

**CAPE MAY COUNTY
MUNICIPAL UTILITIES AUTHORITY
REPORT ON AUDIT OF
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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INTRODUCTORY SECTION

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Cape May County Municipal Utilities Authority

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April 30, 2017

Chairman Betts and Authority Board Members:

Presented to you are the audited financial statements for the year ended December 31, 2016. There are separate financial statements for the Wastewater Management Program and Solid Waste Management Program, as has been done in prior years. The financial statements are presented separately for each program as supplemental information because the programs are separate and distinct for ratemaking, operating and public financing purposes.

Government Auditing Standards and State law require that the Cape May County Municipal Utilities Authority publish a complete set of financial statements presented in conformance with accounting principles generally accepted in the United States of America ("GAAP") and audited in accordance with auditing standards generally accepted in the United States of America. The financial statements for the year ended December 31, 2016, are presented as required.

In addition, and for the purposes of evaluating budget performance, staff has completed a *Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget*. This is more commonly referred to as the "Budget versus Actual" statements, and has been completed for both the Wastewater Management Program and Solid Waste Management Program.

The Management Discussion and Analysis ("MD&A") Report consists of management's representations concerning the finances of the Wastewater Management Program and Solid Waste Management Program. Management assumes full responsibility for the completeness and reliability of all the information presented in the MD&A.

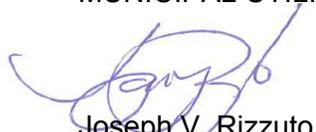
Regarding the reliability of the statements presented, a reasonable internal control framework and procedures exist to protect the Cape May County Municipal Utilities Authority's assets from loss, theft or misuse. This internal control framework provides a basis that allows staff to compile sufficient and reliable information for the preparation of the Authority's financial statements in conformity with GAAP and for the audit by the Authority's independent auditor. Because the cost of internal controls should not outweigh their benefits, the internal controls cannot provide absolute assurance, but can provide reasonable assurance as to the credibility and accuracy of the financial statements.

Cape May County Municipal Utilities Authority

The staff of the Authority prepared the basic financial statements and the supplemental financial statements and schedules discussed above. Ford, Scott and Associates, L.L.C., a firm of licensed certified public accountants, has audited and opined on the Authority's financial statements. The goal of an independent audit is to provide reasonable assurance as to the validity of the financial statements. This involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing any estimates and calculations utilized, assessing supplemental information provided or gathered by the auditors, and assessing the overall financial statement presentation. The auditors have opined that the basic financial statements which were prepared in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America present fairly, in all material respects, the financial position of the Cape May County Municipal Utilities Authority at December 31, 2016.

Respectfully,

CAPE MAY COUNTY
MUNICIPAL UTILITIES AUTHORITY



Joseph V. Rizzuto
Executive Director

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY

ROSTER OF OFFICIALS

DECEMBER 31, 2016

<u>Name</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Authority Members:		
George W. Betts	Chairman	
William J. McMahon, Jr.	Vice-Chairman	
William G. Burns, Jr.	Treasurer	\$200,000 (2)
Patricia A. Callinan	Corporate Secretary	
Carl H. Groom	Member	
Richard Rixey	Member	
Carol L. Saduk	Member	
Other Officials:		
Joseph V. Rizzuto	Executive Director	
Thomas J. LaRocco, P.E.	Chief Engineer/Deputy Director	
Thomas Lauletta, P.E.	Wastewater Program Manager	
John R. Baron	Solid Waste Program Manager	
Robert P. Donato, CPA	Chief Financial Officer	\$200,000 (1)

(1) Bond is with the Western Surety Company.

(2) Bond is with RLI Insurance Company.

All employees are covered by an "Employee Dishonesty Policy" to the limits of \$50,000 for the policy period and an "Excess Policy" for any excess over the \$50,000 with a limit of \$1,000,000. The policy is with New Jersey Utilities Authorities Joint Insurance Fund.

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FINANCIAL SECTION

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman and Members
of the Cape May County Municipal
Utilities Authority
Cape May Court House
New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Cape May County Municipal Utilities Authority (a component unit of the County of Cape May) in the County of Cape May, State of New Jersey, as of and for the years ended December 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 the 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 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.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Cape May County Municipal Utilities Authority (a component unit of the County of Cape May) in the County of Cape May, State of New Jersey, as of December 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cape May County Municipal Utility Authority's basic financial statements. The Introductory Section and the Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Introductory Section and the Other Supplementary Information is the responsibility of management and was derived from and relates 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 Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2017 on our consideration of the Cape May County 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 Authority's internal control over financial reporting and compliance.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

April 30, 2017

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REQUIRED SUPPLEMENTARY INFORMATION

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MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (“MD&A”) of the Cape May County Municipal Utilities Authority (“Authority” / “CMCMUA”) provides an introduction to the major issues affecting the operations of the Authority’s wastewater management program and solid waste management program. The MD&A also provides an introduction and overview to the financial performance and statements of the Authority for the fiscal years ended December 31, 2016, 2015 and 2014. The information contained in the MD&A should be considered in conjunction with the Authority’s financial statements.

The Authority’s basic financial statements comprise two components: 1) consolidating proprietary fund financial statements, and 2) notes to those financial statements which are essential to a full understanding of the data contained in the financial statements. The supplementary information following the basic financial statements and notes thereto contains detailed and separate information pertaining to the Authority’s wastewater management and solid waste management programs.

Regarding supplementary information, of particular note, the Authority reports a *Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget* for both the Wastewater Management Program (Schedule 4) and Solid Waste Management Program (Schedule 6). These schedules compare the “actual” revenue and expenses to “budget” revenue and expenses, including operating revenues and expenses, and non-operating revenues and expenses. Principal and Interest are reported in these schedules as expenses, and depreciation is not reported as an expense. This is a departure from the Authority’s basic financial statements, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), where only the Interest Expense component of debt service is reported as an expense, and where depreciation is also reported as an expense.

The “Budget versus Actual” statement for each of the Authority’s programs is a very important tool for staff, as it measures the Authority’s actual financial and operational performance, and compares it to the Annual Budget as adopted by the Authority Board and approved by the State of New Jersey, Department of Community Affairs.

For the purpose of the MD&A, the ensuing discussion will review the financial statements of the CMCMUA, those prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) applicable to enterprise or proprietary funds of state and local governments. These are the Authority’s basic financial statements discussed above.

Pronouncement

The Authority has adopted GASB No. 1 through 73 and related interpretations issued through December 31, 2016. GASB Statements and Interpretations require certain terminology, format and content, as well as inclusion of management’s discussion and analysis supplementary information.

The MD&A will provide comparative analyses of key elements of the total enterprise funds.

Wastewater Management Program

The Cape May County Municipal Utilities Authority was created by the Board of Chosen Freeholders of the County of Cape May in August of 1972, pursuant to the Municipal and County Utilities Authority Law (N.J.S.A. 40:14B-1 et seq.) for, among other things, the purpose of providing “...relief of waters in, bordering or entering the district from pollution or threatened pollution, and the consequent improvement of conditions affecting the public health...”. Pursuant to said designation, the CMCMUA has designed and placed into operation a comprehensive water pollution control system (the “System”) which utilizes a multi-regional approach to address wastewater management within the Authority’s jurisdictional area. The Authority established and adopted regional planning areas throughout the County. The regional planning areas delineated by the CMCMUA to receive wastewater treatment services are: the Ocean City Service Region, Cape May Service Region, Seven Mile Beach/Middle Service Region, and Wildwood/Lower Service Region. All major components of the Authority’s four regional service areas were placed into operation between 1982 and 1988. Currently, the CMCMUA provides wastewater conveyance, treatment and disposal services for all or a portion of, 13 of the 16 municipalities within Cape May County (the “Participants”).

Each service region, as constructed by the CMCMUA, provides a regional conveyance system/network into which the local sewage collection systems of the participating municipalities connect. Each CMCMUA regional system, in turn, conveys, treats and disposes of the wastewater generated by the Participants which are located within such service region. Wastewater sludge which is generated by each of the Authority's wastewater treatment facilities is treated at the CMCMUA's centralized sludge composting facility. Following treatment, effluent from the Authority's four regional wastewater treatment facilities, along with wastewater from the Lower Township Municipal Utilities Authority's wastewater treatment facility, is discharged into the Atlantic Ocean through three Authority-owned ocean outfalls. Each ocean outfall is approximately one mile in length.

The approximate initial cost of the CMCMUA's Wastewater Management System was \$384,000,000. Federal and State grant participation in the planning, design and construction of the system was \$183,391,738.

The buildings and main infrastructure of the Authority's wastewater treatment and conveyance facilities have been designed to handle, or are capable of being expanded to handle, the peak seasonal flow at full build out within the sewer service area (i.e., summer flow) which was projected to occur in the Year 2020. However, the process equipment and tanks were sized to handle a lower peak seasonal flow. At some point in the future, additional modular tanks and process equipment will be added to the existing facilities if the wastewater flows significantly increase. Based on current wastewater flows received by the System, the CMCMUA does not anticipate the need for any significant capital expenditures to further increase the capacity of the System within the foreseeable future.

Since much of the assets at the County-Wide Sludge Composting Facility and the Regional Wastewater Treatment facilities now exceeds 25 years of age and are at or near the end of their useful life, a great deal of labor and expenditures are required to maintain, rehabilitate and/or replace the equipment in order to achieve reliable treatment levels. During 2016, the Authority rebuilt several Rotating Biological Contactors and Rotating Biological Reactors at the four (4) wastewater treatment facilities, rebuilt several clarifier tanks, upgraded electrical breakers at various regional pumping stations at the Wildwood/Lower Region Wastewater Treatment Facility, replaced three (3) Sodium Hypochlorite chemical storage tanks at the Cape May Region Wastewater Treatment Facility, rebuilt or replaced numerous pumps and grinder mechanisms at various pumping stations, rehabilitated one of the Authority's Belt Filter Presses at the Wildwood/Lower Region Wastewater Treatment Facility, installed in place by-passing equipment at several pumping stations, rehabilitated a gravity sludge thickener at the Wildwood/Lower Region Wastewater Treatment Facility, and replaced flow metering devices at several pumping stations. The Authority also continued to expand its digital communication system between the wastewater treatment facilities and pumping stations. The use of in-house skilled labor to accomplish these types of tasks saved the Authority significant expenses that would have been incurred if this work had been performed by outside contractors.

On November 27, 2015 a fire occurred at the Sludge Composting Facility. The fire resulted in significant damage to electrical and mechanical equipment associated with the composting reactor, as well as to the concrete structure of the compost reactor. The Authority immediately began utilizing its Shared Services Agreement with the Atlantic County Utilities Authority ("ACUA") for the disposal of dewatered sludge. Once damages were assessed, the Authority deemed the Sludge Composting Facility inoperable and decided to use the Shared Services Agreement with the ACUA as its primary means for sludge disposal. Due to sludge production exceeding ACUA's operational capacity during certain points in the year, the Authority advertised for and awarded a Contract to a third party for hauling and disposal of dewatered sludge as its secondary option. This method of dewatered sludge management will continue for the near term future. In 2016, the Authority awarded a professional services contract to develop a long-term comprehensive biosolids management plan. As of April 2017, the long-term biosolids management options are still being explored and vetted.

The need to maintain, rehabilitate and/or replace aging assets will cause the Authority to continue with modest annual increases to its participants. By way of Resolution, in 2014 the Authority adopted a twenty (20) year capital improvement plan which provides for considerable advance project identification, planning, evaluation, scope definition, design, cost estimating and financial planning. The plan, which is reviewed and revised, as appropriate, allows for continued investment in existing assets combined with strategic investments in new assets. A large portion of the Authority's original bonds matured in 2015 giving the Authority the financial flexibility to keep participant increases at or below 2% annually for the foreseeable future while funding the necessary projects to assure a sustainable operation into the future.

Solid Waste Management Program

The Cape May County Municipal Utilities Authority was designated by the Board of Chosen Freeholders of the County of Cape May ("the County") as the implementing agency for solid waste management in the County pursuant to the provisions of the New Jersey Solid Waste Management Act (N.J.S.A. 13:1E-1 et. seq.), as amended and supplemented (the "Act").

As an initial step in meeting its responsibilities under the Act, in September 1979, the Authority completed a County Solid Waste Management Plan (the "Plan"). The Plan was subsequently adopted by the Cape May County Board of Chosen Freeholders and on February 5, 1981, the New Jersey Department of Environmental Protection ("NJDEP") issued a "Certificate of Approval for the Cape May County Solid Waste Management Plan". In order to enable the County to meet its long-term solid waste disposal requirements, consistent with the NJDEP certified Plan, the Authority constructed a new sanitary landfill to replace the existing unlined disposal facilities in the County. The CMCMUA also developed a county-wide source separation and recycling program (the "County Recycling Plan"), which was initially adopted by the County as a component of the Plan on December 8, 1987.

The Cape May County Solid Waste Management Plan has been amended and modified from time-to-time since its adoption, including an Amendment adopted by the County on February 13, 2007 which, among other things, reaffirmed a disposal strategy requiring that all solid waste generated within the County, which is not disposed of at an out-of-State facility, be disposed of at the Authority's Sanitary Landfill. This provision provides greater stability to the County's Solid Waste Management Program. This Plan Amendment was approved by the NJDEP on July 25, 2007.

The CMCMUA currently has disposal contracts with all sixteen municipalities located within Cape May County. These contracts require that all solid waste collected and/or otherwise under the control of each municipality be delivered to the Authority's Sanitary Landfill for disposal. These shared services agreements were renewed in 2011 and will expire on December 31, 2018.

The County Recycling Plan, which has also been amended from time-to-time with the approval of the NJDEP, currently mandates the recycling of more than 40 different materials and recommends the recycling of 8 additional materials. A prohibition on the disposal of designated recyclables at the Authority's Sanitary Landfill, as well as an extensive educational program, substantially contributes to the overall recycling success achieved in the County. In 2013, the plan was amended to convert the recycling program from a dual stream process to a single stream process.

Major Components of the CMCMUA Solid Waste Management Program include the following:

1. The Sanitary Landfill which is located on a 457 acre site on the Woodbine Borough – Upper Township border is the only active landfill in Cape May County.
2. A solid waste transfer station, located in Middle Township, provides solid waste haulers and municipalities in the southern portion of the County with an alternative to the delivery of solid waste and source separated recyclables directly to the Authority's Landfill;
3. An Intermediate Processing Facility, located at the Sanitary Landfill, receives, sorts, processes and markets various categories of recyclables that are collected at curbside by the municipalities;
4. A Class "B" Recycling Facility which receives and processes source separated wood pallets, tree stumps and branches into recyclable components to be marketed;
5. A Class "C" Exempt Facility which receives and composts source separated leaves and grass. Following composting, the material is marketed as an organic soil amendment;
6. A Landfill Gas Recovery System which recovers the gas generated by the decomposition of solid waste in the Authority's Sanitary Landfill. Initially constructed in 1996 as part of an emission control system, the Authority expanded the system in 1998 to collect and refine the landfill gas into a

marketable product which fueled the boilers at the Woodbine Developmental Center (“WDC”), a state-run facility owned by the New Jersey Department of Human Services (“NJ DHS”) through 2009. After the NJ DHS replaced their boilers, the sale of gas to WDC resumed in October 2011; and,

7. The Authority completed the implementation of a second electrical generation project towards the end of 2013 that converts energy from excess landfill gas into electricity. An average of 2.0 megawatts of electricity are produced hourly and sold through PJM, a regional transmission organization that coordinates the movement of wholesale electricity in all or part of 13 states and the District of Columbia, for use on the PJM electric grid. Sales of electricity through generation, capacitance, and Renewable Energy Certificates (“RECs”) are expected to generate revenues in excess of \$750,000 per year.

The Authority has been operating the Sanitary Landfill and Transfer Station since 1984. User fees for the disposal of Municipal Solid Waste and Construction and Demolition Waste (combined to constitute approximately ninety percent (90%) of the waste received for disposal) for the period 2008 to 2016 are shown below:

User Fee (\$/Ton)

Waste Type	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Municipal Solid Waste	\$60.75	\$63.00	\$64.70	\$65.95	\$65.95	\$67.25	\$68.50	\$69.75	\$71.00
Construction and Demolition	\$68.35	\$69.00	\$70.00	\$70.00	\$71.00	\$71.00	\$71.00	\$72.00	\$73.25

There was a 1.79% increase to the user fee rate in 2016 for municipal solid waste and a 1.74% user fee rate increase for construction and demolition waste. Cape May County maintained one of the lowest tipping fees in New Jersey, which was well below average pricing throughout the State.

The Authority previously received formal approval of all necessary applications for a 74 acre lateral expansion of the Sanitary Landfill. These approvals for the Sanitary Landfill expansion will ensure that Cape May County residents and businesses have a safe, affordable, local disposal location for their solid waste for the next 90-plus years. In 2014, design was completed for the first cell of this expansion, Cell 2G.

In 2014, the Authority solicited bids and awarded a contract to C. Abbonizio Contractors, Inc. in the amount of \$4,513,455 for construction of Cell 2G Phase 1. Included in the Phase 1 contract was the relocation of existing leachate collection manholes and pump stations from the Cell 1A disposal area, installation of a new leachate management system including pump stations, meter chambers, and a Cell 2G force main with associated electrical service and controls. C. Abbonizio Contractors, Inc. commenced construction in May 2015 and completed the contract work in December 2015. Authority employees completed the following portion of the Phase 1 construction: constructed a new Cell 2G perimeter access road, installed seven (7) valve vaults and the force main which transfers collected leachate between Cell 2G and the existing leachate storage tanks, installed a concrete box culvert to handle future storm water from the Cell 2G area. In 2016, Authority employees continued with construction activities in Cell 2G with the commissioning of the valve vaults and pump stations and the installation of five (5) sets of primary and secondary leachate collection laterals beneath the future perimeter berm of Cell 2G.

Also in 2016 at the Sanitary Landfill, Authority employees replaced the inlet manifold to the sulfur scrubber which treats the collected raw landfill gas by removing hydrogen sulfides prior to using the landfill gas as a beneficial fuel source. The treated landfill gas is either used as a fuel for boilers at the Woodbine Development Center or as fuel to run the gas powered electrical generators described below. Authority employees also repaired the scrubber tank (Tank #1) by relining the inner tank walls and floor with fiberglass. With the replacement of the inlet manifold system, the Authority rerouted a 2-inch diameter condensate line to discharge directly into the existing Condensate Knockout Tank (KO #1).

At the Transfer Station, the Authority continued with minor repairs and upgrades including replacing the main entrance gates to the Facility, replacing the steel access doors in the Administration Building and upgrading the overhead lights within the tipping bays to LED light fixtures.

Authority employees continued to expand the landfill gas extraction system at the Sanitary Landfill by installing slotted HDPE “bioreactor” pipe lines horizontally in the refuse of Cell 1F. Trenching activities began on the south edge of Cell 1F and continued northward across Cell 1F. The slotted HDPE pipe was installed in a trench and partially backfilled with a stone bed prior to final backfill of the trench with refuse and cover soil. The slotted HDPE pipe lines were then connected to the landfill vacuum system to draw landfill gas from the waste mass of Cell 1F. These slotted HDPE pipe lines will later be connected to a leachate force main which will enable the facility to inject collected leachate back into the waste mass to increase the rate of decomposition of the refuse.

The condensate collection system used to remove condensate from the landfill gas fueling the three (3) 150 kW electric generators was modified. The size of the High Density Polyethylene (HDPE) pipe which feeds the three (3) generators was increased from 3-inch to 6-inch and the condensate tank was upgrade to include a new submersible pump creating a closed system.

The Authority continued to operate and maintain the landfill gas powered electric generators installed in 2007 and 2013. These six (6) generators are capable of producing in excess of 17,500 megawatts of power annually. The generators initiated in 2007 work on a net metering agreement with the local electric company, Atlantic City Electric, whereby all generation is first used on-site and any excess is sold onto the PJM electric grid directly to Atlantic City Electric. The generators initiated in 2013 supply power directly onto the PJM electric grid. Both projects were the recipients of grants; the initial grant in 2007 was for \$285,000 and the 2013 generators received a \$253,000 grant. Both of these grants were secured from the New Jersey Board of Public Utilities (“NJBPUI”). With these engines operation, in excess of \$750,000 is annually realized by savings on electrical costs, direct sales of electricity generated, and sales of Renewable Energy Certificates (“REC’s”).

The Authority replaced the fill pipe and cat walk used to fill tank trucks which transfer collected leachate from the leachate storage tanks at the Sanitary Landfill to the Authority’s Seven Mile Beach/Middle Region Wastewater Treatment Facility. Additionally, the heat trace system on the pipe and pump system at the leachate storage tanks was replaced.

The Authority’s recycling center, the Intermediate Processing Facility (“IPF”), was initially operated as a dual stream facility (separate lines for paper and containers). In response to a survey completed by all of the County’s municipalities, the Authority made the decision to modify the facility to a single stream recycling process. Construction and erection of the new processing equipment at the IPF was completed in late March 2013. In 2016, the IPF processed a total of 29,800 tons of recyclables.

Financial Highlights

- User charges billed for wastewater treatment provided to the Authority’s Participants were \$33,092,484 for 2016, consistent with the *CMCMUA User Charge System Rate Setting Report, 2016*. User charges for 2016 reflected a 1.41% increase over the 2015 adopted rate.
- Income from Solid Waste Tipping Fees was \$13,372,062 for 2016 as compared to \$12,224,996 for 2015. This 9.38% increase in tipping fee revenue is in large part due to an increase in Construction and Demolition debris being delivered to the Sanitary Landfill for disposal.
- Effective with the December 31, 2008, financial statements, the Authority implemented Governmental Accounting Standards Board (“GASB”) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. For these other postemployment benefits (“OPEB”), GASB 45 requires measurement, recognition, and financial reporting using an actuarial cost method to determine the annual required contribution of the employer, as well as presentation of funded status and funding progress information. As discussed in note 19 of the *Notes to Basic Financial Statements*, the Authority offers postemployment healthcare to its qualifying retirees; however, only the post-retirement benefits for vision, which is not included in the New Jersey State

Health Benefits Plan, in which the Authority participates, are the costs which are the subject of GASB Statement No. 45. As of December 31, 2016, the actuarially-determined annual required contribution was \$254,035. The Authority paid approximately \$968,000 in retiree health benefit premiums and related reimbursements in 2016. The total net OPEB obligation at December 31, 2016, is \$8,709,925.

- On February 22, 2010, the Authority issued a \$230,280 Sewer Revenue Trust/Fund Loan, Series 2010-A, pursuant to the Authority's Junior Lien Bond Resolution, adopted on July 15, 2009. This 20-year financing, obtained through the 2010 New Jersey Environmental Infrastructure Trust Financing Program, provided funds for rehabilitation of a force main in the Wildwood/Lower Service Region. Of the total amount of the financing, \$171,000 is at zero percent (0%) interest, requiring repayment of principal only. The remaining \$59,280 financing amount bears annual interest rates of 0.61% to 4.18% over the life of the loan.
- On December 2, 2010, the Authority issued an \$856,000 Sewer Revenue Trust/Fund Loan, Series 2010-B, pursuant to the Authority's Junior Lien Bond Resolution, adopted on July 15, 2009. This 20-year financing, obtained through the 2010 New Jersey Environmental Infrastructure Trust Financing ("NJEIT") Program, provides funds for clarifier rebuilds, variable frequency drives, rotating biological contactor gear boxes, and various roof repairs, throughout and among the Authority's regional wastewater treatment facilities. Of the total amount of the financing, \$218,000 was granted principal forgiveness by the NJEIT, thus requiring no repayment. Another \$218,000 was provided at zero percent (0%) interest. The final \$420,000 financing amount of the trust/fund loan bears annual interest of 5% over the life of the loan.
- On December 2, 2010, the Authority issued an \$8,506,537 Sewer Revenue Trust/Fund Loan, Series 2010-C, pursuant to the Authority's Junior Lien Bond Resolution, adopted on July 15, 2009. This 20-year financing, obtained through the 2010 New Jersey Environmental Infrastructure Trust Financing ("NJEIT") Program, provides funds for sludge trucks and screw assemblies for the Authority's Sludge Composting Facility, and various mechanical drives, variable frequency drives, and bar screens/grinders at various pump stations throughout the wastewater treatment service regions. The financing also provides funds for the repair and replacement of 17,000 feet of existing 24" diameter force mains. Of the total amount of the financing, \$4,236,537 was provided at zero percent (0%) interest. The remaining \$4,270,000 financing amount of the trust/fund loan bears annual interest of 5% over the life of the loan.
- On October 13, 2011, the Authority issued \$13,015,000 Sewer Revenue Refunding Bonds, Series 2011 (the "2011 Refunding Bonds"), pursuant to the Sewer General and Supplemental Bond Resolutions, in order to refund and defease all of the Authority's outstanding \$14,210,000 Sewer Revenue Refunding Bonds, Series 2002-C. The refunding allowed the Authority to benefit from lower interest rates, which for the 2011 Refunding Bonds range from yield rates of 2.08% to 3.08% over the life of the bonds. The refunding resulted in a net present value savings of \$2,032,463, or 14.30%. The 2011 Refunding Bonds will reach final maturity on January 2, 2021, the same date the Series 2002-C bonds would have reach final maturity.
- On May 3, 2012, the Authority issued a \$1,722,516 Sewer Revenue Trust/Fund Loan, Series 2012-A and Series 2012-B, pursuant to the Authority's Junior Lien Bond Resolution, adopted on July 15, 2009. This 20-year financing, obtained through the 2012 New Jersey Environmental Infrastructure Trust Financing ("NJEIT") Program, provides funds for emergency generators, gate valves, submersible pumps, variable frequency drives, asphalt rehabilitation, a forklift and front-end loader, and roof replacements, for and throughout the wastewater treatment service regions. Of the total amount of the financing, \$195,148 is not required to be repaid (principal forgiveness by NJEIT) and \$972,368 was provided at zero percent (0%) interest. The remaining \$555,000 financing amount of the trust/fund loan bears an average annual interest rate of 4.18% over the life of the loan.
- On May 3, 2012, the Authority issued a \$5,206,467 Solid Waste Revenue Trust/Fund Loan, Series 2012-C, pursuant to the Authority's General Bond Resolution, adopted on September 21, 2011. This 20-year financing, obtained through the 2012 New Jersey Environmental Infrastructure Trust Financing ("NJEIT") Program, provides funds for this phase of a multi-phase project for the construction of a

double composite lined Landfill Cell 2G, covering approximately 19 acres, with the construction of associated access roads, stormwater drainage and leachate management systems. This first phase includes the reconfiguration of drainage system from a two (2) sedimentation basin system to a one (1) sedimentation basin system, and the subsequent filling of the abandoned basin as the base for new Cell 2G. Of the total amount of the financing, \$3,966,467 was provided at zero percent (0%) interest. The remaining \$1,240,000 financing amount of the trust/fund loan bears an average annual interest rate of 4.18% over the life of the loan.

- On November 24, 2015, the Authority issued \$5,403,580 Solid Waste Revenue Trust/Fund Loan, Series 2015-A, pursuant to the Authority's General Bond Resolution, adopted on September 21, 2011. This 20-year financing, obtained through the 2015 New Jersey Environmental Infrastructure Trust Financing ("NJEIT") Program, provides funds for the next phase of a multi-phase project for the construction of a double composite lined Landfill Cell 2G, covering approximately 19 acres, with the construction of associated access roads, storm water drainage and leachate management systems. This phase includes the removal of the overburden from the initial phase of the project down to the new Cell 2G base grades, which will facilitate the remaining work necessary for cell construction. Of the total amount of the financing, \$4,073,580 was provided at zero percent (0%) interest. The remaining \$1,330,000 financing amount of the trust/fund loan bears an average annual interest rate of 4.025% over the life of the loan.
- On May 26, 2016, the Authority issued a \$3,149,503 Sewer Revenue Trust/Fund Loan, Series 2016-A, pursuant to the Authority's Junior Lien Bond Resolution, adopted on July 15, 2009. This 20-year financing, obtained through the 2016 New Jersey Environmental Infrastructure Trust Financing ("NJEIT") Program, provides funds for modification to existing piping of various wastewater pumping stations throughout the Authority's four (4) wastewater service regions to allow the bypassing of wastewater flows around each station's wet well for maintenance, repair and emergency purposes. Of the total amount of the financing, \$2,389,503 was provided at zero percent (0%) interest. The remaining \$760,000 financing amount of the trust/fund loan bears an average annual interest rate of 3.15% over the life of the loan.

Required Financial Statements

The Financial Statements are intended to report information about the Authority using accounting methods similar to those used by private sector companies, consistent with New Jersey statutes. Specifically, the financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by GASB. Accordingly, the Authority recognizes revenues when earned, not received. Expenses are recognized when incurred, not when they are paid.

The *Statement of Net Position*, the first required statement, and the *Statement of Revenues, Expenses and Changes in Net Position*, the second required statement, report information about the Authority's financial condition. The Authority's Net Position, i.e., the difference between assets and liabilities, are a measure of financial health or financial position. Over time, increases or decreases in the Authority's Net Position are one indicator of whether its financial health is improving or deteriorating. Net Position increase both when revenues exceed expenses and when the Authority's assets increase without a corresponding increase to the Authority's liabilities. It is important to point out depreciation is shown as an expense which has a negative impact on Net Position. Depreciation decreases the Authority's Net Position even though it is a non-cash expense.

The third and final required financial statement, the *Statement of Cash Flows*, provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financing activities. It also provides information regarding sources of cash, uses of cash, and the changes in the cash balance during the reporting period.

Financial Analysis

Table 1
Combined Condensed Statement of Net Position
December 31, 2016, 2015 and 2014

	December 31, 2016				December 31, 2015	December 31, 2014	
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment			Total
Current Assets	\$ 8,483,783	6,685,691			15,169,474	23,952,427	25,567,058
Restricted Assets	29,414,586	18,214,919			47,629,505	38,893,510	35,507,953
Capital Assets, net	73,613,555	40,645,147			114,258,702	112,814,651	112,971,932
Deferred Outflow of Resources	335,895			12,779,755	13,115,650	6,019,020	1,481,541
Total Assets and Deferred Outflow of Resources	<u>111,847,819</u>	<u>65,545,757</u>	<u>-</u>	<u>12,779,755</u>	<u>190,173,331</u>	<u>181,679,608</u>	<u>175,528,484</u>
Current Unrestricted Liabilities	2,200,767	1,542,693			3,743,460	2,275,478	2,450,313
Current Restricted Liabilities	4,837,256	1,123,986			5,961,242	19,423,393	15,819,532
Long Term Obligations Outstanding	23,811,403	9,105,379	8,709,925	45,246,597	86,873,304	74,832,825	79,138,742
Deferred Inflow of Resources	-	152,329		234,120	386,449	738,240	1,842,881
Total Liabilities and Deferred Inflow of Resources	<u>30,849,426</u>	<u>11,924,387</u>	<u>8,709,925</u>	<u>45,480,717</u>	<u>96,964,455</u>	<u>97,269,936</u>	<u>99,251,468</u>
Net Position:							
Investment in Capital Assets	46,995,600	31,022,485			78,018,085	65,051,584	57,300,041
Restricted	33,867,629	12,732,304			46,599,933	49,292,477	49,830,475
Unreserved, Board Designated	10,811	6,582,986			6,593,797	4,523,246	3,443,927
Unreserved, Unrestricted	124,353	3,283,595	(8,709,925)	(32,700,962)	(38,002,939)	(34,457,635)	(34,297,427)
Total Net Position	<u>80,998,393</u>	<u>53,621,370</u>	<u>(8,709,925)</u>	<u>(32,700,962)</u>	<u>93,208,876</u>	<u>84,409,672</u>	<u>76,277,016</u>
Total Liabilities, Deferred Inflow of Resources and Net Position	<u>\$ 111,847,819</u>	<u>65,545,757</u>	<u>-</u>	<u>12,779,755</u>	<u>190,173,331</u>	<u>181,679,608</u>	<u>175,528,484</u>

Analysis of Net Position (Table 1)

The Authority's assets exceeded its liabilities (*Net Position*) at the end of December 31, 2016, by approximately \$93.2 million. There is a deficit in Unreserved, Unrestricted Net Position of \$38.0 million which includes \$8.7 million for the net OPEB adjustment and \$32.7 million for the net Pension adjustment. The restricted Net Position amount of \$46.6 million includes approximately \$5.9 million restricted for debt service, \$5.9 million restricted for future landfill closure expenses, \$24.2 million restricted for equipment replacements and other renewal and replacements, \$5.0 million in restricted operations and maintenance reserves, \$3.1 million restricted for capital projects and \$1.5 million restricted for building and sites. The unreserved, board designated Net Position amount of \$6.6 million consists primarily of rate stabilization and insurance board-designated Net Positions.

Table 2
Combined Condensed Statement of Revenues, Expenses, and Changes in Net Position
December 31, 2016, 2015 and 2014

	December 31, 2016				December 31, 2015	December 31, 2014	
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment			Total
Operating Revenues:							
User Service Agreements	\$ 33,092,484	13,372,062	-		46,464,546	45,065,813	44,443,340
Septage/Leachate Disposal	834,251				834,251	1,051,569	997,360
Dry Sludge Processing	161,247				161,247	204,995	197,295
Landfill Cover Fees		177,106			177,106	138,704	109,581
Methane Gas Sales		24,668			24,668	24,888	161,362
Wood Product Sales		567,678			567,678	556,582	560,157
Sale of Scrap Metal		30,604			30,604	24,702	29,153
Environmental Credits		251,399			251,399	287,000	241,671
Electricity Generation		443,769			443,769	629,316	927,539
Operating Grants		143,920			143,920	254,914	349,226
Other	1,457,607	759,269			2,216,876	932,498	852,464
Total Operating Revenues	35,545,589	15,770,475	-	-	51,316,064	49,170,981	48,869,148
Operating Expenses:							
Personnel	9,269,915	4,912,604		3,139,607	17,322,126	15,524,896	14,313,171
Other Postemployment Benefits			171,767		171,767	11,646	18,081
Administrative	1,786,272	1,652,592			3,438,864	3,274,168	3,033,255
Operations and Maintenance	7,846,730	5,175,172			13,021,902	11,754,764	11,279,735
Enforcement and Compliance		376			376	-	616
Depreciation	4,839,545	2,329,038			7,168,583	7,223,576	7,373,667
Landfill Closure Expenses		-			-	-	10,255
Construction Fund Expenses	418,708	484,723			903,431	1,845,458	2,055,548
Total Operating Expenses	24,161,170	14,554,505	171,767	3,139,607	42,027,049	39,634,508	38,084,328
Operating Income	11,384,419	1,215,970	(171,767)	(3,139,607)	9,289,015	9,536,473	10,784,820
Nonoperating Revenue (Expense):							
Change in net OPEB obligation due to plan amendment	-	-			-	-	(2,358,099)
Interest Income	155,494	169,473			324,967	263,015	253,321
Interest Expense	(956,855)	(106,172)			(1,063,027)	(1,713,559)	(2,498,290)
Cost of Issuance	(46,311)	(56,564)			(102,875)	-	-
Project fund credits - NJEIT	12,283	17,128			29,411	20,227	80,873
Amortization of Bond Premium	315,323	6,390			321,713	26,500	25,993
Total Nonoperating Revenue (Expense)	(520,066)	30,255	-	-	(489,811)	(1,403,817)	(4,496,202)
Change in Net Position	10,864,353	1,246,225	(171,767)	(3,139,607)	8,799,204	8,132,656	6,288,618
Net Position - Beginning of Year	70,134,040	52,375,145	(8,538,158)	(29,561,355)	84,409,672	76,277,016	69,988,398
Total Net Position, End of Year	\$ 80,998,393	53,621,370	(8,709,925)	(32,700,962)	93,208,876	84,409,672	76,277,016

Analysis of Changes in Net Position (Table 2)

The Authority's financial performance remained strong in 2016, with Net Position of \$93.2 million, increasing from \$84.4 million in 2015. Operating income was \$9.2 million, a decrease of \$250,000 from 2015. This decrease was primarily due to the recognition of the additional pension expense related to the implementation of GASB Statement 68.

Operating and Nonoperating Revenue

Wastewater Management Program

The Authority's Wastewater Management Program employs a rate-setting plan whereby the sum of all charges to its municipal users are to be sufficient to pay for operational expenses, repair and maintenance costs of the entire system, including extensions and alterations of the system, principal and interest on outstanding debt, and for any deficits created by nonpayment from any user. The Authority considers all these expenses and contingencies when setting an annual rate, while also considering offsetting revenues from interest income, septage disposal fees, compost product sales, as well as Authority contributions from its rate stabilization fund. This annual rate-setting process culminates in a public hearing where the following year's proposed rates are presented and discussed, and comments from the public are heard. Following this public hearing, and after consideration of any comments received, the Authority's governing board adopts the proposed rates for the following year.

Consistent with prior years, the Authority's wastewater management program operated successfully under the rates set in the beginning of 2016.

Solid Waste Management Program

Pursuant to the Cape May County Solid Waste Management Plan, all non-recycled solid waste generated within Cape May County is to be disposed of at the Authority's Sanitary Landfill or transported out-of-state for disposal at a properly permitted solid waste facility. This plan, as approved by the New Jersey Department of Environmental Protection, is consistent with recent Federal and State court decisions.

The Authority strives to maintain a series of tipping fees for various waste classification types consistent with market conditions in and around the southern New Jersey area, and beyond. The Authority's goal is to provide solid waste disposal opportunities to both its constituent municipalities and the private sector at large which are fair and reasonable in cost, yet provide the greatest protection to the environment as possible. Similar to its wastewater management program, the Authority annually develops a series of tipping fees by waste type, being mindful of its annual debt service requirements, as well as its obligations within the framework of its Interlocal Service Agreements with Cape May County municipalities. The Authority holds a public hearing on the proposed tipping fees, after which the Authority Board formally adopts the final tipping fees for the coming year.

For 2016, the Authority's solid waste management program experienced higher than anticipated quantities of solid waste. Of the approximately 26,700 tons received above the originally budgeted tonnage, Construction and Demolition solid waste accounted for approximately 25,200 tons of that amount. Municipal Solid Waste tonnages received were slightly above the anticipated budget amounts.

Recycled material processed through the Intermediate Processing Facility ("IPF") exceeded the budgeted amount by 763 tons in 2016, while commodity prices for the processed recyclables fluctuated greatly over the course of the year. The Authority continued to reinvest in IPF equipment with the replacement of a conveyor, C-711, and the replacement of one of the fork lifts at the cost of \$42,989 and \$36,500, respectively.

Total tonnages of Class B/C products sold decreased in 2016 by approximately 2,000 tons when compared to the total tonnages sold in 2015. Prices set by the Authority for the various Class B/C products increased slightly in 2016. This increase in pricing offset the reduction in sales providing an overall increase of approximately \$20,000 in generated revenue in 2016.

Net Position in the solid waste program increased by \$1,246,225 from 2015.

Authority-Wide Expenses

Operating expenses, exclusive of depreciation expense, the net OPEB adjustment and net pension adjustment, increased by approximately \$320,000 over 2015.

- Noteworthy changes from 2015 include: an increase of \$169,000 in salary costs and net employee benefits; an increase of \$1,267,000 in operation and maintenance costs; and a \$942,000 decrease in capital and construction-related expenditures.

Nonoperating revenues and expenses are highlighted as follows:

- Interest expense was \$1.06 million in 2016, a \$650,000 reduction from 2015. As the outstanding bond issues continue to be paid down, amounts payable as principal will increase as the amounts payable as interest will decrease.
- Interest income was \$324,000 in 2016, a \$62,000 increase from 2015.

Table 3
Combined Condensed Statement of Cash Flows
December 31, 2016, 2015 and 2014

	December 31, 2016				Total	December 31, 2015	December 31, 2014
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment			
Cash Flows Provided by (Used in):							
Operating Activities	\$ 17,826,681	1,973,633	-	-	19,800,314	19,017,186	17,993,848
Noncapital Financing Activities Capital and Related	(124,063)	105,662			(18,401)	(841)	9,746
Financing Activities	(21,209,461)	752,214			(20,457,247)	(18,343,501)	(17,935,888)
Investing Activities	(9,007,397)	(721,572)			(9,728,969)	2,175,349	97,161
Net Increase (Decrease) in Cash and Cash Equivalents	(12,514,240)	2,109,937	-	-	(10,404,303)	2,848,193	164,867
Cash and Cash Equivalents, Beginning of Year	36,661,883	8,745,070			45,406,953	42,558,760	42,393,893
Cash and Cash Equivalents, End of Year	<u>\$ 24,147,643</u>	<u>10,855,007</u>	<u>-</u>	<u>-</u>	<u>35,002,650</u>	<u>45,406,953</u>	<u>42,558,760</u>

Analysis of Cash Flows (Table 3)

The Authority made all of its debt service payments on time and in the required amounts. In both the wastewater management program and solid waste management program, cash used in capital related financing activities exceeded the cash provided by operations because reserve funds were used to pay for certain Authority-wide renewals and replacements.

Of the \$35 million in cash and cash equivalents at December 31, 2016, \$7.3 million is available for operations and current obligations, including current debt service obligations. The remaining \$27.7 million has been reserved or restricted for debt service, insurance deductibles, future construction projects, operating and maintenance reserves, and plant and equipment renewals, replacements and improvements.

Contacting the Authority's Financial Management

This financial report is designed to provide the CMCMUA's Board Members, customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact either the Authority's Executive Director or Chief Financial Officer at the Cape May County Municipal Utilities Authority, Post Office Box 610, Cape May Court House, New Jersey 08210, telephone 609-465-9026.

BASIC FINANCIAL STATEMENTS

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CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
STATEMENT OF NET POSITION
BUSINESS TYPE ACTIVITIES
DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 7,310,644	\$ 22,215,778
Investments	5,931,290	779,856
User charges receivable	1,162,910	754,044
Septage haulers fees receivable	92,041	81,428
Accounts receivable - other	714,911	163,463
Allowance for doubtful accounts	(42,322)	(42,322)
Due from Solid Waste Management Program	-	180
	15,169,474	23,952,427
NONCURRENT ASSETS:		
Restricted Assets:		
Cash and cash equivalents	27,692,006	23,191,175
Investments	16,757,185	12,618,570
New Jersey trust loan receivable	2,130,587	2,158,281
Due from Solid Waste Management Program	1,049,727	925,484
	47,629,505	38,893,510
CAPITAL ASSETS:		
Capital Assets not being depreciated	30,587,445	24,663,728
Capital assets being depreciated	454,103,081	452,092,304
Less accumulated depreciation	370,431,824	363,941,381
	114,258,702	112,814,651
NET PROPERTY, PLANT AND EQUIPMENT	114,258,702	112,814,651
TOTAL ASSETS	177,057,681	175,660,588
DEFERRED OUTFLOW OF RESOURCES:		
Deferred Outflows Related to Pensions	12,779,755	5,611,893
Deferred Amount on Refunding	335,895	407,127
	13,115,650	6,019,020
TOTAL DEFERRED OUTFLOW OF RESOURCES	13,115,650	6,019,020
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 190,173,331	\$ 181,679,608

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
STATEMENT OF NET POSITION
BUSINESS TYPE ACTIVITIES
DECEMBER 31, 2016 AND 2015
(CONTINUED)

<u>LIABILITIES</u>	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:		
Accounts payable - operations	\$ 3,277,854	\$ 1,948,209
Due Wastewater Management Program	465,606	327,269
TOTAL CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS	3,743,460	2,275,478
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Accounts payable	1,056,349	1,373,950
Accrued interest payable	416,078	786,276
Due Wastewater Management Program	584,121	598,395
Current maturities of long-term debt (Net of Unamortized Bond Premium of \$28,153 in 2015 and 26,500 in 2014, respectively)	3,904,694	16,664,772
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	5,961,242	19,423,393
LONG TERM OBLIGATIONS:		
Accrued compensated absences	308,052	306,887
Due to IRS - arbitrage rebate	272,807	272,807
Net OPEB Obligations	8,709,925	8,538,158
Net Pension Liability	45,246,597	34,616,678
Long term portion of bonds payable (Net of Unamortized Bond Premium of \$1,747,183 in 2016 and \$2,302,289 in 2015, respectively)	32,335,923	31,098,295
TOTAL LIABILITIES	96,578,006	96,531,696
DEFERRED INFLOW OF RESOURCES:		
Unearned revenue - user fees	152,329	170,730
Unearned revenue - grants	-	10,940
Deferred Inflows related to pensions	234,120	556,570
TOTAL DEFERRED INFLOW OF RESOURCES	386,449	738,240
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	96,964,455	97,269,936

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
STATEMENT OF NET POSITION
BUSINESS TYPE ACTIVITIES
DECEMBER 31, 2016 AND 2015
(CONTINUED)

NET POSITION:	2016	2015
Net Investment in Capital Assets	\$ 78,018,085	\$ 65,051,584
Restricted For:		
Bond service	2,599,365	13,518,922
Bond reserve	3,293,633	3,293,633
Renewal and replacement	21,089,173	13,799,290
Capital projects	4,050,503	3,337,904
Landfill closure #1	5,941,230	5,657,494
Equipment reserve	3,128,841	3,118,396
Building and site	316,827	316,827
IPF capital reserve	1,150,379	1,220,029
Operating and maintenance reserve	5,029,982	5,029,982
Unreserved:		
Board Designated:		
Rate stabilization	833,793	830,733
IPF rate stabilization	517,274	492,821
Insurance	575,147	572,312
Future construction	4,667,583	2,627,380
Unrestricted	(38,002,939)	(34,457,635)
TOTAL NET POSITION	93,208,876	84,409,672
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	\$ 190,173,331	\$ 181,679,608

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
BUSINESS TYPE ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
User service agreements	\$ 46,464,546	\$ 45,065,813
Septage haulers fees	512,073	492,563
Leachate disposal	322,178	559,006
Lower Township MUA debt service	50,000	50,000
Processing dry sludge	161,247	204,995
Compost sales	10,627	17,607
Tower rental	95,317	82,097
Operating grants	143,920	254,914
SLF cover fees	177,106	138,704
Methane gas sales	24,668	24,888
Wood product sales	567,678	556,582
Wood product delivery charge	23,675	17,149
Sale of asbestos bags	7,738	7,286
Sale of scrap metal	30,604	24,702
Electric generation income	443,769	629,316
Sale of renewable energy certificates	251,399	287,000
Miscellaneous	1,491,140	217,907
IPF electric reimbursement	101,437	91,254
IPF residue income	215,007	205,908
IPF commercial ton revenue	9,174	17,837
IPF administrative support reimbursement	64,730	64,365
IPF glass cover material	99,820	110,389
Recyclables Hauling	25,125	28,050
Recycling income	23,086	22,649
TOTAL OPERATING REVENUES	<u>51,316,064</u>	<u>49,170,981</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
BUSINESS TYPE ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)

	2016	2015
Operating expenses:		
Salary and wages	\$ 9,692,256	\$ 9,874,901
Employee benefits	7,629,870	5,649,995
Other post-employment benefits (Note 19)	171,767	11,646
Administrative expenses	3,438,864	3,274,168
Operations and maintenance	13,021,902	11,754,764
Enforcement and compliance	376	-
Depreciation	7,168,583	7,223,576
Landfill closure expenses	-	-
Construction fund expenses	903,431	1,845,458
	42,027,049	39,634,508
TOTAL OPERATING EXPENSES		
Operating income	9,289,015	9,536,473
Nonoperating revenues (expenses):		
Change in net OPEB obligation due to plan amendment (Note 19)	-	-
Project fund credits - NJEIT	29,411	20,227
Cost of Issuance	(102,875)	-
Interest income	324,967	263,015
Interest expense	(1,063,027)	(1,713,559)
Amortization of bond premium	321,713	26,500
	(489,811)	(1,403,817)
TOTAL NONOPERATING REVENUES (EXPENSES)		
Change in Net Position	8,799,204	8,132,656
Net Position - beginning	84,409,672	76,277,016
Net Position - ending	\$ 93,208,876	\$ 84,409,672

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
STATEMENT OF CASH FLOWS
BUSINESS TYPE ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 48,743,297	\$ 49,128,312
Other operating cash receipts	1,590,900	488,224
Payments to employees	(14,181,354)	(14,351,319)
Payments to suppliers and vendors	<u>(16,352,529)</u>	<u>(16,248,031)</u>
Net cash provided by operating activities	<u>19,800,314</u>	<u>19,017,186</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Prepayments received (returned)	<u>(18,401)</u>	<u>(841)</u>
Net cash provided/(used) by noncapital financing activities	<u>(18,401)</u>	<u>(841)</u>
CASH ACTIVITIES FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(7,934,494)	(6,431,706)
N.J. trust and fund loan	27,694	(1,999,564)
Principal paid on capital debt	(11,188,454)	(7,862,097)
Interest paid on capital debt	<u>(1,361,993)</u>	<u>(2,050,134)</u>
Net cash (used) by capital and related financing activities	<u>(20,457,247)</u>	<u>(18,343,501)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments matured (purchased)	(10,053,936)	1,912,334
Interest income	<u>324,967</u>	<u>263,015</u>
Net cash provided/(used) by investing activities	<u>(9,728,969)</u>	<u>2,175,349</u>
Net increase/(decrease) in cash and cash equivalents	(10,404,303)	2,848,193
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>45,406,953</u>	<u>42,558,760</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 35,002,650</u>	<u>\$ 45,406,953</u>
Reconciliation of operating income to net cash		
Provided by operating activities:		
Operating income	\$ 12,428,622	\$ 10,709,769
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	<u>7,168,583</u>	<u>7,223,576</u>
	19,597,205	17,933,345
Changes in assets and liabilities:		
Receivables, net	(970,927)	450,930
Accounts and other payables	<u>1,174,036</u>	<u>632,911</u>
	<u>\$ 19,800,314</u>	<u>\$ 19,017,186</u>

The Accompanying Notes to Financial Statements
are an Integral Part of this Statement

NOTES TO FINANCIAL STATEMENTS

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CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. GENERAL

The Cape May County Municipal Utilities Authority, hereafter referred to as the "Authority," is a public body politic and corporate, constituting a political subdivision of the State of New Jersey organized and existing under the provisions of Municipal Utilities Authority Law, (New Jersey Revised Statutes 40:14B-1 et seq.), constituting Chapter 183 of the Pamphlet Laws of 1957, and was created by virtue of a resolution of the Board of Chosen Freeholders of the County of Cape May, hereafter referred to as the "County," adopted August 8, 1972. The Authority is a component unit of the County of Cape May, New Jersey, and was created to construct and operate a countywide wastewater treatment system in Cape May County. In December 1980, the County Freeholders designated the Authority as the agency to implement the County's Solid Waste Management Plan, which involved constructing a secure sanitary landfill and transfer station. As a public body, under existing statute, the Authority is exempt from both federal and state income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies:

A. Basis of Financial Statements

The financial statements of the Authority have been prepared on a full accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The Authority's financial statements include the accounts of all operations of the Authority. The Authority, as a component unit of the County of Cape May, State of New Jersey, is financially accountable to the County. As set forth in Government Accounting Standards Board (GASB) 14, as amended by GASB 61, financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The Authority, as a component unit, issues separate financial statements from the County of Cape May. However, if the County presented its financial statements in accordance with accounting principles generally accepted in the United States of America, these financial statements would be includable with the County's on a blended basis.

The Authority has adopted GASB No. 1 through 73 and related interpretations issued through December 31, 2016. GASB Statements and Interpretations require certain terminology, format and content, as well as inclusion of management's discussion and analysis supplementary information.

C. Grants

Grants received from various sources are recorded when the grant is approved. Grants not externally restricted and utilized to finance operations are identified as operating revenues. Grants externally restricted for non-operating purposes are recorded as contributed capital and are increases to the Unrestricted Net Position.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

D. Recent Accounting Pronouncements Not Yet Effective

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74 “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”. This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the District’s financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. This statement, which is effective for fiscal periods beginning after June 15, 2017, the effect on the Authority’s financial reporting is not known at this time.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80 “Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14”. This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the Authority’s financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 81, “Irrevocable Split-Interest Agreements”. This statement is effective for fiscal periods beginning after December 15, 2016, will not have any effect on the Authority’s financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82, “Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No.73”. This statement is effective for fiscal periods beginning after June 15, 2016, will have an effect on the Authority’s financial reporting.

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, “Certain Asset Retirement Obligations”. This statement is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the Authority’s financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, “Fiduciary Activities”. This statement is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the Authority’s financial reporting.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

E. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Wastewater Management Program:				
Capital assets, not being depreciated:				
Land	\$ 5,677,701			5,677,701
Construction in Progress	630,112	6,926,084	1,146,184	6,410,012
Total capital assets not being depreciated	<u>6,307,813</u>	<u>6,926,084</u>	<u>1,146,184</u>	<u>12,087,713</u>
Capital assets being depreciated:				
Land Improvements	7,101,504			7,101,504
Buildings and building improvements	135,510,378			135,510,378
Machinery and Equipment	92,273,723	1,659,172	230,209	93,702,686
Other capitalized costs	128,787,369			128,787,369
Total capital assets being depreciated at historical cost	<u>363,672,974</u>	<u>1,659,172</u>	<u>230,209</u>	<u>365,101,937</u>
Less:				
Accumulated depreciation	298,966,759	4,839,545	230,209	303,576,095
Total capital assets being depreciated, net of accumulated depreciation	<u>64,706,215</u>	<u>(3,180,373)</u>	<u>-</u>	<u>61,525,842</u>
Capital Assets, net	<u>\$ 71,014,028</u>	<u>3,745,711</u>	<u>1,146,184</u>	<u>73,613,555</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Solid Waste Management Program:				
Capital assets, not being depreciated:				
Land	\$ 1,856,900			1,856,900
Construction in Progress	16,499,015	143,816		16,642,831
Total capital assets not being depreciated	<u>18,355,915</u>	<u>143,816</u>	<u>-</u>	<u>18,499,731</u>
Capital assets being depreciated:				
Land Improvements	33,255,835			33,255,835
Buildings and building improvements	13,075,919			13,075,919
Machinery and Equipment	20,031,859	1,048,679	466,864	20,613,674
Other capitalized costs	22,055,717			22,055,717
Total capital assets being depreciated at historical cost	<u>88,419,330</u>	<u>1,048,679</u>	<u>466,864</u>	<u>89,001,145</u>
Less:				
Accumulated depreciation	64,974,622	2,329,038	447,931	66,855,729
Total capital assets being depreciated, net of accumulated depreciation	<u>23,444,708</u>	<u>(1,280,359)</u>	<u>18,933</u>	<u>22,145,416</u>
Capital Assets, net	<u>\$ 41,800,623</u>	<u>(1,136,543)</u>	<u>18,933</u>	<u>40,645,147</u>

All costs incurred by the Authority prior to any of the four regional sewer systems being placed in operation are capitalized and not considered as operating expenses.

Depreciation of the physical plant and equipment in operation is recorded on a straight-line basis. Depreciation on contributed capital has been recorded as a reduction of contributed capital. Depreciation is computed using estimated lives of between 6 and 45 years.

F. Restricted Accounts

1. Regional Wastewater Management Program

In accordance with the 1979 Sewer General Bond Resolution, as amended and supplemented, the Authority has established the following cash and investment accounts for the deposit of all revenue received by the Authority for the Regional Wastewater Management Program:

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Construction	Proceeds of debt issued and Construction grants-in-aid	Expenses legally chargeable to bond proceeds.
Revenue	All revenues received for the Wastewater Treatment Program.	Operating expenses and transfers to the various Accounts described below.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Bond Service (Current Debt Service)	Amount needed to pay matured principal and interest due on or before the following January 1st.	Principal and interest on bonds.
Sinking Fund	Amount needed to pay sinking fund installments due on or before the established due dates for installments.	Purchase or redemption of Bonds. Installments commence January 1, 1992.
Bond Reserve (Future Debt Service)	Amount needed to increase the balance to equal the greatest amount of debt service due in any year.	To make up any deficiency in the Bond Service Account, if any.
Renewal and Replacement	Amount needed to increase the balance to equal the "System Reserve Requirement" as defined by the Bond Resolution.	Transfers to meet minimum levels required in the Bond Service, Sinking or Bond Reserve accounts or major repairs, renewals and extensions of the system.
General Account	Deposits will be made as funds are available after all other requirements are met.	Any lawful purpose of the Authority.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

Pursuant to the provisions of the 1984 Supplemental Resolution and the 1985 Supplemental Resolution, the Authority was required to maintain a special sub-account in the General Account, designated the "Rate Stabilization Account." Those provisions are no longer in effect. The funds now on deposit in the Rate Stabilization Account are free of any restrictions and may be used for any lawful purpose of the Authority.

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Escrow Accounts	Refunding bond proceeds and interest earned on investments.	Payment of bonds when due for which refunding bonds were issued and interest on refunding bonds until crossover dates.
Cost of Issuance Accounts	Refunding bond proceeds and interest earned on investments.	Costs and expenses incurred in connection with issuance and delivery and portion of bond insurance and such other fees with respect to refunding bonds issued prior to crossover date.

The Authority has also established the following unreserved accounts designated by the Board for the Wastewater Management Program:

- Rate Stabilization Fund - The fund was established by the Authority to offset fluctuations in rates from users.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

2. Solid Waste Management Program

The 1986 Solid Waste Bond Resolution, with all associated Supplemental bond Resolutions, expired with the final related debt service payments made in 2012. The Authority adopted a new General Bond Resolution on September 21, 2011, but no bonds have been issued under this new resolution. The Authority is maintaining certain accounts, although not required due to the absence of outstanding bonds, in order to maintain a clear segregation of funds for current operations and capital projects:

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Construction	Any moneys received, from any source, for the payment of construction costs or cost of the project.	Expenses legally chargeable to bond proceeds, if any.
Revenue	All revenues received for the Solid Waste Program.	Operating expenses and transfers to the various accounts described below.
Renewal and Replacement	Annual operating budget appropriation for the renewal And/or replacement.	Transfers to meet appropriate for major repairs, renewals and replacements of the project.
Landfill Closure	Amount needed to increase balance to equal the "Landfill Closure Requirement" and any additional amount deemed necessary by the Authority.	Reasonable and necessary expenses with respect to the proper closure of the Authority's secure landfill.
General	Deposits will be made as funds are available after all other reserves are met	Any lawful purpose of the Authority.

In addition to the above, the Authority has also established the following restricted accounts for the Solid Waste Management Program:

- Building and Site Maintenance Reserve - Funds reserved from operating revenues to be used for the purchase or acquisition of various Capital items and/or improvements.
- IPF Capital Reserve – The fund was established by the Authority as required by the IPF contract with FCR Camden Inc. in order that funds will be available to perform all needed repairs and improvements to the Intermediate Processing Facility when required without burdening the solid waste operating budget.

The Authority has also established the following unreserved accounts designated by the Board for the Solid Waste Management Program:

- Rate Stabilization Fund - The fund was established by the Authority to pay the Pinelands Commission the amount of \$2.04 per ton until the amount of \$2,250,000 had been paid to the Commission. This payment is per the prior agreement with the Pinelands Commission to allow

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

the Cape May County Municipal Utilities Authority's Secure Sanitary Landfill to remain open. The remaining balance in the fund may be used for operating and other expenses.

- IPF Rate Stabilization Fund - The fund was established by the Authority with recycling income derived from Out-of-County recyclables. This fund is to be used as necessary to mitigate any loss by the Authority for the recycling of material at the Intermediate Processing Facility (IPF).
- Insurance and Liability Reserve - The Authority has set up this account as a self insurance reserve to pay any possible claims not covered by current insurance policies.
- Future Construction - The Authority has set up this account as a reserve for future capital projects.

G. Annual Budget

The Authority submits an annual budget to the State of New Jersey for the Wastewater Management Program and for the Solid Waste Management Program. Once adopted, the Authority may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

The budgets are prepared on the accrual basis. Unspent appropriations for annually budgeted funds lapse at year-end.

H. Leave Policies

Employees are encouraged to use vacation leave during the year in which it is earned. However, employees may defer up to one (1) year's accrual of vacation leave into the succeeding year. Upon termination of employment for any reason, employees will be paid for any accrued, unused vacation leave.

Unused sick leave for union employees may accumulate from year to year to a maximum of two hundred sixty (260) days total. However, unused sick leave will not be paid to those employees terminating their employment with the Authority except for those employees retiring from the Authority who have a minimum of fifteen (15) years of continuous service, and that upon such retirement are eligible under the New Jersey Public Employees' Retirement System, based on years of service and/or age to immediately receive monthly retirement benefits, will be paid 50% of their unused sick leave, at the employee's annual salary rate at the time of his/her retirement not to exceed \$15,000.

Unused sick leave for non-bargaining unit employees may accumulate for an indefinite period. However, unused sick leave will not be paid to those employees terminating their employment with the Authority except for those employees retiring from the Authority who have a minimum of fifteen (15) years of continuous service, and that upon such retirement are eligible under the New Jersey Public Employees' Retirement System, based on years of service and/or age to immediately receive monthly retirement benefits, will be paid 50% of their unused sick leave, at the employee's annual salary rate at the time of his/her retirement not to exceed \$15,000.

A portion of the monetary value of unused sick leave and vacation has been accrued by charges to operations. This liability may be affected by conditions which could preclude an employee from receiving full payment of the accrual. The accrual at December 31, 2016 is \$308,052 and the unrecorded balance of accrued sick leave and vacation at December 31, 2016 is \$1,315,935, assuming all employees are eligible at separation.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

I. Post-Employment Health Benefits

Upon retirement from the Cape May County Municipal Utilities Authority, all eligible employees will be provided Authority-paid health benefits in accordance with the criteria for eligibility, the requirements included in the Authority policy, and with the provisions of the health benefit plan or plans as provided to eligible Authority employees.

J. Cash, Cash Equivalents and Investments

The Authority's investments practices are governed by New Jersey State Statute 40A:5-15. Statutes authorize the Authority to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds and a maturity date not greater than 397 days from the date of purchase. In addition, the Authority can invest in direct debt securities of the United States or obligations guaranteed by the United States, bonds and other obligations of the local municipality or bonds or obligations of school districts of which the Authority is a part or within which the Authority is located unless such investments are expressly prohibited by law.

K. 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 Employee Retirement System ("PERS") and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the PERS. 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.

3. GENERAL BOND RESOLUTIONS

A. Regional Wastewater Collection and Treatment System

On April 4, 1979, the Authority authorized the issuance of revenue bonds (the "Sewer System Revenue Bonds") for the acquisition and construction of a wastewater collection and treatment system (the "Sewer System") pursuant to a resolution entitled "Resolution Authorizing the Issuance of Revenue Bonds of the Cape May County Municipal Utilities Authority," which resolution has been amended and/or supplemented from time to time (as amended and/or supplemented, the "Sewer Resolution").

All of the Sewer System Revenue Bonds described below are direct and general obligations of the Authority payable from the revenues derived from the operation of the sewer system and are further secured by substantially similar agreements with certain municipalities located within Cape May County (the "County"), as well as the Township of Lower Municipal Utilities Authority and New Jersey – American Water Company. The Sewer System Revenue Bonds are also secured by an agreement dated as of October 16, 1974, as amended and supplemented, by and between the County and the Authority pursuant to which the County is obligated to make up any deficiencies in the sewer system revenues.

B. Regional Solid Waste System

On June 18, 1986, the Authority authorized the issuance of revenue bonds (the "Solid Waste System Revenue Bonds") for the acquisition and construction of a certain solid waste facilities (the "Solid Waste System") pursuant to resolution entitled "Resolution Authorizing the Issuance of Solid Waste Revenue Bonds (Landfill Program) of the Cape May County Municipal Utilities Authority," which

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

resolution has been amended and/or supplemented from time to time (as amended and/or supplemented, the "Solid Waste Resolution"). On August 1, 2011, the Authority satisfied all its obligations to the bondholders under the General Bond Resolution and all Supplemental Bond Resolutions.

On September 21, 2011, the Authority adopted a resolution entitled "Resolution Authorizing the Issuance of Solid Waste System Revenue Bonds and Project Notes of the Cape May County Municipal Utilities Authority", which provides for future short-term and long-term financing when necessary for capital improvements to the Authority's Solid Waste System.

All of the Solid Waste System Bonds/Loans described below are direct and general obligations of the Authority payable from the revenues derived from the operation of the Solid Waste System and are further secured by an agreement dated as of July 8, 1990, as amended, by and between the County and the Authority pursuant to which the County is obligated to make up any deficiencies in the Solid Waste System revenues.

4. SEWER SYSTEM REVENUE BONDS/LOANS

A. Sewer Revenue Refunding Bonds, Series 2002-A

On November 15, 2002, the Authority issued \$85,195,000 Sewer Revenue Refunding Bonds, Series 2002-A (the "2002-A Refunding Bonds") pursuant to the Sewer resolution in order to refund and defease certain of the Authority's \$88,075,000 Sewer Revenue Refunding Bonds, Series 1992-A.

The 2002-A Refunding Bonds matured on the January 1, 2016.

B. New Jersey Environmental Infrastructure Financing Program

1. NJ Environmental Infrastructure Trust – Trust Loan, Series 2010-A

On February 22, 2010, the Authority issued \$59,280 Sewer Revenue Trust Loan, Series 2010-A (the "2010 A Trust Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2010-A Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

Year August 1	Amount	Rate	Year August 1	Amount	Rate
2017	\$ 2,758	2.59%	2024	\$ 3,421	3.72%
2018	2,829	2.77%	2025	3,548	3.82%
2019	2,907	2.97%	2026	3,683	3.92%
2020	2,994	3.16%	2027	3,828	4.01%
2021	3,088	3.29%	2028	3,981	4.10%
2022	3,190	3.48%	2029	4,144	4.18%
2023	3,301	3.62%			
				\$ 43,672	

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

2. NJ Environmental Infrastructure Trust – Fund Loan, Series 2010-A

On February 22, 2010, the Authority issued \$171,000 Sewer Revenue Fund Loan, Series 2010-A (the "2010-A Fund Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2010-A Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2010-A Fund Loan bears interest at the rate of zero percent (0%) per annum.

<u>Year</u> <u>February 1</u>	<u>Amount</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>
2017	\$ 2,898	2017	\$ 5,797
2018	2,898	2018	5,797
2019	2,898	2019	5,797
2020	2,898	2020	5,797
2021	2,898	2021	5,797
2022	2,898	2022	5,797
2023	2,898	2023	5,797
2024	2,898	2024	5,797
2025	2,898	2025	5,797
2026	2,898	2026	5,797
2027	2,898	2027	5,797
2028	2,898	2028	5,797
2029	2,898	2029	<u>5,796</u>
			<u>\$ 113,034</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

3. NJ Environmental Infrastructure Trust – Trust Loan, Series 2010-B

On December 2, 2010, the Authority issued \$420,000 Sewer Revenue Trust Loan, Series 2010-B (the "2010-B Trust Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2010-B Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2017	\$ 20,000	5.00%	2024	\$ 25,000	5.00%
2018	20,000	5.00%	2025	25,000	5.00%
2019	20,000	5.00%	2026	25,000	5.00%
2020	20,000	5.00%	2027	30,000	5.00%
2021	20,000	5.00%	2028	30,000	5.00%
2022	20,000	5.00%	2029	30,000	5.00%
2023	25,000	5.00%	2030	35,000	5.00%
				<u>\$ 345,000</u>	

4. NJ Environmental Infrastructure Trust – Fund Loan, Series 2010-B

On December 2, 2010, the Authority issued \$218,000 Sewer Revenue Fund Loan, Series 2010-B (the "2010-B Fund Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2010-B Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2010-B Fund Loan bears interest at the rate of zero percent (0%) per annum.

<u>Year</u> <u>February 1</u>	<u>Amount</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>
2017	\$ 3,825	2017	\$ 7,649
2018	3,825	2018	7,649
2019	3,825	2019	7,649
2020	3,825	2020	7,649
2021	3,825	2021	7,649
2022	3,824	2022	7,649
2023	3,824	2023	7,649
2024	3,824	2024	7,649
2025	401		
			<u>\$ 92,190</u>

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5. NJ Environmental Infrastructure Trust – Trust Loan, Series 2010-C

On December 2, 2010, the Authority issued \$4,270,000 Sewer Revenue Trust Loan, Series 2010-C (the "2010-C Trust Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2010-C Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2017	\$ 185,000	5.00%	2024	\$ 260,000	5.00%
2018	195,000	5.00%	2025	275,000	5.00%
2019	205,000	5.00%	2026	285,000	5.00%
2020	215,000	5.00%	2027	300,000	5.00%
2021	225,000	5.00%	2028	315,000	5.00%
2022	235,000	5.00%	2029	330,000	5.00%
2023	245,000	5.00%	2030	350,000	5.00%
				<u>\$ 3,620,000</u>	

6. NJ Environmental Infrastructure Trust – Fund Loan, Series 2010-C

On December 2, 2010, the Authority issued \$4,236,537 Sewer Revenue Fund Loan, Series 2010-C (the "2010-C Fund Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2010-C Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2010-C Fund Loan bears interest at the rate of zero percent (0%) per annum.

<u>Year</u> <u>February 1</u>	<u>Amount</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>
2017	\$ 78,454	2017	\$ 156,909
2018	78,454	2018	156,909
2019	78,454	2019	156,909
2020	78,454	2020	156,909
2021	78,454	2021	156,909
2022	78,454	2022	156,909
2023	78,454	2023	156,909
2024	78,454	2024	156,909
2025	78,454	2025	156,909
2026	78,454	2026	156,909
2027	78,454	2027	156,909
2028	78,454	2028	156,909
2029	78,454	2029	156,909
2030	78,455	2030	<u>103,859</u>
			<u>\$ 3,242,033</u>

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7. NJ Environmental Infrastructure Trust – Trust Loan, Series 2012-A

On May 3, 2012, the Authority issued \$370,000 Sewer Revenue Trust Loan, Series 2012-A (the "2012 A Trust Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2012-A Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2017	\$ 15,000	5.00%	2025	\$ 20,000	5.00%
2018	15,000	5.00%	2026	25,000	5.00%
2019	15,000	5.00%	2027	25,000	3.00%
2020	15,000	5.00%	2028	25,000	3.00%
2021	20,000	5.00%	2029	25,000	3.13%
2022	20,000	5.00%	2030	25,000	3.20%
2023	20,000	5.00%	2031	25,000	3.25%
2024	20,000	5.00%			
				<u>\$ 310,000</u>	

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8. NJ Environmental Infrastructure Trust – Fund Loan, Series 2012-A

On May 3, 2012, the Authority issued \$390,293 Sewer Revenue Fund Loan, Series 2012-A (the "2012-A Fund Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2012-A Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2012-A Fund Loan bears interest at the rate of zero percent (0%) per annum.

<u>Year</u>		<u>Amount</u>	<u>Year</u>		<u>Amount</u>
February 1			August 1		
2017	\$	6,969	2017	\$	13,939
2018		6,970	2018		13,939
2019		6,969	2019		13,939
2020		6,970	2020		13,939
2021		6,969	2021		13,939
2022		6,970	2022		13,939
2023		6,969	2023		13,939
2024		6,970	2024		13,939
2025		6,969	2025		13,939
2026		6,970	2026		13,939
2027		6,969	2027		13,939
2028		6,970	2028		13,939
2029		6,969	2029		13,939
2030		6,970	2030		12,969
				\$	<u>291,749</u>

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9. NJ Environmental Infrastructure Trust – Trust Loan, Series 2012-B

On May 3, 2012, the Authority issued \$185,000 Sewer Revenue Trust Loan, Series 2012-B (the "2012-B Trust Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2012-B Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2017	\$ 5,000	5.00%	2025	\$ 10,000	5.00%
2018	10,000	5.00%	2026	10,000	5.00%
2019	10,000	5.00%	2027	10,000	3.00%
2020	10,000	5.00%	2028	15,000	3.00%
2021	10,000	5.00%	2029	15,000	3.13%
2022	10,000	5.00%	2030	15,000	3.20%
2023	10,000	5.00%	2031	15,000	3.25%
2024	10,000	5.00%			
				<u>\$ 165,000</u>	

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(CONTINUED)

10. NJ Environmental Infrastructure Trust – Fund Loan, Series 2012-B

On May 3, 2012, the Authority issued \$582,075 Sewer Revenue Fund Loan, Series 2012-B (the "2012-B Fund Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2012-B Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2012-B Fund Loan bears interest at the rate of zero percent (0%) per annum.

<u>Year</u> <u>February 1</u>	<u>Amount</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>
2017	\$ 10,212	2017	\$ 20,424
2018	10,211	2018	20,424
2019	10,212	2019	20,424
2020	10,211	2020	20,424
2021	10,212	2021	20,424
2022	10,211	2022	20,424
2023	10,212	2023	20,424
2024	10,211	2024	20,424
2025	10,212	2025	20,424
2026	10,211	2026	20,424
2027	10,212	2027	20,424
2028	10,211	2028	20,424
2029	10,212	2029	20,424
2030	10,211	2030	20,424
2031	10,212	2031	<u>20,424</u>
			<u>\$ 459,533</u>

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11. NJ Environmental Infrastructure Trust – Trust Loan, Series 2016-A

On May 26, 2016, the Authority issued \$760,000 Sewer Revenue Trust Loan, Series 2016-A (the "2016-A Trust Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2016-A Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2017	\$ 25,000	5.00%	2027	\$ 45,000	4.00%
2018	30,000	5.00%	2028	45,000	2.00%
2019	30,000	5.00%	2029	45,000	2.00%
2020	30,000	5.00%	2030	45,000	2.00%
2021	35,000	5.00%	2031	40,000	2.125%
2022	35,000	5.00%	2032	50,000	3.00%
2023	35,000	5.00%	2033	50,000	3.00%
2024	40,000	4.00%	2034	50,000	3.00%
2025	40,000	4.00%	2035	50,000	3.00%
2026	40,000	4.00%			
				<u>\$ 760,000</u>	

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12. NJ Environmental Infrastructure Trust – Fund Loan, Series 2016-A

On May 26, 2016, the Authority issued \$2,389,503 Sewer Revenue Fund Loan, Series 2016-A (the "2016-A Fund Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2016-A Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2016-A Fund Loan bears interest at the rate of zero percent (0%) per annum.

<u>Year</u> <u>February 1</u>	<u>Amount</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>
2017	\$ 40,500	2017	\$ 81,000
2018	40,500	2018	81,000
2019	40,500	2019	81,000
2020	40,500	2020	81,000
2021	40,500	2021	81,000
2022	40,500	2022	81,000
2023	40,500	2023	81,000
2024	40,500	2024	81,000
2025	40,500	2025	81,000
2026	40,500	2026	81,000
2027	40,500	2027	81,000
2028	40,500	2028	81,000
2029	40,500	2029	81,000
2030	40,500	2030	81,000
2031	40,500	2031	81,000
2032	40,500	2032	81,000
2033	40,500	2033	81,000
2034	40,500	2034	81,000
2035	40,500	2035	<u>81,003</u>
			<u>\$ 2,308,503</u>

C. Sewer Revenue Refunding Bonds, Series 2011

On October 13, 2011, the Authority issued \$13,015,000 Sewer Revenue Refunding Bonds, Series 2011 (the "2011 Refunding Bonds") pursuant to the Sewer Resolution with a net interest cost of 2.978220% to advance refund \$14,210,000 of outstanding Sewer Revenue Refunding Bonds, Series 2002-C with an average interest rate of 5.25%. The net proceeds of \$14,623,555 include a premium on the bonds of \$1,608,555 and net of payments of \$52,847 in underwriting fees and \$130,850 of issuance costs were used to purchase U.S. Government Securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments. The refunded bonds are non-callable and will mature starting in 2017 until final maturity in 2021.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old bonds of \$370,557. The difference reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the fiscal year 2021 using the Bonds Outstanding Method. The Authority completed the advance refunding to reduce

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its total debt service payments over the next 10 years by \$2,499,223 and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$2,032,463.

The 2011 Refunding Bonds mature on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of January and July.

<u>Year</u> <u>January 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Year</u> <u>January 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
2017	\$ 2,100,000	4.00%	2020	\$ 950,000	4.00%
2017	275,000	5.00%	2020	1,775,000	5.00%
2018	150,000	3.00%	2021	200,000	3.00%
2018	200,000	4.00%	2021	575,000	4.00%
2018	2,120,000	5.00%	2021	1,025,000	4.50%
2019	2,595,000	5.00%	2021	<u>1,050,000</u>	5.00%
			Total	<u>\$ 13,015,000</u>	

Summary of Sewer System Revenue Bonds/Loans (as of December 31, 2016, the current principal, and long term principal, interest and total debt service, excluding those Sewer System Revenue Bonds that have been paid or defeased), is as follows:

<u>Issue</u>	<u>Current</u> <u>Portion</u>	<u>Long-Term</u> <u>Portion</u>	<u>Interest</u>	<u>Total</u>
2011 Refunding Bonds	\$ 2,375,000	\$ 10,640,000	\$ 1,568,938	\$ 14,583,938
NJ Environmental Infrastructure Financing Program:				
2010 Series A - Trust Loan	2,758	40,915	11,567	55,240
2010 Series A - Fund Loan	8,695	104,339	-	113,034
2010 Series B - Trust Loan	20,000	325,000	142,000	487,000
2010 Series B - Fund Loan	11,474	80,717	-	92,191
2010 Series C - Trust Loan	185,000	3,435,000	1,498,750	5,118,750
2010 Series C - Fund Loan	235,363	3,006,670	-	3,242,033
2012 Series A - Trust Loan	15,000	295,000	105,794	415,794
2012 Series A - Fund Loan	20,908	270,841	-	291,749
2012 Series B - Trust Loan	5,000	160,000	56,076	221,076
2012 Series B - Fund Loan	30,635	428,897	-	459,532
2016 Series A - Trust Loan	25,000	735,000	262,100	1,022,100
2016 Series A - Fund Loan	121,500	2,187,003	-	2,308,503
Unamortized Costs:				
Bond Premiums	331,078	1,521,162	-	1,852,240
	<u>\$ 3,387,411</u>	<u>\$ 23,230,544</u>	<u>\$ 3,645,225</u>	<u>\$ 30,263,180</u>

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5. SOLID WASTE SYSTEM REVENUE BONDS/LOANS

A. New Jersey Environmental Infrastructure Financing Program

1. NJ Environmental Infrastructure Trust – Trust Loan, Series 2012-C

On May 3, 2012, the Authority issued \$1,240,000 Solid Waste Revenue Trust Loan, Series 2012-C (the "2012-C Trust Loan") pursuant to the Solid Waste Resolution in order to fund various improvements to the Solid Waste System.

The 2012-C Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2017	\$ 50,000	5.00%	2025	\$ 75,000	5.00%
2018	50,000	5.00%	2026	80,000	5.00%
2019	55,000	5.00%	2027	80,000	3.00%
2020	60,000	5.00%	2028	85,000	3.00%
2021	60,000	5.00%	2029	85,000	3.13%
2022	65,000	5.00%	2030	90,000	3.20%
2023	65,000	5.00%	2031	85,000	3.25%
2024	70,000	5.00%			
				<u>\$ 1,055,000</u>	

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2. NJ Environmental Infrastructure Trust – Fund Loan, Series 2012-C

On May 3, 2012, the Authority issued \$3,966,467 Solid Waste Revenue Fund Loan, Series 2012-B (the "2012-C Fund Loan") pursuant to the Solid Waste Resolution in order to fund various improvements to the Solid Waste System.

The 2012-C Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2012-C Fund Loan bears interest at the rate of zero percent (0%) per annum.

<u>Year</u> <u>February 1</u>	<u>Amount</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>
2017	\$ 69,587	2017	\$ 139,174
2018	69,587	2018	139,175
2019	69,587	2019	139,174
2020	69,587	2020	139,175
2021	69,587	2021	139,174
2022	69,587	2022	139,175
2023	69,587	2023	139,174
2024	69,587	2024	139,175
2025	69,587	2025	139,174
2026	69,587	2026	139,175
2027	69,587	2027	139,174
2028	69,587	2028	139,175
2029	69,587	2029	139,174
2030	69,587	2030	139,174
2031	69,587	2031	<u>139,174</u>
			<u>\$ 3,131,421</u>

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3. NJ Environmental Infrastructure Trust – Trust Loan, Series 2015-A

On November 24, 2015, the Authority issued \$1,330,000 Solid Waste Revenue Trust Loan, Series 2015-A (the "2015-A Trust Loan") pursuant to the Solid Waste Resolution in order to fund various improvements to the Solid Waste System.

The 2015-A Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2017	\$ 45,000	5.00%	2027	75,000	3.00%
2018	50,000	5.00%	2028	75,000	3.00%
2019	50,000	5.00%	2029	80,000	3.00%
2020	55,000	5.00%	2030	80,000	3.00%
2021	55,000	5.00%	2031	85,000	3.00%
2022	60,000	5.00%	2032	85,000	3.00%
2023	60,000	5.00%	2033	85,000	3.125%
2024	65,000	5.00%	2034	90,000	3.125%
2025	70,000	5.00%	2035	95,000	3.25%
2026	70,000	3.00%			
				<u>\$ 1,330,000</u>	

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4. NJ Environmental Infrastructure Trust – Fund Loan, Series 2015-A

On November 24, 2015, the Authority issued \$4,073,580 Solid Waste Revenue Fund Loan, Series 2015-A (the "2015-A Fund Loan") pursuant to the Solid Waste Resolution in order to fund various improvements to the Solid Waste System.

The 2015-A Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2015-A Fund Loan bears interest at the rate of zero percent (0%) per annum.

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
<u>February 1</u>		<u>August 1</u>	
2017	\$ 69,044	2017	\$ 138,087
2018	69,044	2018	138,087
2019	69,044	2019	138,087
2020	69,044	2020	138,087
2021	69,044	2021	138,087
2022	69,044	2022	138,087
2023	69,044	2023	138,087
2024	69,044	2024	138,087
2025	69,044	2025	138,087
2026	69,044	2026	138,087
2027	69,044	2027	138,087
2028	69,044	2028	138,087
2029	69,044	2029	138,087
2030	69,044	2030	138,087
2031	69,044	2031	138,087
2032	69,044	2032	138,087
2033	69,044	2033	138,087
2034	69,045	2034	138,088
2035	69,045	2035	<u>76,425</u>
			<u>\$ 3,873,830</u>

Summary of Solid Waste System Revenue Bonds/Loans (as of December 31, 2016, the current principal and long term principal, interest and total debt service, excluding those Solid Waste System Revenue Bonds that have been paid or defeased, is as follows):

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<u>Issue</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Interest</u>	<u>Total</u>
NJ Environmental Infrastructure Financing Program:				
2012 Series C - Trust Loan	\$ 50,000	\$ 1,005,000	\$ 360,039	\$ 1,415,039
2012 Series C - Fund Loan	208,762	2,922,660	-	3,131,422
2015 Series A - Trust Loan	45,000	1,285,000	507,044	1,837,044
2015 Series A - Fund Loan	207,131	3,666,698	-	3,873,829
Unamortized Costs:				
Bond Premium	6,390	226,021	-	232,411
	<u>\$ 517,283</u>	<u>\$ 9,105,379</u>	<u>\$ 867,083</u>	<u>\$ 10,489,745</u>

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6. LONG TERM OBLIGATIONS

Changes in long-term obligations for the year ended December 31, 2016 are as follows:

	Balance 12/31/2015	Issues or Additions	Payments or Expenditures	Balance 12/31/2016	Amounts Due Within One Year
Compensated Absences	\$ 306,887	\$ 1,165	\$	\$ 308,052	\$ -
Due to IRS - Arbitrage Rebate	272,807			272,807	-
Net OPEB Obligation Payable	8,538,158	254,035	82,268	8,709,925	-
Net Pension Liability	34,616,678	11,987,121	1,357,202	45,246,597	-
Bonds Payable:					
Wastewater Program	35,583,862	3,149,503	13,945,771	24,787,594	21,731,261
Solid Waste Program	9,848,764		396,850	9,451,914	510,893
Unamortized Costs:					
Bond Premium	2,330,442	75,922	321,713	2,084,651	3,337,468
	<u>\$ 91,497,598</u>	<u>\$ 15,467,746</u>	<u>\$ 16,103,804</u>	<u>\$ 90,861,540</u>	<u>\$ 25,579,622</u>

7. PENSION AND RETIREMENT PLANS

Substantially all of the Authority's employees participate in the Public Employees' Retirement System, which is administered by the New Jersey Division of Pensions and Benefits. The plan has a Board of Trustees that is primarily responsible for its administration. According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the systems. This report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey 08625 or the report can be accessed on the internet at - <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Plan Descriptions - The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007, plan members enrolled in the PERS are required to contribute 7.06% through June 30, 2016, and 7.20% thereafter, of employees' annual compensation as defined. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to normal rate when such surplus assets not longer exist.

The Authority is billed annually for its normal contribution plus any accrued liability.

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The Authority's contributions, equal to the required contribution for each fiscal year, were as follows:

Fiscal Year	Normal Contribution	Life Insurance	Accrued Liability	Total Liability	Paid by Authority
2016	\$ 224,449	67,376	1,033,953	1,325,778	1,325,778
2015	207,621	77,566	941,655	1,226,842	1,226,842
2014	202,233	18,561	889,140	1,109,934	1,109,934

8. DEFINED CONTRIBUTION RETIREMENT PROGRAM

Plan Description

The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and expanded under the provisions of Chapter 89, P.L. 2008. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Vesting and Benefits Provisions

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP, employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer.

Funding Policy

Members contribute at a uniform rate of 5.5% of their base salary. Employers are required to contribute at a set rate of 3.0% of base salary. The Authority has 2 Board Members enrolled in the DCRP during the year ended December 31, 2016.

9. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

At December 31, 2016, the Authority reported a liability of \$45,246,597 for its proportionate share of the net pension liability. The net pension liability was measured 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 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 employers, actuarially determined. At June 30, 2016, the Authority's proportion was 0.15277170420%, which was a decrease of 0.93% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Authority recognized pension expense of \$4,496,731. At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expended and actual experience	\$ 841,450	
Changes of assumptions	9,372,678	
Net difference between projected and actual earnings on pension plan investments	1,725,294	
Changes in proportion and differences between District contributions and proportionate share of contributions	840,333	234,120
Total	\$ 12,779,755	234,120

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 June 30,	
2017	\$ 2,839,155
2018	2,839,155
2019	3,245,738
2020	2,716,142
2021	905,445
Total	\$ 12,545,635

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	3.08%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, 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 2014 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

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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).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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 experience deviates, the larger the impact on future financial statements.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt (Except US)	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, 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 contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined

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contributions and the local employers contributed 100% of the 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. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Authority's proportionate share of the net pension liability calculated using the 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-percentage point lower (2.98%) or 1-percentage point higher (4.98%) than the current rate:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Authority's proportionate share of the net pension liability	\$ 54,223,691	45,246,597	37,843,185

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

10. REGIONAL WASTEWATER TREATMENT FACILITIES

<u>Region</u>	<u>Date Commenced Operations</u>
Ocean City Region	February 1982
Cape May Region	February 1984
Seven Mile Beach/Middle Region	August 1987
Wildwood/Lower Region	May 1988

The Authority, in computing its annual charges, computes the amount which at all times will be sufficient to pay or provide for the expenses of the operation, repair and maintenance of the system, including insurance, renewals and replacements, the cost of extending the system not otherwise provided for, and principal of and interest on any and all bonds or other obligations of the Authority as the same become due, to provide for any deficits of the Authority resulting from failure to receive sums payable to the Authority from any other participant in the system, and to provide such revenues and maintain such reserves or sinking funds as may be required by the terms of any contract or other obligations of the Authority. The Service Contract may not be terminated as long as any bonds issued to finance the system have not been paid in full.

The balance of revenues is to be received from compost sales, septage and leachate disposal charges and interest received on investments.

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11. DEFERRED COMPENSATION

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all eligible regular employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The Authority established the Deferred Compensation Program through the U.S. Conference of Mayors (USCOM) on March 20, 1985. The USCOM has amended its Deferred Compensation Plan Document to incorporate the requirements of the Small Business Job Protection Act of 1996, and said amended Plan Document has been approved by and filed with the State of New Jersey Department of Community Affairs. By adopting the USCOM program, all regulatory, operational, administrative and fiduciary responsibilities were assumed by the Plan Administrator on behalf of the Authority. The USCOM partnered with what eventually became Nationwide Retirement Solutions ("Nationwide") to act as Administrator of the Program.

Effective January 1, 2013, USCOM is no longer partnering with Nationwide Retirement Solutions as the Program Administrator; instead, USCOM will be partnering with Great-West Retirement Services. The Authority will no longer be utilizing the 1985-adopted USCOM master prototype deferred compensation program. The Authority has opted to continue its long-standing relationship with Nationwide Retirement Solutions and has adopted the Nationwide Retirement Solutions Deferred Compensation Program.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights have been removed from the books and accounts of the Authority as they are no longer the property or rights of the Authority.

12. LITIGATION AND CONTINGENCIES

From time to time, the CMCMUA is a defendant or co-defendant in various lawsuits arising out of normal operations and construction activities of the CMCMUA. It is the opinion of management and the General Counsel to the CMCMUA that the resolution of these other pending lawsuits will not have a material adverse effect on the Authority's assets, liabilities or results of operations.

13. INTERMEDIATE PROCESSING FACILITY (IPF)

The Cape May County Municipal Utilities Authority constructed the Cape May County Intermediate Processing Facility ("IPF"), which commenced operations in April 1990, for the purpose of processing and marketing recyclable materials. Hudson Baylor Cape May, L.L.C. is responsible for improvement, maintenance and operation of the IPF under a contract which terminates on December 31, 2021. The Authority pays monthly service fee payments and revenue sharing to Hudson Baylor Corporation as compensation for its expenses to operate and maintain the IPF.

14. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance amounts in Solid Waste Management Program (\$26,968) and Wastewater Management Program (\$15,354) are contra asset amounts presented as reductions to User Charges Receivable, Composting Fees Receivable and Septage Haulers Fees Receivable, respectively.

15. CLOSURE AND POST-CLOSURE CARE COST

State and federal laws and regulations require the Authority to place a final and impermeable cover on its sanitary landfill site once it stops accepting waste for disposal and to perform certain maintenance and monitoring functions at the site for thirty years after closure. To cover closure and

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post-closure care cost requirements that will be paid near or after the date that the landfill stops accepting waste, the Authority collects a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$5.91 million reported as restricted net position/landfill closure account #1 at December 31, 2016, is in excess of the amount required to date based on the assumption that the landfill would permanently close in the year 2095. Based upon volume projections available in the landfill made by the Authority's Consulting Engineer, only 21.71% of the total landfill capacity has been utilized. These cumulative amounts are based on what it would cost to perform all closure and post-closure care in 2016. Actual closure and post-closure costs may be higher due to inflation, changes in technology, or changes in regulations. The above percentage of total landfill capacity utilized has changed substantially from 2008 due to a 74 acre vertical expansion of the sanitary landfill which has received all regulatory approvals.

The Authority is required by state and federal regulations to make annual contributions to a closure fund to finance closure and post-closure care. The Authority expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these additional costs may need to be covered by charges to future landfill users.

16. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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. The Authority has a formal policy regarding custodial credit risk, and 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. Of the Authority's bank balance of \$59,010,935 as of December 31, 2016, \$0 was uninsured and uncollateralized.

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Investments

At December 31, 2016, the Authority had the following investments:

Investment Type	Average Credit/Quality Ratings (1)	Face Amount	Carrying Amount	Investment Maturities (in Years)		
				Less Than 1	1-5	6-10
NJ Cash Management	Not rated	18,648,457	18,648,457	18,648,457		
FHLMC MTN	AAA	508,665	510,103		510,103	
FNMA MTN	AAA	691,145	684,344		568,059	116,285
Federal Farm Credit Bank	AAA	460,000	470,121		470,121	
Federal Home Loan Banks	AAA	660,000	660,929		367,018	293,911
US Treasury Bonds	AAA	463,000	612,967		492,690	120,277
FICO	Not rated	52,000	50,246		50,246	
Financing Corp.	AAA	20,000	26,863		26,863	
Tennessee Valley Auth. Power	AA+	30,000	36,342		36,342	
First American Govt. Obligation Fund CI Z	AAAm	37,323	37,323	37,323		
US Treasury Notes	AAA	2,828,000	2,851,992		1,112,461	1,739,531
		<u>\$ 24,398,590</u>	<u>\$ 24,589,687</u>	<u>\$ 18,685,780</u>	<u>\$ 3,633,903</u>	<u>\$ 2,270,004</u>

(1) Ratings are provided where applicable to indicate associated credit risk.

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17. DUE TO IRS – ARBITRAGE REBATE

The amount stated on the Statement of Net Position (\$272,807) has been established from earnings on bond proceeds, as reserves for the possible payment of arbitrage earnings to the Internal Revenue Service. Periodic arbitrage calculations have been made for the various bond issues and the Authority has concluded that the amounts established as reserves are sufficient at December 31, 2016. The reserves will be revised if future calculations warrant a revision.

18. RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

Receivables and payables at December 31, 2016 are as follows:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>
Wastewater Construction	Solid Waste Operating	\$ 465,606
Wastewater Construction	Solid Waste Project	<u>584,121</u>
		<u>\$ 1,049,727</u>

Interfunds were created to account for reimbursements due to Wastewater Management Program from Solid Waste Management Program that have not been paid at December 31, 2016.

19. POST EMPLOYMENT HEALTHCARE PLAN

Effective February 1, 2013, the Cape May County Municipal Utilities Authority joined New Jersey’s State Health Benefits Plan (“SHBP”). The SHBP plan now provides postretirement medical, dental and prescription drug coverage. Therefore, only the Medicare part B reimbursements and the postretirement vision care continue to be provided by the Authority.

Plan Description

The State Health Benefits Program (“SHBP”), is 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 authorized participation in the SHBP’s post-retirement benefit program through resolution.

It is the policy of the Cape May County Municipal Utilities Authority to provide health benefits to eligible employees who retire from the Authority and satisfy the Authority’s minimum service requirements in a manner consistent with New Jersey Law and Authority Policy.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf.

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The Authority utilizes the New Jersey State Health Benefits Plan for health insurance, however, they also provide post-retirement benefits for vision that is not included as a part of the State Health Benefits Plan. These benefits are budgeted by the Authority annually on a “pay as you go basis”.

In accordance with GASB 45 and the State of New Jersey, the Authority is required to obtain an actuarial valuation of the liability for providing these benefits. The actuary has decided to use the entry age actuarial cost method and the level percentage of payroll amortization method. The actuarial valuation report was based on 182 total participants including 25 retirees. The actuarial valuation date is January 1, 2017. The actuarial determined valuation of these benefits has been reviewed and will be reviewed bi-annually for the purpose of estimating the present value of future benefits for active and retired employees and their dependents as required by GASB 45.

Annual OPEB Cost and Net OPEB Obligation

The Authority’s annual OPEB cost represents the accrued cost for post-employment benefits under GASB 45. The cumulative difference between the annual OPEB cost and the benefits paid during a year will result in a net OPEB obligation. The annual OPEB cost is equal to the annual required contribution (ARC) less adjustment if a net OPEB obligation exists. The ARC is equal to the normal cost and amortization of the Unfunded Actuarial Accrued Liability (UAAL) plus interest.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrences of events far into the future, including future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the GASB 45 Actuarial Valuation Report dated March 29, 2016, the Entry Age Normal with a Level Dollar Allocation Method was used for all participants. In addition, the unfunded actuarial accrued liability is being amortized over the maximum acceptable period of 30 years and is calculated assuming a level dollar amount.

Other Post-Employment Benefit Costs and Obligations

The following reflects the components of the 2016 annual OPEB Costs, amounts paid, and changes to the net accrued OPEB obligation based on the January 1, 2017 actuarial valuation update report and OPEB payments made or accrued during 2016:

		December 31, 2016
Annual required contribution	\$	713,358
Interest on net OPEB obligation		217,748
Adjustment to annual required contribution		(677,071)
Annual OPEB Cost (Expense)		254,035
Contributions made (1)		82,268
Increase in Net OPEB		
Obligation		171,767
Net OPEB Obligation - Beginning of Year		8,538,158
End of Year	\$	8,709,925

(1) Contributions adjusted for Implicit Rate Subsidies

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The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2014	83,734	78.41%	8,526,512
12/31/2015	82,850	85.94%	8,538,158
12/31/2016	254,035	32.38%	8,709,925

Funding Status and Progress

As of January 1, 2017, the most recent valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$8.7 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$8.7 million and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 0%. The covered payroll (annual payroll of active employees covered by the plan) was \$11.5 million, and the ratio of the UAAL to the covered payroll was 75.3 percent.

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 about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

The State of New Jersey has not provided statutory authority that would allow the OPEB costs to be funded at this time.

Actuarial Methods and Assumptions

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

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal with a level dollar allocation method. The actuarial assumptions included a 3.5 percent investment rate of return, compounded annually, net of investment expenses. The Medicare Part B premiums are assumed to increase 6.5% per year. Vision care costs are assumed to increase 5% per year. The amortization period is 30 years for the initial unfunded actuarial accrued liability. Because there is only one amortization base, the equivalent single amortization period is also 30 years.

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20. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events for potential recognition and/or disclosure through April 30, 2017, the date the financial statements were available to be issued, no issues were identified that require disclosure.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

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CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
OPEB SCHEDULE OF FUNDING PROGRESS AND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEARS ENDED DECEMBER 31,

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ([b-a]/c)</u>
1/1/2010	\$ -	\$ 32,193,780	\$ 32,193,780	0.0%	\$ 10,519,191	306.0%
1/1/2013	\$ -	\$ 6,152,635	\$ 6,152,635	0.0%	\$ 11,222,833	54.8%
1/1/2016	\$ -	\$ 8,657,572	\$ 8,657,572	0.0%	\$ 11,500,000	75.3%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended December 31</u>	<u>Annual OPEB Cost</u>	<u>Contributions From Employer**</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2014	83,734	65,653	78.41%	8,526,512
2015	85,850	71,201	82.94%	8,538,158
2016	254,035	82,268	32.38%	8,709,925

** Employer contributions are adjusted for implicit rate subsidies.

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEE RETIREMENT SYSTEM
YEARS ENDED DECEMBER 31,**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's proportion of the net pension liability (asset)	0.1527717042%	0.1542083233%	0.1483271947%	0.1473077754%
Authority's proportionate of the net pension liability (asset)	\$ 45,246,597	\$ 34,616,678	\$ 27,770,908	\$ 28,153,443
Authority's covered payroll	\$ 10,537,005	\$ 10,463,313	\$ 10,314,672	\$ 10,119,281
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	429.41%	330.84%	269.24%	278.22%
Plan fiduciary net position as a percentage of the total pension liability	40.14%	47.93%	52.08%	48.72%

Source: GASB 68 report on Public Employees' Retirement System; Authority records

Note: This schedule is required by GASB 68 to be show information for a 10 year period. However, information is only currently available for four years. Additional years will be presented as they become available.

**CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF AUTHORITY CONTRIBUTIONS
PUBLIC EMPLOYEE RETIREMENT SYSTEM
YEARS ENDED DECEMBER 31,**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,258,402	\$ 1,145,220	\$ 1,091,373	\$ 1,063,090
Contributions in relation to the contractually required contribution	<u>1,258,402</u>	<u>1,145,220</u>	<u>1,091,373</u>	<u>1,063,090</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 10,537,005	\$ 10,463,313	\$ 10,314,672	\$ 10,119,281
Contributions as a percentage of covered-employee payroll	11.94%	10.95%	10.58%	10.51%

Source: GASB 68 report on Public Employees' Retirement System; Authority records

Note: This schedule is required by GASB 68 to be show information for a 10 year period. However, information is only currently available for four years. Additional years will be presented as they become available.

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OTHER SUPPLEMENTARY INFORMATION

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FORD - SCOTT

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INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman and Members
of the Cape May County Municipal
Utilities Authority
Cape May Court House, 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 business-type activities of Cape May County Municipal Utilities Authority, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 30, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

April 30, 2017

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
GENERAL COMMENTS AND RECOMMENDATIONS

Findings and Recommendations

None

Status of Prior Year's Audit Recommendations

There were no prior year recommendations.

Any problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Ford, Scott, & Associates, L.L.C.
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CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
 (A component unit of the County of Cape May)
COMBINING SCHEDULE OF NET POSITION
BUSINESS TYPE ACTIVITIES
DECEMBER 31, 2016 AND 2015

	December 31, 2016				December 31, 2015					
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total
ASSETS										
CURRENT ASSETS:										
Cash and cash equivalents	\$ 3,031,960	4,278,684			7,310,644	18,132,787	4,082,991			22,215,778
Investments	4,920,766	1,010,524			5,931,290	111,567	668,289			779,856
User charges receivable		1,162,910			1,162,910	-	754,044			754,044
Septage haulers fees receivable	92,041				92,041	81,428				81,428
Accounts receivable - other	454,370	260,541			714,911	13,439	150,024			163,463
Allowance for doubtful accounts	(15,354)	(26,968)			(42,322)	(15,354)	(26,968)			(42,322)
Due from Solid Waste Management Program					-	180				180
TOTAL CURRENT ASSETS	8,483,783	6,685,691	-	-	15,169,474	18,324,047	5,628,380	-	-	23,952,427
NONCURRENT ASSETS:										
Restricted Assets:										
Cash and cash equivalents	21,115,683	6,576,323			27,692,006	18,529,096	4,662,079			23,191,175
Investments	5,139,143	11,618,042			16,757,185	1,061,971	11,556,599			12,618,570
New Jersey trust loan receivable	2,110,033	20,554			2,130,587	98,093	2,060,188			2,158,281
Due from Solid Waste Management Program	1,049,727				1,049,727	925,484				925,484
TOTAL RESTRICTED ASSETS	29,414,586	18,214,919	-	-	47,629,505	20,614,644	18,278,866	-	-	38,893,510
CAPITAL ASSETS:										
Capital Assets not being depreciated	12,087,713	18,499,732			30,587,445	6,307,813	18,355,915			24,663,728
Capital assets being depreciated	365,101,937	89,001,144			454,103,081	363,672,974	88,419,330			452,092,304
Less accumulated depreciation	303,576,095	66,855,729			370,431,824	298,966,759	64,974,622			363,941,381
NET PROPERTY, PLANT AND EQUIPMENT	73,613,555	40,645,147	-	-	114,258,702	71,014,028	41,800,623	-	-	112,814,651
TOTAL ASSETS	111,511,924	65,545,757	-	-	177,057,681	109,952,719	65,707,869	-	-	175,660,588
DEFERRED OUTFLOW OF RESOURCES:										
Deferred Outflows Related to Pensions				12,779,755	12,779,755	407,127			5,611,893	5,611,893
Deferred Amount on Refunding	335,895				335,895					407,127
TOTAL DEFERRED OUTFLOW OF RESOURCES	335,895	-	-	12,779,755	13,115,650	407,127	-	-	5,611,893	6,019,020
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 111,847,819	65,545,757	-	12,779,755	190,173,331	\$ 110,359,846	65,707,869	-	5,611,893	181,679,608

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
COMBINING SCHEDULE OF NET POSITION
BUSINESS TYPE ACTIVITIES
DECEMBER 31, 2016 AND 2015
(CONTINUED)

	December 31, 2016					December 31, 2015				
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total
LIABILITIES										
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:										
Accounts payable - operations	\$ 2,200,767	1,077,087			3,277,854	\$ 811,111	1,137,098			1,948,209
Rebates due to users					-					-
Due Wastewater Management Program		465,606			465,606		327,269			327,269
TOTAL CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS	2,200,767	1,542,693	-	-	3,743,460	811,111	1,464,367	-	-	2,275,478
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:										
Accounts payable	1,056,349				1,056,349	381,969	991,981			1,373,950
Accrued interest payable	393,496	22,582			416,078	766,589	19,687			786,276
Due Wastewater Management Program		584,121			584,121		598,395			598,395
Current maturities of long-term debt										
(Net of Unamortized Bond Premium of \$337,468 in 2016 and \$28,153 in 2015, respectively)										
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	3,387,411	517,283	-	-	3,904,694	16,261,533	403,239	-	-	16,664,772
	4,837,256	1,123,986	-	-	5,961,242	17,410,091	2,013,302	-	-	19,423,393
LONG TERM OBLIGATIONS:										
Accrued compensated absences	308,052				308,052	306,887				306,887
Due to IRS - arbitrage rebate	272,807				272,807	272,807				272,807
Net OPEB Obligations			8,709,925		8,709,925			8,538,158		8,538,158
Net Pension Liability				45,246,597	45,246,597				34,616,678	34,616,678
Long term portion of bonds payable										
(Net of Unamortized Bond Premium of \$1,747,183 in 2016 and \$2,302,289 in 2015, respectively)										
TOTAL LIABILITIES	23,230,544	9,105,379	-	-	32,335,923	21,413,970	9,684,325	-	-	31,098,295
	30,849,426	11,772,058	8,709,925	45,246,597	96,578,006	40,214,866	13,161,994	8,538,158	34,616,678	96,531,696
DEFERRED INFLOW OF RESOURCES:										
Unearned revenue - user fees		152,329			152,329		170,730			170,730
Unearned revenue - grants				234,120	234,120	10,940			556,570	10,940
Deferred Inflows related to pensions										
TOTAL DEFERRED INFLOW OF RESOURCES	-	152,329	-	234,120	386,449	10,940	170,730	-	556,570	738,240
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	\$ 30,849,426	11,924,387	8,709,925	45,480,717	96,964,455	\$ 40,225,806	13,332,724	8,538,158	35,173,248	97,269,936

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
 (A component unit of the County of Cape May)
COMBINING SCHEDULE OF NET POSITION
BUSINESS TYPE ACTIVITIES
DECEMBER 31, 2016 AND 2015
 (CONTINUED)

	December 31, 2016				December 31, 2015					
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total
NET POSITION:										
Net Investment in Capital Assets	\$ 46,995,600	31,022,485			78,018,085	\$ 33,338,525	31,713,059			65,051,584
Restricted For:										
Bond service	2,599,365				2,599,365	13,518,922				13,518,922
Bond reserve	3,293,633				3,293,633	3,293,633				3,293,633
Renewal and replacement	21,089,173				21,089,173	13,799,290				13,799,290
Capital projects	4,050,503				4,050,503	3,337,904				3,337,904
Landfill closure #1		5,941,230			5,941,230		5,657,494			5,657,494
Equipment reserve		3,128,841			3,128,841		3,118,396			3,118,396
Building and site		316,827			316,827		316,827			316,827
IPF capital reserve		1,150,379			1,150,379		1,220,029			1,220,029
Operating and maintenance reserve		2,195,027			2,195,027	2,834,955				2,834,955
Unreserved:										
Board Designated:										
Rate stabilization	10,811	822,982			833,793	10,811	819,922			830,733
IPF rate stabilization		517,274			517,274		492,821			492,821
Insurance		575,147			575,147		572,312			572,312
Future construction	124,353	4,667,583			4,667,583		2,627,380			2,627,380
Unrestricted		3,283,595			(38,002,939)		3,641,878			(34,457,635)
TOTAL NET POSITION	80,998,393	53,621,370	(8,709,925)	(32,700,962)	93,208,876	70,134,040	52,375,145	(8,538,158)	(29,561,355)	84,409,672
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	\$ 111,847,819	65,545,757	-	12,779,755	190,173,331	\$ 110,359,846	65,707,869	-	5,611,893	181,679,608

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
 (A component unit of the County of Cape May)
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
BUSINESS TYPE ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	December 31, 2016					December 31, 2015				
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total
Operating revenues:										
User service agreements	\$ 33,092,484	13,372,062			46,464,546	\$ 32,840,817	12,224,996			45,065,813
Septage haulers fees	512,073				512,073	492,563				492,563
Leachate disposal	322,178				322,178	559,006				559,006
Lower Township MUA debt service	50,000				50,000	50,000				50,000
Processing dry sludge	161,247				161,247	204,995				204,995
Compost sales	10,627				10,627	17,607				17,607
Tower rental	95,317				95,317	82,097				82,097
Operating grants		143,920			143,920		254,914			254,914
SLF cover fees		177,106			177,106		138,704			138,704
Methane gas sales		24,668			24,668		24,888			24,888
Wood product sales		567,678			567,678		556,582			556,582
Wood product delivery charge		23,675			23,675		17,149			17,149
Sale of asbestos bags		7,738			7,738		7,286			7,286
Sale of scrap metal		30,604			30,604		24,702			24,702
Electric generation income		443,769			443,769		629,316			629,316
Sale of renewable energy certificates		251,399			251,399		287,000			287,000
Miscellaneous	1,301,663	189,477			1,491,140	101,213	116,694			217,907
IPF electric reimbursement		101,437			101,437		91,254			91,254
IPF residue income		215,007			215,007		205,908			205,908
IPF commercial ton revenue		9,174			9,174		17,837			17,837
IPF administrative support reimbursement		64,730			64,730		64,365			64,365
IPF glass cover material		99,820			99,820		110,389			110,389
Recyclables Hauling		25,125			25,125		28,050			28,050
Recycling income		23,086			23,086		22,649			22,649
TOTAL OPERATING REVENUES	35,545,589	15,770,475	-	-	51,316,064	34,348,298	14,822,683	-	-	49,170,981

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
 (A component unit of the County of Cape May)
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
BUSINESS TYPE ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
 (CONTINUED)

	December 31, 2016					December 31, 2015				
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total
Operating expenses:										
Salary and wages	6,342,263	3,349,993			9,692,256	6,562,095	3,312,806			9,874,901
Employee benefits	2,927,652	1,562,611		3,139,607	7,629,870	3,004,785	1,471,914		1,173,296	5,649,995
Other post-employment benefits (Note 19)			171,767		171,767			11,646		11,646
Administrative expenses	1,786,272	1,652,592			3,438,864	1,731,800	1,542,368			3,274,168
Operations and maintenance	7,846,730	5,175,172			13,021,902	6,605,722	5,149,042			11,754,764
Enforcement and compliance		376			376					
Depreciation	4,839,545	2,329,038			7,168,583	4,871,758	2,351,818			7,223,576
Landfill closure expenses					-					
Construction fund expenses	418,708	484,723			903,431	1,176,834	668,624			1,845,458
	<u>24,161,170</u>	<u>14,554,505</u>	<u>171,767</u>	<u>3,139,607</u>	<u>42,027,049</u>	<u>23,952,994</u>	<u>14,496,572</u>	<u>11,646</u>	<u>1,173,296</u>	<u>39,634,508</u>
TOTAL OPERATING EXPENSES										
	<u>11,384,419</u>	<u>1,215,970</u>	<u>(171,767)</u>	<u>(3,139,607)</u>	<u>9,289,015</u>	<u>10,395,304</u>	<u>326,111</u>	<u>(11,646)</u>	<u>(1,173,296)</u>	<u>9,536,473</u>
Operating income										
Nonoperating revenues (expenses):										
Change in net OPEB obligation due to plan amendment					-					-
Project fund credits - NJEIT	12,283	17,128			29,411	20,227				20,227
Cost of issuance	(46,311)	(56,564)			(102,875)					-
Interest income	155,494	169,473			324,967	109,216	153,799			263,015
Interest expense	(956,855)	(106,172)			(1,063,027)	(1,649,856)	(63,703)			(1,713,559)
Amortization of bond premium	315,323	6,390			321,713	20,749	5,751			26,500
	<u>(520,066)</u>	<u>30,255</u>	<u>-</u>	<u>-</u>	<u>(489,811)</u>	<u>(1,499,664)</u>	<u>95,847</u>	<u>-</u>	<u>-</u>	<u>(1,403,817)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)										
	<u>10,864,353</u>	<u>1,246,225</u>	<u>(171,767)</u>	<u>(3,139,607)</u>	<u>8,799,204</u>	<u>8,895,640</u>	<u>421,958</u>	<u>(11,646)</u>	<u>(1,173,296)</u>	<u>8,132,656</u>
Change in Net Position										
Net Position - beginning	70,134,040	52,375,145	(8,538,158)	(29,561,355)	84,409,672	61,238,400	51,953,187	(8,526,512)	(28,388,059)	76,277,016
Net Position - ending	<u>80,998,393</u>	<u>53,621,370</u>	<u>(8,709,925)</u>	<u>(32,700,962)</u>	<u>93,208,876</u>	<u>70,134,040</u>	<u>52,375,145</u>	<u>(8,538,158)</u>	<u>(29,561,355)</u>	<u>84,409,672</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
 (A Component Unit of the County of Cape May)
COMBINING SCHEDULE OF CASH FLOWS
BUSINESS TYPE ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	December 31, 2016				December 31, 2015					
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total
CASH FLOWS FROM OPERATING ACTIVITIES:										
Receipts from customers and users	\$ 33,636,125	15,107,172	-	-	48,743,297	\$ 34,448,360	14,679,952	-	-	49,128,312
Other operating cash receipts	1,446,980	143,920	-	-	1,590,900	233,310	254,914	-	-	488,224
Payments to employees	(9,268,750)	(4,912,604)	-	-	(14,181,354)	(9,566,599)	(4,784,720)	-	-	(14,351,319)
Payments to suppliers and vendors	(7,987,674)	(8,364,855)	-	-	(16,352,529)	(9,228,754)	(7,019,277)	-	-	(16,248,031)
Net cash provided by operating activities	17,826,681	1,973,633	-	-	19,800,314	15,886,317	3,130,869	-	-	19,017,186
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:										
Prepayments received (returned)	-	(18,401)	-	-	(18,401)	-	(841)	-	-	(841)
Net transfers from (to) other funds	(124,063)	124,063	-	-	-	78,978	(78,978)	-	-	-
Net cash provided/(used) by noncapital financing activities	(124,063)	105,662	-	-	(18,401)	78,978	(79,819)	-	-	(841)
CASH ACTIVITIES FROM CAPITAL AND RELATED FINANCING ACTIVITIES:										
Purchase of capital assets	(7,208,863)	(725,631)	-	-	(7,934,494)	(1,330,721)	(5,100,985)	-	-	(6,431,706)
N.J. trust and fund loan	(2,011,940)	2,039,634	-	-	27,694	60,624	(2,060,188)	-	-	(1,999,564)
Principal paid on capital debt	(10,729,942)	(458,512)	-	-	(11,188,454)	(13,109,493)	5,247,396	-	-	(7,862,097)
Interest paid on capital debt	(1,258,716)	(103,277)	-	-	(1,361,993)	(1,985,681)	(64,453)	-	-	(2,050,134)
Net cash (used) by capital and related financing activities	(21,209,461)	752,214	-	-	(20,457,247)	(16,365,271)	(1,978,230)	-	-	(18,343,501)
CASH FLOWS FROM INVESTING ACTIVITIES:										
Investments matured (purchased)	(9,162,891)	(891,045)	-	-	(10,053,936)	2,609,445	(697,111)	-	-	1,912,334
Interest income	155,494	169,473	-	-	324,967	109,216	153,799	-	-	263,015
Net cash provided/(used) by investing activities	(9,007,397)	(721,572)	-	-	(9,728,969)	2,718,661	(543,312)	-	-	2,175,349
Net increase/(decrease) in cash and cash equivalents	(12,514,240)	2,109,937	-	-	(10,404,303)	2,318,685	529,508	-	-	2,848,193
CASH AND CASH EQUIVALENTS, JANUARY 1	36,661,883	8,745,070	-	-	45,406,953	34,343,198	8,215,562	-	-	42,558,760
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 24,147,643	10,855,007	-	-	35,002,650	\$ 36,661,883	8,745,070	-	-	45,406,953

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
 (A Component Unit of the County of Cape May)
COMBINING SCHEDULE OF CASH FLOWS
BUSINESS TYPE ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)

	December 31, 2016				December 31, 2015					
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total
\$	11,384,419	1,215,970	(171,767)	(3,139,607)	12,428,622	\$ 10,395,304	326,111	(11,646)	(1,173,296)	10,709,769
	4,839,545	2,329,038	-	-	7,168,583	4,871,758	2,351,818	-	-	7,223,576
	16,223,964	3,545,008	(171,767)	(3,139,607)	19,597,205	15,267,062	2,677,929	(11,646)	(1,173,296)	17,933,345
	(451,544)	(519,383)		(7,167,862)	(970,927)	338,747	112,183		(4,574,049)	450,930
	2,054,261	(1,051,992)	171,767	10,307,469	1,174,036	280,508	340,757	11,646	5,747,345	632,911
\$	17,826,681	1,973,633	-	-	19,800,314	\$ 15,886,317	3,130,869	-	-	19,017,186

Reconciliation of operating income to net cash provided by operating activities:
 Operating income
 Adjustments to reconcile operating income to net cash provided by operating activities:
 Depreciation

Changes in assets and liabilities:
 Receivables, net
 Accounts and other payables

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WASTEWATER MANAGEMENT PROGRAM

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CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
WASTEWATER MANAGEMENT PROGRAM
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2016

	2016 Budget (as revised)	2016 Actual
REVENUES:		
User service agreements:	\$ 32,888,525	33,092,484
Interest on investments and deposits	87,238	155,494
Septage/Leachate disposal fees	875,000	834,251
Processing Dry Sludge	200,000	161,247
Lower Township MUA Settlement	50,000	50,000
Compost sales	25,000	10,627
Tower rental	54,000	95,317
Project fund credits - NJEIT	-	27,211
Miscellaneous	1,420,000	1,297,485
	\$ 35,599,763	35,724,116
EXPENSES:		
Personnel services:		
Salaries and wages:		
Ocean City region	\$ 1,004,257	984,734
Cape May region	757,046	818,526
Seven Mile Beach/Middle region	2,504,196	2,361,181
Wildwood/Lower region	1,038,257	1,127,096
Composting facility	503,907	461,940
Administration	544,238	588,786
Employee benefits:		
Social Security tax	521,931	448,635
Workers' compensation insurance	206,945	146,903
Other employee benefits	2,417,976	2,332,114
Administrative expenses:		
Operating portion of administrative overhead costs	1,350,000	1,439,729
Professional fees	225,250	74,287
Financial management	35,753	51,103
Permits and fees	246,000	221,153

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
WASTEWATER MANAGEMENT PROGRAM
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

	2016 Budget (as revised)	2016 Actual
EXPENSES (CONTINUED):		
Operations and maintenance:		
Utilities	\$ 2,188,010	2,073,819
Chemicals	903,000	724,295
Miscellaneous	41,350	45,149
Supplies and postage	167,000	178,771
Repair and replacement parts	628,000	554,330
Materials	10,000	1,029
Rent/Lease	8,450	3,103
Other insurance	345,933	266,934
Tower Shared Services	39,000	36,332
Outside service	1,689,800	1,560,145
Capital Equipment	1,260,990	2,155,922
Lubrications/Fuels	390,000	246,901
	<u>19,027,289</u>	<u>18,902,917</u>
Interest expense	<u>826,426</u>	<u>835,278</u>
Other costs funded by operating revenues:		
Bond principal	2,901,048	3,026,214
Renewal and replacement reserve	12,845,000	12,835,354
	<u>15,746,048</u>	<u>15,861,568</u>
Total costs funded by operating revenues	35,599,763	35,599,763
Add: Excess (Deficit)	<u>-</u>	<u>124,353</u>
	<u>\$ 35,599,763</u>	<u>35,724,116</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
WASTEWATER MANAGEMENT PROGRAM
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS
DECEMBER 31, 2016

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2016
<u>Unrestricted Accounts</u>				
Revenue and Operating Accounts:				
TD Bank - Daily Deposit Acct.	\$ 5,807	0.200	N/A	\$ 5,807
TD Bank - Checking Acct	67,327	0.200	N/A	67,327
TD Bank - Money Market	1,542	0.200	N/A	1,542
Sturdy Savings Bank - Money Market	11,334	0.040	N/A	11,334
NJ Cash Management Fund	4,920,766	0.490	N/A	4,920,766
Parke Bank - Liquid Investment Acct.	2,944,925	0.500	N/A	2,944,925
Petty Cash				1,025
				<u>7,952,726</u>
Total Unrestricted Accounts				<u><u>7,952,726</u></u>
<u>Restricted Accounts</u>				
Construction Accounts:				
Sturdy Savings - Payroll Acct.	4,830	0.000	N/A	4,830
TD Bank - Checking Acct.	1,074,806	0.200	N/A	1,074,806
TD Bank - Health Savings Account	18,055	0.080	N/A	18,055
NJ Cash Management Fund	27,895	0.490	N/A	27,895
Petty Cash				700
				<u>1,126,286</u>
Bond Reserve Fund:				
Parke Bank - Liquid Investment Acct.	2,861,696	0.500	N/A	2,861,696
Sturdy Savings Bank - Money Market	17,679	0.040	N/A	17,679
NJ Cash Management Fund	100,000	0.490	N/A	100,000
				<u>2,979,375</u>
Renewal and Replacement Accounts:				
Sturdy Savings Bank - Money Market	8,915	0.040	N/A	8,915
Parke Bank - Liquid Investment Acct.	17,119,743	0.500	N/A	17,119,743
NJ Cash Management Fund	4,432,385	0.490	N/A	4,432,385
				<u>21,561,043</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
WASTEWATER MANAGEMENT PROGRAM
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS
DECEMBER 31, 2016

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2016
<u>Restricted Accounts (Continued)</u>				
Rate Stabilization Account:				
Rate Stabilization Fund	10,811	0.490	N/A	<u>10,811</u>
Sick and Vacation Pay Reserve Fund:				
NJ Cash Management Fund	308,052	0.490	N/A	<u>308,052</u>
2002 Forward Financing Fund:				
NJ Cash Management Fund	260,000	0.490	N/A	260,000
Sturdy Savings Bank - Money Market	9,259	0.040	N/A	<u>9,259</u>
				<u>269,259</u>
Total Restricted Accounts				<u>26,254,826</u>
Total - Wastewater Management Program				<u>\$ 34,207,552</u>

SOLID WASTE MANAGEMENT PROGRAM

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CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
SOLID WASTE MANAGEMENT PROGRAM
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2016

	2016 Budget (as revised)	2016 Actual
REVENUES:		
User charges and fees	\$ 13,563,369	13,372,062
Interest on investments and deposits	25,000	46,693
Compost Chip Sales	525,000	567,678
Paint Recycling	13,500	15,120
Operating Grants	114,000	143,920
IPF Electric reimbursement	90,000	101,437
Transfer from Insurance Reserve		
Electronics Recycling	-	66
Wood Product Delivery charge	15,000	23,675
Sale of scrap metal	25,000	30,604
Renewable Energy Credits	300,000	251,399
Shrink Wrap/Oil/Batteries	800	-
Recyclables Hauling	26,500	25,125
Sale of Asbestos Bags	8,000	7,738
IPF Glass Cover Material	95,500	99,820
IPF Residue Income	205,000	215,007
IPF Commercial Tons Revenue	13,500	9,174
IPF Administrative Support Reimbursement	64,364	64,730
SLF Cover	75,000	177,106
Sludge Hauling Income	1,000	-
Gas Methane Revenue	50,000	24,668
CFC/Other Scrap Metal	5,000	7,900
PJM Electric Energy Sales	775,000	443,769
Hazardous Waste	1,000	-
Miscellaneous	5,000	200,862
	<u>\$ 15,996,533</u>	<u>15,828,553</u>
EXPENSES:		
Personnel services:		
Salaries and wages:		
Sanitary landfill	\$ 1,662,592	1,750,475
Transfer station	675,620	705,132
Maintenance and repair	378,700	378,820
Recycling	81,114	79,383
Management and administration	373,301	350,564
Enforcement and Compliance	85,628	85,619
Employee benefits:		
Social Security tax	245,585	238,954
Workers' compensation insurance	156,438	106,336
Other employee benefits	1,251,222	1,217,321
Administrative expenses:		
Other expenses		
Operating Portion of Administrative	477,150	383,306
Overhead costs	1,180,716	1,269,286
Enforcement and compliance:		
Other expenses	13,000	376

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
SOLID WASTE MANAGEMENT PROGRAM
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

	2016 Budget (as revised)	2016 Actual
EXPENSES (CONTINUED):		
Operations and maintenance:		
Sanitary landfill:		
Support services	\$ 1,169,425	1,077,960
Other expenses	1,032,555	990,665
Transfer station:		
Support services	35,400	16,251
Other expenses	107,033	66,894
Maintenance and repair and equipment	1,206,574	954,604
Recycling	353,750	273,499
Taxes and other charges:		
Landfill contingency tax	91,167	93,522
Recycling Tax	541,473	548,307
Host community benefits	1,166,130	1,153,470
	<u>12,284,573</u>	<u>11,740,744</u>
Interest expense	<u>92,707</u>	<u>106,172</u>
Other costs funded by operating revenues:		
Bond principal	397,261	396,849
Renewal and Replacement Fund	899,000	899,000
Reserve for Future Construction	2,140,501	1,105,001
Closure and postclosure care	182,491	187,276
	<u>3,619,253</u>	<u>2,588,126</u>
Total costs funded by operating revenues	15,996,533	14,435,042
Add: Excess (Deficit)	<u>-</u>	<u>1,393,511</u>
	<u>\$ 15,996,533</u>	<u>15,828,553</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
SOLID WASTE MANAGEMENT PROGRAM
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS
DECEMBER 31, 2016

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2016
<u>Unrestricted Accounts</u>				
Revenue and Operating Accounts:				
TD Bank - Daily Deposit Account	\$ 180,721	0.200	N/A	\$ 180,721
TD Bank - Checking Account	179,705	0.200	N/A	179,705
Bank of America - Prepayment Escrow	152,329	0.000	N/A	152,329
TD Bank - Money Market	2,090	0.200	N/A	2,090
Sturdy Savings Bank - Money Market	6,465	0.040	N/A	6,465
Parke Bank - Liquid Investment Acct.	3,752,574	0.500	N/A	3,752,574
NJ Cash Management Fund	540,138	0.490	N/A	540,138
Petty Cash				4,800
				<u>4,818,822</u>
Host Community Benefit Reserve Fund				
NJ Cash Management Fund	470,386	0.490	N/A	470,386
				<u>470,386</u>
Total Unrestricted Accounts				<u>5,289,208</u>
<u>Restricted Accounts</u>				
Construction Accounts:				
TD Bank - Checking Account	79,857	0.200	N/A	79,857
TD Bank - Money Market	2,816	0.200	N/A	2,816
Parke Bank - Liquid Investment Acct.	660,000	0.500	N/A	660,000
NJ Cash Management Fund	269,431	0.490	N/A	269,431
Sturdy Savings Bank - Money Market	9,128	0.040	N/A	9,128
				<u>1,021,232</u>
Equipment Reserve Accounts:				
Sturdy Savings Bank - Money Market	8,369	0.040	N/A	8,369
NJ Cash Management Fund	3,122,372	0.490	N/A	3,122,372
				<u>3,130,741</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
SOLID WASTE MANAGEMENT PROGRAM
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS
DECEMBER 31, 2016
(CONTINUED)

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2016
Restricted Accounts (Continued)				
Landfill Closure Account:				
First Amer Govt Oblig Fund Cl Z	\$ 37,323	0.250	N/A	\$ 37,323
Federal Home Lending	55,000	2.450	12/15/2017	54,943
Federal Home Lending	54,000	2.450	1/27/2017	53,906
Federal Home Lending	30,000	2.450	4/9/2018	29,953
Federal Home Lending	135,000	2.450	7/27/2018	134,923
Federal Home Lending	15,000	2.450	10/12/2018	14,994
Federal Home Lending	45,000	2.450	4/15/2019	44,985
Federal Home Lending	58,000	2.450	8/12/2021	57,705
Federal Home Lending	27,659	2.450	5/25/2018	28,750
Federal Home Lending	30,000	2.450	9/25/2018	30,630
Federal Home Lending	35,000	2.450	5/25/2019	34,828
Federal Home Lending	24,006	2.450	3/25/2020	24,486
Fannie Mae	60,000	2.450	8/2/2019	59,899
Fannie Mae	20,000	2.450	10/24/2019	19,946
Fannie Mae	60,000	2.450	10/7/2021	59,899
Fannie Mae	50,000	2.450	9/12/2019	49,719
Fannie Mae	117,000	2.450	4/24/2026	116,285
Fannie Mae	30,000	2.450	10/9/2019	26,217
Fannie Mae	30,000	2.450	10/24/2019	29,739
Fannie Mae	50,000	2.450	5/21/2018	49,192
Fannie Mae	50,000	2.450	8/28/2017	49,771
Fannie Mae	40,000	2.450	2/26/2019	39,906
Fannie Mae	50,000	2.450	9/20/2017	49,710
Fannie Mae	50,000	2.450	10/19/2018	49,919
Fannie Mae	9,145	2.450	12/25/2017	9,143
Fannie Mae	75,000	2.450	9/27/2018	75,000
Federal Farm Credit Bks	250,000	2.450	4/24/2017	250,259
Federal Farm Credit Bks	60,000	2.450	5/11/2018	59,837
Federal Farm Credit Bks	30,000	2.450	9/2/2019	29,993
Federal Farm Credit Bks	25,000	2.450	4/1/2021	25,213
Federal Farm Credit Bks	95,000	2.450	1/17/2017	104,819
Federal Home Loan Bks	30,000	2.450	5/30/2017	29,975
Federal Home Loan Bks	50,000	2.450	5/24/2017	49,904
Federal Home Loan Bks	60,000	2.450	6/29/2018	59,855
Federal Home Loan Bks	60,000	2.450	8/5/2019	59,885
Federal Home Loan Bks	60,000	2.450	7/14/2021	59,704
Federal Home Loan Bks	65,000	2.450	12/9/2022	63,066
Federal Home Loan Bks	50,000	2.450	9/13/2019	50,873
Federal Home Loan Bks	50,000	2.450	3/28/2023	50,281
Federal Home Loan Bks	30,000	2.450	3/14/2025	29,882
Federal Home Loan Bks	50,000	2.450	6/14/2024	49,770
Federal Home Loan Bks	100,000	2.450	9/13/2024	100,912
Federal Home Loan Bks	55,000	2.450	3/13/2020	56,822
United States Treas Bond	75,000	2.450	8/15/2021	108,686
United States Treas Bond	91,000	2.450	8/15/2017	119,468
United States Treas Bond	56,000	2.450	2/15/2019	76,256
United States Treas Bond	30,000	2.450	8/15/2022	40,814
United States Treas Bond	75,000	2.450	11/15/2018	111,905
United States Treas Bond	25,000	2.450	8/15/2023	32,840
United States Treas Bond	55,000	2.450	2/15/2020	76,375
United States Treas Bond	56,000	2.450	2/15/2022	46,623
FICO	52,000	2.450	5/2/2017	50,246
Financing Corp	20,000	2.450	2/8/2018	26,863
Tennessee Valley Authority Power	10,000	2.450	7/18/2017	11,460
Tennessee Valley Authority Power	20,000	2.450	12/15/2017	24,882
United States Treas Note	30,000	2.450	4/30/2017	29,960
United States Treas Note	55,000	2.450	4/30/2018	53,804
United States Treas Note	30,000	2.450	1/31/2018	29,897

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
SOLID WASTE MANAGEMENT PROGRAM
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS
DECEMBER 31, 2016
(CONTINUED)

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2016
Restricted Accounts (Continued)				
Landfill Closure Account (Continued):				
United States Treas Note	85,000	2.450	12/31/2017	84,390
United States Treas Note	30,000	2.450	5/15/2017	30,084
United States Treas Note	35,000	2.450	7/31/2021	34,820
United States Treas Note	60,000	2.450	8/15/2026	58,345
United States Treas Note	55,000	2.450	8/31/2018	54,764
United States Treas Note	224,000	2.450	2/15/2026	224,605
United States Treas Note	75,000	2.450	5/15/2026	74,405
United States Treas Note	70,000	2.450	3/31/2022	69,563
United States Treas Note	157,000	2.450	5/15/2023	144,782
United States Treas Note	55,000	2.450	8/31/2017	56,433
United States Treas Note	55,000	2.450	10/31/2017	56,278
United States Treas Note	115,000	2.450	11/30/2021	114,115
United States Treas Note	72,000	2.450	2/15/2023	70,255
United States Treas Note	200,000	2.450	2/15/2025	196,229
United States Treas Note	240,000	2.450	8/15/2025	235,831
United States Treas Note	30,000	2.450	11/15/2024	30,145
United States Treas Note	95,000	2.450	11/15/2025	99,165
United States Treas Note	55,000	2.450	11/30/2017	57,411
United States Treas Note	93,000	2.450	8/15/2024	96,439
United States Treas Note	131,000	2.450	5/15/2024	131,186
United States Treas Note	154,000	2.450	8/15/2023	151,083
United States Treas Note	60,000	2.450	2/15/2024	60,888
United States Treas Note	96,000	2.450	11/15/2023	96,609
United States Treas Note	70,000	2.450	1/31/2017	74,916
United States Treas Note	148,000	2.450	5/15/2019	155,462
United States Treas Note	56,000	2.450	5/15/2021	58,552
United States Treas Note	93,000	2.450	2/15/2018	103,028
United States Treas Note	24,000	2.450	8/15/2019	24,321
United States Treas Note	55,000	2.450	11/15/2017	58,048
United States Treas Note	25,000	2.450	5/15/2020	36,175
	5,750,134			5,941,227
Insurance Accounts:				
Parke Bank - Liquid Investment Acct.	\$ 556,011	0.500	N/A	\$ 556,011
NJ Cash Management Fund	19,137	0.490	N/A	19,137
				575,148
Building and Site Improvement Account:				
Parke Bank - Liquid Investment Acct.	316,827	0.500	N/A	316,827
				316,827
Rate Stabilization Accounts:				
Sturdy Savings Bank - Money Market	2,355	0.040	N/A	2,355
NJ Cash Management Fund	820,627	0.490	N/A	820,627
				822,982

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
SOLID WASTE MANAGEMENT PROGRAM
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS
DECEMBER 31, 2016
(CONTINUED)

Schedule 7

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2016
<u>Restricted Accounts (Continued)</u>				
IPF Rate Stabilization Accounts:				
Sturdy Savings Bank - Money Market	3,318	0.040	N/A	3,318
NJ Cash Management Fund	491,850	0.490	N/A	491,850
				<u>495,168</u>
IPF Capital Reserve Accounts:				
Sturdy Savings Bank - Money Market	2,531	0.040	N/A	2,531
NJ Cash Management Fund	1,222,826	0.490	N/A	1,222,826
				<u>1,225,357</u>
Reserve for Future Construction:				
Parke Bank - Liquid Investment Acct.	4,664,262	0.500	N/A	4,664,262
Sturdy Savings Bank - Money Market	1,421	0.040	N/A	1,421
				<u>4,665,683</u>
Total Restricted Accounts				<u>18,194,365</u>
Total - Solid Waste Management Program				<u>\$ 23,483,573</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
SOLID WASTE MANAGEMENT PROGRAM
SCHEDULE OF OPERATIONS
INTERMEDIATE PROCESSING FACILITY
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Total</u>	<u>Supplemental Authority IPF Expenses</u>	<u>Contracted Operator</u>
REVENUES:			
Operating Revenues:			
Net sales - Cape May County	\$ 2,573,025		2,573,025
Net Sales - Commercial/Merchants	9,174		9,174
Net Sales - Out-of-County	22,106		22,106
Total Operating Revenues	2,604,305	-	2,604,305
 IPF Capital Reserve Fund - Repair Expense Reimbursement	 77,548	 77,548	
Total Revenues	<u>2,681,853</u>	<u>77,548</u>	<u>2,604,305</u>
EXPENSES:			
Operating Expenses:			
Base operating fee (payable by CMCMUA)	38,517		38,517
Equipment and repairs	77,548		77,548
CMCMUA administrative support	64,730	64,730	
IPF residue disposal expense	215,007	215,007	
Glass residue - Accepted as daily cover	99,820	99,820	
Operator revenue share	2,152,381		2,152,381
Total operating expenses	2,648,003	379,557	2,268,446
Transfer to IPF Capital Reserve Fund	2,570	2,570	
Out-of-County Recycling Revenue - Rate Stabilization Fund	22,106	22,106	
Non-Municipal Recycling Revenue - Operations	9,174	9,174	
Total Expenses	<u>2,681,853</u>	<u>413,407</u>	<u>2,268,446</u>
Authority's (Cost) of Operating the Intermediate Processing Facility	<u>\$ -</u>	<u>(335,859)</u>	<u>335,859</u>
ANALYSIS OF BALANCE DUE (TO) FROM OPERATORS AT DECEMBER 31, 2016			
Balance due from operator, December 31, 2015	\$ 6,547	-	6,547
Increased by:			
IPF electric reimbursement Owed to MUA	101,437		101,437
IPF glass Hauling Reimbursement Owed to MUA	25,125		25,125
Net Operator Revenue Share	335,859		335,859
	<u>462,421</u>	<u>-</u>	<u>462,421</u>
Decreased by:			
Payments Received from Operator	376,416		376,416
	<u>376,416</u>	<u>-</u>	<u>376,416</u>
Balance due From operator - December 31, 2016	<u>\$ 92,552</u>	<u>-</u>	<u>92,552</u>