrue the liability for the Authority's other post-employment benefits (OPEB) plan. The fiscal year 2015 and 2014 statements were restated to include the current period activity for the OPEB plan.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (CONTINUED)

The Authority realized operating income of $550,937.19 for the current year. Combined with net non-operating expenses of $564,563.55, the Authority's total change in net position for the current year was a decrease of $13,626.36. Major components of this activity are detailed below.

THE MANTUA TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Revenues, Expenses and Changes in Net Assets
For the Fiscal Years Ended September 30, 2016, 2015, and 2014

	2016	Restated 2015*	Restated 2014
Operating Revenues:			
Utility Service Charges	$ 4,123,606.89	$ 4,055,327.89	$ 3,963,419.89
Other Operating Revenues	114,748.29	106,691.86	98,798.08
	4,238,355.18	**4,162,019.75**	**4,062,217.97**
Operating Expenses:			
Administration	787,776.91	772,289.52	622,298.27
Cost of Providing Services	2,226,138.29	2,140,521.20	1,975,901.04
Depreciation and Amortization	673,502.79	669,970.05	701,282.92
	3,687,417.99	**3,582,780.77**	**3,299,482.23**
Operating Income	**550,937.19**	**579,238.98**	**762,735.74**
Non-operating Revenues (Expenses):			
Tower Rental Income	77,943.49	77,162.35	70,572.85
Insurance Recovery, Net of Impairment Loss	-	-	17,885.03
Investment Income	1,344.24	6,908.34	2,442.21
Interest on Debt	(90,828.01)	(139,131.63)	(182,232.59)
Payment to the Township of Mantua	(173,224.00)	(125,941.00)	(85,451.00)
Miscellaneous Non-operating Expenses	(379,799.27)	(138,201.46)	(118,791.17)
Increase (Decrease) in Net Position	**(13,626.36)**	**260,035.58**	**467,161.07**
Net Position October 1, 2013 As Originally Stated			**10,597,696.03**
Net Position October 1, 2014 As Restated		**10,946,456.10**	
Net Position October 1, 2015 As Restated	**9,472,790.68**		
Cumulative Effect of Change in Accounting Principle	**-**	**(1,733,701.00)**	**-**
Prior Period Adjustment	**-**	**-**	**(118,401.00)**
Net Position October 1, As Restated		**9,212,755.10**	**10,479,295.03**
Net Position September 30	**$ 9,459,164.32**	**$ 9,472,790.68**	**$ 10,946,456.10**

* The Authority Implemented GASB 68

The statements above reflect a prior period adjustment to correct the beginning balance of net position in the financial statements in fiscal year 2014, the earliest period presented, to accrue the liability for the Authority's other post-employment benefits (OPEB) plan. The fiscal year 2015 and 2014 statements were restated to include the current period activity for the OPEB plan.

OVERALL ANALYSIS

There was a significant increase in current and restricted assets from 2014 to 2015 of $309,726.69, which is mostly due to an increase in cash as explained in the Authority's 2015 Statement of Cash Flows.

From 2015 to 2016, there was an increase in deferred outflows ($442,280.96), an increase in deferred inflows ($10,929.00), and long-term liabilities ($301,206.99). These changes from 2015 to 2016 are due to the Authority's fiscal year 2016 activity in their pension plan (PERS) balances based on the June 30, 2016 PERS plan audit and the refinancing in 2016 of the NJEIT debt (which increased deferred outflows). The increase in long-term liabilities is also due to the Authority's current year activity in their other post-employment benefits plan (OPEB) balances based on the plan's actuarial report. A prior period adjustment to the 10/1/14 balance of net position, the beginning balance of the earliest year presented, was recorded in the financial statements totaling $151,686.00 related to the OPEB plan.

From 2014 to 2015, there was an increase in deferred outflows ($261,626.00), an increase in deferred inflows ($87,283.00), and long-term liabilities ($1,612,742.19). These changes from 2014 to 2015 are due to the Authority's fiscal year 2015 activity in their pension plan (PERS) balances based on the June 30, 2015 PERS plan audit.. The increase in long-term liabilities is also due to the Authority's current year activity in their OPEB plan balances based on the plan's actuarial report. An adjustment to the 10/1/14 balance of net position recorded of $1,733,701.00 for the cumulative effect of the change in accounting principle related to the pension plan (PERS), which is part of the reason for the significant decrease in net position from 2014 to 2015. A prior period adjustment to the 10/1/14 balance of net position, the beginning balance of the earliest year presented, was recorded in the MD&A totaling $118,401.00 related to the OPEB plan.

The Authority's overall financial position is firm. From 2015 to 2016, the Authority experienced a 1.68% increase in service charge revenues. From 2014 to 2015, the Authority experienced a 2.3% increase in its service charge revenue. The Authority experienced no decrease in the number or overall mix of its residential, commercial, public and industrial customer billing base. The rate structure approved in November, 2013 resulted in a minimum water rate increase from $33/quarter to $45/quarter and the sewer rate increase from $82/quarter to $92/quarter. The Authority continued to see the positive effects of this rate increase during 2015 and 2016.

Connection fee revenue in the current year was $20,200.00 versus $17,466.94 in 2015 and $24,802.79 in 2014. The increase in fees from 2016 from 2015 can be attributed to a very small increase in residential housing construction. The reduction in fees from 2014 to 2015 can be attributed to the relative absence of new commercial and residential real estate development due to the continuing economic climate. Developers pay connection fees upon submittal of plans to connect residential developments, commercial properties, etc. into the Authority's water and/or sewer systems. The Authority recognizes these payments as revenue on the date of the Certificate of Occupancy.

OVERALL ANALYSIS (CONTINUED)

Overall, the Authority believes it is managing its financial position as efficiently as possible in spite of the challenging fiscal environment. Net position decreased by $13,626.36 in 2016, and increased by $260,035.58 in 2015 and by $467,161.07 in 2014. The decrease in net position 2016 was primarily due to an increase in expenses for improvements incurred by the Authority. Increases in 2014 and 2015 were primarily due to the Authority rate adjustments. As stated, net position increased in 2015 and 2014 and is expected to continue to increase moving forward as the following have had a positive impact on operations: rate increases were approved by the Authority in 2010, 2012 and 2013; the Authority joined a power purchasing cooperative that has reduced electric rates approximately 20% since 2011; there was a renegotiated water purchase contract with New Jersey American Water Company (NJAW) commencing January, 2014 yielding a 20% reduction in the amount of water purchased from NJAW and the associated savings. The makeup of the ratepayer base is well diversified. The residential and public sectors, the most stable when considering the volatility of a billing base, comprise approximately 91.5% of the Authority's customers, however, there has been a noted increase in vacant residential properties due to the continuing economic malaise of the housing market. 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.

BUDGET VARIANCES

In spite of the continued slowdown of new construction, the Authority is generating sewer service revenue to the levels budgeted because of a rate increases in 2010, 2012 & 2013. As a result, the actual sewer service charge revenue in 2016 [$1,918,439.93 - $1,938,333.00] = $19,893.07 was less than budgeted and in 2015 [$1,910,759.09 - $1,894,668.00] = $16,091.09 was more than budgeted. The water service charges in 2016 [$2,205,166.96 - $2,030,795.00] = $174,371.96 was more than budgeted and in 2015, [$2,144,568.80 - $2,037,955.00] = $106,613.80 was more than budgeted. A series of three (3) rate adjustments approved and put into effect between 2010 and 2013 helped to improve these line items.

Connection fee revenues of $30,000.00 were budgeted for in 2015 and none were budgeted in 2016. Actual revenues collected for connection fees totaled $20,200.00 for 2016, and totaled $17,466.94 in 2015 which was less than budgeted and $24,802.79 in 2014. The economic climate continues to dampen the housing and commercial development thus affecting this revenue item.

Total Operating Appropriations once again came in well under our budget at a savings of $338,360.00 in 2016 and $205,266.28 in 2015 due to a strong commitment from the Authority's employees to control spending.

During fiscal years 2016 and 2015, the Township of Mantua exercised its right to request 5% of the appropriated annual costs of operation of the Authority per N.J.S.A. 40A: 5A-12.1 totaling $173,224.00 and $125,941.00, respectively.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The footnotes to the Authority's financial statements details changes in capital assets and long-term liabilities.

During the current year, the Authority added $389,099.68 in capital assets, which included completed construction in progress amounts totaling $91,058.05.

The Authority continues to maintain a proactive maintenance philosophy for its capital facilities. The Authority has four (3) Water Capital Projects and one (1) Sewer Capital projects along with an additional equipment purchases funded through the budget, General Fund and Renewal and Replacement Fund.

The proposed five-year Capital Program in fiscal year 2017 is $3,159,000.00. The major line items making up a portion of the Capital Budget are:

1. Water well and sewer rehabilitation, storage tank rehabilitation, water main replacements
2. Utility and Pick Up Trucks and Safety Equipment

The Authority is seeking to obtain financing for some of these capital improvements.

The Authority's 'AA-'/stable rating was reaffirmed in a thorough review of its financial position by Standard & Poor's Financial Services LLC in February, 2012 and again in April, 2014. The Authority does not anticipate any change in its excellent credit rating. Although the Authority does not operate under any debt limitations, it is required to receive approval from the Local Finance Board prior to issuing any debt.

The bond covenant requires that the Authority is required to make a 110% cover on debt service. The Authority did meet the required coverage. Due to aggressive fiscal management, the Excess of Revenue was $1,015,887.10 in 2016, $926,161.11 in 2015, and $670,375.27 in 2014.

$279,091.14 of debt service payments scheduled in 2016 were paid. As stated in the footnotes to the financial statements, the 2008A New Jersey Environmental Infrastructure Trust loans was refinanced in 2016.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Mantua Township's citizens and our customers, clients, investors and creditors, with a general overview if the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have questions about this report or need additional financial information, contact the Executive Director, William M. Krebs, Mantua Township Municipal Utilities Authority, 397 Main Street, Mantua, New Jersey 08051.

THE MANTUA TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Net Position
September 30, 2016 and 2015

	2016	Restated 2015
ASSETS		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	$ 1,831,241.82	$ 1,636,987.54
Accounts Receivable, Net of Allowance for Doubtful Accounts of $32,411.82 in 2016 and $33,241.52 in 2015	709,120.54	722,931.74
Inventory	40,976.13	34,058.64
Prepaid Expenses	9,547.47	9,711.70
Total Unrestricted Assets	2,590,885.96	2,403,689.62
Restricted Assets:		
Cash and Cash Equivalents	905,673.87	806,554.50
Total Current Assets	3,496,559.83	3,210,244.12
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	390,542.37	402,042.37
Capital Assets:		
Utility Plant in Service (Net of Accumulated Depreciation)	11,042,327.12	11,562,235.44
Construction in Progress	270,563.48	100,832.84
Utility Plant Acquisition Costs (Net of Accumulated Amortization)	225,213.98	281,405.40
Total Capital Assets	11,538,104.58	11,944,473.68
Total Noncurrent Assets	11,928,646.95	12,346,516.05
Total Assets	$ 15,425,206.78	$ 15,556,760.17
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	$ 639,023.00	$ 261,626.00
Deferred Loss on Refinancing (Net of Accumulated Amortization)	64,883.96	-
Total Deferred Outflows of Resources	$ 703,906.96	$ 261,626.00

(Continued)

THE MANTUA TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Net Position
September 30, 2016 and 2015

		2016		Restated 2015
LIABILITIES				
Current Liabilities Payable from Unrestricted Assets:				
Accounts Payable and Accrued Expenses	$	470,103.99	$	452,385.10
Unearned Revenue		260,969.80		264,635.18
Developers' Deposits		32,760.63		31,114.12
Compensated Absences		8,713.00		21,535.33
Total Current Liabilities Payable from Unrestricted Assets		772,547.42		769,669.73
Current Liabilities Payable from Restricted Assets:				
Revenue Bonds Payable - Current Portion		175,000.00		170,000.00
NJ EIT Loans - Current Portion		115,602.03		109,091.14
Accrued Interest Payable		11,104.25		13,274.89
Total Current Liabilities Payable from Restricted Assets		301,706.28		292,366.03
Long-term Liabilities:				
Compensated Absences		118,810.98		120,185.97
Revenue Bonds Payable		1,428,985.68		1,604,862.68
NJ EIT Loans Payable		1,353,374.86		1,408,788.08
Pension Liability - Contribution Subsequent To Measurement Date		17,658.00		17,788.00
Pension Liability		2,354,773.00		1,857,838.00
Other Post-Employment Benefits Liability		223,881.20		186,814.00
Total Long-term Liabilities		5,497,483.72		5,196,276.73
Total Liabilities	$	6,571,737.42	$	6,258,312.49
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	$	98,212.00	$	87,283.00
NET POSITION (DEFICIT)				
Net Investment in Capital Assets	$	8,530,025.97	$	8,651,731.78
Restricted for Bond Trust Indenture				
Restricted Bond Reserve Fund		390,542.37		402,042.37
Restricted Operating Fund		822,104.75		761,053.50
Unrestricted		(283,508.77)		(342,036.97)
Total Net Position	$	9,459,164.32	$	9,472,790.68

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

THE MANTUA TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended September 30, 2016 and 2015

	2016	Restated 2015
Operating Revenues:		
Utility Service Charges	$ 4,123,606.89	$ 4,055,327.89
Connection Fees	20,200.00	17,466.94
Other Operating Revenues	94,548.29	89,224.92
	4,238,355.18	4,162,019.75
Operating Expenses:		
Administration:		
Salaries and Wages	312,899.44	333,145.87
Fringe Benefits	258,236.73	216,381.30
Other Expenses	216,640.74	222,762.35
Cost of Providing Services:		
Salaries and Wages	358,529.08	340,493.15
Fringe Benefits	414,286.05	350,779.53
Other Expenses	1,453,323.16	1,449,248.52
Depreciation and Amortization	673,502.79	669,970.05
	3,687,417.99	3,582,780.77
Operating Income	550,937.19	579,238.98
Non-operating Revenue (Expenses):		
Tower Rental Income	77,943.49	77,162.35
Investment Income	1,344.24	6,908.34
Interest on Debt	(90,828.01)	(139,131.63)
Payment to the Township of Mantua	(173,224.00)	(125,941.00)
Miscellaneous Non-operating Income/Expenses	(379,799.27)	(138,201.46)
Increase (Decrease) in Net Position	(13,626.36)	260,035.58
Net Position October 1, 2014 As Originally Stated	-	11,098,142.10
Net Position October 1, 2015 As Restated	9,472,790.68	
Cumulative Effect of Change in Accounting Principle	-	(1,733,701.00)
Prior Period Adjustment	-	(151,686.00)
Net Position October 1, 2014 As Restated		9,212,755.10
Net Position September 30	$ 9,459,164.32	$ 9,472,790.68

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

THE MANTUA TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Cash Flows
For the Fiscal Years Ended September 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
Receipts from Customers and Users	$ 4,146,022.55	$ 4,068,073.16
Receipts for Connection Fees	67,680.16	41,603.59
Other Operating Receipts	34,798.29	96,868.48
Payments to Suppliers	(1,701,736.56)	(1,626,309.49)
Payments to Employees	(1,193,642.62)	(1,189,288.14)
Net Cash Provided By Operating Activities	1,353,121.82	1,390,947.60
Cash Flows from Non-Capital Financing Activities		
Tower Rental Income	77,943.49	80,864.35
Payment to Township of Mantua	(125,941.00)	(85,451.00)
Miscellaneous Non-operating Expenses	(377,109.65)	(138,201.46)
Net Cash Used In Non-Capital Financing Activities	(425,107.16)	(142,788.11)
Cash Flows from Capital and Related Financing Activities:		
Principal Payments on Bonds	(170,000.00)	(515,000.00)
Principal Payments on NJEIT Loans	(109,091.14)	(175,602.03)
Acquisition of Capital Assets	(267,133.69)	(58,159.84)
Interest Payments on Debt	(101,260.42)	(149,352.85)
Net Cash Used In Capital and Related Financing Activities	(647,485.25)	(898,114.72)
Cash Flows from Investing Activities:		
Proceeds from Investments	-	149,507.18
Investment Income Received	1,344.24	8,455.35
Net Cash Provided By Investing Activities	1,344.24	157,962.53
Net Increase in Cash	281,873.65	508,007.30
Cash and Cash Equivalents, October 1	2,845,584.41	2,337,577.11
Cash and Cash Equivalents, September 30	$ 3,127,458.06	$ 2,845,584.41

(Continued)

THE MANTUA TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Cash Flows
For the Fiscal Years Ended September 30, 2016 and 2015

Reconciliation of Operating Income to Net Cash Provided by Operating Activities	2016	2015
Operating Income	$ 550,937.19	$ 579,238.98
Adjustments Not Affecting Cash		
Depreciation and Amortization of Capital Assets	673,502.79	669,970.05
Adjustment to Actuarial Pension Expense	129,817.00	38,735.00
Adjustment to Actuarial OPEB Expense	37,067.20	35,128.00
Changes in Assets and Liabilities		
(Increase) Decrease in Assets		
Accounts Receivable, Net	13,811.20	34,804.80
Inventory	(6,917.49)	8,432.84
Prepaid Expenses	164.23	286.78
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	(29,044.11)	29,478.60
Unearned Revenue	(3,665.38)	9,720.68
Developers' Deposits	1,646.51	(3,780.91)
Compensated Absences	(14,197.32)	(11,067.22)
Total Adjustments	802,184.63	811,708.62
Net Cash Provided by Operating Activities	$ 1,353,121.82	$ 1,390,947.60

Reconciliation of Cash and Cash Equivalents to the Statements of Net Position:

Unrestricted Current	$ 1,831,241.82	$ 1,636,987.54
Restricted Current	905,673.87	806,554.50
Restricted Noncurrent	390,542.37	402,042.37
Cash and Cash Equivalents, September 30	$ 3,127,458.06	$ 2,845,584.41

Noncash Capital and Related Financing Activities

There was a refinancing of the NJEIT loans in 2016 which resulted in a non-cash reduction in principal of $78,000.00, and a non-cash increase in premiums of $150,045.78, net of amortization prior to the refinancing.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Mantua Township Municipal Utilities Authority (the "Authority") is a public body corporate and politic of the State of New Jersey and was originally created by an ordinance adopted on April 10, 1978 by the governing body of the Township of Mantua (the "Township"), pursuant to the Municipal Utilities Authority Law, R.S. 40:14B-1 et seq., of the State of New Jersey.

The Authority was created for the purpose of constructing, maintaining and operating water supply and distribution and sewerage collection. A Sanitary Sewage Collection System was constructed in 1978 to serve the Sewell area of the Township. This system was connected to the treatment facilities of the Gloucester County Utility Authority pursuant to the terms of the two treatment agreements dated April 2, 1974 and December 6, 1977. During the late 1970's, the Authority undertook a project to acquire five private utility companies which was completed on September 30, 1980.

The Authority currently provides water treatment and distribution services along with sewerage collection services to approximately 75 percent of the Township's residences and businesses.

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 Mantua.

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.

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

Basis of Presentation (Cont'd)

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

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

Basis of Accounting

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

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

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

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

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, bond discounts and premiums, deferred loss on defeasance, and the annual required contribution for the Authority's Other Postemployment Benefits (OPEB) Plan are not included in the budget appropriations.

The legal level of budgetary control is established at the detail shown on the 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 did not adopt an amended 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, except for money market funds, 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. Money market funds 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. The Authority has no investment policy that would further limit its investment choices.

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.

Inventory

Inventory consists of supplies at a level, which allows ongoing maintenance and repairs, which is stated at cost and determined on a first-in, first-out basis.

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

Prepaid Expenses

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

Capital Assets

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority and are stated at cost.

Costs incurred are recorded as construction in progress. In the year that the project is completed, these costs are transferred to Utility Plant In Service (Net of Accumulated Depreciation). 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 $5,000 or more
2) Useful life of more than one year
3) Asset is not affected by consumption

Depreciation

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

	Years
Buildings	40
Major Moveable Equipment	5-20
Vehicles	5-15
Infrastructure	25-40

A full year of depreciation is taken in the year of acquisition.

Utility Plant Acquisition Adjustment

The Authority accounts for the acquisition of existing operating utilities under the purchase method of accounting. The excess of the purchase price over the book value, original cost less depreciation, is recorded as utility plant acquisition adjustments and is amortized at an annual rate of 2.5%.

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

Deferred Outflows and Deferred Inflows of Resources

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

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources related to the defined benefit pension plan: the difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Authority's proportion of expenses and liabilities to the pension as a whole, differences between the Authority's pension contribution and its proportionate share of contributions, and the Authority's pension contributions subsequent to the pension valuation measurement date. See note 5 for more information regarding the pension plan.

The Authority is also required to report as deferred outflows of resources in the financial statements a deferred amount arising from a loss on refunding of New Jersey Environmental Infrastructure Trust (NJEIT) loans. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. See note 4 for more information.

Bond Discounts / Bond Premiums

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

Compensated Absences

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

Unearned Revenue

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

Pensions

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

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

Net Position

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

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

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

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

Income Taxes

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

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from facility charges (i.e., sewer and water usage and connection fees which represent the charge to new users for connecting to the systems) and certain other revenue sources. Non-operating revenues principally consist of tower rental income and investment income (interest income earned on various interest-bearing accounts and on investments in debt securities and increases/decreases in the fair value of investments).

Operating expenses include expenses associated with the operation, maintenance and repair of the water and sewer systems and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's debt-related expenses (interest expense and amortization) and payment of the Authority's budgeted surplus to the Township.

Accounting Estimates

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

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

Recently Issued and Adopted Accounting Pronouncements

During the fiscal year ended September 30, 2016, the Authority adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB). Implementation of these statements had no material impact on the Authority's 2016 financial statements.

Statement No. 72, Fair Value Measurement and Application

Issued February 2015, 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.

This Statement is effective for periods beginning after June 15, 2015.

Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

Issued June 2015, this Statement identifies, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of 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.

This Statement is effective for periods beginning after June 15, 2015.

Note 1: <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)</u>

Recently Issued Accounting Pronouncements

The Authority plans to implement the following pronouncements by the required implementation dates or earlier, when deemed feasible:

Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

Issued June 2015, this Statement's objective 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 government OPEB plans for making decisions and assessing accountability.

This Statement is effective for periods beginning after June 15, 2016.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

Issued June 2015, this Statement's objective 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 government employers about financial support for OPEB that is provided by other entities.

This Statement is effective for periods beginning after June 15, 2017.

Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

Issued December 2015, this Statement addresses 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.

This Statement is effective for periods beginning after December 15, 2015.

Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73

Issued March 2016, this Statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, 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 Standards of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

This Statement is effective for periods beginning after June 15, 2016.

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

Recently Issued Accounting Pronouncements (Cont'd)

Statement No. 83, Certain Asset Retirement Obligations

Issued November 2016, 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.

Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 85, Omnibus 2017

Issued March 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 requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions
Management of the Authority is unaware of any material violations of finance related legal and contractual provisions.

General Bond Resolution
The Authority is subject to the provisions and restrictions of the 1992 General Bond Resolution adopted June 3, 1992, the 1997 General Bond Resolution adopted September 22, 1997, and the 2009 General Bond Resolution adopted August 27, 2009. A summary of the activities of each fund created by the Bond Resolution is covered below.

Revenue - All annual charges, all services charges, and all fees, rents and charges and other income collected by the Authority related to the ownership, operation, use or services of the systems, and all investment income from the Revenue and General Funds is required to be deposited into this account. On a monthly basis, the Trustee is required to make payments into the other accounts to satisfy bond resolution requirements.

Operating - The balance on deposit must be equal to at least 25% of the annual appropriation for operating expenses in effect for three months subsequent to the year-end.

Bond Service - An amount is required to be maintained in the account sufficient to provide for the accrual of interest and principal which is due and payable on the next installment date.

Bond Reserve - Amount is required to be maintained in the account equal to the largest annual principal and interest payments due on outstanding bonds in any future year.

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

The Bond Resolution also established certain other accounts, including a Rebate Account and a Subordinated Indebtedness Account, but these are not maintained due to their inapplicability. At September 30, 2016, there are sufficient monies on deposit with the Trustee in total for all of the above accounts to meet the requirements of the Bond Resolution.

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

General Bond Resolution (Cont'd)

Debt Service Coverage

Although the 1988 Bonds have been subsequently refunded, certain provisions of the 1988 Bond Resolution are still in effect. Section 609(B) of the 1988 Bond Resolution requires certain ratios of Net Revenues to Debt Service. As of September 30, 2016, the Authority was in compliance with this covenant which is calculated as follows:

Revenues (accrual basis):	
Utility Service Charges	$4,123,606.89
Other Operating Revenues	94,548.29
Connection Fees	20,200.00
Tower Rental Income	77,943.49
Investment Income	1,344.24
Net Position Utilized	141,756.00
	4,459,398.91
Operating Expenses (net of depreciation, accrual basis)	3,013,915.20
Net Revenues	1,445,483.71
Less: 110% of Debt Service	
Debt Service	390,542.37
X 110%	429,596.61
Excess of Revenue	$ 1,015,887.10

Debt Service Agreements

In conjunction with the aforementioned 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 coverage requirements. Any monies advanced in accordance with this agreement would be repaid if the Authority can make such payments from its excess of revenue over expenses. The Authority has not had the need to request any such advances from the Township.

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 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation ("FDIC"). Public funds owned by the municipality 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 September 30, 2016, the Authority's bank balances of $854,642.67 were exposed to custodial credit risk as follows:

Insured	$ 250,000.00
Insured and Collateralized with Securities Held by Pledging Financial Institutions	604,642.67
Total	$ 854,642.67

As of September 30, 2016, the Authority has $2,277,016.01 of investments in treasury obligations money market funds (classified as cash and cash equivalents on the statement of net position) which are held in the name of the Trustee. The money market funds are rated Aaa-mf and AAAm.

Service Fees

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

Fiscal Year	Beginning Balance	Billings	Total Collections	Percentage Of Collections
2016	$431,293.68	$4,171,742.97	$4,210,826.39	91.48%
2015	504,611.72	4,113,475.82	4,136,332.55	89.57%
2014	370,634.36	4,026,574.88	3,890,680.47	88.48%

Accounts Receivable

The Authority's receivables as of September 30, 2016 and 2015 are summarized as follows:

	2016	2015
Consumer Accounts Receivable	$ 355,489.63	$ 398,052.16
Accrued Water Service Revenue	282,188.32	279,406.83
County Connection Accounts Receivable	4,327.89	15,294.70
Authority Connection Accounts Receivable	3,195.24	10,790.59
Other Accounts Receivable	63,919.46	19,387.46
	$ 709,120.54	$ 722,931.74

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

Capital Assets

During the fiscal years ended September 30, 2016 and 2015 the following changes in capital assets occurred:

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
Land and Land Rights	$ 8,325.00			$ 8,325.00
Utility Plant				
Intangible Plant	5,976.00			5,976.00
Collecting System	9,265,054.81			9,265,054.81
Pumping System	733,258.36	$ 11,611.50		744,869.86
Source of Supply Plant	1,280,051.97			1,280,051.97
Water Treatment Plant	1,086,823.32			1,086,823.32
Transmission and Distribution Plant	9,001,396.06	11,006.05		9,012,402.11
General Plant	266,382.40	5,100.00		271,482.40
Machinery and Equipment	2,067,877.26	69,685.50		2,137,562.76
	23,715,145.18	97,403.05		23,812,548.23
Accumulated Depreciation	12,152,909.74	617,311.37		12,770,221.11
Net Utility Plant in Service	11,562,235.44	(519,908.32)	---	11,042,327.12
Utility Plant Acquisition Costs	2,247,656.72			2,247,656.72
Utility Plant Accumulated Amortization	1,966,251.32	56,191.42		2,022,442.74
Utility Plant Acquisition Adjustment	281,405.40	(56,191.42)	---	225,213.98
Net Utility Plant	11,843,640.84	(576,099.74)	---	11,267,541.10
Construction in Progress	100,832.84	291,696.63	$121,965.99	270,563.48
Total Capital Assets	$11,944,473.68	$ (284,403.11)	$121,965.99	$11,538,104.58

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

Capital Assets (Continued)

	Balance October 1, 2014	Additions	Deletions	Balance September 30, 2015
Land and Land Rights	$ 8,325.00			$ 8,325.00
Utility Plant				
Intangible Plant	5,976.00			5,976.00
Collecting System	9,106,849.21	$ 158,205.60		9,265,054.81
Pumping System	733,258.36			733,258.36
Source of Supply Plant	1,280,051.97			1,280,051.97
Water Treatment Plant	1,086,823.32			1,086,823.32
Transmission and Distribution Plant	8,981,863.17	19,532.89		9,001,396.06
General Plant	266,382.40			266,382.40
Machinery and Equipment	2,048,472.06	19,405.20		2,067,877.26
	23,518,001.49	197,143.69	---	23,715,145.18
Accumulated Depreciation	11,539,131.11	613,778.63		12,152,909.74
Net Utility Plant in Service	11,978,870.38	(416,634.94)	---	11,562,235.44
Utility Plant Acquisition Costs	2,247,656.72			2,247,656.72
Utility Plant Accumulated Amortization	1,910,059.90	56,191.42		1,966,251.32
Utility Plant Acquisition Adjustment	337,596.82	(56,191.42)	---	281,405.40
Net Utility Plant	12,316,467.20	(472,826.36)	---	11,843,640.84
Construction in Progress	239,816.69	120,491.73	$259,475.58	100,832.84
Total Capital Assets	$12,556,283.89	$ (352,334.63)	$259,475.58	$11,944,473.68

Costs were written off during fiscal year 2015 totaling $62,331.89 for projects which were abandoned. This amount was previously capitalized under construction in progress.

Note 4: DETAIL NOTES – DEFERRED OUTFLOWS OF RESOURCES

Deferred Loss on Refinancing

In 2016, the Authority used unspent loan proceeds to defease $765,000.00 of future loan principal payments to the New Jersey Environmental Infrastructure Trust (NJEIT) to which the Authority is a pooled loan participant. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $69,356.16. This difference, net of accumulated amortization of $4,472.17 in fiscal year 2016, is reported in the accompanying financial statements at September 30, 2016 as a deferred outflow of resources. Amortization is being charged to operations as a component of interest expense over the life of the refunding bonds using the effective interest method. The refunding resulted in a present value economic gain of $129,615.44. See note 5 for additional information on the debt refunding.

Note 5: DETAIL NOTES - LIABILITIES

Compensated Absences

Authority employees may accumulate unused sick days with no restrictions. Employees who have at least 5 years of full-time employment with the Authority are compensated for accumulated sick leave upon retirement at 75% of the overall accrual which should not exceed 365 days, paid in equal installments over 4 years post-retirement. Up to 5 vacation days, or as approved by the Board, not used during the year may be carried forward for one year and lost after that year has passed if unused. Upon separation from the Authority, the employee will be paid for all accrued vacation time at their then current hourly rate, prorated based on their termination of employment. The accrued liability for accumulated sick leave and vacation time is estimated at $127,523.98 and $141,721.30 for the fiscal years ended September 30, 2016 and 2015, respectively.

Pension Plans

Public Employees' Retirement System

A substantial number of the Authority’s employees participate in the Public Employees’ Retirement System (“PERS”), a defined benefit pension plan, which is administered by the New Jersey Division of Pensions and Benefits (the “Division”). 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

General Information about the Pension Plan

Plan Descriptions

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 designed 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 the other state pension fund or local jurisdiction’s pension fund. The PERS’s Board of Trustees is primarily responsible for the administration of the PERS.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans (continued)

Public Employees' Retirement System (continued)

Vesting and Benefit Provisions

The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. 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 22, 2010
4. Members who were eligible to enroll after May 22, 2010 and prior to June 28, 2011
5. Members who were eligible to enroll on or after June 28, 2011

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

Contributions

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. Employers' contributions 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 September 30, 2016 and 2015 were 12.39% and 13.18%, respectively, of the Authority's covered payroll. These amounts 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.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans (continued)

Public Employees' Retirement System (continued)

Contributions (continued)

Based on the most recent PERS measurement date of June 30, 2016, the Authority contractually required contribution to the pension plan for the fiscal year ended September 30, 2016 is $70,633.00, 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 September 30, 2015 was $71,153.00, which was paid on 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 September 30, 2014 was $70,902.00, which was paid on April 1, 2015. Employee contributions to the plan during the fiscal years ended September 30, 2016, 2015, and 2014 were $42,172.82, $37,543.47, and $37,677.89, respectively.

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

At September 30, 2016 and 2015, the Authority's proportionate share of the PERS net pension liability was $2,354,773.00 and $1,857,838.00, respectively.

The net pension liability reported at September 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 0.0079507131%, which was a decrease of 0.0003254725% from its proportion measured as of June 30, 2015.

The net pension liability reported at September 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 0.0082761856%, which was a decrease of 0.0003244015% from its proportion measured as of June 30, 2014.

For the fiscal years ended September 30, 2016 and 2015, the Authority recognized pension expense of $200,970.00 and $109,637.00, respectively. These amounts were based on the plan's June 30, 2016 and 2015 measurement dates, respectively.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans (continued)

Public Employees' Retirement System (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

At September 30, 2016 and 2015, the Authority had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30, 2016		September 30, 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 43,792.00		$ 44,321.00	
Change of assumptions	487,783.00		199,517.00	
Net difference between projected and actual earnings on pension plan investments	89,790.00			$ 29,870.00
Changes in proportion and differences between Authority contributions and proportionate share of contributions		$ 98,212.00		57,413.00
Authority contributions subsequent to the measurement date	17,658.00		17,788.00	
	$ 639,023.00	$ 98,212.00	$ 261,626.00	$ 87,283.00

$17,658.00 and $17,788.00 included in deferred outflows of resources, will be and is included as a reduction of the net pension liability in the fiscal years ending September 30, 2017 and 2016, respectively.

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

Plan Year Ended September 30,	PERS
2017	$ (116,045.00)
2018	(116,045.00)
2019	(138,223.00)
2020	(116,117.00)
2021	(36,723.00)
	$ (523,153.00)

Note 5: <u>DETAIL NOTES – LIABILITIES (CONT'D)</u>

Pension Plans (continued)

Public Employees' Retirement System (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

The Authority will amortize the above other deferred outflow of resources and deferred inflows of resources related to pensions over the following number of years:

	Deferred Outflow 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 5: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans (continued)

Public Employees' Retirement System (continued)

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 dates 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 Pension 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 target asset allocation as of June 30, 2016 and 2015 are summarized in the following table:

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans (continued)

Public Employees' Retirement System (continued)

Actuarial Assumptions (continued)

	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 US 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 US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%
	100.00%		100.00%	

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans (continued)

Public Employees' Retirement System (continued)

Discount Rate

The discount rate used to measure the total pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015, respectively. The single blended discount rate was 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, 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.

Sensitivity of Authority's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability at June 30, 2016, the plan's measurement date, calculated using a discount rate of 3.98%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Authority's proportionate share of the net pension liability	$ 2,885,500.00	$ 2,354,773.00	$ 1,916,612.00

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

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Authority's proportionate share of the net pension liability	$ 2,309,065.00	$ 1,857,838.00	$ 1,479,532.00

Pension Plan Fiduciary Net Position

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

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)

Post-Employment Benefits

State Health Benefits Program

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. The Authority provides postemployment health care benefits, at its cost, to all Authority retirees who at the date of retirement have not less than twenty-five (25) years of service credit in a State locally administered retirement system and have served at least twenty (20) years as an employee of the Authority.

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

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

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

The Authority's contributions to SHBP for the fiscal years ended September 30, 2016, 2015, and 2014, were $97,341.27, $92,126.91, and $77,554.41, respectively, which equaled the required contributions for each year. There were 6 retired participants receiving benefits at September 30, 2016, 2015, and 2014, respectively.

Medicare Part B Reimbursement Plan

Plan Description - The Plan provides Medicare Part B reimbursement to eligible retirees in addition to benefits provided through the State Pension Fund. This is considered a single-employer defined benefit healthcare plan. Coverage also extends to the retirees' spouse for life except if the retiree dies after satisfying the eligibility requirements but prior to retiring. At September 30, 2016, 0 retirees and 1 retiree spouse meet these eligibility requirements.

Funding Policy - Contribution requirements are based on the Medicare Part B premiums applicable for current retirees and payments are made on a pay-as-you-go basis. The Authority contributes 100 percent of the cost of current-year Medicare Part B premiums for eligible retired plan members and their spouses.

Retirees - For the years ended September 30, 2016, 2015, and 2014, the Authority contributed $1,258.80, $1,259.00, and $1,259.00 to the plan, respectively.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)

Post-Employment Benefits (continued)

Medicare Part B Reimbursement Plan (continued)

Future Retirees - In accordance with Statement No. 45 of the Governmental Accounting Standards Board, the Authority is required to expense the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The ARC includes the costs of both current and future retirees. The current ARC was determined to be $43,106.00 at an unfunded discount rate of 4.0%. As stated above, the Authority has funded the cost of existing retirees in the amount of $1,258.80 for the year ended September 30, 2016, and has accrued the benefit costs for future eligible employees, but has not yet begun funding this outstanding liability.

Annual OPEB Cost - For fiscal year ended September 30, 2016, the Authority's annual OPEB cost (expense) of $38,326.00 for the plan was equal to the ARC plus certain adjustments because the Authority's actual contributions in prior years differed from the ARC.

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

	2016	Restated 2015
Normal Cost	$ 13,908.00	**
Unfunded Actuarial Liability	29,198.00	**
Annual Required Contribution (ARC)	43,106.00	**
Interest on Net OPEB Obligation	7,473.00	**
Adjustment to ARC	(12,253.00)	**
Annual OPEB Cost (Expense)	38,326.00	$ 36,387.00
Contributions Made	(1,258.80)	(1,259.00)
Net OPEB Obligation - Beginning of Year	186,814.00	151,686.00
Net OPEB Obligation - End of Year	$ 223,881.20	$ 186,814.00
Percentage of Annual OPEB Cost Contributed	3.28%	3.46%

** Information is not available

Funded Status and Funding Progress - As of October 1, 2015, the most recent actuarial valuation date with an update as of September 30, 2016, the Authority Plan was 0% funded. The actuarial accrued liability for benefits was $445,183.00, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $445,183.00. The covered payroll (annual payroll of active employees covered by the plan) was $569,937.00, and the ratio of the UAAL to the covered payroll was 78.11 percent.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)

Post-Employment Benefits (continued)

Medicare Part B Reimbursement Plan (continued)

Funded Status and Funding Progress (continued) - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, compares the assets used for funding purposes to the comparable liabilities to determine how well the Authority Plan is funded. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The Actuarial Accrued Liability under GASB is determined assuming that the Authority Plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

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 October 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, an actuarial accrued liability is determined as the actuarial present value of the portion of projected benefits which is allocated to service before the current plan year. In addition, a normal cost is determined as the actuarial present value of the portion of projected benefits which is allocated to service in the current plan year for each active participant under the assumed retirement age. The UAAL is being amortized (straight-line) for thirty (30) years over a closed period. The actuarial assumptions included the following:

- *Discount Rate.* 4% on the basis that the plan is not funded.
- *Health Care Trend Rate.* 4.5% increase per annum.
- *Annual Per Capita Claims Cost.* Actual Medicare Part B premiums are $104.90 per month in 2015, $121.80 per month in 2016, and $134.00 per month for 2017.
- *Mortality*. Sex-distinct RP-2014 Employee/Annuitant Mortality Tables with generational mortality improvements at a scale MP-2016.
- *Retirement Rates*. Participants who have attained 25 or more years of service are assumed to retire according to rates varying between 7.8% and 21.0% between ages 55 and 69 and 100% at age 70.
- *Withdrawal*. Rates vary based on years of service ranging from less than a year to over 10 years of service and ages 25 to 60 with a 0% withdrawal rate at age 60 across all years of service.
- *Disability Rates.* Rates range from .002% to 1.124% for ages 25 to 65.
- *Participation Rates.* 100% of future retirees will participate in the postemployment welfare plan upon retirement.
- *Dependent Coverage.* 55% of future retirees will have spousal coverage upon retirement. Males are assumed to be 3 years older than females.
- *Expenses.* Administrative expenses are included in the per capita claims costs.
- *Decrement Timing.* Employees are expected to terminate mid-year.
- *Health Care Reform.* In March 2010, the Patient Protection and Affordable Care Act (as modified by the Healthcare and Education Reconciliation Act, collectively the "Act") was signed into law. This Act is not applicable to the Plan.
- *Changes Since Last Valuation.* None – this is the first actuarial valuation.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)

Long-Term Debt

Long-Term Debt of the Authority consists of Revenue Bonds, 2009 Series A, two New Jersey Environmental Infrastructure Trust (NJEIT) Loans, Pension Liability, Compensated Absences Payable, and OPEB Liability. The Bond covenants are discussed in Note 2. Pension liability due within one year is included in Accounts Payable and Accrued Expenses in the Statements of Net Position.

During the fiscal year ended September 30, 2016 and 2015, the following changes occurred in bonds, loans, pension liability, and compensated absences payable:

	Balance September 30, 2015	Increase	Decrease	Balance September 30, 2016	Due Within One Year
Bonds	$1,774,862.68		($170,877.00)	$1,603,985.68	$175,000.00
NJEIT Loans	1,517,879.22	$ 166,306.21	(215,208.54)	1,468,976.89	115,602.03
Pension Liability	1,946,779.00	997,909.00	(501,624.00)	2,443,064.00	70,633.00
Compensated Absences	141,721.30	55,268.64	(69,465.96)	127,523.98	8,713.00
OPEB Liability	186,814.00	38,326.00	(1,258.80)	223,881.20	-
	$5,568,056.20	$1,257,809.85	($958,434.30)	$5,867,431.75	$369,948.03

	(Restated) Balance September 30, 2014	Increase	Decrease	(Restated) Balance September 30, 2015	Due Within One Year
Bonds	$2,290,387.50	$ 355.23	($515,880.05)	$1,774,862.68	$170,000.00
NJEIT Loans	1,695,866.44		(177,987.22)	1,517,879.22	109,091.14
Pension Liability	-	1,946,779.00	-	1,946,779.00	71,153.00
Compensated Absences	152,788.52	53,362.64	(64,429.86)	141,721.30	21,535.33
OPEB Liability	151,686.00	36,387.00	(1,259.00)	186,814.00	-
	$4,139,042.46	$2,000,496.87	($758,297.13)	$5,381,242.20	$371,779.47

In 2016, the State of New Jersey Environmental Infrastructure Trust (NJEIT) Program partially refunded the Authority's NJEIT 2008A loans. This refunded debt became the 2016-A-R1 loans. The NJEIT adjusted the amortization schedule for the remaining payments due for the Trust portion of the loan. Principal was reduced by $78,000.00 and interest was reduced by $64,404.84 in accordance with the terms of the refunding. See note 4 for more information on the deferred amount on refunding associated with this refunding.

The Authority did not spend all of the available funding from the NJEIT loans available for the Lambs Road Water project. As of September 30, 2011, the NJEIT prepared a final settlement of the funding, and the remaining amount of the Fund portion of the grant reduced the scheduled payments due for the Fund portion of the Loan in 2025 to 2028. The remaining amount of the Trust portion of the grant was being held by the NJEIT, and reduced the scheduled payments due for the Trust portion of the loan at the discretion of the NJEIT in the form of credits against the scheduled amounts due.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)

Long-Term Debt

A summary of Bonds Payable and NJEIT Loans is as follows:

	Original Issue	Maturities	Range of Interest Rates	Balance September 30, 2016
Bonds Payable, 2009 Series A	$1,830,000.00	2010-2024	2.00-4.00%	$ 1,600,000.00
Add:				
Unamortized Premium				3,985.68
Net Bonds Payable				$ 1,603,985.68

	Original Issue	Maturities	Range of Interest Rates	Balance September 30, 2016
NJEIT Fund Loan, Series 2016A-R1	$1,169,631.00	2009-2025	N/A	$ 516,394.33
NJEIT Trust Loan, Series 2016A-R1	1,185,000.00	2010-2028	5.00-5.50%	797,000.00
Add:				
Unamortized Premium				155,582.56
Net NJEIT Loans				$ 1,468,976.89

Future maturities of the bonds and loans are as follows:

	Principal	Interest	Total
2017	$ 290,602.03	$ 98,600.00	$ 389,202.03
2018	293,940.05	90,600.00	384,540.05
2019	305,299.85	82,000.00	387,299.85
2020	315,417.92	72,600.00	388,017.92
2021	318,257.33	61,850.00	380,107.33
2022 to 2026	1,225,877.15	142,650.00	1,368,527.15
2027 to 2028	164,000.00	11,160.00	175,160.00
	2,913,394.33	$ 559,460.00	$3,472,854.33
Add (Net of Accumulated Amortization):			
Discount on Bonds and Loans	-		
Premium on Bonds and Loans	159,568.24		
	$3,072,962.57		

Note 6: DETAIL NOTES – NET POSITION

Net Position Unrestricted

The balance of unrestricted net position (deficit) is comprised of the following at September 30, 2016:

	Balance at September 30, 2016
Deferred Outflows – Pension Related	$ 639,023.00
Accrued Liabilities Related to Pensions	
Current	(70,633.00)
Noncurrent	(17,658.00)
Deferred Inflows – Pension Related	(98,212.00)
Net Pension Liability	(2,354,773.00)
Unrestricted Net Deficit Related to Pensions (GASBs No. 68 and 71)	(1,902,253.00)
Unrestricted Net Deficit Related to Other Post-Employment Retirement Benefits (OPEB)	(223,881.20)
Unrestricted Net Position Not Including Activity Related to Pensions and OPEB	1,842,625.43
Unrestricted Net Deficit	$ (283,508.77)

Net Position Appropriated

Of the balance in unrestricted net position not including activity related to pensions at September 30, 2016, $310,473.00 has been appropriated and included as support in the operating budgets for the fiscal year ending September 30, 2017.

Note 7: RESERVE FOR ARBITRAGE REBATE

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

Based upon calculations performed as required, the Authority has not recorded any arbitrage liability, nor has any reserve been established.

Note 8: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered through two Joint Insurance Pools. The Authority is a member of the New Jersey Utilities Authority Joint Insurance Fund and the Municipal Excess Liability Joint Insurance Fund.

The Fund provides the Authority with the following coverage:

Commercial Property
General and Auto Liability
Workers' Compensation
Public Official's Liability
Excess Public Official's and Employment Practices
Fidelity Bond/Employee Dishonesty
Environmental Liability

Annual contributions to the Fund are determined by the Fund's Board of Trustees. The Authority is jointly and severably liable for claims insured by the Fund and its members during the period of its membership, including liability for supplemental assessments, if necessary. The Fund's Board of Trustees may authorize refunds to its members in any fund year for which contributions exceed the amount necessary to fund all obligations for that year.

Note 9: RELATED PARTY TRANSACTIONS

The following notes the more significant related party transactions during the fiscal year ended September 30, 2016 and 2015:

The Authority had accrued liabilities to the Township for the fiscal year ended September 30, 2016 in the amount of $173,224.00. This represented 5% of budgeted operating appropriations for the fiscal year in accordance with N.J.S.A. 40A:5A-12.1 for water and sewer service. $125,941.00 was budgeted and accrued for the fiscal year ended September 30, 2015 and paid during fiscal year 2016. This represented 5% of budgeted operating appropriations for fiscal year 2015 in accordance with N.J.S.A. 40A:5A-12.1 for sewer service and less than 5% of budgeted operating appropriations for fiscal year 2015 for water services as there was not enough of a surplus for water services in the September 30, 2016 to budget and accrue the full amount.

The Authority entered into a "Shared Services Agreement" ("the Agreement") with the Township effective August 18, 2015 through August 17, 2025. The Agreement can be terminated prior to August 17, 2025 only by a formal resolution of both parties. The Authority is providing payroll services, economic development and redevelopment services, and Council on Affordable Housing ("COAH") services to the Township. According to the Agreement, the fee due to the Authority for these services was originally $50,000.00 annually, which is due 45 days after the final adoption of the Township budget. The Agreement states that the Township will provide certain services to the Authority such as police services when needed on one of the Authority's projects, but the Authority is not required to pay the Township a fee for these services. The Agreement provides that additional shared services may be provided by either the Township or the Authority, and additional compensation for these additional services will be in an amount agreed to mutually. In 2016, the Township agreed to provide additional reimbursement of $13,000.00 per year for economic development services, beginning January 1, 2016. $63,916.66 and $4,166.66 remained unpaid to the Authority for services provided to the Township from the commencement of the Agreement through the fiscal years ended September 30, 2016 and 2015, respectively.

The Authority purchases fuel from the Township which purchases it in large quantities from an outside vendor. Purchases made by the Authority from the Township for the fiscal years ended September 30, 2016 and 2015 totaled $11,807.37 and $13,471.18, respectively. $8,575.34 and $9,696.09 remained unpaid at September 30, 2016 and 2015, respectively.

Note 10: CONTINGENCIES

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

Note 11: COUNTRY GARDENS

In 2015, the Authority, in conjunction with Mantua Township, initiated the completion of the improvements at the Country Gardens development that were not completed by the project's contractor. The Authority agreed to complete the water and sewer improvements portions of this project. In March 2017, the Authority entered into a settlement with two of the bonds companies associated with this project totaling $175,000.00 to reimburse the Authority for some of the costs incurred to the contractor that they hired to complete those improvements. The total paid to this contractor in 2016 and 2015 was $284,500.00 and $0, respectively.

Note 12: PRIOR PERIOD ADJUSTMENT

There was a prior period adjustment to correct the beginning balance of net position in fiscal year 2015 to accrue the liability for the Authority's other post-employment benefits (OPEB) plan. The fiscal year 2015 statements were restated to include current period activity for the OPEB plan. The adjustment is detailed on the following pages.

Summary Statement of Net Position
As of September 30, 2015

	Previously Reported	Prior Period Adjustment	Restated
Assets			
Current Assets	$ 3,210,244.12	$ -	$ 3,210,244.12
Non Current Assets:			
Restricted Assets	402,042.37	-	402,042.37
Capital Assets	11,944,473.68	-	11,944,473.68
Total Assets	15,556,760.17	-	15,556,760.17
Deferred Outflows of Resources			
Related to Pensions	261,626.00	-	261,626.00
Liabilities			
Current Liabilities Payable from Unrestricted Assets	769,669.73	-	769,669.73
Current Liabilities Payable from Restricted Assets	292,366.03	-	292,366.03
Long-term Liabilities	5,009,462.73	186,814.00	5,196,276.73
Total Liabilities	6,071,498.49	186,814.00	6,258,312.49
Deferred Inflows of Resources			
Related to Pensions	87,283.00	-	87,283.00
Net Position			
Net Investment In Capital Assets	8,651,731.78	-	8,651,731.78
Restricted	1,163,095.87	-	1,163,095.87
Unrestricted	(155,222.97)	(186,814.00)	(342,036.97)
Total Net Position	$ 9,659,604.68	$ (186,814.00)	$ 9,472,790.68

Note 12: PRIOR PERIOD ADJUSTMENT (CONT'D)

Summary Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended September 30, 2015

	Previously Reported	Prior Period Adjustment	Restated
Operating Revenues	$ 4,162,019.75	$ -	$ 4,162,019.75
Operating Expenses	3,547,652.77	35,128.00	3,582,780.77
Non-Operating Revenues (Expenses)			
Tower Rental Income	77,162.35	-	77,162.35
Investment Income	6,908.34	-	6,908.34
Interest on Debt	(139,131.63)	-	(139,131.63)
Payment to the Township of Mantua	(125,941.00)	-	(125,941.00)
Miscellaneous Non-operating Income/Expenses	(138,201.46)	-	(138,201.46)
Decrease in Net Position	295,163.58	(35,128.00)	260,035.58
Net Position October 1, As Originally Stated	11,098,142.10	-	11,098,142.10
Cumulative Effect of Change in Accounting Principle	(1,733,701.00)	-	(1,733,701.00)
Prior Period Adjustment	-	(151,686.00)	(151,686.00)
Net Position October 1, As Restated	9,364,441.10	(151,686.00)	9,212,755.10
Net Position September 30	$ 9,659,604.68	$ (186,814.00)	$ 9,472,790.68

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016

The Mantua Township Municipal Utilities Authority
Other Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS)
September 30, 2016

	Measurement Date Ending June 30,			
	2016	**2015**	**2014**	**2013**
Authority's proportion of the net pension liability	0.0079507131%	0.0082761856%	0.0086005871%	0.0086452244%
Authority's proportionate share of the net pension liability	$ 2,354,773.00	$ 1,857,838.00	$ 1,610,265.00	$ 1,652,274.00
Authority's covered payroll	$ 546,952.00	$ 570,900.00	$ 594,776.00	$ 596,364.00
Authority's proportionate share of the net pension liability as a percentage of it's covered payroll	430.53%	325.42%	270.73%	277.06%
Plan fiduciary net position as a percentage of the total pension liability	40.14%	47.93%	52.08%	48.72%

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

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The Mantua Township Municipal Utilities Authority
Other Required Supplementary Information
Schedule of the Authority's Contributions
Public Employees' Retirement System (PERS)
September 30, 2016

	Year Ended September 30,			
	2016	**2015**	**2014**	**2013**
Contractually required contribution	$ 70,633.00	$ 71,153.00	$ 70,902.00	$ 65,140.00
Contributions in relation to the contractually required contribution	$ (70,633.00)	$ (71,153.00)	$ (70,902.00)	$ (65,140.00)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 569,937.00	$ 539,733.00	$ 550,200.00	$ 594,610.00
Contributions as a percentage of Authority's covered payroll	12.39%	13.18%	12.89%	10.96%

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.

THE MANTUA TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Other Required Supplementary Information
Schedule of Funding Progress
Other Post-Employment Benefits Plan (OPEB)
September 30, 2016

The schedules of funding progress below show the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the un-funded actuarial accrued liability (UAAL) to payroll for the Authority's other post-retirement benefit 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)
10/1/2015	-	$ 445,183	$ 445,183	0.00%	$ 569,937	78.11%

The Mantua Township Municipal Utilities Authority
Note to Other Required Supplementary Information
For the Fiscal Year Ended September 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	October 1, 2015
Actuarial Cost Method	Projected Unit Credit Method
Amortization Method	Closed Period
Remaining Amortization Periods	23 years
Asset Valuation Method	N/A
Economic Actuarial Assumptions:	
Discount Rate (Investment Return)	4.00%
Health Care Trend Rate (Annual Premium Increase)	4.50%

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

Note 2: POSTEMPLOYMENT BENEFITS - PENSION

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None

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

OTHER SUPPLEMENTARY INFORMATION SCHEDULES

THE MANTUA TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenue, Expenses and Changes in Net Position by Utility
For the Fiscal Year Ended September 30, 2016

	Water Utility	Sewer Utility	Total
Operating Revenue:			
Service Charges	$ 2,205,166.96	$ 1,918,439.93	$ 4,123,606.89
Connection Fees	11,200.00	9,000.00	20,200.00
Other Operating Revenue	49,937.52	44,610.77	94,548.29
Total Operating Revenue	2,266,304.48	1,972,050.70	4,238,355.18
Operating Expenses:			
Administration:			
Salaries and Wages	157,223.72	155,675.72	312,899.44
Fringe Benefits	138,642.75	119,593.98	258,236.73
Other Expenses	120,652.76	95,987.98	216,640.74
Cost of Service:			
Salaries and Wages	194,588.28	163,940.80	358,529.08
Fringe Benefits	232,901.08	181,384.97	414,286.05
Other Expenses	612,513.11	840,810.05	1,453,323.16
Depreciation and Amortization	411,320.13	262,182.66	673,502.79
Total Operating Expenses	1,867,841.83	1,819,576.16	3,687,417.99
Operating Income	398,462.65	152,474.54	550,937.19
Non-Operating Revenue (Expenses):			
Tower Rental Income	77,943.49	-	77,943.49
Investment Income	685.58	658.66	1,344.24
Interest on Debt	(27,633.05)	(63,194.96)	(90,828.01)
As Appropriated to Municipality	(83,101.00)	(90,123.00)	(173,224.00)
Miscellaneous Non-operating Expenses	(193,517.38)	(186,281.89)	(379,799.27)
Net Non-Operating Expenses	(225,622.36)	(338,941.19)	(564,563.55)
Increase (Decrease) in Net Position	172,840.29	(186,466.65)	(13,626.36)
Net Position October 1, As Originally Stated	5,552,428.45	4,107,176.23	9,659,604.68
Prior Period Adjustment	(104,615.84)	(82,198.16)	(186,814.00)
Net Position October 1, As Restated	5,447,812.61	4,024,978.07	9,472,790.68
Net Position September 30	$ 5,620,652.90	$ 3,838,511.42	$ 9,459,164.32
Net Position (Deficit):			
Net Investment in Capital Assets	$ 5,015,274.01	$ 3,514,751.96	$ 8,530,025.97
Restricted for Bond Trust Indenture	552,485.12	660,162.00	1,212,647.12
Unrestricted	52,893.77	(336,402.54)	(283,508.77)
	$ 5,620,652.90	$ 3,838,511.42	$ 9,459,164.32

THE MANTUA TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Water Utility Operations -- Revenue, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget - Budgetary Basis
For the Fiscal Year Ended September 30, 2016

	Adopted Budget	Transfers/ Modifications	Amended Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:					
Service Charges	$ 2,030,795.00		$ 2,030,795.00	$ 2,205,166.96	$ 174,371.96
Connection Fees	-		-	11,200.00	11,200.00
Other Operating Revenues	-		-	49,937.52	49,937.52
Total Operating Revenues	2,030,795.00	-	2,030,795.00	2,266,304.48	235,509.48
Non-Operating Revenues:					
Investment Income (Exclusive of Unrealized/Realized Gain)	-		-	685.58	685.58
Mobile Antenna Lease	60,000.00		60,000.00	77,943.49	17,943.49
Total Anticipated Revenues	2,090,795.00	-	2,090,795.00	2,344,933.55	254,138.55
Operating Appropriations:					
Administration:					
Salaries and Wages	172,950.00		172,950.00	157,223.72	15,726.28
Fringe Benefits	114,017.00		114,017.00	108,941.98	5,075.02
Other Expenses	148,665.00		148,665.00	120,652.76	28,012.24
Total Administration	435,632.00	-	435,632.00	386,818.46	48,813.54
Cost of Service:					
Salaries and Wages	196,860.00		196,860.00	194,588.28	2,271.72
Fringe Benefits	205,776.00		205,776.00	172,887.08	32,888.92
Other Expenses	714,660.00		714,660.00	612,513.11	102,146.89
Total Cost of Service	1,117,296.00	-	1,117,296.00	979,988.47	137,307.53
Principal Payments on Debt Service in Lieu of Depreciation	109,092.00		109,092.00	109,092.00	-
Total Operating Appropriations	1,662,020.00	-	1,662,020.00	1,475,898.93	186,121.07
Non-Operating Appropriations:					
Interest on Debt	47,775.00		47,775.00	35,017.82	12,757.18
Renewal and Replacement Reserves	381,000.00		381,000.00	258,733.38	122,266.62
As Appropriated to Municipality	83,101.00		83,101.00	83,101.00	-
Miscellaneous Non-operating (Income)/Expenses	-		-	193,517.38	(193,517.38)
Total Non-Operating Appropriations	511,876.00	-	511,876.00	570,369.58	(58,493.58)
Total Operating, Principal Payments and and Non-Operating Appropriations	2,173,896.00	-	2,173,896.00	2,046,268.51	127,627.49
Unrestricted Net Position Utilized	(83,101.00)		(83,101.00)	-	83,101.00
Total Appropriations	2,090,795.00	-	2,090,795.00	2,046,268.51	210,728.49
Excess of Budgetary Revenue Over Budgetary Appropriations	$ -	$ -	$ -	$ 298,665.04	$ 464,867.04

THE MANTUA TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Sewer Utility Operations -- Revenue, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget - Budgetary Basis
For the Fiscal Year Ended September 30, 2016

	Adopted Budget	Transfers/ Modifications	Amended Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:					
Service Charges	$ 1,938,333.00		$ 1,938,333.00	$ 1,918,439.93	$ (19,893.07)
Connection Fees	-		-	9,000.00	9,000.00
Other Operating Revenues	-		-	44,610.77	44,610.77
Total Operating Revenues	1,938,333.00	-	1,938,333.00	1,972,050.70	33,717.70
Non-Operating Revenues:					
Investment Income (Exclusive of Unrealized/Realized Gain)	-		-	658.66	658.66
Other Non-Operating Revenues	-		-	-	-
Total Anticipated Revenues	1,938,333.00	-	1,938,333.00	1,972,709.36	34,376.36
Operating Appropriations:					
Administration:					
Salaries and Wages	172,950.00		172,950.00	155,675.72	17,274.28
Fringe Benefits	89,584.00		89,584.00	88,100.51	1,483.49
Other Expenses	131,835.00		131,835.00	95,987.98	35,847.02
Total Administration	394,369.00	-	394,369.00	339,764.21	54,604.79
Cost of Service:					
Salaries and Wages	155,865.00		155,865.00	163,940.80	(8,075.80)
Fringe Benefits	161,682.00		161,682.00	135,709.01	25,972.99
Other Expenses	920,547.00		920,547.00	840,810.05	79,736.95
Total Cost of Service	1,238,093.00	-	1,238,094.00	1,140,459.86	97,634.14
Principal Payments on Debt Service in Lieu of Depreciation	170,000.00		170,000.00	170,000.00	-
Total Operating Appropriations	1,802,463.00	-	1,802,463.00	1,650,224.07	152,238.93
Non-Operating Appropriations:					
Interest on Debt	64,625.00		64,625.00	64,071.96	553.04
Renewal and Replacement Reserves	213,000.00		213,000.00	39,308.25	173,691.75
Payment to Mantua Township	90,123.00		90,123.00	90,123.00	-
Miscellaneous Non-operating (Income)/Expenses	-		-	186,281.89	(186,281.89)
Total Non-Operating Appropriations	367,748.00	-	367,748.00	379,785.10	(12,037.10)
Total Operating, Principal Payments, and and Non-Operating Appropriations	2,170,211.00	-	2,170,211.00	2,030,009.17	140,201.83
Unrestricted Net Position Utilized	(231,878.00)		(231,878.00)	-	231,878.00
Total Appropriations	1,938,333.00	-	1,938,333.00	2,030,009.17	372,079.83
Excess (Deficit) of Budgetary Revenue Over Budgetary Appropriations	$ -	$ -	$ -	$ (57,299.81)	$ 406,456.19

THE MANTUA TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedules of Anticipated Revenue, Operating Appropriations, Principal Payments and Non-Operating Appropriations Compared to Budget - Budgetary Basis
For the Fiscal Year Ended September 30, 2016

Reconciliation of Excess of Budgetary Revenue over Budgetary Expenses to Operating Income

Excess (Deficit) of Revenue Over Expenses and Other Costs		
Schedule 2 - Water Utility	$ 298,665.04	
Schedule 3 - Sewer Utility	(57,299.81)	
		$ 241,365.23
Add:		
Debt Service Principal Payments	279,092.00	
Interest on Debt	90,828.01	
Payment to Township of Mantua	173,224.00	
Miscellaneous Non-operating (Income)/Expenses	379,799.27	
Capital Outlays	298,041.63	
		1,220,984.91
		1,462,350.14
Less:		
Tower Rental Income	77,943.49	
Difference of GAAP Pension and Other Post Retirement Benefits Expense vs. Budgetary Basis	166,884.20	
Investment Income, Including Unrealized Gain	1,344.24	
Depreciation	673,502.79	
		911,412.95
Operating Income (Exhibit B)		$ 550,937.19

THE MANTUA TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenue Bonds Payable
For the Fiscal Year Ended September 30, 2016

Purpose	Date of Issue	Original Issue	Maturities of Bonds Date	Maturities of Bonds Amount	Interest Rate	Balance October 1, 2015	Issued	Payments and Other Reductions	Balance September 30, 2016
Revenue Bonds, 2009 Series A	08/26/09	$ 1,830,000.00	09/01/17	$ 175,000.00	3.00%				
			09/01/18	180,000.00	3.25%				
			09/01/19	190,000.00	3.50%				
			09/01/20	195,000.00	4.00%				
			09/01/21	200,000.00	4.00%				
			09/01/22	210,000.00	4.00%				
			09/01/23	220,000.00	4.00%				
			09/01/24	230,000.00	4.00%				
				1,600,000.00		$ 1,770,000.00	$ -	$ 170,000.00	$ 1,600,000.00
						$ 1,770,000.00	$ -	$ 170,000.00	1,600,000.00
						Add: Unamortized Premium on 2009 Bonds			3,985.68
									$ 1,603,985.68

THE MANTUA TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of New Jersey Environmental Infrastructure Trust Loans Payable
For the Fiscal Year Ended September 30, 2016

Purpose	Year of Issue	Original Issue	Loan Principal Payments Outstanding September 30, 2016 Year	Amount	Interest Rate	Balance October 1, 2015	Issued	Payments and Other Reductions	Balance September 30, 2016
New Jersey Environmental Infrastructure Fund	11/06/08	$ 1,169,631.00	2017	$ 60,602.03					
Fund Loan, Series 2016A-R1 (Non-Interest Bearing)			2018	58,940.05					
			2019	60,299.85					
			2020	61,417.92					
			2021	59,257.33					
			2022	60,118.55					
			2023	60,813.56					
			2024	61,342.37					
			2025	33,602.67					
				516,394.33		$ 575,485.50	$ -	$ 59,091.17	$ 516,394.33
New Jersey Environmental Infrastructure Trust	11/06/08	1,185,000.00	2017	55,000.00	5.00%				
Trust Loan, Series 2016A-R1 (Interest Bearing)			2018	55,000.00	5.00%				
			2019	55,000.00	5.25%				
			2020	59,000.00	5.50%				
			2021	59,000.00	5.50%				
			2022	63,000.00	5.50%				
			2023	67,000.00	5.50%				
			2024	72,000.00	5.00%				
			2025	72,000.00	5.00%				
			2026	76,000.00	5.00%				
			2027	80,000.00	5.00%				
			2028	84,000.00	5.00%				
				797,000.00		925,000.00		128,000.00	797,000.00
						$ 1,500,485.50	$ -	$ 187,091.17	1,313,394.33
						Add: Unamortized Premium on 2016A-R1 loans			155,582.56
									$ 1,468,976.89

THE MANTUA TOWNSHIP

MUNICIPAL UTILITIES AUTHORITY

SCHEDULES OF FINDINGS AND RECOMMENDATIONS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

The Mantua Township Municipal Utilities Authority
Schedule of Findings and Recommendations
For the Fiscal Year Ended September 30, 2016

Schedule of Current Year Financial Statement Findings

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

No Current Year Findings

The Mantua Township Municipal Utilities Authority
Summary Schedule of Prior Year Findings and Recommendations
As Prepared By Management
For the Fiscal Year Ended September 30, 2015

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

No Prior Year Findings

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