

Annual Financial Report

of the

**Delaware Township Municipal
Utilities Authority**

for the

Years Ended January 31, 2016 and 2015

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

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FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Board of Authority Officials
Delaware Township Municipal Utilities Authority
Sergeantsville, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the Delaware Township Municipal Utilities Authority, as of and for the years ended January 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Delaware Township Municipal Utilities Authority as of January 31, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 2 to the basic financial statements, in 2015, the Authority adopted Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement 68). Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules related to accounting and reporting for pensions in Schedules R-1 through R-3 identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Delaware Township Municipal Utilities Authority's basic financial statements. The supplemental data schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2016 on our consideration of the Delaware 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 Delaware Township Municipal Utilities Authority' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.

July 21, 2016



SUPLEE, CLOONEY & COMPANY

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

The Board of Authority Officials
Delaware Township Municipal Utilities Authority
Sergeantsville, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Delaware Township Municipal Utilities Authority as of and for the year ended January 31, 2016, and the related notes to the financial statements, which collectively comprise Delaware Township Municipal Utilities Authority' financial statements, and have issued our report thereon dated July 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Delaware Township Municipal Utilities Authority's 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 Delaware Township Municipal Utilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Delaware 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.

SUPLEE, CLOONEY & COMPANY

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Delaware Township Municipal Utilities Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.

July 21, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)
(UNAUDITED)

In this section of the annual report, management of the Delaware Township Municipal Utilities Authority (the “Authority”) presents a narrative discussion and analysis of the Authority’s financial activities for the years ended January 31, 2016 and 2015. This section of the report should be read in conjunction with the Authority’s audited financial statements and supplementary information for the years ended January 31, 2016 and 2015. The Authority’s audited financial statements are presented in conformity with generally accepted accounting principles.

Audit Assurance

The unmodified opinion of our independent auditors, Suplee, Clooney & Company, is included in this report.

Financial Highlights

Discussion of Condensed Statement of Net Position

Unrestricted assets at January 31, 2016 and 2015, consists of Cash and Cash Equivalents, Accounts Receivable and Other Assets totaling \$383 thousand and \$325 thousand, respectively.

Fixed assets increased \$38 thousand as a result of additions of \$91 thousand and depreciation of \$53 thousand.

Total liabilities payable from unrestricted assets at January 31, 2016 and 2015, consists principally of accounts payable, accrued sick pay and deferred rental income.

Discussion of Condensed Statement of Revenue, Expenses, and Changes in Net Position

Operating revenues increased by \$10 thousand or 2.5%. User Charges represents 71% and 70% of the operating revenues in 2016 and 2015, respectively.

Total operating expenses for the year ended January 31, 2016 decreased by \$21 thousand or 6.9% from the year ended January 31, 2015.

For the year ended January 31, 2016, Operating Income amounted to \$120 thousand compared to Operating Income of \$89 thousand for the year ended January 31, 2015.

In regard to the capital project fund, \$50 thousand was budgeted and paid into this fund for the years ended January 31, 2016 and 2015 for future capital projects.

The user fee for sewer and water was increased to \$857 and \$525, respectively for the year ended January 31, 2016.

Discussion of Cash Flows

Net cash provided by operating activities amounted to \$144 thousand and \$107 thousand in the years ended January 31, 2016 and 2015, respectively. The \$37 thousand increase in net cash provided by operating activities in the year 2016 was attributable to a decrease in cash payments to suppliers.

For the year ended January 31, 2016, net cash used by financing activities amounted to \$91 thousand due to the purchase of fixed assets.

Net cash used by investing activities amounted to \$50 thousand primarily from the purchase of investments.

MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)
(UNAUDITED)

Overview of Annual Financial Report

Management’s Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents management’s examination and analysis of the Authority’s financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority’s budget, and bond resolutions and other management tools were used for this analysis.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes to Net Position; a Statement of Cash Flows; and notes to the financial statements.

The Statement of Net Position present the Assets, Liabilities, Deferred Inflows and Outflows of Resources and Total Net Position of the Authority on a historical cost basis. Over time, increases and decreases in the components of the Authority’s Total Net Position are indicators of whether the financial position of the Authority is improving or deteriorating.

While the Statement of Net Position provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses and Changes to Net Position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

In 2015 the Government Accounting Standards Board (GASB) Statement 68 requires state and local governmental entities to disclose their unfunded pension liabilities. The Authority participates in the pension plan sponsored by the State of New Jersey, which has a much publicized, large unfunded liability. Although the Authority is not responsible for making pension payments to employees when they retire, GASB 68 dictates that the pro-rata share represented by Authority employees participating in PERS (Public Employee Retirement System) be reported in the audited financial statements to promote better financial clarity. Understandably, the net pension liability of \$22,481 – shown within long-term liabilities – is a significant number at January 31, 2016. Footnotes 2, 8 and 9 explain the pension plan accounting in greater detail.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority’s accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Financial Analysis

The following comparative condensed financial statements and other selected information serve as key financial data and indicators for management, monitoring and planning:

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")
(UNAUDITED)

Condensed Financial Statements

Condensed Statement of Net Position

	January 31,		Variance		January 31, 2014
	2016	2015	\$	%	
<u>Assets</u>					
Unrestricted Assets:					
Cash and Cash Equivalents - Operating	\$ 63,503	\$ 61,770	\$ 1,733	2.8%	\$ 47,492
Cash and Cash Equivalents - Unemployment Trust	2,742	2,422	320	13.2%	2,169
Cash and Cash Equivalents - Investments	241,101	189,849	51,252	27.0%	567,148
Sewer Fees Receivable	75,726	70,634	5,092	7.2%	69,306
Total Unrestricted Assets	\$ 383,072	\$ 324,675	\$ 58,397	18.0%	\$ 686,115
Property Plant and Equipment, at Cost	\$ 1,824,992	\$ 1,733,530	\$ 91,462	5.3%	\$ 1,242,168
Accumulated Depreciation	(817,343)	(764,269)	(53,074)	6.9%	(734,728)
Total Assets	\$ 1,390,721	\$ 1,293,936	\$ 96,785	7.5%	\$ 1,193,555
<u>Deferred Outflow of Resources</u>					
Pension Related	\$ 3,346	\$ 575	\$ 2,771	481.9%	\$ -
Total Assets and Deferred Outflow of Resources	\$ 1,394,067	\$ 1,294,511	\$ 99,556	7.7%	\$ 1,193,555
<u>Liabilities</u>					
Liabilities Payable from Unrestricted Assets:					
Accounts Payable	\$ 15,229	\$ 39,379	\$ (24,150)	-61.3%	\$ 29,683
Payroll Taxes Payable	1,923	2,219	(296)	-13.3%	944
Accrued Salaries Payable	8,101	8,308	(207)	-2.5%	9,286
Deferred Rental Income	17,556	17,045	511	3.0%	16,548
Total Liabilities Payable from Unrestricted Assets	\$ 42,809	\$ 66,951	\$ (24,142)	-36.1%	\$ 56,461
Long-Term Liabilities:					
Net Pension Liability	\$ 22,481	\$ 18,282	\$ 4,199	23.0%	\$ -
Total Liabilities	\$ 65,290	\$ 85,233	\$ (19,943)	-23.4%	\$ 56,461
<u>Deferred Inflow of Resources</u>					
Pension Related	\$ 21,682	\$ 27,214	\$ (5,532)	-20.3%	\$ -
<u>Net Position</u>					
Invested in Capital Assets	\$ 1,007,649	\$ 969,261	\$ 38,388	4.0%	\$ 507,440
Unrestricted - Capital Projects	224,205	224,205	-	0.0%	174,205
Unrestricted - Operating	75,241	(11,402)	86,643	-759.9%	455,449
Total Net Position	\$ 1,307,095	\$ 1,182,064	\$ 125,031	10.6%	\$ 1,137,094
Total Liabilities, Deferred Inflow of Resources and Net Position	\$ 1,394,067	\$ 1,294,511	\$ 99,556	7.7%	\$ 1,193,555

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")
(UNAUDITED)

Condensed Statement of Revenue, Expenses, and Changes in Net Position

	January 31,		Variance		January 31, 2014
	<u>2016</u>	<u>2015</u>	\$	%	
Operating Revenues	\$ 403,470	\$ 393,569	\$ 9,901	2.5%	\$ 387,428
Operating Expenses:					
Administrative and General	68,452	97,787	(29,335)	-30.0%	93,322
Costs of Providing Services	162,273	177,409	(15,136)	-8.5%	181,455
Depreciation	53,074	29,541	23,533	79.7%	29,541
Total Operating Expenses	\$ 283,799	\$ 304,737	\$ (20,938)	-6.9%	\$ 304,318
Operating Income (Loss)	119,671	88,832	30,839	34.7%	83,110
Non-Operating Revenues (Expenses)	\$ 5,360	\$ 1,059	\$ 4,301	406.1%	\$ 8,765
Net Income (Loss)	125,031	89,891	35,140	39.1%	91,875
Net Position, Beginning of Year	\$ 1,182,064	\$ 1,137,094	\$ 44,970	4.0%	\$ 1,045,219
Restatement to Include Net Pension Liability		(44,921)			
Net Position, Beginning of Year - Restated		\$ 1,092,173			
Net Position, End of Year	\$ <u>1,307,095</u>	\$ <u>1,182,064</u>	\$ <u>125,031</u>	<u>10.6%</u>	\$ <u>1,137,094</u>

MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)
(UNAUDITED)

AUTHORITY OVERVIEW

General

The Delaware Township Municipal Utilities Authority (the “Authority”) was created on April 26, 1965 to construct and operate a wastewater treatment system and a water system to serve parts of Delaware Township, New Jersey. The Authority bills and collects its revenue from users of the system. As a public body, under existing statute, the Authority is exempt from both Federal and State Income Tax.

The powers of the Authority are exercised by a Board of five members and two alternates who are appointed to five-year terms by the Township of Delaware.

The Authority had 3 employees as of January 31, 2016.

Contacting the Authority’s Management

Any questions about the Authority’s report or if additional information is needed, please contact the Delaware Municipal Utilities Authority, 570 Rosemont-Ringoes Road, PO Box 103, Sergeantsville, New Jersey 08557.

BASIC FINANCIAL STATEMENTS

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF NET POSITION
JANUARY 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Unrestricted Assets:		
Cash and Cash Equivalents - Operating	\$ 63,503	\$ 61,770
Cash and Cash Equivalents - Unemployment Trust	2,742	2,422
Cash and Cash Equivalents - Investments	241,101	189,849
Sewer Fees Receivable	<u>75,726</u>	<u>70,634</u>
<u>Total Unrestricted Assets</u>	<u>\$ 383,072</u>	<u>\$ 324,675</u>
Property, Plant and Equipment, at Cost	\$ 1,824,992	\$ 1,733,530
Less: Accumulated Depreciation	<u>817,343</u>	<u>764,269</u>
<u>Net Property, Plant and Equipment</u>	<u>\$ 1,007,649</u>	<u>\$ 969,261</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,390,721</u>	<u>\$ 1,293,936</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Pension Related	<u>\$ 3,346</u>	<u>\$ 575</u>
<u>TOTAL DEFERRED OUTFLOW OF RESOURCES</u>	<u>\$ 3,346</u>	<u>\$ 575</u>
<u>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</u>	<u>\$ 1,394,067</u>	<u>\$ 1,294,511</u>

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

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF NET POSITION
JANUARY 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</u>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 15,229	\$ 39,379
Payroll Taxes Payable	1,923	2,219
Accrued Salaries Payable	8,101	8,308
Deferred Rental Income	<u>17,556</u>	<u>17,045</u>
Total Current Liabilities Payable from Unrestricted Assets	\$ <u>42,809</u>	\$ <u>66,951</u>
Long-Term Liabilities:		
Net Pension Liability	\$ <u>22,481</u>	\$ <u>18,282</u>
Total Long-Term Liabilities	\$ <u>22,481</u>	\$ <u>18,282</u>
Total Liabilities	\$ <u>65,290</u>	\$ <u>85,233</u>
Deferred Inflow of Resources:		
Pension Related	\$ <u>21,682</u>	\$ <u>27,214</u>
Total Deferred Inflow of Resources	\$ <u>21,682</u>	\$ <u>27,214</u>
Net Position:		
Invested in Capital Assets	\$ 1,007,649	\$ 969,261
Unrestricted	<u>299,446</u>	<u>212,803</u>
Total Net Position	<u>1,307,095</u>	<u>1,182,064</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</u>	<u>\$ 1,394,067</u>	<u>\$ 1,294,511</u>

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

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JANUARY 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues:		
User Charges	\$ 286,542	\$ 273,676
Rent - Cell Tower	114,657	118,863
Interest on User's Accounts Receivable	1,901	660
Miscellaneous Income	370	370
	<hr/>	<hr/>
<u>Total Operating Revenues</u>	\$ 403,470	\$ 393,569
Operating Expenses:		
Administrative and General	\$ 68,452	\$ 97,787
Costs of Providing Services	162,273	177,409
Depreciation	53,074	29,541
	<hr/>	<hr/>
<u>Total Operating Expenses</u>	\$ 283,799	\$ 304,737
<u>Operating Income</u>	\$ 119,671	\$ 88,832
Non-Operating Revenues (Expenses):		
Interest Income	1,256	1,059
Other	4,104	-
	<hr/>	<hr/>
<u>Net Income</u>	\$ 125,031	\$ 89,891
Net Position, Beginning of Year	<hr/> 1,182,064	<hr/> 1,137,094
Restatement to Include Net Pension Liability		(44,921)
Net Position, Beginning of Year - Restated		<hr/> 1,092,173
Net Position, End of Year	\$ <hr/> <u>1,307,095</u>	\$ <hr/> <u>1,182,064</u>

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

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Receipts for User Charges	\$ 281,450	\$ 272,349
Receipts for Cell Tower Rent	115,168	119,360
Receipts - Other	3,301	1,030
Payments to Suppliers	(219,430)	(248,568)
Payments to Employees	<u>(36,978)</u>	<u>(37,429)</u>
Net Cash Provided by Operating Activities	\$ <u>143,511</u>	\$ <u>106,742</u>
Cash Flows from Financing Activities:		
Purchase of Fixed Assets	<u>(91,462)</u>	<u>(470,569)</u>
Net Cash Provided (Used in) by Financing Activities	\$ <u>(91,462)</u>	\$ <u>(470,569)</u>
Cash Flows from Investing Activities:		
Sale (Purchase) of Investments	\$ (51,252)	\$ 377,299
Interest Income	<u>1,256</u>	<u>1,059</u>
Net Cash Provided (Used in) by Investing Activities	\$ <u>(49,996)</u>	\$ <u>378,358</u>
Increase/(Decrease) in Cash and Cash Equivalents	\$ 2,053	\$ 14,531
Cash and Cash Equivalents, Beginning of Year	<u>64,192</u>	<u>49,661</u>
Cash and Cash Equivalents, End of Year	\$ <u><u>66,245</u></u>	\$ <u><u>64,192</u></u>
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ 119,671	\$ 88,832
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	53,074	29,541
(Increase)/Decrease in Sewer Fees Receivable	(5,092)	(1,327)
Increase/(Decrease) in Accounts Payable	(24,150)	(11,098)
Increase/(Decrease) in Payroll Taxes Payable	(296)	1,275
Increase/(Decrease) in Accrued Salaries Payable	(207)	(978)
Increase/(Decrease) in Deferred Revenue	<u>511</u>	<u>497</u>
Net Cash Provided by Operating Activities	\$ <u><u>143,511</u></u>	\$ <u><u>106,742</u></u>

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

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2016 AND 2015

(1) ORGANIZATION

The Delaware Township Municipal Utilities Authority (the "Authority") was created on April 26, 1965 to construct and operate a wastewater treatment system and a water system to serve parts of Delaware Township, New Jersey. The Authority bills and collects its revenue from users of the system. As a public body, under existing statute, the Authority is exempt from both Federal and State Income Tax.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the GASB's accounting policies are described below.

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis and in accordance with generally accepted accounting principles applicable to enterprise funds of state and local governments. An Enterprise Fund is used to account for operations: (i) that are financed primarily through user charges, or (ii) where the governing body has decided that determination of net income is appropriate.

The accounting and financial reporting applied by the Authority is determined by its measurement focus. The financial statements are reported using the economic measurement focus and the accrual basis of accounting. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included in the Statements of Net Position. Net Position (totals assets and deferred outflows net of total liabilities and deferred inflows) are segregated into invested in capital assets, restricted and unrestricted components.

Revenue Recognition

The Authority generates the vast majority of its revenues through user fees that are charged to residents who use the services provided by the Authority. User fees are billed on a quarterly basis, and are recorded on an accrual basis as earned.

Additionally, the Authority leases a small piece of land for a tower to be used for wireless communication equipment. Such revenue is recorded as earned, as per the terms set forth in the related lease agreements. Some of this lease income is received in advance, and as such, results in deferred revenue being recognized.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2016 AND 2015

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Historically, the Authority has had very few delinquent accounts. Management does not deem it necessary to record an allowance against its receivables, as it has a tax lien placed against any delinquent accounts. Additionally, the Authority's customer base is fairly vast and individual delinquent account balances are normally insignificant. Payments are applied to open invoices in date order with the remainder applied to delinquent interest.

Accounting and Financial Reporting for Pensions

The Authority implemented GASB 68 in the Year 2015. This Statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

The Authority has also implemented GASB Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2016 AND 2015

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions (Continued)

Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non-employer contributing entity that arise from other types of events.

At transition to Statement 68, if it is not practical for an employer or non-employer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

Under GAAP, Authorities are required to recognize the pension liability in Statements of Net Position and Notes to the Financial Statements in accordance with GASB 68. The liability required to be displayed by GASB 68 is displayed as a separate line item in the Long-Term Liabilities area of the balance sheet.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2016 AND 2015

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Authority has only one item that qualifies for reporting in this category, deferred amounts related to pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies in this category, deferred amounts related to pension.

Reporting Entity

The Authority's financial statements include the operations of the wastewater treatment system and water system for which the Board Members of the Authority exercise financial accountability. The Board members are appointed to five-year terms by the Township of Delaware. There are no additional entities required to be included in the reporting entity and the Authority is not included in any other reporting entity.

Net Position

Equity is classified as net position and displayed in three components:

- 1) Invested in Capital Assets - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted - when constraints placed on net position are either a) externally imposed by creditors (such as the bond resolution), grantors, or laws or regulations of other governments or b) imposed by law.
- 3) Unrestricted - any other net position that does not meet the definition of "restricted" or "invested in capital assets."

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2016 AND 2015

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purposes of the statement of cash flow, the Authority considers cash in banks, deposits and short-term investments with maturities of less than three months at the time of purchase to be cash and cash equivalents. All CD's with financial institutions are considered investments.

Investments

Investments are stated at fair value.

Property, Plant and Equipment

Property, plant and equipment is stated at cost which includes direct construction costs and other expenditures related to construction.

Depreciation is determined on a straight-line basis, for all plant and equipment. Depreciation is provided for over the following estimated useful lives:

Sewer Plant and Mains	40 years
Well	30 years
Other Equipment and Improvements	10-40 years

Details of property, plant and equipment as of January 31, 2016 are as follows:

	<u>2016</u>	<u>2015</u>
Sewer Plant and Mains	\$ 514,669	\$ 514,669
Well	56,167	56,167
Other Equipment and Improvements	1,254,156	548,149
Construction in Progress	<u>-0-</u>	<u>614,545</u>
	\$1,824,992	\$1,733,530
Less: Accumulated Depreciation	<u>817,343</u>	<u>764,269</u>
	<u>\$ 1,007,649</u>	<u>\$ 969,261</u>

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2016 AND 2015

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The Authority considers all accounts receivables to be fully collectible; no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Allocation of Costs Between Water and Sewer

The Authority does not maintain its records in a way which facilitates the determination of the costs relating to water and sewer services. For budgeting purposes a percentage allocation is used: 64% for sewer and 36% for water.

Compensated Absences

The Authority employs two part-time operators. The liability for unused sick pay and/or vacation pay is considered insignificant.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) BUDGETARY PROCEDURES

The Authority follows these procedures in establishing the Operating Fund budget:

The annual budget for each fiscal year of the Authority is introduced by resolution passed by not less than a majority of the governing body. Copies are submitted to the Director of the Division of Local Government Services Director prior to the beginning of the Authority's fiscal year for approval prior to its adoption.

The budget must comply with the terms and provisions of any security agreements, and is to be in such form and detail as to items of revenue, expenses and other contents as required by law or by rules and regulations of the Local Finance Board.

No authority budget can be finally adopted until the Director has approved the budget.

Public hearings are conducted to obtain citizen comments on the proposed budget.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2016 AND 2015

(3) BUDGETARY PROCEDURES (CONTINUED)

Operating expense appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

The level at which expenditures cannot exceed the budget is at the total budget level.

The budget may be increased after adoption when an item of revenue has been made available after the adoption date.

(4) CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are summarized as follows:

	<u>Unrestricted</u>
January 31, 2016:	
Cash and Cash Equivalents	<u>\$66,245</u>
January 31, 2015:	
Cash and Cash Equivalents	<u>\$64,192</u>

The cash on deposit of the Authority is partially insured by the Federal Deposit Insurance Corporation in the amount of \$250,000 in each bank depository. Balances above the federal depository insurance amount are insured by the State of New Jersey Governmental Unit Deposit Protection Act (GUDPA). The Authority does not have a policy for either credit risk or custodial credit risk. However, it is the Authority's policy only to invest with banks that are approved by the board. The Authority does not have a policy to limit interest rate risk.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2016 AND 2015

(5) INVESTMENTS

The Authority's investments include restricted and unrestricted investments which are held by a bank in the Authority's name. Restricted and Unrestricted investments are summarized as follows:

<u>UNRESTRICTED INVESTMENTS</u>	<u>CARRYING AMOUNT</u>	<u>FAIR VALUE</u>
January 31, 2016:		
Certificates of Deposit	<u>\$241,101</u>	<u>\$241,101</u>
January 31, 2015:		
Certificates of Deposit	<u>\$189,849</u>	<u>\$189,849</u>

Cost of investments approximates fair value due to the short-term nature of the investments.

All the certificates of deposit have been deposited in public depositories, which are insured by the Federal Deposit Insurance Corporation (FDIC) and are fully collateralized by the bank through the Government Unit Deposit Protection Act (GUDPA).

Financial instruments which potentially subject the Authority to concentrations of credit risk consist primarily of cash and certificates of deposit. These balances are maintained at one financial institution. At times, the balances may exceed certain insured limits. Management monitors the soundness of the institution and considers the Authority's risk to minimal.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2016 AND 2015

(6) PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment is summarized as follows:

	Balance January 31, 2015	Increase	Decrease	Balance January 31, 2016
Sewer Plant and Mains	\$ 514,669			\$ 514,669
Well	56,167			56,167
Other Equipment and Improvements	548,149	\$706,007		1,254,156
Construction in Progress	<u>614,545</u>	<u>--</u>	<u>\$614,545</u>	<u>--</u>
Total Fixed Assets	\$1,733,530	\$706,007	\$614,545	\$1,824,992
Less: Accumulated Depreciation	<u>764,269</u>	<u>53,074</u>	<u>--</u>	<u>817,343</u>
	<u>\$ 969,261</u>	<u>\$652,933</u>	<u>\$614,545</u>	<u>\$1,007,649</u>

(7) NET POSITION

The components of net position as of January 31 are as follows:

	<u>Jan. 31, 2016</u>	<u>Jan. 31, 2015</u>
Net Position:		
Invested in Capital Assets	\$1,007,649	\$969,261
Unrestricted:		
Capital Projects	274,205	224,205
Operating	66,058	33,519
Net Pension Liability	<u>(40,817)</u>	<u>(44,921)</u>
Total Net Position	<u>\$1,307,095</u>	<u>\$1,182,064</u>

The Authority has established a Capital Projects Fund to set aside funds for major improvements. Actual cash is not kept in a separate account but is co-mingled with several unrestricted cash, money market and certificate of deposit accounts.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2016 AND 2015

(8) PENSION PLAN

Authority employees participate in the Public Employees Retirement System (PERS), of New Jersey, a multi-employer cost sharing plan. The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the plan. The plan does not maintain separate records for each member in the state and, therefore, the actuarial data for the Authority is not available.

Participating employees are required by State statute to contribute a certain percentage (6.92% for the first half of 2015 and 7.06% for the second half of 2015) of their salary to the plan. In addition, the PERS generally bills the Authority annually for its required contribution. For the years ending January 31, 2016 and 2015, this contribution was \$783 and \$805, respectively.

(9) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68

Public Employees Retirement System (PERS)

At January 31, 2016, the Authority reported a liability of \$22,481 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 local units, actuarially determined. At June 30, 2015, the Authority's proportion was 0.0001001475 percent, which was an increase of 0.0000024990 percent from its proportion measured as of June 30, 2014.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2016 AND 2015

(9) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

For the year ended January 31, 2016, the Authority recognized pension expense of \$805. At January 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience		\$536
Changes of assumptions		2,414
Net difference between projected and actual earnings on pension plan investments	\$361	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	21,321	396
	\$21,682	\$3,346

The \$3,346 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date (i.e. for the period ending June 30, 2015, the plan measurement date is June 30, 2014) will be recognized as a reduction of the net pension liability in the year ended January 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
<u>June 30</u>	<u>Amount</u>
2016	(\$4,247)
2017	(\$4,247)
2018	(\$4,247)
2019	(\$3,975)
2020	(\$1,620)

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2016 AND 2015

(9) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Additional Information

Collective balances at June 30, 2015 and 2014 are as follows:

	<u>6/30/2015</u>	<u>6/30/2014</u>
Collective deferred outflows of resources	\$5,086,138,484	\$1,032,618,058
Collective deferred inflows of resources	478,031,236	1,726,631,532
Collective net pension liability - local	22,447,996,119	18,722,735,003
Authority's Proportion	0.0001001475%	0.0000976485%

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013. These actuarial valuations used the following assumptions, applied to all periods in the measurement.

	<u>6/30/2015</u>	<u>6/30/2014</u>
Inflation	3.04 Percent	3.01 Percent
Salary Increases (based on age):		
2012-2021	2.15-4.40 Percent	2.15-4.40 Percent
Thereafter	3.15-5.40 Percent	3.15-5.40 Percent
Investment Rate of Return	7.90 Percent	7.90 Percent

The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more that the experience deviates, the larger the impact on future financial statements.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2016 AND 2015

(9) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Mortality Rates

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

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2016 AND 2015

(9) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

<u>Asset Class</u>	<u>6/30/2015</u>		<u>6/30/2014</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%	6.00%	0.80%
Core Bond			1.00%	2.49%
Intermediate Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad U.S. Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Markets	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds/Absolute Returns	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit	10.00%	1.79%		
Global Debt ex US	3.50%	(0.40)%		
REIT	4.25%	5.12%		
	<u>100.00%</u>		<u>100.00%</u>	

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2016 AND 2015

(9) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.30% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate.

The following presents the collective net pension liability of the participating employers as of June 30, 2015 calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2015		
	1% Decrease <u>3.90%</u>	At Current Discount Rate <u>4.90%</u>	1% Increase <u>5.90%</u>
Authority's proportionate share of the pension liability	\$27,941	\$22,481	\$17,903

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS).

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2016 AND 2015

(10) TOWER SITE LEASE

The Authority is party to a 25 year lease to rent a small parcel of land for a tower to be used for wireless communication equipment. The minimum base rent is \$21,650 per year payable quarterly, with annual increases of 3% of the prior year minimum base rent. In addition, the Authority is entitled to 50% of any gross revenue from sub-tenants of the tower site. The lease can be terminated by the tenant with six months written notice. Rental income was \$114,657 and \$118,863 for the years ended January 31, 2016 and 2015, respectively.

(11) RESTATEMENT

As stated in Note 9, in 2015, the Authority implemented GASB 68. As a result the Authority's Net Position at January 31, 2015 was restated as follows:

	<u>Governmental Activities</u>
Beginning Net Position 1/31/2015	\$ 1,137,094
Adjustments:	
Recognition of Net Pension Liability (Measurement Date)	<u>(44,921)</u>
Beginning Net Position 1/31/2015 (as Restated)	<u>\$ 1,182,064</u>

The Unrestricted Net Position balance was restated to properly reflect the Authority's Net Position under GASB 68.

(12) SUBSEQUENT EVENTS

The Authority has evaluated subsequent events occurring after the financial statement date through July 21, 2016, which is the date the financial statements were available to be issued. Based on this evaluation, the Authority has determined that no subsequent events have occurred which require disclosure in the financial statements.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2016 AND 2015

(13) COMMITMENTS AND CONTINGENCIES

In the ordinary conduct of its business, the Authority may be a party to litigation. At January 31, 2016, in the opinion of management based upon consultation with legal counsel, there were no matters pending or threatened which would have a material adverse effect on the financial position of the Authority.

SUPPLEMENTARY INFORMATION

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

Fiscal Year Ending <u>June 30,</u>	Authority's Proportion Share of the Net Pension <u>Liability (Asset)</u>	\$	Authority's Proportionate Share of the Net Pension <u>Liability (Asset)</u>	\$	Authority's Covered-Employee <u>Payroll</u>	Authority's Proportion Share of the Net Pension Liability (Asset) as a percentage of it's Covered- <u>Employee Payroll</u>	Plan Fiduciary Net Position as a percentage of the total <u>Pension Liability</u>
2014	0.0000976485%		18,282		36,451	50.16%	40.71%
2015	0.0001001475%		22,481		36,771	61.14%	42.74%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

Fiscal Year Ending <u>June 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Authority's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2014	\$ 805	\$ 805	\$ -0-	\$ 36,451.00	2.21%
2015	861	861	-0-	36,771.00	2.34%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)
NOTE TO RSI III
FOR THE YEAR ENDED JANUARY 31, 2016

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (4.29%) to the current measurement date (3.80%), resulting in a change in the discount rate from 5.39% to 4.90%. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 SCHEDULE OF OPERATING REVENUES AND COSTS
 FUNDED BY OPERATING REVENUES COMPARED TO BUDGET
 FOR THE YEAR ENDED JANUARY 31, 2016

	<u>2016</u> <u>BUDGET</u>	<u>2016</u> <u>ACTUAL</u>
Revenues:		
User Charges and Fees	\$ 289,404	\$ 286,542
Delinquent Penalties	500	1,901
Interest Income	300	1,256
Rents - Cell Tower	113,000	114,657
Miscellaneous Income	<u>-</u>	<u>370</u>
Total Revenues	<u>\$ 403,204</u>	<u>\$ 404,726</u>
Expenses:		
Administrative and General		
Legal	\$ 2,000	\$ 752
Engineering	45,700	29,875
Accounting	15,000	13,020
Insurance	17,500	14,840
Independent Contractor	12,000	6,787
Postage	1,500	1,361
Telephone	<u>2,000</u>	<u>1,817</u>
Total Administrative and General	<u>\$ 95,700</u>	<u>\$ 68,452</u>
Salaries and Wages	38,000	36,771
Payroll Taxes	3,800	3,731
Sludge Removal	25,000	26,055
Repairs and Maintenance	14,000	2,446
Electric	32,000	18,776
Chemicals	-	16,075
Materials and Supplies	15,000	1,233
Permit Fees	6,000	4,919
Water and Sewer Operations	38,000	42,485
Miscellaneous	<u>10,265</u>	<u>9,782</u>
Total Costs of Providing Services	<u>\$ 182,065</u>	<u>\$ 162,273</u>
Reserve - Capital Projects	50,000	50,000
TOTAL COSTS FUNDED BY OPERATING REVENUES	<u>\$ 327,765</u>	<u>\$ 280,725</u>
EXCESS (DEFICIENCY) OF REVENUES OVER COSTS	<u>\$ 75,439</u>	<u>\$ 124,001</u>

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

JANUARY 31, 2016

GENERAL COMMENTS AND RECOMMENDATIONS

NONE

