GLOUCESTER COUNTY UTILITIES AUTHORITY
REPORT OF AUDIT
YEAR ENDED OCTOBER 31, 2017

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THE GLOUCESTER COUNTY
• UTILITIES AUTHORITY •

INTRODUCTION

The Gloucester County Utilities Authority, hereafter referred to as the "Authority" is pleased to present the Annual Financial Report developed in compliance with Statement of Governmental Accounting Standard No. 34, entitled "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" (hereafter "GASB 34") and related standards.

Mission

The mission of the Authority is to contribute toward the high quality of life expected and enjoyed by all residents of the Authority's service area, the county and the region by creatively applying the Authority's human, technical, and financial resources. By following this general principle, the Authority will provide the facilities and services for meeting today's and tomorrow's environmental protection and economic development needs without compromising the accessibility to these resources for meeting the needs and desires of future customers, ratepayers, and generations, at a reasonable cost.

Responsibility and Control

The Authority has prepared and is responsible for the financial statements and related information in this report. The opinion of the independent auditors, Petroni & Associates LLC, is included in this report. In management's opinion the financial statements represent fairly, in all material aspects, the financial position, results of operations, and cash flows of the Authority for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Summary of Organization and Business

The Authority is a public body corporate and politic of the State created under the name The Gloucester County Sewerage Authority, pursuant to a resolution of the Board of Chosen Freeholders of the County adopted July 21, 1967, and the Sewerage Authorities Law, constituting Chapter 138 of the Laws of 1946 of the State of New Jersey, as amended and supplemented. The Authority has been renamed, reorganized, and has continued as a public body corporate and politic pursuant to a resolution of the Board of Chosen Freeholders of the County adopted August 7, 1978, and the Act.

The service area of the Authority is the geographical area of the County. Presently, the Authority's service area comprises approximately 166 square miles in the northwestern area of the County and covers all or portions of the Borough of Clayton, the Township of Deptford, the Township of East Greenwich, the Township of Elk, the Borough of Glassboro, the Township of Mantua, the Township of Monroe, the Borough of National Park, the Borough of Paulsboro, the Borough of Pitman, the Township of Washington, the Borough of Wenonah, the Township of West Deptford, the Borough of Westville,

Summary of Organization and Business (Continued)
the City of Woodbury, and the Borough of Woodbury Heights. The total population in the region is approximately 292,330 with the System presently serving an estimated population of 232,241. The service area is predominately residential.

The Authority has the power under the Act to acquire, construct, maintain, operate, and use sanitation facilities for the relief of waters in, bordering or entering the areas within the territorial boundaries of the County from pollution or threatened pollution and for the improvement of conditions affecting the public health. Under the Act, the Board of Chosen Freeholders of the County may authorize the Authority to acquire, construct, maintain, operate or improve a water system, a solid waste system or a hydroelectric system.

The System
The existing treatment and conveyance system consist of approximately 74 miles of both gravity sewer and force main pipe with 10 sewerage pumping stations and 53 meter and sampling sites. The treatment plant's surface water discharge permit was rerated by the New Jersey Department of Environmental Protection to 27 million gallons per day (mgd) in March of 2009.

During 2017 the Authority addressed several projects which were rehabilitative in nature as required to maintain the high quality of wastewater treatment. These included the anaerobic digester, replacement of primary clarifiers and scum plunger pump equipment. The funding for these projects is through the New Jersey Environmental Infrastructure Financing Program.

The Authority is also changing from incineration to anaerobic digesters as a treatment for its' waste sludge. The project should be completed sometime in 2018 and will include combined heat and power from the process. It is anticipated that this will have an eight to ten year payout on the investment and will help to stabilize rates for years to come with its' lower cost to operate.

In addition, the Authority with direction from engineering professionals shall continue to review ongoing and future regulatory programs by the Delaware River Basin Commission (DRBC) and New Jersey Department of Environmental Protection (NJDEP) affecting discharge requirements to the Delaware River.

PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants
102 West High Street, Suite 100 • P.O. Box 279 • Glassboro, NJ 08028
(856) 881-1600 • Fax (856) 881-6860

MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Nick L. Petroni, CPA, RMA

Mary A. Carey, RMA
Wendy G. Fama, CPA
Denise R. Nevico, CPA
Deanna L. Roller, CPA, RMA

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and
Members of the Authority
Gloucester County Utilities Authority
2 Paradise Road
West Deptford, New Jersey 08066

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Gloucester County Utilities Authority, a component unit of the County of Gloucester, as of and for the fiscal year ended October 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Gloucester County Utilities Authority as of October 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 and budgetary comparison information 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 Gloucester County Utilities Authority's basic financial statements. The schedules of expenditures of federal awards and state financial assistance as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, and the introductory sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of expenditures of federal awards and state financial assistance, as required by the Uniform Guidance and NJ OMB Circular 15-08, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of

expenditures of federal awards and state financial assistance, as required by the Uniform Guidance and NJ OMB Circular 15-08, are 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 May 1, 2018, on our consideration of the Gloucester County Utilities Authority's internal control over financial reporting and our test 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 the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* in considering Gloucester County Utilities Authority's internal control over financial reporting and compliance.

PETRONI & ASSOCIATES LLC

Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

May 1, 2018

The discussion of the Gloucester County Utilities Authority's financial performance provides an overall review of the Authority's financial activities for the fiscal year ended October 31, 2017. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Authority's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued in June 1999. Certain comparative information between the current year (2016-2017) and the prior year (2015-2016) is required to be presented in the MD&A.

Financial Highlights

The Authority increased rates by 2% in the 2017 budget. The customer service charge to the Authority's municipal and private customers was $3,026.00 per million gallons.

The FY2017 budget included a revenue projection of $1,744,650.00 for sewer service charges. This projection was based upon projected flow of 17.9 million gallons per day (mgd). The actual flow to the plant averaged 16.4 mgd in FY2017. Revenues were $18,540,804.64, a decrease of $1,203,845.36.

Construction Expansion Fees (CEF) collected were $1,907,429.00. This is $1,157,429.00 more than the anticipated revenue in the budget for FY2017. The Authority collects a CEF when a new connection is made into the wastewater system due to construction within its service area in the County.

Statement of Net Position and the Statement of Changes in Net Position

These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector businesses. This basis of accounting takes into account, all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in that position. This change in net position is important because it tells the reader that, for the Authority as a whole, the financial position of the Authority has improved or diminished. The cause of this change may be the result of many factors, some financial and some not.

The Statement of Net Position provides the perspective of the Authority as a whole. Net position may serve over time as a useful indicator of a government's financial position.

The Authority's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Statement of Net Position and the Statement of Changes in Net Position (Continued)

Table 1 provides a summary of the Authority's net position for 2017 with comparative data from 2016.

Table 1
Summary of Net Position

	2017	2016
Current & Other Assets	$ 58,057,022.92	$ 47,494,164.94
Capital Assets	60,637,038.25	35,333,265.68
Total Assets	118,694,061.17	82,827,430.62
Deferred Outflow of Resources	1,593,114.00	5,036,313.00
Long-Term Liabilities	81,087,558.40	62,141,460.25
Other Liabilities	11,835,828.01	6,436,298.29
Total Liabilities	92,923,386.41	68,577,758.54
Deferred Inflows of Resources	967,373.00	
Net Position:		
Invested in Capital Assets, Net of Related Debt	3,722,269.12	(1,914,593.84)
Restricted	26,126,134.29	21,173,859.49
Unrestricted	(3,451,987.65)	26,719.43
Total Net Position	$ 26,396,415.76	$ 19,285,985.08

The Authority's net position was $26,396,415.76 on October 31, 2017. This was an increase of $7,110,430.68.

Statement of Net Position and the Statement of Changes in Net Position (Continued)

Table 2 shows changes in net position for fiscal year 2017, with comparative data from 2016.

Table 2
Change in Net Position

	2017	2016
Revenues:		
Operating Revenues:		
Charges for Services	$ 18,855,013.41	$ 19,274,977.11
Other	557,097.70	661,131.16
Non-Operating Revenues	27,610,519.01	11,077,395.95
Total Revenues	47,022,630.12	31,013,504.22
Expenses:		
Operating Expenses	16,530,446.11	15,776,346.40
Non-Operating Expenses	50,912,362.33	14,492,702.64
Total Expenses	67,442,808.44	30,269,049.04
Capital Contributions	27,530,609.00	950,672.66
Change in Net Position	7,110,430.68	1,695,127.84
Beginning Net Position	19,285,985.08	17,590,857.24
Ending Net Position	$ 26,396,415.76	$ 19,285,985.08

Revenues from charges for services decreased by $419,963.70.

Other operating revenues decreased by $104,033.46 mainly due to a decrease in sale of effluent.

Non-operating revenue increased due to loans received from the NJEIT program in the current year.

Operating expenses increased by $754,099.71 due to varying factors.

Non-operating expenses increased due to an increase in contracts payable and a payment of an NJEIT note.

Notes to the Financial Statements
The notes provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements. This information is information that has not been presented on the face of the financial statements, for reasons of practicality, but is essential for the financial statements to be fairly presented.

Capital Assets

At the end of the fiscal year 2017, the Authority had $60,637,038.25 invested in land, site improvements, buildings, machinery and equipment, and infrastructure. Note 7 shows fiscal year 2017 balances compared to 2016.

Debt Administration

October 31, 2017, the Authority had $56,981,360.97 in outstanding debt consisting of various bonds and loans and a project note. For more detailed information, please refer to the Notes to the Financial Statements.

Final Comments

The budget performance of year ended 2017 has highlighted that future budgets shall require the Authority, the Board of Commissioners, and staff to regularly continue to evaluate the sewer service charge flow requirements based upon historical and current trends. The Authority recognizes the importance to compete in the market place to sustain the revenue source of outside commercial and industrial waste and has amended the rate schedule accordingly.

The Authority must regularly continue to prioritize the review and consideration for the capital requirements, regulatory requirements, and operation and maintenance costs of the Authority recognizing adherence to the NJDEP permit requirements.

Contacting the Authority

This financial report is designed to provide the Authority's customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. John J. Vinci, Sr., Executive Director, at Gloucester County Utilities Authority, 2 Paradise Road, West Deptford, New Jersey 08066. Please visit our website at: www.gcuanj.com.

GLOUCESTER COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION

	Year Ended October 31, 2017	2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 7,864,482.91	$ 7,724,747.63
Investments	5,998,424.37	5,966,964.07
Service Charges Receivable	2,440,804.91	2,248,289.26
Due from County of Gloucester	203,965.48	203,965.48
Other Receivables		1,222.22
Total Current Assets	16,507,677.67	16,145,188.66
Restricted Assets:		
Cash and Cash Equivalents	12,216,876.96	8,687,203.38
Investments	19,939,037.01	19,959,704.57
Loans Receivable	9,020,086.00	2,516,654.00
Grant Receivable	96,322.00	96,322.00
Total Restricted Assets	41,272,321.97	31,259,883.95
Net Capital Assets	60,637,038.25	35,333,265.68
Bond/Loan Issuance Costs and Discounts, Net	277,023.28	89,092.33
Total Assets	118,694,061.17	82,827,430.62
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pension	1,593,114.00	5,036,313.00
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,550,855.94	1,306,596.45
Payroll Taxes Payable	365.53	1,006.29
Compensated Absences Payable	92,648.17	85,391.47
Current Portion of Long-Term Debt	3,021,499.57	3,017,754.60
Accrued Interest Payable	249,387.09	334,481.58
Total Current Liabilities	4,914,756.30	4,745,230.39
Current Liabilities Payable from Restricted Assets:		
Escrow Accounts	44,800.56	49,401.35
Contracts Payable	6,876,271.15	1,641,666.55
Total Current Liabilities Payable from Restricted Assets	6,921,071.71	1,691,067.90

GLOUCESTER COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
(CONTINUED)

	Year Ended October 31,	
	2017	2016
Long-Term Liabilities:		
Bonds and Loans Payable	21,558,741.40	25,727,021.25
Project Note Payable	32,401,120.00	8,592,176.00
Other Post-Employment Benefit Obligation	14,404,741.00	12,396,403.00
Net Pension Liability	12,722,956.00	15,425,860.00
Total Long-Term Liabilities	81,087,558.40	62,141,460.25
Total Liabilities	92,923,386.41	68,577,758.54
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	967,373.00	
NET POSITION		
Investment in Capital Assets, Net of Related Liabilities	3,722,269.12	(1,914,593.84)
Restricted for Capital Activity and Debt Service	26,029,796.05	21,077,521.25
Restricted for Grant Expenditures	96,338.24	96,338.24
Unrestricted	(3,451,987.65)	26,719.43
Total Net Position	$ 26,396,415.76	$ 19,285,985.08

GLOUCESTER COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

	Year Ended October 31, 2017	Year Ended October 31, 2016
Operating Revenues:		
Sewer Service Charges	$ 18,540,804.64	$ 18,793,414.54
Septage and Industrial Charges	314,208.77	481,562.57
Sale of Effluent	374,941.86	262,015.67
Miscellaneous Income	182,155.84	399,115.49
Total Operating Revenues	19,412,111.11	19,936,108.27
Operating Expenses:		
Personnel Services	6,620,124.72	6,624,491.52
Contractual Services	4,681,994.19	4,319,806.34
Materials and Supplies	1,439,930.77	1,371,815.71
Equipment	616,454.00	227,472.16
County Expense	945,106.00	903,949.45
Depreciation	2,226,836.43	2,328,811.22
Total Operating Expenses	16,530,446.11	15,776,346.40
Operating Income (Loss):	2,881,665.00	4,159,761.87
Non-Operating Revenue (Expense):		
Interest Earned	184,540.97	198,403.82
Construction Expansion Fees	1,907,429.00	2,063,879.35
County Appropriation	(1,079,409.00)	(1,101,237.00)
Earnings, Project Funds, and Savings Credit	39,133.25	33,855.84
Debt Service Reserve Credits		48,587.12
Loan Receivable	23,573,212.00	8,592,176.00
Note Payable	(23,808,944.00)	
DEP Loan Fee		(85,071.00)
Loan De-obligated	52,194.00	
Bond Defeasance		(20,316.22)
Interest on Revenue Bonds	(688,822.18)	(1,030,676.37)
Contracts Payable	(20,574,761.83)	(7,707,463.31)
Renewal and Replacement Expenses	(338,871.18)	(663,717.36)
Prior Year Payables/Contracts Canceled	128,814.74	140,493.82
Cost of Issuance of Bonds	(159,258.65)	
Premium on Bonds Issued	1,201,406.05	
Amortization of Bond Issue Costs	(22,500.49)	(25,469.38)
Related to Pension	(1,707,668.00)	(1,768,389.00)
Annual OPEB Cost	(2,532,127.00)	(2,522,197.00)
Annual OPEB Contribution	523,789.00	431,834.00
Total Non-Operating Revenue (Expense)	(23,301,843.32)	(3,415,306.69)
Increase (Decrease) in Net Position Before Capital Contributions	(20,420,178.32)	744,455.18
Capital Contributions	27,530,609.00	950,672.66
Increase (Decrease) in Net Position	7,110,430.68	1,695,127.84
Net Position at Beginning of Year	19,285,985.08	17,590,857.24
Net Positions at End of Year	$ 26,396,415.76	$ 19,285,985.08

GLOUCESTER COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS

	Year Ended October 31, 2017	Year Ended October 31, 2016
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 18,662,497.76	$ 19,537,120.57
Cash Paid to Suppliers	(10,799,630.20)	(10,497,855.73)
Cash Paid to Employees	(4,201,707.04)	(4,230,288.99)
Other Receipts	563,438.66	660,596.86
Net Cash Provided (Used) by Operating Activities	4,224,599.18	5,469,572.71
Cash Flows from Investing Activities:		
Purchase of Investments		(1,000,000.00)
Interest Income	27,952.73	3,290.22
Net Cash Provided (Used) by Investing Activities	27,952.73	(996,709.78)
Cash Flows from Non-Capital Financing Activities:		
Escrow Fees Received	15,000.00	5,000.00
Escrow Fees Disbursed	(19,600.79)	(2,628.75)
Construction Expansion Fees	1,907,429.00	2,063,879.35
Contracts Payable	(15,679,028.41)	(6,065,796.76)
Renewal & Replacement Expenses		(663,717.36)
Net Cash Provided (Used) by Non-Capital Financing Activities	(13,776,200.20)	(4,663,263.52)
Cash Flows from Capital and Related Financing Activities:		
Principal Payments on Debt	(3,157,340.88)	(3,327,975.26)
Interest Paid on Debt	(758,515.22)	(1,082,606.55)
Loan Receipts	17,069,780.00	5,990,451.00
Bond Defeasance		(297,403.72)
Earnings, Project Fund, and Savings Credits	39,133.25	33,855.84
Debt Service Reserve Credits		48,587.12
Net Cash Provided (Used) by Capital and Related Financing Activities	13,193,057.15	1,364,908.43
Increase (Decrease) in Cash and Cash Equivalents	3,669,408.86	1,174,507.84
Cash and Cash Equivalents at Beginning of Year	16,411,951.01	15,237,443.17
Cash and Cash Equivalents at End of Year	$ 20,081,359.87	$ 16,411,951.01

GLOUCESTER COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
(CONTINUED)

	Year Ended October 31,	
	2017	2016
Reconciliation to Balance Sheet:		
Unrestricted Cash and Cash Equivalents	$ 7,864,482.91	$ 7,724,747.63
Restricted Cash and Cash Equivalents	12,216,876.96	8,687,203.38
	$ 20,081,359.87	$ 16,411,951.01
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	$ 2,881,665.00	$ 4,159,761.87
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation Expense	2,226,836.43	2,328,811.22
(Increase) Decrease in Accounts Receivable	(186,174.69)	261,609.16
Increase (Decrease) in Accounts Payable	(697,727.56)	(1,280,609.54)
Net Cash Provided (Used) by Operating Activities	$ 4,224,599.18	$ 5,469,572.71

NOTE 1: AUTHORITY DESCRIPTION

The Authority was duly created, under the name Gloucester County Sewerage Authority, by resolution of the Board of Chosen Freeholders of the County of Gloucester, New Jersey, duly adopted July 21, 1967, as a public body corporate and politic of the State of New Jersey pursuant to the Sewerage Authorities Law, constituting Chapter 138 of the Laws of 1946 of the State of New Jersey and the acts amendatory thereof and supplemental thereto. The Authority has been renamed, reorganized, and is continued pursuant to a resolution of the Board of Chosen Freeholders of the County of Gloucester, New Jersey adopted August 7, 1978, and the Act. The Authority is a component unit of the County of Gloucester.

The Act and the resolution creating the Authority provide that the governing body of the Authority shall consist of nine members, appointed by the Board of Chosen Freeholders of the County to five-year terms.

NOTE 2: BASIS OF PRESENTATION

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles ("GAAP") applicable to Enterprise Funds of state and local governments.

The Authority's financial statement includes all the accounts of the Authority's operations. The primary criterion for including activities within a reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name);
- the primary government holds the corporate powers of the organization;
- the primary government appoints a voting majority of the organizations board;
- the primary government is able to impose its will on the organization;
- the organization has the potential to impose a financial benefit/burden on the primary government;
- there is a fiscal dependency by the organization on the primary government.

Based on the above criterion, the Authority is a component unit of the County. The Authority does issue separate financial statements from the County. However, if the County presented its financial statement in accordance with GAAP, these financial statements would be included with the County's on a blended basis.

Based on the aforementioned criteria, the Authority has no component units.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation and Basis of Accounting

The Authority's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As permitted by accounting principles generally accepted in the United States of

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation and Basis of Accounting (Continued)

America, the Authority has elected to apply only Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989. Local Finance Board rules as set forth in the New Jersey Administrative Code, including financial oversight and Division regulatory responsibilities, including review and approval of annual budgets pursuant to statute, shall apply and supersede the previous where applicable.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement No. 34). The Authority implemented the requirements of Statement No. 34, effective November 1, 2001.

The more significant of the Authority's accounting policies are described below.

The Authority prepares its financial statements on an Enterprise Fund Basis. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private businesses where the intent is that all costs of providing certain goods and services to the general public be financed or recovered primarily through user charges.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position is segregated into "invested in capital assets, net of related debt;" "restricted for capital activity and debt service;" "restricted for grant expenditures;" and "unrestricted" components.

Budgetary Accounting

The Authority adopts an annual operating budget by resolution prior to October 1. The budget details the Authority's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. All unexpended and unencumbered appropriations remaining in the budget at the end of the fiscal year, lapse. During the year, management is authorized to transfer budgeted amounts between line items. All amendments to the budget are approved and adopted by resolution of the Authority.

Cash Equivalents, Deposits, and Investments

Cash and cash equivalents, for purposes of the Statement of Cash Flows, include restricted and unrestricted cash on hand or on deposit, certificates of deposit, and investments with a maturity of three months or less.

The Authority invests available funds in interest bearing securities as prescribed by its various bond resolution and applicable law. Investments are intended to be held to maturity, the timing of which is based on anticipated cash flow requirements. Investments are obligations of the United State Government and are stated at fair value. Investments are not considered cash equivalents for purposes of the Statement of Cash Flows.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets
Restricted assets represent cash, investments, and receivables maintained in accordance with bond resolutions, loan agreements, grant agreements, and other resolutions and formal actions of the Authority or by agreement for the purpose of funding certain debt service payments and improvements and extensions to the utility system.

Receivables and Payables
Receivables and payables between accounts are eliminated. Customer receivables represent various service fees earned but not yet collected.

Capital Assets
Property, plant, and equipment are stated at cost which includes direct construction costs and other expenditures related to construction. Some construction costs are charged to construction in progress until such time as given segments of the system are completed and put into operation.

Maintenance and repairs, which do not significantly extend the value or life of property, plant, and equipment, are expensed as incurred.

Assets are depreciated over their estimated useful lives using the straight-line method.

The cost and related accumulated depreciation of all capital assets retired or otherwise disposed of are removed from the accounts and any resulting gain or loss is included in income.

Compensation for Future Absences
Accumulated vacation and the portion of sick leave eligible to be paid to employees at termination are recorded as an expense and liability as the benefits are earned.

Claims and Judgments
These events and obligations are recorded on the accrual basis, when the event occurs and the obligation arises.

Operating Revenues and Rate Structure
Operating revenues are those revenues generated directly from the primary activity of the Authority and are recognized on the accrual basis and as earned. Services are supplied to customers under a rate structure designed to produce revenues sufficient to provide for operating and maintenance costs, capital outlay, debt service, reserves, and debt service coverage.

Special and Extraordinary Items
Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. If such items exist during the reporting period, they are reported separately in the statement of revenues, expenses, and changes in net position.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Deferred Outflows and Deferred Inflows of Resources

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

Transactions are classified as deferred outflows of resources and deferred inflow of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources:

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

Net Position

Net position comprise the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net position is classified in the following components: invested in capital assets, net of related liabilities; restricted for capital activity and debt service; restricted for grants; and unrestricted. Invested in capital assets, net of related debt, consist of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted for capital activity and debt service and grants consist of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates, less any related liabilities. Unrestricted consists of all other assets not included in the above categories.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

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

Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement is effective for periods beginning after June 15, 2017. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 81, "Irrevocable Split-Interest Agreements." The objective of this Statement is to improve accounting and financial reporting for certain irrevocable split-interest agreements by providing recognition and measurement guidance or situations in which a government is a beneficiary to the agreement. The Statement is effective for periods beginning after December 15, 2016. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 83, "Certain Asset Retirement Obligations." This Statement addresses accounting and financial reporting for certain asset retirement obligations. The Statement is effective for periods beginning after June 15, 2018. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 84, "Fiduciary Activities." The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for periods beginning after December 31, 2018. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 85, "Omnibus 2017." The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. This Statement is effective for periods beginning after June 15, 2017. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 86, "Certain Debt Extinguishment Issues." The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement is effective for periods beginning after June 15, 2017. Management has not yet determined the impact of this Statement on the financial statements.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

Statement No. 87, "Leases." The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement is effective for periods beginning after December 15, 2019. Management does not expect this Statement will have an impact on the financial statements.

NOTE 4: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The Authority has defined cash and cash equivalents to consist primarily of petty cash, change funds, cash on deposit, certificates of deposit, money market accounts, and short term investments with original maturities of three months or less.

Additionally, the Authority requires its' funds to be deposited in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

NJSA 17:9-41 et seq. establishes the requirements for the security of deposits of Governmental Units. The statute requires that no Governmental Unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks), and savings banks; the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

The carrying amount of the Authority's cash and cash equivalents at October 31, 2017 and 2016, was $20,081,359.87 and $16,411,951.01, respectively, and the bank balance was $20,085,002.86 and $16,766,685.45, respectively.

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover the value of its deposits or investments. Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At October 31, 2017, all of the Authority's deposits were collateralized by securities held in its name and, accordingly, not exposed to Custodial Credit Risk. The Authority does not have a policy for Custodial Credit Risk.

Investments

Investments are stated fair value. The investment of funds are limited by the various Bond Resolutions to any bond, debenture, note or participation certificate issued by certain agencies identified within the Bond Resolutions, any fully secured or non-negotiable certificates of deposit and repurchase agreements, obligations of the New Jersey Cash Management Fund, and other obligations of the United States of America or the State of New Jersey.

NOTE 4: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)
As of October 31, 2017 and 2016, the Authority held investments in the amount of $25,937,461.38 and $25,926,668.64, respectively.

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable were composed of the following:

Sewer Service Charges	$ 2,366,190.66
Septage and Industrial Charges	74,614.25
	$ 2,440,804.91

NOTE 6: RESTRICTED ASSETS

Certain proceeds of revenue bonds and notes, as well as resources set aside for their repayment or to satisfy restrictive covenants of the bond agreements, are classified as restricted assets on the balance sheet because their use is limited by those bond covenants. The “Debt Service Fund” accounts are used to segregate resources accumulated for debt service payments equal to any unpaid interest or principal due, plus any interest or principal to become due at or before the first day of January next ensuing.

The “Debt Service Reserve Fund” accounts are used to report resources set aside to make up potential future deficiencies in Revenue Bond Debt Service Funds or to effect whole or partial redemption of the bonds. The “Renewal and Replacement” account is used to accumulate resources to pay the costs of major repairs, renewals, and replacements of the Utility System.

Amounts required by Section 507 of the Bond Resolution for the above are as follows:

1. At October 31, 2017, the Bond Service Requirement was $3,417,460.20, comprised of interest due January 1, 2018, of $395,960.63 and principal due January 1, 2018, of $3,021,499.57.

2. At October 31, 2017, the Bond Service Reserve Requirement was $3,980,919.19.

3. At October 31, 2017, the System Reserve Requirement was $2,250,000.00.

All of the above requirements were met as of October 31, 2017.

NOTE 7: CAPITAL ASSETS

Capital asset activity during the year was as follows:

	Oct. 31, 2016	Additions	Reclassify	Oct. 31, 2017
Construction in Progress	$ 8,592,176.00	$ 21,000,000.00	$ (8,592,176.00)	$ 21,000,000.00
Land	6,074,500.00			6,074,500.00
Site Improvements	4,367,306.00		8,000,000.00	12,367,306.00
Buildings	13,423,720.44			13,423,720.44
Machinery & Equipment	7,902,828.74	231,785.00		8,134,613.74
Infrastructure	89,480,378.00	6,298,824.00	592,176.00	96,371,378.00
Total Capital Assets	129,840,909.18	27,530,609.00		157,371,518.18
Accumulated Depreciation	(94,507,643.50)	(2,226,836.43)		(96,734,479.93)
Net Capital Assets	$ 35,333,265.68	$ 25,303,772.57		$ 60,637,038.25

NOTE 8: BONDS PAYABLE AND LOANS PAYABLE

Bonds Payable

There were bonds payable on October 31, 2017, in the amount of $12,960,000.00.

On August 18, 2005, the Authority issued $2,125,000.00 in bonds to finance the refunding of Refunding Sewer Revenue Bonds of 1999. Principal payments are due annually on January 1 through the year 2019. Interest is paid semi-annually at rates of 4.1% to 4.125% per annum. The balance remaining at October 31, 2017, was $485,000.00.

On April 6, 2017, the Authority issued $12,475,000.00 in bonds to finance the refunding of Refunding Sewer Revenue Bonds of 2003 and 2005. Principal payments are due annually on January 1 through the year 2030. Interest is paid semi-annually at rates of 3% to 5% per annum. The balance remaining at October 31, 2017, was $12,475,000.00.

Loans Payable

There were loans payable on October 31, 2017, in the amount of $11,620,240.97.

On October 15, 1998, the Authority issued a total of $3,815,000.00 in loans to finance the Incinerator No. 1 Project & Upgrade & Rehabilitation of the Existing Aeration Tank. The financing of these projects was done through participation in the New Jersey Wastewater Treatment Trust. Principal payments are due annually on January 1 through the year 2018. Interest is paid semi-annually at rates of 0% to 4.5% per annum. The balance remaining at October 31, 2017, was $249,761.35.

On October 15, 1999, the Authority issued a total of $683,411.00 in loans to finance the Incinerator No. 1 Project and Upgrade and Rehabilitation of the Existing Aeration Tank. The financing of these projects was done through participation in the New Jersey Wastewater Treatment Trust. Since allowable costs were less than anticipated, the obligation was reduced by $52,194.00. Principal payments are due annually on January 1 through the year 2019. Interest is paid semi-annually at rates of 0% to 5.7% per annum. The balance remaining at October 31, 2017, was $55,000.00.

NOTE 8: BONDS PAYABLE AND LOANS PAYABLE (CONTINUED)

Loans Payable (Continued)

On October 15, 2001, the Authority issued a total of $4,444,383.00 in loans to finance an Odor Control Project. The financing of this project was done through participation in the New Jersey Wastewater Treatment Trust. Since allowable costs were less than anticipated, the obligation was reduced by $218,248.00. Principal payments are due annually on January 1 through the year 2021. Interest is paid semi-annually at rates of 0% to 5% per annum. The balance remaining at October 31, 2017, was $909,831.85.

On November 6, 2008, the Authority issued a total of $3,255,582.00 in loans to finance various structural and electrical improvements, upgrades, and rehabilitation of the existing sanitary sewer system. The financing of this project was done through participation in the New Jersey Environmental Infrastructure Trust Loan Program. Since allowable costs were less than anticipated, the obligation was reduced by $227,752.00. Principal payments are due annually on July 1 through the year 2028. Interest is paid semi-annually at rates of 0% to 5% per annum. The balance remaining at October 31, 2017, was $1,836,459.25.

On March 10, 2010, the Authority issued a total of $1,742,007.44 in loans to finance various structural and electrical improvements, upgrades, and rehabilitation of the existing sanitary sewer system. The financing of this project was done through participation in the New Jersey Environmental Infrastructure Trust Loan Program. A portion of this financing, $465,157.44, was a pass-through of American Recovery and Reinvestment Act (ARRA) funds. Principal payments are due annually on January 1 through the year 2029. Interest is paid semi-annually at rates of 0% to 5% per annum. On the date of execution of the loan agreement the State forgave a portion of the ARRA loan in the amount of $230,000.00. The balance remaining at October 31, 2017, was $989,235.89.

On December 2, 2010, the Authority issued a total of $2,192,500.00 in loans to finance the 2010 capital projects. The financing of this project was done through participation in the New Jersey Environmental Infrastructure Trust Loan Program. Principal payments are due annually on January 1 through the year 2030. Interest is paid semi-annually at rates of 0% to 5% per annum. The balance remaining at October 31, 2017, was $1,599,605.32.

On May 22, 2013, the Authority issued a total of $3,837,813.00 in loans to finance the 2013 capital projects. The financing of this project was done through participation in the New Jersey Environmental Infrastructure Trust Loan Program. Since allowable costs were less than anticipated, the obligation was reduced by $158,728.00. Principal payments are due annually on January 1 through the year 2032. Interest is paid semi-annually at rates of 0% to 5% per annum. The balance remaining at October 31, 2017, was $2,844,095.51.

On May 28, 2015, the Authority issued a total of $4,296,981.00 in loans to finance the Porches Branch Interceptor Project. The financing of this project was done through participation in the New Jersey Environmental Infrastructure Trust Loan Program. A portion of this financing, $3,281,981.00, was a pass-through of American Recovery and Reinvestment Act (ARRA) funds. Principal payments are due annually on January 1 through the year 2032. Interest is paid semi-annually at rates of 0% to 5% per annum. On the date of execution of the loan agreement the State forgave a portion of the ARRA loan in the amount of $831,425.00. Since allowable costs were less than anticipated, the obligation was reduced by $1,342.00. The balance remaining at October 31, 2017, was $3,136,251.80.

NOTE 8: BONDS PAYABLE AND LOANS PAYABLE (CONTINUED)

Changes in Debt During the Year

	Balance Oct. 31, 2016	Additions	Reductions	Balance Oct. 31, 2017	Due Within One Year
Bonds	$ 15,860,000.00	$ 12,475,000.00	$ 15,375,000.00	$ 12,960,000.00	$ 1,950,000.00
Loans	12,884,775.85		1,264,534.88	11,620,240.97	1,233,906.29
Total	$ 28,744,775.85	$ 12,475,000.00	$ 16,639,534.88	$ 24,580,240.97	$ 3,183,906.29

Remaining debt service payments at October 31, 2017, are as follows:

	Interest	Principal	Total
2018	$ 757,628.76	$ 3,183,906.29	$ 3,941,535.05
2019	660,107.99	3,056,387.12	3,716,495.11
2020	551,698.45	2,766,521.44	3,318,219.89
2021	436,197.21	2,861,291.28	3,297,488.49
2022	344,745.16	1,791,270.86	2,136,016.02
2023-2027	858,948.30	7,098,358.23	7,957,306.53
2028-2032	171,998.74	3,415,895.45	3,587,894.19
2033-2034	9,000.00	406,610.30	415,610.30
	$ 3,790,324.61	$ 24,580,240.97	$ 28,370,565.58

Defeased Debt

On April 6, 2017, Sewer Revenue Refunding Bonds in the amount of $12,475,000.00, with interest rates of 3% to 5%, were issued to advance refund bonds in the amount of $13,430,000.00 with interest rates of 4% to 5%. The net proceeds from the issuance of the bonds were used to purchase U.S. Government Securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called. As a result of the advance refunding, the Authority reduced its debt service requirements by $1,503,974.45, which resulted in an economic gain of $1,371,307.51. The advance refunding meets the requirements of an in-substance debt defeasance and the bonds were removed from the Authority's financial statements.

NOTE 9: PROJECT NOTES PAYABLE

During the fiscal year 2016, the Authority passed resolutions authorizing the submission of applications to the New Jersey Environmental Trust to fund various capital projects. The applications were reviewed and approved by the Trust. In anticipation of permanent financing, the Trust issued a short-term, interest free, subordinate project note in the amount of $8,592,176.00 to temporarily finance the costs of the projects. During the fiscal year 2017, the Authority increased the original note to the amount of $30,467,873.00 and issued an additional note in the amount of $1,933,247.00. These notes are expected to be permanently financed in the fiscal year ended October 31, 2018, when the projects are completed.

NOTE 10: REQUIRED RATES AND CHARGES

Section 612 of the Bond Resolution dated as of August 8, 1978, stipulates that so long as bonds of any series shall be outstanding, the Authority shall make, impose, charge, and collect Annual Charges in accordance with the Service Contract and the Customer Agreements and shall charge and collect Service Charges in accordance with the Act to the extent permitted by the Service Contract and Customer Agreements. Such Annual Charges shall be so estimated, computed, made, charged, imposed, and collected pursuant to the Customer Agreements or the Service Contract, and such Service Charges shall be so fixed, charged, and collected under the Act, that the Revenues collected (including any proceeds to the Authority of use and occupancy Insurance) and paid to the Trustee hereunder will be at least sufficient:

1. to provide in each fiscal year a sum equal to the operating fund requirement for such fiscal year in order to maintain, preserve, and keep the system in good repair, working order, and condition; and

2. to provide in each fiscal year a sum equal to the Bond Service for such fiscal year (except any part thereof the payment of which has been provided for by the deposit of proceeds of Bonds in the Bond Service Fund) calculated as of the beginning of such fiscal year; and

3. at all times, by deposit and application in accordance with the Resolution of said Revenues paid to the Trustee, to pay all interest and principal installments becoming due with respect to the Bonds at the end of each fiscal year, and to maintain in the Bond Reserve Fund an amount at least equal to the Bond Reserve Requirement and in the Renewal and Replacement Fund an amount at least equal to the amount required to be deposited pursuant to Section 507(4); and

4. at all times to provide for any deficits of the Authority resulting from failure to receive any Annual Charges or Service Charges or from any other cause and comply in all respects with the terms and provisions of the Resolution and of the Act and pay and discharge all charges or liens payable out of the Revenues when due and enforceable.

As is reflected in the following calculation, the Authority met the sufficiency of revenue required under Section 612 of the Bond Resolution dated August 8, 1978.

Total Revenue	$ 21,508,579.58
Less:	
Operating Expenses	14,303,609.68
Bond Service Requirement	3,915,856.10
Transfer to Construction Expansion Fund	1,907,429.00
Total	20,126,894.78
Excess in Revenues Realized Required by Section 612	$ 1,381,684.80

NOTE 11: PENSION PLAN

Description of Plan - All eligible employees of the Authority are covered by the Public Employees' Retirement System (PERS), a cost-sharing, multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Department of Pension and Benefits (Division). 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 Public Employees' Retirement System. The reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295 or can be accessed on the internet at: http://www.state.nj.us/treasury/pensions/financial-reports.shtml.

The Public Employees' Retirement System was established in January 1955, under the provisions of NJSA 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 generally required for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another state-administered retirement system or other state or local jurisdiction.

Funding Policy - The contribution policy is set by NJSA 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Effective with the first payroll to be paid on or after October 1, 2011, the employee contribution for PERS increased from 5.5% of employees' annual compensations, as defined, to 6.5%. Subsequent increases will be phased in over 7 years (each July 1) to bring the total pension contribution rate to 7.5% as of July 1, 2018. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The Authority's contributions for the years ending October 31, 2017, 2016, and 2015, were $468,354.00, $420,453.00, and $394,306.00, respectively, equal to the required contributions for each year.

For the fiscal year ended October 31, 2017, the Authority recognized pension expense of $2,213,994.00.

At October 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

NOTE 11: PENSION PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions		$ 967,373
Net Difference Between Projected and Actual Earning on Pension Plan Investments	$ 117,133	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	786,533	
Difference Between Expected and Actual Experience	183,122	
Employer Contributions Subsequent to the Measurement Date	506,326	
	$ 1,593,114	$ 967,373

$506,326 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended October 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended October 31,	Amount
2018	$ 294,278
2019	427,697
2020	212,869
2021	(448,205)
2022	(367,224)
	$ 119,415

Additional Information – Collective balances at June 30, 2016 and 2017, are as follows:

	June 30, 2016	June 30, 2017
Collective Deferred Outflows of Resources	$ 7,815,204,785	$ 5,396,431,901
Collective Deferred Inflows of Resources		4,672,602,040
Collective Net Pension Liability	29,617,131,759	23,278,401,588
Authority's Proportion	0.0520842457%	0.0546556257%

NOTE 12: DEFERRED COMPENSATION

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

NOTE 12: DEFERRED COMPENSATION (CONTINUED)

Mutual of America
Equitable Assurance Society

NOTE 13: COMPENSATED ABSENCES

The Authority accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences." A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to benefits.

Authority employees are granted vacation and sick leave in accordance with the Authority's personnel policy and union contracts. Upon termination, employees are paid for accrued vacation and sick time. The Authority does not permit employees to accrue unused vacation pay. Unused sick days may be carried over for future use or a cash reimbursement may be requested.

The total value of compensated absences owed to employees as of October 31, 2017, was $92,648.17.

NOTE 14: LABOR CONTRACTS

As of October 31, 2017, The Authority has a total of approximately 70 employees. Of this total, 42 employees are represented by the United Steel Workers Union. The union agreement expires on June 16, 2020.

NOTE 15: POST-EMPLOYMENT HEALTH CARE PLAN

Plan Description - The Gloucester County Utilities Authority contributes to the Gloucester County Insurance Commission (GCIC), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan. The Gloucester County Insurance Commission Fund was established in 2010, under NJSA 40A:10-6 et seq. to provide health benefits to employees, retirees and their dependents. GCIC provides medical and prescription drug coverage to eligible retirees and their spouses.

In 2010, the Gloucester County Utilities Authority authorized participation in the fund through resolution 2010-140 adopted on September 8, 2010. The Authority's policies provide for health insurance to eligible retirees and their spouses.

Funding Policy - The Authority intends to continue its policy of funding OPEB liabilities on a pay-as-you-go basis and to not pre-fund any unfunded annual required contribution as determined under GASB 45.

Annual OPEB Cost and Net OPEB Obligation - The Authority's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the

NOTE 15: POST-EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation (Continued) - parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation to the plan:

Annual Required Contribution	$ 2,532,127
Contributions Made	(523,789)
Increase in Net OPEB Obligation	2,008,338
Net OPEB Obligation - Beginning of Year	12,396,403
Net OPEB Obligation - End of Year	$ 14,404,741

The Annual Required Contribution for the year ended October 31, 2017, was the amount calculated in the most recent actuarial valuation dated October 31, 2015, adjusted for inflation based on rates determined by the U.S. Bureau of Labor Statistics.

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017, 2016, and 2015, are as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
10/31/2017	$ 2,532,127	20.7%	$ 14,404,741
10/31/2016	2,522,197	17.1%	12,396,403
10/31/2015	2,482,477	21.5%	10,306,040

Funded Status and Funding Progress - As of October 31, 2017, the Authority is considered to be an unfunded plan. There are no plan assets. The retiree benefits are paid annually on a cash basis.

Actuarial Methods and Assumptions - Projection 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 the benefit costs between the 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 value of assets, consistent with the long-term perspective of the calculations.

In the October 31, 2015, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 5.6% for fiscal

NOTE 15: POST-EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued) - year ending 2016, reduced by decrements to an ultimate rate of 4.7%. The UAAL is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at November 1, 2014, was 24 years.

NOTE 16: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage for property, liability and surety bonds. The Authority is a member of the Gloucester County Insurance Commission. The Authority is obligated to remit insurance premiums to this commission for sufficient insurance coverage. There have been no claims in excess of coverage and no reduction in coverage during the year.

NOTE 17: ECONOMIC DEPENDENCY

The Authority is heavily reliant on the collection of sewer and septage and industrial service charges to fund the Authority's operations. This income funded approximately 98% of the Authority's operating expenditures.

NOTE 18: CONTINGENT LIABILITIES AND LITIGATION

The Authority participates in state assisted grant/loan programs. These programs are subject to program compliance audits by the grantor or its' representative. The Authority is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant/loan programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

It is the opinion of management and legal counsel, that there exists no litigation or contingent liability that may be pending against the Authority that would have an adverse effect on the financial position in the future.

NOTE 19: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between October 31, 2017 and May 1, 2018, the date that the financial statements were issued, for possible disclosure and recognition in the financial statements No additional items have come to their attention that would require disclosure.

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY - PERS -
LAST FOUR FISCAL YEARS

	Fiscal Year Ended October 31, 2017	Fiscal Year Ended October 31, 2016	Fiscal Year Ended October 31, 2015	Fiscal Year Ended October 31, 2014
Authority's Proportion of the Net Pension Liability (Asset)	0.0546556257%	0.5208424570%	0.0489051351%	0.0478302885%
Authority's Proportionate Share of the Net Pension Liability (Asset)	$ 12,722,956	$ 15,425,860	$ 10,978,223	$ 8,955,138
Authority's Covered-Employee Payroll	3,730,366	3,700,718	3,495,124	3,447,466
Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	341.06%	416.83%	314.10%	259.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%	52.08%
Measurement Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS - PERS -
LAST FOUR FISCAL YEARS

	Fiscal Year Ended October 31, 2017	Fiscal Year Ended October 31, 2016	Fiscal Year Ended October 31, 2015	Fiscal Year Ended October 31, 2014
Contractually Required Contribution	$ 462,709	$ 420,453	$ 394,306	$ 351,442
Contributions in Relation to the Contractually Required Contribution	462,709	420,453	394,306	351,442
Contribution Deficiency (Excess)	None	None	None	None
Authority's Covered-Employee Payroll	$ 3,730,366	$ 3,700,718	$ 3,495,124	$ 3,447,466
Contributions as a Percentage of Covered-Employee Payroll	12.40%	11.36%	11.28%	10.19%
Measurement Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014

NOTE 1: CONTRIBUTIONS

The contribution policy for PERS is set by NJSA 15A and requires contributions by active members and contributing employers. The District's contribution amount was based on an actuarially determined rate which includes the normal cost and unfunded accrued liability.

NOTE 2: ACTUARIAL ASSUMPTIONS

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% Based on Age
Thereafter	2.65 – 5.15% Based on Age
Investment Rate of Return	7.00%

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

The actuarial assumptions used in the July 1, 2016, 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 the experience deviates, the larger the impact on future financial statements.

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pension and Benefits financial report at: http://www.nj.gov/treasury/pensions/gasb-notices.shtml.

PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants
102 West High Street, Suite 100 • P.O. Box 279 • Glassboro, NJ 08028
(856) 881-1600 • Fax (856) 881-6860

MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Nick L. Petroni, CPA, RMA

Mary A. Carey, RMA
Wendy G. Fama, CPA
Denise R. Nevico, CPA
Deanna L. Roller, CPA, RMA

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

Independent Auditor's Report

Honorable Chairman and
Members of the Authority
Gloucester County Utilities Authority
2 Paradise Road
West Deptford, New Jersey 08066

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Gloucester County Utilities Authority as of and for the year ended October 31, 2017, and the related notes to the financial statements, which collectively comprise Gloucester County Utilities Authority's basic financial statements, and have issued our report thereon dated May 1, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Gloucester County Utilities Authority's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Gloucester County Utilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

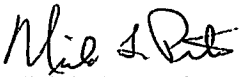
Compliance and Other Matters

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

Purpose of this Report

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

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

May 1, 2018

PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants
102 West High Street, Suite 100 • P.O. Box 279 • Glassboro, NJ 08028
(856) 881-1600 • Fax (856) 881-6860

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08

Independent Auditor's Report

The Honorable Chairman and
Members of the Authority
Gloucester County Utilities Authority
2 Paradise Road
West Deptford, New Jersey 08066

Report on Compliance for Each Major Federal and State Program

We have audited the Gloucester County Utilities Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Gloucester County Utilities Authority's major federal and state programs for the year ended October 31, 2017. Gloucester County Utilities Authority's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Gloucester County Utilities Authority's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part-200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance), and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey OMB Circular 15-08, require that we plan and

perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Gloucester County Utilities Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Gloucester County Utilities Authority's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Gloucester County Utilities Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended October 31, 2017.

Report on Internal Control Over Compliance

Management of Gloucester County Utilities Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Gloucester County Utilities Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Gloucester County Utilities Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and New Jersey OMB 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedules of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and New Jersey OMB Circular 15-08

We have audited the financial statements Gloucester County Utilities Authority as of and for the year ended October 31, 2017, and have issued our report thereon dated May 1, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Uniform Guidance and New Jersey OMB Circular 15-08 and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the financial statements as a whole.

PETRONI & ASSOCIATES LLC

Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

May 1, 2018

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED OCTOBER 31, 2017

Federal Funding Department/Program	CFDA Number	State Grant/Project Number	Program Amount	Loan/Grant Period From	Loan/Grant Period To	Current Year Expenditures	Total Expenditures
U S Department of Environmental Protection							
Passed Through:							
NJ Department of Environmental Protection							
New Jersey Environmental Infrastructure							
2016 Fund/Trust Loan	66.458	042-4860-71I-I006-16/S340902-14	$ 22,624,658.00	6/2016	N/A	$ 15,606,249.53	$ 21,330,336.62
2017 Fund/Trust Loan	66.458	042-4860-71I-I006-16/S340902-16	1,435,580.00	1/2017	N/A	956,013.38	956,013.38
			$ 24,060,238.00			$ 16,562,262.91	$ 22,286,350.00

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED OCTOBER 31, 2017

State Funding Department/Program	State Grant/Project Number	Program Amount	Loan/Grant Period From	Loan/Grant Period To	Current Year Expenditures	Total Expenditures
Department of Environmental Protection						
New Jersey Environmental Infrastructure						
2016 Fund/Trust Loan	S340902-14	$ 7,541,553.00	6/2016	N/A	$ 5,202,083.18	$ 7,110,612.54
2017 Fund/Trust Loan	S340902-16	478,526.00	1/2017	N/A	318,670.96	318,670.96
		$ 8,020,079.00			$ 5,520,754.14	$ 7,429,283.50

GLOUCESTER COUNTY UTILITIES AUTHORITY
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED OCTOBER 31, 2017

NOTE 1: BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the Gloucester County Utilities Authority and is presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of the Uniform Guidance and New Jersey OMB Circular Letter 15-08. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: INDIRECT COST RATE

The Gloucester County Utilities Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:		Unmodified
Internal control over financial reporting:		
1) Material weakness(es) identified?	____ yes	X no
2) Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ yes	X none reported
Noncompliance material to general-purpose financial statements noted?	____ yes	X no

Federal Awards

Type of auditor's report issued on compliance for major programs:		Unmodified
Internal Control over major programs:		
1) Material weakness(es) identified?	____ yes	X no
2) Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ yes	X none reported
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200 SECTION .516(a)?	____ yes	X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program
66.458	NJEIT Fund/Trust Loan - Federal Share

Dollar threshold used to distinguish between type A and type B programs:		$750,000
Auditee qualified as low-risk auditee?	X yes	____ no

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2017
(CONTINUED)

Section I - Summary of Auditor's Results

State Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal Control over major programs:

1) Material weakness(es) identified? ____ yes X no

2) Significant deficiency(ies) identified that are not considered to be material weaknesses? ____ yes X none reported

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 15-08? ____ yes X no

Identification of major programs:

State Grant /Project Number(s)	Name of State Program
S340902-14 & 16	NJEIT Fund/Trust Loans

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? X yes ____ no

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED OCTOBER 31, 2017
(CONTINUED)

Section II – Financial Statement Findings

None

Section III – Federal and State Awards Findings and Questioned Costs

FEDERAL AWARDS

None

STATE AWARDS

None

GLOUCESTER COUNTY UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED OCTOBER 31, 2017

There were no prior year findings reported.

GLOUCESTER COUNTY UTILITIES AUTHORITY
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED OCTOBER 31, 2017

	2017 Budget		2017	Variance of 2017 Actual Data To Budget	
	Original	Final	Actual	Dollars	%
				Favorable (Unfavorable)	
Operating Revenues:					
Sewer Service Charges	$ 19,744,650.00	$ 19,744,650.00	$18,540,804.64	$(1,203,845.36)	-6.10%
Septage and Industrial Charges	330,000.00	330,000.00	314,208.77	(15,791.23)	-4.79%
Sale of Effluent	306,000.00	306,000.00	374,941.86	68,941.86	22.53%
Miscellaneous Income	50,000.00	50,000.00	182,155.84	132,155.84	264.31%
Total Operating Revenues	20,430,650.00	20,430,650.00	19,412,111.11	(1,018,538.89)	-4.99%
Operating Expenses:					
Personnel Services:					
Salaries and Wages	4,898,000.00	4,898,000.00	4,208,448.04	689,551.96	14.08%
Uniform Rental	25,000.00	25,000.00	22,250.00	2,750.00	11.00%
Contributions to:					
Public Employees' Retirement	433,000.00	468,000.00	465,995.27	2,004.73	0.43%
Social Security System	375,500.00	375,500.00	306,508.99	68,991.01	18.37%
Unemployment Compensation	41,000.00	41,000.00	34,338.79	6,661.21	16.25%
Employee Benefits	1,924,000.00	1,924,000.00	1,582,583.63	341,416.37	17.75%
Total Personnel Services	7,696,500.00	7,731,500.00	6,620,124.72	1,111,375.28	14.37%
Contractual Services:					
Advertising	6,500.00	6,500.00	2,152.07	4,347.93	66.89%
Travel Expense	5,200.00	5,200.00	152.50	5,047.50	97.07%
Postage Expense	6,500.00	6,500.00	4,246.53	2,253.47	34.67%
Telephone Expense	39,000.00	39,000.00	31,322.31	7,677.69	19.69%
Natural Gas	160,000.00	160,000.00	68,346.41	91,653.59	57.28%
Electricity	2,100,000.00	2,100,000.00	1,545,020.98	554,979.02	26.43%
Water and Sewer	17,500.00	17,500.00	16,535.93	964.07	5.51%
Hunter Street Expense	25,000.00	25,000.00	25,000.00		
Printing	6,000.00	6,000.00	3,493.18	2,506.82	41.78%
Energy Project Costs	990,000.00	735,000.00	470,442.13	264,557.87	35.99%
Dues and Memberships	15,200.00	15,200.00	8,846.00	6,354.00	41.80%
Motor Vehicle Maintenance	40,000.00	40,000.00	25,490.23	14,509.77	36.27%
Equipment Maintenance	383,500.00	383,500.00	299,346.90	84,153.10	21.94%
Interceptor Rehabilitation	290,000.00	290,000.00	32,144.28	257,855.72	88.92%
Equipment Rental	44,500.00	44,500.00	24,114.76	20,385.24	45.81%
Training and Seminars	28,000.00	28,000.00	8,599.51	19,400.49	69.29%
Permits and Registrations	240,100.00	240,100.00	195,612.50	44,487.50	18.53%
Incinerator Title V/Mact Rules	250,000.00	250,000.00		250,000.00	100.00%
Professional Services	212,000.00	212,000.00	97,458.45	114,541.55	54.03%
Doctor	8,000.00	8,000.00	3,035.17	4,964.83	62.06%
Accounting/Auditing	96,650.00	96,650.00	87,150.00	9,500.00	9.83%
Legal Services	235,000.00	235,000.00	101,319.03	133,680.97	56.89%
Engineering	600,000.00	700,000.00	661,703.38	38,296.62	5.47%
Trustee's Fees	139,100.00	139,100.00	73,579.74	65,520.26	47.10%
Computer Services	63,500.00	71,500.00	70,186.73	1,313.27	1.84%
Insurance	846,600.00	846,600.00	641,303.65	205,296.35	24.25%
Sludge Disposal	168,000.00	168,000.00	137,054.82	30,945.18	18.42%
Other Expenses	53,700.00	53,700.00	48,337.00	5,363.00	9.99%
Total Contractual Services	7,069,550.00	6,922,550.00	4,681,994.19	2,240,555.81	32.37%

GLOUCESTER COUNTY UTILITIES AUTHORITY
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED OCTOBER 31, 2017
(CONTINUED)

	2017 Budget		2017	Variance of 2017 Actual Data To Budget	
	Original	Final	Actual	Dollars	%
				Favorable (Unfavorable)	
Materials and Supplies:					
Books and Publications	4,200.00	4,200.00	1,087.94	3,112.06	74.10%
Building and Construction Supplies	11,000.00	11,000.00	7,615.76	3,384.24	30.77%
Fuel and Lubricants	92,500.00	92,500.00	47,801.44	44,698.56	48.32%
Incinerator Fuel	530,400.00	530,400.00	398,990.67	131,409.33	24.78%
Incinerator Sand	40,280.00	40,280.00	19,544.53	20,735.47	51.48%
Motor Vehicle Parts	34,000.00	34,000.00	10,381.02	23,618.98	69.47%
Laboratory Services/Supplies	62,000.00	62,000.00	51,819.58	10,180.42	16.42%
Janitorial Supplies	7,500.00	7,500.00	5,881.34	1,618.66	21.58%
Office Supplies	17,000.00	17,000.00	13,366.60	3,633.40	21.37%
Electrical/Communication Supplies	200,000.00	200,000.00	179,071.28	20,928.72	10.46%
Hardware/Minor Tools	28,900.00	28,900.00	24,110.26	4,789.74	16.57%
Equipment/Machinery Parts	287,600.00	287,600.00	181,763.36	105,836.64	36.80%
Plumbing/Heating/HVAC Supplies	46,700.00	46,700.00	24,873.28	21,826.72	46.74%
Safety Supplies	34,050.00	40,050.00	39,634.54	415.46	1.04%
Chemicals and Gases	64,000.00	64,000.00	15,012.58	48,987.42	76.54%
Sodium Hydroxide	130,000.00	130,000.00	110,456.54	19,543.46	15.03%
Polymer	205,000.00	205,000.00	133,501.00	71,499.00	34.88%
Chlorine	188,500.00	188,500.00	163,435.62	25,064.38	13.30%
Odor/H2S Control	75,000.00	75,000.00		75,000.00	100.00%
Buildings/Grounds Maintenance Supplies	27,400.00	27,400.00	7,237.54	20,162.46	73.59%
Interceptor Supplies	13,300.00	13,300.00	4,316.25	8,983.75	67.55%
Miscellaneous Supplies	1,300.00	1,300.00	29.64	1,270.36	97.72%
Total Materials and Supplies	2,100,630.00	2,106,630.00	1,439,930.77	666,699.23	31.65%
Equipment:					
Vehicles/Rental	301,000.00	301,000.00	259,039.00	41,961.00	13.94%
Laboratory Equipment	14,000.00	14,000.00	4,835.60	9,164.40	65.46%
Office Equipment	26,000.00	26,000.00	1,221.00	24,779.00	95.30%
Electrical/Communication Equipment	85,000.00	85,000.00	83,131.60	1,868.40	2.20%
General Equipment	191,000.00	261,000.00	260,325.00	675.00	0.26%
Pitman Reuse Plant	20,000.00	20,000.00	7,901.80	12,098.20	60.49%
Total Equipment	637,000.00	707,000.00	616,454.00	90,546.00	12.81%
County Expense:					
Joint County Bond Debt Payments	370,000.00	370,000.00	369,506.00	494.00	0.13%
County Infrastructure Improvements	540,000.00	576,000.00	575,600.00	400.00	0.07%
Total County Expense	910,000.00	946,000.00	945,106.00	894.00	0.09%
Total Operating Expenses	18,413,680.00	18,413,680.00	14,303,609.68	4,110,070.32	22.32%
Operating Income (Loss)	2,016,970.00	2,016,970.00	5,108,501.43	3,091,531.43	153.28%
Non-Operating Revenue (Expense):					
CEF Contribution to Debt Service	2,400,000.00	2,400,000.00	189,039.47	(2,210,960.53)	-92.12%
Construction Expansion Fees	750,000.00	750,000.00	1,907,429.00	1,157,429.00	154.32%
Unrestricted Net Position Utilized	788,769.00	788,769.00	788,769.00		
Debt Service Requirements	(4,126,330.00)	(4,126,330.00)	(3,915,856.10)	210,473.90	5.10%
Transfers to CEF Fund	(750,000.00)	(750,000.00)	(1,907,429.00)	(1,157,429.00)	-154.32%
County Appropriation	(1,079,409.00)	(1,079,409.00)	(1,079,409.00)		
Total Non-Operating Revenue (Expense)	(2,016,970.00)	(2,016,970.00)	(4,017,456.63)	(2,000,486.63)	99.18%
Increase (Decrease) in Budgeted Net Position			$ 1,091,044.80	$ 1,091,044.80	

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2017

Wastewater Trust Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2016	Redeemed	Balance Oct. 31, 2017
10/15/98	$ 1,965,000.00	Incinerator No. 1 Project & Upgrade & Rehabilitation of Existing Aeration Tank	$ 290,000.00	$ 140,000.00	$ 150,000.00

Schedule of Annual Maturities

Due January 1,	Interest Rate	Annual Principal Payment
2018	4.500%	150,000.00

Wastewater Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2016	Redeemed	Balance Oct. 31, 2017
10/15/98	$ 1,850,000.00	Incinerator No. 1 Project & Upgrade & Rehabilitation of Existing Aeration Tank	$ 197,167.87	$ 97,406.52	$ 99,761.35

Schedule of Annual Maturities

Due January 1,	Interest Rate	Annual Principal Payment
2018	0.00%	$ 99,761.35

Wastewater Trust Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2016	Redeemed	Balance Oct. 31, 2017
10/15/99	$ 350,000.00	Incinerator No. 1 Project & Upgrade & Rehabilitation of Existing Aeration Tank	$ 80,000.00	$ 25,000.00	$ 55,000.00

Schedule of Annual Maturities

Due January 1,	Interest Rate	Annual Principal Payment
2018	5.70%	$ 25,000.00
2019	5.70%	30,000.00
		$ 55,000.00

Wastewater Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2016	Redeemed or Deobligated
10/15/99	$ 333,411.00	Incinerator No. 1 Project & Upgrade & Rehabilitation of Existing Aeration Tank	$ 52,309.85	$ 52,309.85

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2017
(CONTINUED)

Wastewater Trust Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2016	Redeemed	Balance Oct. 31, 2017
10/15/01	$ 2,185,000.00	2001 Capital Project	$ 795,000.00	$ 145,000.00	$ 650,000.00

Schedule of Annual Maturities

Due January 1,	Interest Rate	Annual Principal Payment
2018	5.00%	$ 150,000.00
2019	5.00%	160,000.00
2020	4.75%	165,000.00
2021	4.75%	175,000.00
		$ 650,000.00

Wastewater Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2016	Redeemed	Balance Oct. 31, 2017
10/15/01	$ 2,259,383.00	2001 Capital Project	$ 380,225.33	$ 120,393.48	$ 259,831.85

Schedule of Annual Maturities

Due January 1,	Interest Rate	Annual Principal Payment
2018	0.00%	$ 118,920.48
2019	0.00%	120,557.15
2020	0.00%	20,354.22
		$ 259,831.85

2003 Refunding Bonds

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2016	Redeemed or Refunded
4/15/03	$ 9,970,000.00	Revenue Refunding Bonds	$ 6,135,000.00	$ 6,135,000.00

2005A Refunding Bonds

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2016	Redeemed	Balance Oct. 31, 2017
8/18/05	$ 2,125,000.00	Revenue Refunding Bonds	$ 715,000.00	$ 230,000.00	$ 485,000.00

Schedule of Annual Maturities

Due January 1,	Interest Rate	Annual Principal Payment
2018	4.100%	$ 235,000.00
2019	4.125%	250,000.00
		$ 485,000.00

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2017
(CONTINUED)

2005B Refunding Bonds

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2016	Redeemed or Refunded
10/5/05	$ 18,040,000.00	Revenue Refunding Bonds	$ 9,010,000.00	$ 9,010,000.00

NJEIT Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2016	Redeemed	Balance Oct. 31, 2017
11/6/08	$ 1,670,000.00	Sewer Revenue Bonds	$ 1,235,000.00	$ 75,000.00	$ 1,160,000.00

Schedule of Annual Maturities

Due July 1,	Interest Rate	Annual Principal Payment
2018	5.00%	$ 80,000.00
2019	5.00%	85,000.00
2020	5.00%	90,000.00
2021	5.00%	95,000.00
2022	5.00%	100,000.00
2023	5.00%	105,000.00
2024	5.00%	110,000.00
2025	5.00%	115,000.00
2026	5.00%	120,000.00
2027	5.00%	125,000.00
2028	5.00%	135,000.00
		$ 1,160,000.00

NJEIT Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2016	Redeemed	Balance Oct. 31, 2017
11/6/08	$ 1,585,582.00	Sewer Revenue Bonds	$ 758,194.96	$ 81,735.71	$ 676,459.25

Schedule of Annual Maturities

Due July 1,	Interest Rate	Annual Principal Payment
2018	0.00%	$ 82,406.72
2019	0.00%	82,865.23
2020	0.00%	83,040.44
2021	0.00%	82,988.25
2022	0.00%	82,772.04
2023	0.00%	82,391.80
2024	0.00%	82,011.57
2025	0.00%	81,638.79
2026	0.00%	16,344.41
		$ 676,459.25

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2017
(CONTINUED)

NJEIT Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2016	Redeemed	Balance Oct. 31, 2017
3/10/10	$ 320,000.00	Sewer Revenue Bonds	$ 245,000.00	$ 15,000.00	$ 230,000.00

Schedule of Annual Maturities

Due Jan 1,	Interest Rate	Annual Principal Payment
2018	5.00%	$ 15,000.00
2019	4.00%	15,000.00
2020	5.00%	15,000.00
2021	3.00%	15,000.00
2022	4.00%	20,000.00
2023	4.00%	20,000.00
2024	4.00%	20,000.00
2025	4.00%	20,000.00
2026	3.50%	20,000.00
2027	4.00%	20,000.00
2028	4.00%	25,000.00
2029	4.00%	25,000.00
		$ 230,000.00

NJEIT Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2016	Redeemed	Balance Oct. 31, 2017
3/10/10	$ 956,850.00	Sewer Revenue Bonds	$ 654,686.88	$ 50,360.52	$ 604,326.36

Schedule of Annual Maturities

Due Jan 1,	Interest Rate	Annual Principal Payment
2018	0.00%	$ 50,360.52
2019	0.00%	50,360.52
2020	0.00%	50,360.52
2021	0.00%	50,360.52
2022	0.00%	50,360.52
2023	0.00%	50,360.52
2024	0.00%	50,360.52
2025	0.00%	50,360.52
2026	0.00%	50,360.52
2027	0.00%	50,360.52
2028	0.00%	50,360.52
2029	0.00%	50,360.64
		$ 604,326.36

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2017
(CONTINUED)

NJEIT ARRA Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2016	Redeemed	Balance Oct. 31, 2017
3/10/10	$ 121,157.44	Sewer Revenue Bonds	$ 88,591.56	$ 5,682.03	$ 82,909.53

Schedule of Annual Maturities

Due Jan 1,	Interest Rate	Annual Principal Payment
2018	2.53%	$ 5,810.45
2019	2.72%	5,957.45
2020	2.88%	6,119.49
2021	3.11%	6,295.74
2022	3.26%	6,491.53
2023	3.37%	6,703.16
2024	3.50%	6,929.05
2025	3.60%	7,171.57
2026	3.66%	7,429.75
2027	3.80%	7,701.68
2028	3.89%	7,994.34
2029	3.99%	8,305.32
		$ 82,909.53

NJEIT ARRA Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2016	Redeemed	Balance Oct. 31, 2017
3/10/10	$ 344,000.00	Sewer Revenue Bonds	$ 78,000.00	$ 6,000.00	$ 72,000.00

Schedule of Annual Maturities

Due Jan 1,	Interest Rate	Annual Principal Payment
2018	0.00%	$ 6,000.00
2019	0.00%	6,000.00
2020	0.00%	6,000.00
2021	0.00%	6,000.00
2022	0.00%	6,000.00
2023	0.00%	6,000.00
2024	0.00%	6,000.00
2025	0.00%	6,000.00
2026	0.00%	6,000.00
2027	0.00%	6,000.00
2028	0.00%	6,000.00
2029	0.00%	6,000.00
		$ 72,000.00

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2017
(CONTINUED)

NJEIT Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2016	Redeemed	Balance Oct. 31, 2017
12/2/10	$ 1,075,000.00	Sewer Revenue Bonds	$ 880,000.00	$ 45,000.00	$ 835,000.00

Schedule of Annual Maturities

Due Jan 1,	Interest Rate	Annual Principal Payment
2018	5.00%	$ 45,000.00
2019	5.00%	50,000.00
2020	5.00%	50,000.00
2021	5.00%	55,000.00
2022	5.00%	60,000.00
2023	5.00%	60,000.00
2024	5.00%	65,000.00
2025	5.00%	65,000.00
2026	5.00%	70,000.00
2027	5.00%	75,000.00
2028	5.00%	75,000.00
2029	5.00%	80,000.00
2030	5.00%	85,000.00
		$ 835,000.00

NJEIT Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2016	Redeemed	Balance Oct. 31, 2017
12/2/10	$ 1,117,500.00	Sewer Revenue Bonds	$ 823,421.10	$ 58,815.78	$ 764,605.32

Schedule of Annual Maturities

Due Jan 1,	Interest Rate	Annual Principal Payment
2018	0.00%	$ 58,815.78
2019	0.00%	58,815.78
2020	0.00%	58,815.78
2021	0.00%	58,815.78
2022	0.00%	58,815.78
2023	0.00%	58,815.78
2024	0.00%	58,815.78
2025	0.00%	58,815.78
2026	0.00%	58,815.78
2027	0.00%	58,815.78
2028	0.00%	58,815.78
2029	0.00%	58,815.78
2030	0.00%	58,815.96
		$ 764,605.32

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2017
(CONTINUED)

NJEIT Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2016	Redeemed	Balance Oct. 31, 2017
5/22/13	$ 930,000.00	Sewer Revenue Bonds	$ 820,000.00	$ 35,000.00	$ 785,000.00

Schedule of Annual Maturities

Due Jan 1,	Interest Rate	Annual Principal Payment
2018	4.00%	$ 35,000.00
2019	4.00%	45,000.00
2020	4.00%	45,000.00
2021	4.00%	45,000.00
2022	4.00%	50,000.00
2023	5.00%	50,000.00
2024	5.00%	50,000.00
2025	3.00%	55,000.00
2026	3.00%	55,000.00
2027	3.00%	55,000.00
2028	3.00%	55,000.00
2029	3.00%	60,000.00
2030	3.00%	60,000.00
2031	3.00%	60,000.00
2032	3.00%	65,000.00
		$ 785,000.00

NJEIT Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2016	Redeemed	Balance Oct. 31, 2017
5/22/13	$ 2,907,813.00	Sewer Revenue Bonds	$ 2,206,950.40	$ 147,854.89	$ 2,059,095.51

Schedule of Annual Maturities

Due Jan 1,	Interest Rate	Annual Principal Payment
2018	0.00%	$ 147,854.89
2019	0.00%	147,854.89
2020	0.00%	147,854.89
2021	0.00%	147,854.89
2022	0.00%	147,854.89
2023	0.00%	147,854.89
2024	0.00%	147,854.89
2025	0.00%	147,854.89
2026	0.00%	147,854.89
2027	0.00%	147,854.89
2028	0.00%	147,854.89
2029	0.00%	147,854.89
2030	0.00%	147,854.89
2031	0.00%	136,981.94
		$ 2,059,095.51

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2017
(CONTINUED)

NJEIT Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2016	Redeemed	Balance Oct. 31, 2017
5/28/15	$ 1,015,000.00	Sewer Revenue Bonds	$ 980,000.00	$ 35,000.00	$ 945,000.00

Schedule of Annual Maturities

Due Jan 1,	Interest Rate	Annual Principal Payment
2018	5.00%	$ 35,000.00
2019	5.00%	40,000.00
2020	5.00%	40,000.00
2021	5.00%	45,000.00
2022	5.00%	45,000.00
2023	5.00%	50,000.00
2024	5.00%	50,000.00
2025	5.00%	50,000.00
2026	5.00%	55,000.00
2027	4.00%	60,000.00
2028	4.00%	60,000.00
2029	4.00%	65,000.00
2030	4.00%	65,000.00
2031	4.00%	65,000.00
2032	4.00%	70,000.00
2033	4.00%	75,000.00
2034	4.00%	75,000.00
		$ 945,000.00

NJEIT Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2016	Redeemed	Balance Oct. 31, 2017
5/28/15	$ 3,281,981.00	Sewer Revenue Bonds	$ 2,320,227.90	$ 128,976.10	$ 2,191,251.80

Schedule of Annual Maturities

Due Jan 1,	Interest Rate	Annual Principal Payment
2018	0.00%	$ 128,976.10
2019	0.00%	128,976.10
2020	0.00%	128,976.10
2021	0.00%	128,976.10
2022	0.00%	128,976.10
2023	0.00%	128,976.10
2024	0.00%	128,976.10
2025	0.00%	128,976.10
2026	0.00%	128,976.10
2027	0.00%	128,976.10
2028	0.00%	128,976.10
2029	0.00%	128,976.10
2030	0.00%	128,976.10
2031	0.00%	128,976.10
2032	0.00%	128,976.10
2033	0.00%	128,976.10
2034	0.00%	127,634.20
		$ 2,191,251.80

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2017
(CONTINUED)

2017 Refunding Bonds

Date of Issue	Amount of Issue	Description	Issued	Balance Oct. 31, 2017
4/6/17	$ 12,475,000.00	Sewer Revenue Refunding Bonds Series 2017	$ 12,475,000.00	$ 12,475,000.00

Schedule of Annual Maturities

Due Jan 1,	Interest Rate	Annual Principal Payment
2018	3.00%	$ 1,715,000.00
2019	4.00%	1,780,000.00
2020	5.00%	1,860,000.00
2021	5.00%	1,950,000.00
2022	5.00%	1,035,000.00
2023	5.00%	1,080,000.00
2024	5.00%	1,135,000.00
2025	4.00%	575,000.00
2026	4.00%	250,000.00
2027	4.00%	260,000.00
2028	4.00%	270,000.00
2029	3.00%	280,000.00
2030	3.00%	285,000.00
		$ 12,475,000.00

	Balance Oct. 31, 2016	Increased (Decreased)	Balance Oct. 31, 2017
Summary Total of all Bonds and Loans	$ 28,744,775.85	$ (4,164,534.88)	$ 24,580,240.97
Issued		$ 12,475,000.00	
Redeemed		(3,157,340.88)	
Refunded		(13,430,000.00)	
Deobligated		(52,194.00)	
		$ (4,164,534.88)	

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised for NJSA 40A:11-4

NJSA 40A:11-4 states “Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds, not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or the amount calculated by the Governor pursuant to Section 3 of P.L. 1971, c.198 (C.40A:11-3), except by contract or agreement.”

The Authority has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the calendar year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor’s opinion should be sought before a commitment is made.

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for “Professional Services” per NJSA 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishings of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the bid threshold “for the performance of any work or the furnishing or hiring of any materials or supplies,” other than those where bids had been previously sought by public advertisements or where a resolution had been previously adopted under the provisions of NJSA 40A:11-6.

Cash Management Program

The Authority adopted a cash management plan in accordance with NJAC 5:31-3.1.

All money received by the Authority is deposited within 48 hours in its legal depositories. The investment of Authority funds is in interest bearing accounts. The practice of cashing checks with public funds is prohibited.

All disbursements are made only after the approval of the members of the Authority. All other transfers are made by the Trustee who is also responsible for investing Authority funds in accordance with the Bond Resolution.

Examination of Claims

An examination of claims paid during the period under review indicated no discrepancies with respect to claimant’s certification and acknowledgment of receipt as required by NJAC 5:31-4.1.

Accounting System
The records maintained by the Authority were found to be in good condition.

A general ledger has been established by the Authority. The general ledger is the official permanent financial record of the Authority which provides a summary of all financial transactions as they have been recorded in the books of original entry utilizing a "double entry" accounting system.

Fixed Assets
A fixed asset accounting and reporting system has been established by the Authority. Fixed assets comprise the most significant investment of the Authority; therefore, it is important that these assets are properly safeguarded. A system for maintaining and verifying fixed assets can provide these safeguards as well as provide valuable management information.

FINDINGS AND RECOMMENDATIONS

None

Acknowledgment
We received the complete cooperation of all the officials of the Authority and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

PETRONI & ASSOCIATES LLC

Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252