

**THE LANDIS SEWERAGE AUTHORITY**  
**AUDIT REPORT**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**



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## INDEPENDENT AUDITOR'S REPORT

Chairman and Commissioners of  
The Landis Sewerage Authority  
Vineland, New Jersey

### Report on the Financial Statements

We have audited the accompanying financial statements of The Landis Sewerage Authority as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of the 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 financial position of The Landis Sewerage Authority as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Landis Sewerage Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2017 on our consideration of The Landis Sewerage Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Landis Sewerage Authority's internal control over financial reporting and compliance.

ROMANO, HEARING, TESTA & KNORR

Handwritten signature in cursive script that reads "Romano, Hearing, Testa & Knorr".

Certified Public Accountants

July 3, 2017

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

Chairman and Commissioners of  
The Landis Sewerage Authority  
Vineland, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of The Landis Sewerage Authority as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise The Landis Sewerage Authority's basic financial statements, and have issued our report thereon dated July 3, 2017.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Landis Sewerage 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*.

### **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 *Governmental Auditing Standards*, and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering The Landis Sewerage Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

ROMANO, HEARING, TESTA & KNORR



Certified Public Accountants

July 3, 2017



**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of The Landis Sewerage Authority's (the Authority) annual financial report presents the analysis of the Authority's overall financial position and results of operation for the year that ended on December 31, 2016. Please read it in conjunction with the financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

The Authority's Net Capital Assets total \$53.19 million, which is a \$1.53 million or 2.79% decrease from 2015.

- The Authority's Total Assets are \$91.32 million, which is a \$24.12 million or 35.90% increase from 2015.
- During the year, the Authority's operating revenues were \$10.56 million, which is a \$.167 million or 1.61% increase from 2015 and operating expenses were \$11.29 million, which is a \$.60 million or 5.31% increase from 2015.
- The Authority's Net Position decreased by \$.993 million.

During 2015, The Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68) and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (GASB 71). As a result of the implementation of GASB 68 and 71, beginning unrestricted net position as of January 1, 2014 was decreased by \$8.6 million.

The notes to the financial statements provide a more through discussion of the implementation of GASB 68 AND 71 and the effects to the financial statements.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority is a single enterprise fund. The Authority's Audit Report includes the required Basic Financial Statements, as described below, the Notes to Financial Statements, required supplementary information, which consists of this Management Discussion and Analysis and required Pension Schedules and finally, supplementary information.

## REQUIRED FINANCIAL STATEMENTS

The financial statements report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities.

The **Statement of Net Position** includes all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the **Statement of Revenues, Expenses and Changes in Net Position**. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its wastewater treatment user fees and other charges. This statement also measures the Authority's profitability and credit worthiness. The other required financial statement is the **Statement of Cash Flows**. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities, and provides answers to such questions as "where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period?"

## FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

One of the most important questions asked about the Authority's finances is "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities in a way that will help answer this question. These two statements report the net position of the Authority, and changes in net position. You can think of the Authority's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The analysis below focuses on the Authority's net position (Table 1) and changes in net position (Table 2) during the year.

Table 1  
**Net Position**  
(Dollars in Thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u> <u>Restated</u>	<u>2016 – 2015</u> <u>Increase (Decrease)</u>	
				<u>\$</u>	<u>%</u>
Current Assets	\$ 36,024	\$ 9,701	\$ 9,342	\$ 26,323	271.34
Noncurrent Assets	<u>55,292</u>	<u>57,495</u>	<u>59,283</u>	<u>(2,203)</u>	(3.83)
Total Assets	<u>91,316</u>	<u>67,196</u>	<u>68,625</u>	<u>24,120</u>	35.90
Deferred Outflows of Resources	<u>4,328</u>	<u>1,571</u>	<u>597</u>	<u>2,757</u>	175.47
Current Liabilities:					
Payable from Unrestricted Assets	924	779	822	145	18.64
Payable From Restricted Assets	1,350	1,395	1,420	(45)	(3.17)
Long-Term Liabilities	<u>41,591</u>	<u>13,770</u>	<u>13,298</u>	<u>27,821</u>	202.04
Total Liabilities	<u>43,865</u>	<u>15,944</u>	<u>15,540</u>	<u>27,921</u>	175.12
Deferred Inflows of Resources	<u>4,560</u>	<u>4,611</u>	<u>4,960</u>	<u>(51)</u>	(1.11)
Investment in Capital Assets	50,514	51,382	52,039	(868)	(1.69)
Restricted Net Position:					
Debt Service	600	568	531	32	5.63
Operating	1,430	1,393	1,348	37	2.66
Renewal & Replacement	500	500	600	0	.0
Unrestricted	<u>(5,825)</u>	<u>(5,630)</u>	<u>(5,796)</u>	<u>(194)</u>	(3.46)
Total Net Position	<u>\$ 47,219</u>	<u>\$ 48,213</u>	<u>\$ 48,722</u>	<u>\$ (993)</u>	(2.06)

Table 2  
**Statement of Revenues,  
Expenses and Changes in  
Net Position**  
(Dollars in Thousands)

	<u>2016</u>	<u>2015</u>	<u>2014 Restated</u>	<b>2016 – 2015</b>	
				<b>Increase(Decrease)</b>	
				<b>\$</b>	<b>%</b>
Operating Revenues:					
User Charges & Fees	\$ 10,035	\$ 10,098	\$ 9,910	\$ (63)	(.62)
Connection Fees	351	118	188	233	197.46
Other Operating	174	177	124	(3)	(1.69)
Nonoperating Revenues	145	57	196	88	154.39
Total Revenues	<u>10,705</u>	<u>10,450</u>	<u>10,418</u>	<u>255</u>	2.44
Operating Expenses:					
Cost of Providing Services	7,077	6,583	6,099	494	7.51
Administrative and General	2,061	1,958	1,820	103	5.26
Depreciation	2,150	2,148	2,125	2	.09
Non-Operating Expense:					
Interest	261	330	388	(69)	(20.91)
Appropriation to COV			50		
Other	149			149	-
Total Expenses	<u>11,698</u>	<u>11,019</u>	<u>10,482</u>	<u>679</u>	6.16
Loss Before Capital Contributions	(993)	(569)	(64)	(424)	74.51
Capital Contributions	<u>-</u>	<u>60</u>	<u>1,323</u>	<u>(60)</u>	(1.00)
Change in Net Position	<u>(993)</u>	<u>(509)</u>	<u>1,259</u>	<u>(484)</u>	(95.09)
Total Net Position-Beginning	48,213	48,722	56,015	(509)	(1.05)
Cumulative Effect of Change In Accounting Principle			<u>(8,552)</u>		
Total Net Position-Beginning (As Restated)	<u>48,213</u>	<u>48,722</u>	<u>47,463</u>	<u>(509)</u>	(1.05)
Total Ending Net Position	\$ <u>47,219</u>	\$ <u>48,213</u>	\$ <u>48,722</u>	\$ <u>(993)</u>	(2.06)

## REVENUES

The Authority's total revenues are approximately \$10.71 million for the year ended December 31, 2016. User Charges & Fees were \$10.0 million accounting for 94% of total revenue. Operating expenses include cost of providing services, which totaled \$7.1 million and administrative and general of \$2.1 million.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of December 2016 the Authority had \$53.19 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 3 to the financial statements. Total depreciation expense for the year was \$2.15 million.

The following tables summarize the Authority's capital assets, net of accumulated depreciation, and changes therein, for the year ended December 31, 2016.

Table 3  
**Capital Assets, Net of Accumulated Depreciation**  
(Dollars in Thousands)

	2016	2015	2014	2016- 2015	
				Increase(Decrease) \$	%
Land	\$ 1,984	\$ 1,984	\$ 1,971	\$ 0	.0
Treatment Plant and Pumping Stations	24,980	26,294	27,563	(1,314)	(5.00)
Mains & Accessories	22,836	23,193	23,570	(357)	(1.54)
Machinery & Equipment	2,894	3,026	3,072	(132)	(4.36)
Office Furniture & Fixtures	35	20	16	15	75.00
Construction in Progress	464	202	108	262	129.70
	<u>\$ 53,193</u>	<u>\$ 54,719</u>	<u>\$ 56,300</u>	<u>\$ (1,526)</u>	<u>(2.79)</u>

This year's additions (in thousands) include:

Land Improvements	\$ 0
Treatment Plant and Pumping Stations	61
Mains & Accessories	130
Machinery and Equipment	148
Construction in Progress	464
Office Furniture & Fixtures	22

The Authority's FY 2017 capital budget plans for investing another \$2.879 million in capital projects, including the following (in thousands):

Collection	\$ 1,534
Truck, Vehicles	80
Pump Stations	134
Communication/Safety	20
Plant & Process Equipment	851
Office Equipment	4
Lab Equipment	33
Farm Equipment	223
TOTAL	<u><u>\$ 2,879</u></u>

The Authority plans on funding those capital projects using a combination of existing cash and year 2017 revenue and borrowing.

## **Debt Administration**

At December 31, 2016, the outstanding balance of the Series 1993 Bonds consists of Term Bonds in the amount of \$3,500,000 that mature in various amounts through the year 2019 with interest rates of 5.65%. In August 2016, the Authority issued its \$25,000,000 Series 2016 Sewer System Revenue Bonds maturing in various amounts from 2020 through 2046 with an interest rate of 3.95%. More detailed information about long-term liabilities can be found in Note 4 to the financial statements.

## **NEXT YEAR'S BUDGETS AND RATES**

The 2017 adopted budget did include a rate increase.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

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 financial information, contact the Authority's Executive Director at The Landis Sewerage Authority, 1776 South Mill Road, Vineland, NJ.

## **BASIC FINANCIAL STATEMENTS**



**THE LANDIS SEWERAGE AUTHORITY  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2016 AND 2015**

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
<b>CURRENT ASSETS - UNRESTRICTED:</b>		
Cash and Cash Equivalents	\$ 842,508	\$ 884,809
Accounts Receivable	1,346,651	1,293,374
Other Receivables	15,709	14,642
Due from Restricted Assets	1,268	1,268
Prepaid Expenses	161,118	96,280
Inventory	466,976	399,701
	<b>2,834,230</b>	<b>2,690,074</b>
<b>CURRENT ASSETS - RESTRICTED:</b>		
Accounts Required by the Authority's Bond Resolution:		
Cash and Cash Equivalents	33,029,119	6,840,971
Interest Receivable	37,004	40,566
Other Accounts:		
Cash and Cash Equivalents	123,492	129,133
	<b>33,189,615</b>	<b>7,010,670</b>
<b>NONCURRENT ASSETS:</b>		
Accounts Required by the Authority's Bond Resolution:		
Investments	2,099,183	2,775,535
Capital Assets, Net	53,193,303	54,719,248
	<b>55,292,486</b>	<b>57,494,783</b>
<b>TOTAL ASSETS</b>	<b>91,316,331</b>	<b>67,195,527</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred Loss on Defeasance of Debt	39,444	65,225
Deferred Amount Relating to Pensions	4,288,736	1,505,976
	<b>4,328,180</b>	<b>1,571,201</b>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>4,328,180</b>	<b>1,571,201</b>

(Continued)

**THE LANDIS SEWERAGE AUTHORITY  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:</b>		
Accounts Payable - Operations	\$ 399,868	\$ 278,735
Accrued Pension Liability	409,830	373,045
Accrued Liabilities - Other	114,610	127,293
Sewer Rent Overpayments	113	113
	924,421	779,186
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>		
Accounts Payable - Construction	-	78,411
Contracts Payable - Construction	8,582	89,397
Retainage Payable - Construction	2,000	2,000
Due to Unrestricted Assets	1,268	1,268
Revenue Bonds Payable - Current Portion	1,100,000	1,000,000
Accrued Interest Payable - Bonds	6,501	5,573
Escrow - 1989 Sewer Bond	1,444	1,444
Escrow - Developers	100,125	105,766
Due to Developers	130,505	110,834
	1,350,425	1,394,693
<b>LONG-TERM LIABILITIES:</b>		
Accrued Pension Liability - Non-Current Portion	204,915	186,523
Revenue Bonds Payable - Non-Current Portion	27,398,404	3,497,362
Accrued Compensated Absences	324,408	345,240
Net Pension Liability	13,662,972	9,740,378
	41,590,699	13,769,503
<b>TOTAL LIABILITIES</b>	43,865,545	15,943,382
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred User Charge Revenue	3,366,958	3,219,121
Deferred Connection Fees Revenue	1,092,250	1,107,354
Deferred Amount Relating to Pensions	100,684	284,356
	4,559,892	4,610,831
<b>NET POSITION (DEFICIT):</b>		
Net Investment in Capital Assets	50,513,745	51,382,105
Restricted:		
Debt Service	600,386	567,568
Operating	1,430,000	1,393,170
Renewal and Replacement	500,000	500,000
Unrestricted	(5,825,057)	(5,630,328)
	\$ 47,219,074	\$ 48,212,515

The accompanying Notes to Financial Statements are an integral part of these statements

**THE LANDIS SEWERAGE AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUE:</b>		
User Charges and Fees	\$ 10,035,031	\$ 10,098,336
Connection Fees	350,724	118,222
Other	174,439	176,750
	<hr/>	<hr/>
<b>Total Operating Revenue</b>	10,560,194	10,393,308
	<hr/>	<hr/>
<b>OPERATING EXPENSES:</b>		
Cost of Providing Services	7,076,669	6,582,635
Administrative and General	2,061,508	1,957,798
Depreciation	2,150,391	2,148,848
	<hr/>	<hr/>
<b>Total Operating Expenses</b>	11,288,568	10,689,281
	<hr/>	<hr/>
<b>OPERATING LOSS</b>	(728,374)	(295,973)
	<hr/>	<hr/>
<b>NON-OPERATING REVENUE (EXPENSES):</b>		
Miscellaneous Income	30,905	9,718
Interest Income	153,635	137,308
Interest Expense	(260,703)	(329,888)
Decrease in Fair Value of Investments	(39,852)	(97,136)
Gain on Disposal of Capital Asset		6,683
Debt Issuance Costs	(149,052)	
	<hr/>	<hr/>
<b>Total Non-Operating Revenue (Expenses)</b>	(265,067)	(273,315)
	<hr/>	<hr/>
<b>LOSS BEFORE CAPITAL CONTRIBUTIONS</b>	(993,441)	(569,288)
	<hr/>	<hr/>
<b>CAPITAL CONTRIBUTIONS</b>		60,000
	<hr/>	<hr/>
<b>CHANGE IN NET POSITION</b>	(993,441)	(509,288)
	<hr/>	<hr/>
<b>TOTAL NET POSITION- BEGINNING</b>	48,212,515	48,721,803
	<hr/>	<hr/>
<b>TOTAL NET POSITION- ENDING</b>	<u>\$ 47,219,074</u>	<u>\$ 48,212,515</u>

The accompanying Notes to Financial Statements are an integral part of these statements

**THE LANDIS SEWERAGE AUTHORITY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers and Users	\$ 10,539,672	\$ 10,356,305
Cash Payments to Suppliers for Goods and Services	(2,255,349)	(2,504,887)
Cash Payments for Employee Services	(5,882,469)	(5,796,469)
Other Operating Receipts (Payments)	85,067	187,213
	<u>2,486,921</u>	<u>2,242,162</u>
<b>Net Cash Provided by Operating Activities</b>		
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Grant Funds Received - Net of Capital Contributions		124,660
Other Non-Operating Revenue and Expenses	30,905	2,484
	<u>30,905</u>	<u>127,144</u>
<b>Net Cash Provided by Non-Capital Financing Activities</b>		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and Construction of Capital Assets	(783,672)	(603,618)
Proceeds from Issuance of Bonds	25,000,000	
Principal Paid on Bonds	(1,000,000)	(1,000,000)
Interest Paid on Bonds	(232,952)	(311,538)
Debt Issuance Costs	(149,052)	
Decrease in Escrow Accounts	(5,641)	(58,713)
Capital Contributions		60,000
	<u>22,828,683</u>	<u>(1,913,869)</u>
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from Sale and Maturities of Investments	636,500	110,506
Interest Received on Investments	157,197	138,383
	<u>793,697</u>	<u>248,889</u>
<b>Net Cash Provided by Investing Activities</b>		
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	26,140,206	704,326
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>7,854,913</u>	<u>7,150,587</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 33,995,119</u>	<u>\$ 7,854,913</u>

(Continued)

The accompanying Notes to Financial Statements are an integral part of these statements

**THE LANDIS SEWERAGE AUTHORITY  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating Loss	\$ (728,374)	\$ (295,973)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	2,150,391	2,148,848
Increase (Decrease) in Cash Resulting From Changes in:		
Accounts Receivable	(53,277)	237,233
Grant and Other Receivables	(1,067)	118,199
Prepaid Expenses	(64,838)	18,993
Inventories	(67,275)	(47,365)
Deferred Outflows - Amount Related to Pensions	(2,782,760)	(1,008,969)
Accounts Payable - Operations	121,133	(46,217)
Accrued Pension Liability - Current	36,785	8,707
Accrued Liabilities - Other	(12,683)	(5,797)
Due to Developers	19,671	(7,040)
Deferred User Charge Revenue	147,837	(103,426)
Deferred Connection Fees	(15,104)	(36,712)
Net Pension Liability	3,922,594	1,465,847
Accrued Pension Liability - Non-Current	18,392	-
Accrued Compensated Absences	(20,832)	4,595
Deferred Inflows - Amount Related to Pensions	(183,672)	(208,761)
Total Adjustments	3,215,295	2,538,135
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 2,486,921</b>	<b>\$ 2,242,162</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:</b>		
Cash and Cash Equivalents - Unrestricted	\$ 842,508	\$ 884,809
Cash and Cash Equivalents - Restricted Accounts Required by Authority's Bond Resolutions	33,029,119	6,840,971
Cash and Cash Equivalents - Other Restricted Accounts	123,492	129,133
	<b>\$ 33,995,119</b>	<b>\$ 7,854,913</b>

The accompanying Notes to Financial Statements are an integral part of these statements

## **NOTES TO THE FINANCIAL STATEMENTS**

**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Landis Sewerage Authority, a public body corporate and politic organized and existing under the laws of the State of New Jersey, owns and operates certain sewerage collection, transmission, treatment and disposal facilities and is presently responsible for providing sanitary sewerage service to the City of Vineland and to neighboring areas. The Authority bills and collects its revenue from the users of the system.

The Authority was established on July 15, 1946, by an ordinance of the Township Committee of the former Landis Township, now part of the City of Vineland pursuant to the Act. The Authority has been in continuous existence since it was established.

As a public body, under existing statute the Authority is exempt from both federal and state taxes.

Financial Reporting Entity

The commissioners of the Authority are appointed by the City Council of the City of Vineland and therefore, the Authority is a related organization of the City as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No.61, but not a component unit of the City. The Authority does not have any component units for which it is accountable.

Basis of Presentation

The accounts of the Authority are an enterprise fund. An enterprise fund is a Proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or the change in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

The accompanying financial statements are reported using the “economic resources measurement focus,” and the “accrual basis of accounting.” Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations.

**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)

The principal operating revenues of the Authority are user charges and fees for sewerage treatment. The Authority also recognizes income from the sale of crops raised in its farm operations, lab testing fees, connection fees and receiving station income as operating revenue. Operating expenses include cost of providing services, administrative and general expenses, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. The budget must be introduced by the governing body at least 60 days prior to end of the current fiscal year, and adopted no later than the beginning of the Authority's fiscal year. The budget is adopted on the accrual basis of accounting with provision for cash payments for bond principal. Depreciation and amortization expense are not included as budget appropriations. The Authority may make budget transfers and amendments at any time, which must be approved by resolution of the Authority and by the State of New Jersey Division of Local Government Services if the legal level line items are affected. Detailed line item transfers not affecting the legal level line items may be made by management at any time. There are no statutory provisions that budgetary line items not be over-expended.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase. Investments are stated at fair value.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to adopt a cash management plan and to deposit and/or invest its funds pursuant to that plan. The governing body of the Authority has adopted a cash management plan ("the plan") and, as required, approves the plan annually. The plan includes the designation of the public depositories to be utilized by the Authority to deposit public funds.

Eligible depositories are defined in section 1 of P.L. 1970, c.236 (C. 17:9-41) and are limited to banks or trust companies having their place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or with the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey governments and their component units.

N.J.S.A. 17:9-41 et. seq., which establishes the requirements for the security of deposits of governmental units, requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit



**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cash, Cash Equivalents and Investments (Continued)

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. Public depositories include state or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least five percent (5%) 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 cash management plan adopted by the Landis Sewerage Authority requires it to deposit funds in public depositories protected from loss under the provisions of GUDPA.

Accounts Receivable

The Authority has provided for doubtful accounts by the allowance method. The allowance for doubtful accounts is based upon management's estimate of potentially uncollectible accounts.

Inventory

Inventory consists principally of chemicals and supplies used in the treatment process and are stated at cost determined on a first-in, first-out basis. Inventory consists principally of chemicals, fuels, materials and supplies used in the treatment process and farm operation and are stated at cost determined on a first-in, first-out basis.

Capital Assets

Capital assets, which consist of property, plant and equipment, are stated at cost which includes direct construction costs and other expenditures related to construction.

Capital assets are defined by the Authority as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and put into operation. Construction in progress is stated at cost, which includes interest expense incurred during construction.

The Authority reduces the capitalized project costs by the amount of interest earned from the investment of project funds and amortization of the premium received in connection with the issuance of debt; which has the effect of reducing the cost of borrowing.

**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets (Continued)

Plant and equipment is depreciated using the straight line method over the following estimated useful lives:

Treatment plant and pumping stations	40 years
Sewer mains, improvements and accessories	75 years
Machinery and equipment	5 - 15 years
Office furniture	5 - 10 years
Vehicles	5 years

Deferred Outflows and Deferred Inflows of Resources

The Statements of Net Position report 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 reports the following as deferred outflows 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.

Deferred Amount on Refunding – The deferred amount on refunding is recorded as a deferred outflow of resources. It is amortized over the shorter of the remaining life of the old debt or new debt based upon the interest method as a component of interest expense.

The Authority reports the following as 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.

The Authority also reports deferred user charge and deferred connection fee revenues as deferred inflows of resources.

**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Bond/Loan Premiums, Discounts

Bond discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond discount.

Pensions

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

Grants

Contributions received from various sources as grants are recorded in the period earned. Developer financed construction is recorded in the period in which applicable construction costs are incurred. Donated assets are recorded at fair market value at the date of the gift. Grants not externally restricted and utilized to finance operations are identified as non-operating revenue.

Grants externally restricted for non-operating purposes are recorded as capital contributions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The estimates and assumptions affect the amounts reported in the financial statements. The actual results may differ from these estimates.

Adoption of Accounting Pronouncements

For the year ended December 31, 2016, the Authority adopted GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). The Statement addresses accounting and financial reporting issues related to fair value measurements of assets and liabilities. GASB 72 identifies various approaches to measuring fair value and levels of inputs based on the objectivity of the data used to measure fair value. GASB 72 became effective for periods beginning after June 15, 2015. The adoption of GASB 72, however, does not have a material impact on the Authority's financial statements.

For the year ended December 31, 2016, the Authority adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73). This Statement establishes requirements for defined benefit pensions and defined contribution pensions that are not within the scope of GASB 68 and amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB 68. GASB 73 became effective for fiscal years beginning after

**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Adoption of Accounting Pronouncements (Continued)

June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Since the Authority's pension falls within the scope of GASB 68, this secondary implementation of provisions does not apply to the Authority. The adoption of GASB 73, therefore, does not have a material impact on the Authority's financial statements.

For the year ended December 31, 2016, the Authority adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76). The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB 76 became effective for periods beginning after June 15, 2015. The adoption of GASB 76, therefore, does not have a material impact on the Authority's financial statements.

For the year ended December 31, 2016, the Authority adopted GASB Statement No. 77, *Tax Abatement Disclosures* (GASB 77). This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The Statement became effective for periods beginning after December 15, 2015. The adoption of GASB 77, however, does not have a material impact on the Authority's financial statements.

For the year ended December 31, 2016, the Authority adopted GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB 78). This statement establishes the criteria for identifying the applicable pension plans and addresses measurement and recognition of pension liabilities, expense, and expenditures; note disclosures of descriptive information about the plan, benefit terms, and contribution terms; and required supplementary information presenting required contribution amounts for the past 10 fiscal years. GASB 78 became effective for periods beginning after December 15, 2015. The adoption of GASB 78, however, does not have a material impact on the Authority's financial Statements.

For the year ended December 31, 2016, the Authority adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79). This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The requirements of this Statement became effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions became effective for reporting periods beginning after December 15, 2015. The adoption of GASB 79, however, does not have a material impact on the Authority's financial statements.

**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recent Accounting Pronouncements Not Yet Effective

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74). The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. GASB 74 will be effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements, however, since the Authority does not offer postemployment benefits other than pension plans, it does not expect the impact to be material.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This Statement addresses accounting and financial reporting for other postemployment benefits (OPEB) that are provided to the employees of state and local governmental employers. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB in the basic financial statements, in addition to requiring more extensive note disclosures and required supplementary information. GASB 75 will be effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements, however, since the Authority does not offer postemployment benefits other than pension plans, it does not expect the impact to be material.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* (GASB 80). This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. GASB 80 will be effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this Statement.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81). This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. GASB 81 will be effective for periods beginning after December 15, 2016. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements although no impact is expected.

**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recent Accounting Pronouncements Not Yet Effective (Continued)

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82). This Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements and expects the impact to be material.

November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. GASB 83 will be effective for periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements although no impact is expected.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. GASB 84 will be effective for periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements although no impact is expected.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017* (GASB 85). The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB 85 will be effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements although no impact is expected.

**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Subsequent Events

Management has evaluated subsequent events through July 3, 2017, the date the financial statements were available for issue.

**NOTE 2      STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

In accordance with the General Bond Resolution, the Authority has established the following cash and investment accounts for the deposit, in the priority of the order listed, of all revenue received by the Authority:

**Revenue** - All revenue received by the Authority and transfers to the various accounts described below.

**Operating** - Amount to be required to pay reasonable and necessary operating expenses for a two month period.

**Bond Service (Current Debt Service)** - An amount equal to a daily accrual of interest and principal based upon a computation detailed in the resolution.

**Sinking** – Amount equal to all prior Sinking Fund installments then due and unpaid plus an accrual based upon a computation detailed in the resolution.

**Bond Reserve (Future Debt Service)** - An amount equal to the greatest sum of maturing principal of and interest on all bonds outstanding at such date which will become due and payable in the then current or any future bond year. Transfers to meet minimum levels in the Bond Service Fund; any excess is to be withdrawn by the trustee and credited to the Revenue Fund.

**Renewal and Replacement** - An amount which is reasonably necessary as a reserve for expenses for major repairs, renewals, replacements, or maintenance items of a non-recurring nature. Transfers to the Bond Service Fund if necessary to meet the minimum requirements, or payment, if any, of the necessary costs and expenses of reconstruction, replacements, renewals, major repairs or maintenance items of a non-recurring nature.

**Construction** – Any money received by the Authority from any source for payment of costs related to the construction, acquisition or restoration of the system.

**Rebate** – Amounts subject to rebate to the United States Government pursuant to the provisions of the Internal Revenue Code.

**General** – Any amounts in excess of minimum requirements in the above accounts. Transfers into the above funds if needed to meet the required balances in those accounts. When certain requirements are met, the Trustee may pay to the Authority any amount in excess of the required amount, which will be free and clear of any lien or pledge created by the resolution.

**THE LANDIS SEWERAGE AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2016 AND 2015**

**NOTE 2      STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

In addition to the accounts required by the General Bond Resolution, the Authority has also established the following restricted accounts:

**Engineer Developer Custodian & Developer Escrow** - The account is for deposits by developers for costs to be incurred by the Authority on their behalf.

**1989 Bond Escrow Surplus** - The account is for transfers from the escrow of amounts deemed to be in excess of the amounts needed to refund the defeased bonds of the Authority.

**COMPLIANCE WITH GENERAL BOND RESOLUTION**

Section 610 of the Authority's Series 1993 Bond Resolution requires that the Authority make, impose, charge and collect Revenues, as defined in the Resolution, in an amount which will be at least sufficient (a) to provide in each fiscal year an amount at least equal to the Operating Fund Requirement, (b) to provide in each fiscal year an amount which is equal to 110% of the Bond Service Requirement, (c) to provide in each fiscal year the amount, if any, which is needed so that the amount which is on deposit in the Bond Reserve Fund will equal the Bond Reserve Requirement, (d) to provide in each fiscal year the amount, if any, which is needed so that the amount which is on deposit in the Renewal and Replacement Fund will equal the System Reserve Requirement, (e) to provide for the payment of all other charges or liens which are related to the System whatsoever which are payable by the Authority out of such rents, fees and charges during such fiscal year, and (f) to provide in such fiscal year for payment of any additional amounts which are necessary to comply with the provisions of this Resolution and all other statutory and legal obligations of the Authority.

Revenues for the year 2016, as defined in the Authority's Bond Resolution, were greater than the amount necessary to meet those provisions and therefore the Authority met the rate covenant contained in Section 610 of the Authority's Bond Resolution, which is calculated as follows:

Revenues (Cash Collections)		<u>\$ 10,970,669</u>
Operating and Maintenance Expenses (Budgetary Basis)		8,306,121
110% of Bond Service:		
Bond Service	\$1,222,061	
X 110%	X110%	1,344,267
Total Expenses and 110% of Bond Service		<u>9,650,388</u>
Excess of Revenues over Expenses and 110% of Bond Service		<u><u>\$ 1,320,281</u></u>



**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 2      STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**AMOUNTS REQUIRED BY BOND RESOLUTION**

The following cash and investment accounts are required by the General Bond Resolution:

	Operating Fund	Bond Service Fund	Sinking Fund	Bond Reserve Fund
Cash and Investments	\$ 1,171,465	\$ 18,966	\$ 368,443	\$ 1,889,375
Required Amount	1,440,500	18,966	275,000	1,330,027
Excess (Deficit)	* \$ (269,035)	\$ -	\$ 93,443	\$ 559,348

\*Account was fully funded January 2017.

**ARBITRAGE RULES**

The Authority is subject to certain arbitrage rules added to the Internal Revenue Code in 1969 and amended by TEFRA in 1992 and by the 1986 TRA. Under these rules, interest earnings on certain investments of proceeds of the Authority's bonds are subject to the limitations imposed by the arbitrage provisions of the Internal Revenue Code. The Authority is required to rebate certain arbitrage profits on non-purpose investments at least once every five years. At December 31, 2016 there were no material arbitrage profits subject to rebate.

**NOTE 3      DETAIL NOTES - ASSETS**

**CASH AND CASH EQUIVALENTS**

At December 31, 2016, the carrying amount and bank balance of the Authority's time and demand deposits were \$22,334,367 and \$22,386,296, respectively. All of the time and demand deposits were covered by either federal deposit insurance or by the Governmental Unit Deposit Protection Act (GUDPA).

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). The Authority's public funds in excess of the FDIC insured amounts are protected by GUDPA. As of December 31, 2016, \$21,314,571 of the Authority's bank balance of \$22,386,296 was insured and \$1,071,725 was uninsured and collateralized.

**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 3      DETAIL NOTES – ASSETS (CONTINUED)**

**CASH AND CASH EQUIVALENTS (CONTINUED)**

At December 31, 2015 the Authority had \$11,660,752 invested in the New Jersey Cash Management Fund (“the Fund”) which is not covered by either federal deposit insurance or by GUDPA. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above.

**INVESTMENTS**

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty’s trust department or agent but not in the Authority’s name.

All of the Authority’s \$2,099,183 investments in U.S. Treasury obligations and agencies and other governmental agencies are held in the name of the counterparty, as trustee for the Authority, not in the name of the Authority.

Interest Rate Risk- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Authority may purchase in order to limit the exposure of governmental units to credit risk. The Authority’s Cash Management Plan also limits its investment choices to those permitted by N.J.S.A. 40A:5-15.1.

Concentration of Credit Risk – The Authority does not place a limit on the amount that may be invested in any one issuer. All of the Authority’s investments are government bonds held in various NJ State Agencies, NJ Municipalities, and County Authorities.

As of December 31, 2016, the Authority had the following investments and maturities:

<u>Quality/Rating</u>	<u>Total Fair Value</u>
Aaa	\$ 314,679
Aa1	416,673
Aa2	209,130
A3	909,251
Baa1	249,450
Total Investments	<u>\$ 2,099,183</u>

**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 3      DETAIL NOTES – ASSETS (CONTINUED)**

**INVESTMENTS (CONTINUED)**

	Investment Maturities (in Years)			
	Total Fair Value	Less than 1	1-5	6-10
Total Investments 12/31/16	\$ 2,099,183	\$ -	\$2,099,183	\$ -

As of December 31, 2015, the Authority had the following investments and maturities:

Quality/Rating	Total Fair Value
AA	\$ 222,154
Aaa	321,222
Aa2	1,068,165
A3	910,719
Baa1	253,275
Total Investments	\$ 2,775,535

	Investment Maturities (in Years)			
	Total Fair Value	Less than 1	1-5	6-10
Total Investments 12/31/15	\$ 2,775,535	\$ -	\$2,553,381	\$222,154

**ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following at December 31, 2016 and 2015:

	2016	2015
Accounts Receivable	\$ 1,200,498	\$ 1,152,363
Municipal Liens Receivable	21,900	21,900
Interest Receivable on Delinquent Charges	124,211	119,096
Due from Bank	42	15
	\$ 1,346,651	\$ 1,293,374

**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 3 DETAIL NOTES – ASSETS (CONTINUED)**

**CAPITAL ASSETS**

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

	Balance Jan. 1, 2016	Additions	Reductions	Balance Dec. 31, 2016
Non-Depreciable Capital Assets:				
Land	\$ 1,984,278	\$ -	\$ -	\$ 1,984,278
Construction In Progress	202,198	313,109	50,967	464,340
Total Non-Depreciable Capital Assets	<u>2,186,476</u>	<u>313,109</u>	<u>50,967</u>	<u>2,448,618</u>
Depreciable Capital Assets:				
Treatment Plant and Pumping Stations	59,339,486	61,361		59,400,847
Mains and Accessories	34,139,377	129,982		34,269,359
Machinery And Equipment	13,338,528	148,276		13,486,804
Office Furniture and Fixtures	462,581	22,685		485,266
Total Depreciable Capital Assets	<u>107,279,972</u>	<u>362,304</u>	<u>-</u>	<u>107,642,276</u>
Less Accumulated Depreciation:				
Treatment Plant and Pumping Stations	33,045,973	1,374,436		34,420,409
Mains and Accessories	10,946,370	487,103		11,433,473
Machinery and Equipment	10,312,613	280,437		10,593,050
Office Furniture and Fixtures	442,244	8,415		450,659
Total Accumulated Depreciation	<u>54,747,200</u>	<u>2,150,391</u>	<u>-</u>	<u>56,897,591</u>
Depreciable Capital Assets, Net	<u>52,532,772</u>	<u>(1,788,087)</u>	<u>-</u>	<u>50,744,685</u>
Total Capital Assets, Net	<u>\$ 54,719,248</u>	<u>\$ (1,474,978)</u>	<u>\$50,967</u>	<u>\$ 53,193,303</u>

**NOTE 4 DETAIL NOTES - LIABILITIES**

**LONG-TERM LIABILITIES**

**Bonds Payable**

In April 1993, the Authority issued its Sewer Revenue Bonds (Refunding Series 1993), in the principal amount of \$22,940,000. The proceeds derived from the issuance and sale of the Bonds were used to (a) advance refund the Authority's Sewer Revenue Bonds (Series 1976) then outstanding in the aggregate principal amount of \$5,200,000 and the Authority's second lien Sewer Revenue Bonds (Series 1989), then outstanding in the aggregate principal amount of \$15,855,000, (b) make a deposit into the Bond Reserve Fund established under the Resolution and (c) pay the premium for the municipal bond insurance policy and the costs and expenses incidental to the authorization, issuance and delivery of the Bonds. The outstanding balance of the Series 1993 Bonds consists of \$1,750,000 of Short-Term Auction Rate Securities – Series 1993B, and \$1,750,000 of Complimentary

**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 4 DETAIL NOTES - LIABILITIES**

**LONG-TERM LIABILITIES**

Bonds Payable (Continued)

Auction Rate Securities – Series 1993C, which are term bonds with a maturity date of September 19, 2019, bearing interest at a combined or linked coupon rate of 5.65% per annum. The term bonds are subject to mandatory redemption in annual amounts ranging from \$1,100,000 to \$1,200,000.

In August 2016, the Authority issued its Sewer System Revenue Bonds, Series 2016, in the principal amount of \$25,000,000. The proceeds derived from the issuance and sale of the Bonds are being used to fund certain capital improvements to the Authority's wastewater treatment plant, pumping stations, and collection system, acquisition of equipment, related soft costs and capitalized interest. The outstanding balance of the Series 2016 Bonds at December 31, 2016 in the amount of \$25,000,000 consists of serial maturities ranging from \$530,583 on December 31, 2020 to \$1,472,814 on December 31, 2046 at an interest rate of 3.95% per annum. The Series 2016 Bonds are not subject to prepayment for the first ten years. From year eleven (11) to year thirty (30), the prepayment penalty ranges from 10% of the outstanding principal in year eleven (11) to 1% of the outstanding principal balance in year thirty (30).

Net Pension Liability

For details on the net pension liability, refer to Note 5. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

Compensated Absences

Current policy allows employees who retire from the Authority via PERS to be reimbursed for fifty (50%) of accrued sick leave up to a maximum of \$10,000, calculated at the then current rate. Employees may carry vacation time into the subsequent year; however the time must be used within the first 90 days of the subsequent year.

**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 4 DETAIL NOTES – LIABILITIES (CONTINUED)**

**LONG-TERM LIABILITIES (CONTINUED)**

The following is a summary of changes in long-term liabilities for the year ended December 31, 2016:

Type of Debt:	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Amounts Due Within One Year
Revenue Bonds Payable:					
Series 1993	\$ 4,500,000	\$ -	\$ 1,000,000	\$ 3,500,000	\$1,100,000
Series 2016	-	25,000,000	-	25,000,000	-
	<u>4,500,000</u>	<u>25,000,000</u>	<u>1,000,000</u>	<u>28,500,000</u>	<u>1,100,000</u>
Less:					
Unamortized Original Issue Discount	(2,638)		(1,042)	(1,596)	-
Total Revenue Bonds Payable	<u>4,497,362</u>	<u>25,000,000</u>	<u>998,958</u>	<u>28,498,404</u>	<u>1,100,000</u>
Accrued Pension Liability	186,523	18,392		204,915	-
Net Pension Liability	<u>9,740,378</u>	<u>3,922,594</u>		<u>13,662,972</u>	-
Accrued Compensated Absences	345,240		20,832	324,408	-
	<u>\$ 14,769,503</u>	<u>\$28,940,986</u>	<u>\$ 1,019,790</u>	<u>\$ 42,690,699</u>	<u>\$1,100,000</u>

The annual debt service requirements to maturity, including principal and interest (net of capitalized interest), for revenue bonds payable as of December 31, 2016 are as follows:

Year Ending December 31,	Principal	Interest	Total
2017	\$ 1,100,000	\$ 189,623	1,289,623
2018	1,200,000	130,028	1,330,028
2019	1,200,000	71,515	1,271,515
2020	530,583	1,001,216	1,531,799
2021	551,832	979,966	1,531,798
2022 - 2026	3,108,903	4,550,088	7,658,991
2027 - 2031	3,783,342	3,875,650	7,658,992
2032 - 2036	4,604,090	3,054,902	7,658,992
2037 - 2041	5,602,888	2,056,104	7,658,992
2042 - 2046	6,818,362	840,630	7,658,992
	<u>28,500,000</u>	<u>\$ 16,749,722</u>	<u>\$ 45,249,722</u>
Less:			
Unamortized Original Issue Discount	(1,596)		
	<u>\$ 28,498,404</u>		

**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 4      DETAIL NOTES – LIABILITIES (CONTINUED)**

**COMMITMENTS AND CONTINGENCIES**

As of December 31, 2016 the Authority has entered into various commitments for construction projects in the amount of \$1,896,965. Costs incurred on those contracts to December 31, 2016 totaled \$349,283.

The Authority is contesting the amount of certain permit fees assessed by the New Jersey Department of Environmental Protection (NJDEP) for the years 2014, 2015 and 2016. The amounts being contested are \$75,539 for 2014, \$17,520 for 2015 and \$37,333 for 2016 which have not been recorded in the Authority's financial statements. The ultimate resolution of this matter is unknown as of the date of the financial statements.

**NOTE 5      DETAIL NOTES – RETIREMENT SYSTEM**

**PENSIONS**

Substantially all of the Authority's employees participate in the Public Employees' Retirement System (the System) which is administered and/or regulated by the New Jersey Division of Pensions and Benefits. The System's Board of Trustees is primarily responsible for the administration of the System.

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division).

For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at:

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

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

**Tier Definition**

- 1      Members who were enrolled prior to July 1, 2007
- 2      Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3      Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
- 4      Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
- 5      Members who were eligible to enroll on or after June 28, 2011

**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 5 DETAIL NOTES – RETIREMENT SYSTEM (CONTINUED)**

**PENSIONS (CONTINUED)**

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

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016 and 2015, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Covered Authority employees are required to contribute a percentage of their salary toward their pension benefits. P.L. 2011, c78, effective June 28, 2011, increased the active member contribution rate from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. Employee contributions were \$203,050, \$219,734 and \$204,490 for the years ended December 31, 2016, 2015, and 2014, respectively. The payroll subject to pension for the Authority's employees covered by PERS was \$3,026,210, \$3,126,640 and \$2,940,410 for the years ended December 31, 2016, 2015 and 2014, respectively.



**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 5 DETAIL NOTES – RETIREMENT SYSTEM (CONTINUED)**

**PENSIONS (CONTINUED)**

The Authority is required by statute to contribute to the employee's pension benefits based on an annual actuarial calculation. The valuation is a determination of the financial condition of the retirement system. The Authority's required annual contributions to the PERS were \$409,830, \$373,045 and \$364,338 for the years ended December 31, 2016, 2015, and 2014, respectively, and is included in the accompanying financial statements. The percentage of employer's contribution rate as a percentage of covered payroll for 2016, 2015 and 2014 was 13.44%, 11.93% and 12.39%, respectively.

At December 31, 2016 and 2015, the Authority reported a liability of \$13,662,972 and \$9,740,378, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014. At June 30, 2016, the Authority's proportion was 0.0461319889%, which was an increase of 0.0027411316% from its proportion measured as of June 30, 2015. At June 30, 2015, the Authority's proportion was 0.0433908573%, which was an increase of 0.000804239% from its proportion measured as of June 30, 2014.

At December 31, 2016 and 2015, respectively, the Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>June 30, 2016</u>		<u>June 30, 2015</u>	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience	\$ 254,090	\$ -	\$ 232,371	\$ -
Changes of Assumptions	2,830,238	-	1,046,039	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	520,982	-	-	156,607
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	478,511	100,684	41,043	127,749
Authority Contributions Subsequent to the Measurement Date	204,915	-	186,523	-
	<u>\$ 4,288,736</u>	<u>\$ 100,684</u>	<u>\$ 1,505,976</u>	<u>\$ 284,356</u>

**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 5 DETAIL NOTES – RETIREMENT SYSTEM (CONTINUED)**

**PENSIONS (CONTINUED)**

Deferred outflows of resources related to pensions in the amount of \$204,915 will be included as a reduction of the net position liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending <u>Dec 31,</u></b>		
2017	\$	723,707
2018		723,707
2019		723,708
2020		723,708
2021		723,708
2022		<u>364,599</u>
	<u>\$</u>	<u>3,983,137</u>

**Actuarial Assumptions**

The total pension liability for the June 30, 2016 and 2015 measurement dates were determined by actuarial valuations as of July 1, 2015 and 2014, respectively, which were rolled forward to June 30, 2016 and 2015, respectively.

These actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

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

Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2013 based on Projection Scale AA.

**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 5 DETAIL NOTES – RETIREMENT SYSTEM (CONTINUED)**

**PENSIONS (CONTINUED)**

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016 and 7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of returns for each major asset class included in PERS's target asset allocation as of June 30, 2016 and 2015 are summarized in the following table:

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

**Discount Rate**

The discount rate used to measure the total pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and 7.90%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return of plan investments was applied to projected benefit

**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 5 DETAIL NOTES – RETIREMENT SYSTEM (CONTINUED)**

**PENSIONS (CONTINUED)**

payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate**

The following presents the Authority's proportionate share of the net pension liability at June 30, 2016 and 2015, respectively, calculated using the discount rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	June 30, 2016		
	1% Decrease <u>(2.98%)</u>	Current Discount Rate <u>(3.98%)</u>	1% Increase <u>(4.98%)</u>
Authority's Proportionate Share of the Net Pension Liability	\$ 16,742,377	\$ 13,662,972	\$ 11,120,656
	June 30, 2015		
	1% Decrease <u>(3.90%)</u>	Current Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
Authority's Proportionate Share of the Net Pension Liability	\$ 12,106,098	\$ 9,740,378	\$ 7,756,975

**NOTE 6 DETAILED NOTES – NET POSITION**

**RESTRICTED NET POSITION**

The Authority has restricted net position for the following purposes in accordance with the requirements of its Bond Resolution.

	2016	2015
Debt Service	\$ 600,386	\$ 567,568
Operating	1,430,000	1,393,170
Renewal and Replacement	500,000	500,000

**THE LANDIS SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 6      DETAILED NOTES – NET POSITION (CONTINUED)**

**UNRESTRICTED NET POSITION**

The balance of unrestricted and undesignated net position (deficit) as of December 31, 2016 and 2015 of \$(5,825,057) and \$(5,630,328), respectively, is comprised of the following:

	2016	2015
Amount Related to Pensions (GASB 68 and 71)	\$ (10,089,665)	\$ (9,078,326)
Undesignated before GASB 68 and 71		
Pension Related Items	4,264,608	3,447,998
	\$ (5,825,057)	\$ (5,630,328)

**NOTE 7      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 purchases commercial insurance for risk of loss. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 8      LEASE AGREEMENT WITH RELATED ENTITY**

On April 3, 2009, the Authority entered into a lease agreement with the City of Vineland (“City”) to lease 15.87 acres of land owned by the Authority to the City, who then sublet the land to Conectiv Vineland Solar, LLC, for the purpose of constructing and operating a solar photovoltaic electric generating facility. The term of the lease shall end on the date the City’s Power Purchase and Sale Agreement with Conectiv Vineland Solar, LLC ends, or such date the City and the Authority may agree upon. The maximum term shall not exceed thirty (30) years without written approval of the Authority. The Authority will receive a percentage of the City’s savings from the solar energy delivered both on a monthly and annual basis during the term of the agreement. As described in Note 1, the Authority is a related organization to the City of Vineland, but not a Component Unit of the City.

**NOTE 9      SUBSEQUENT EVENTS**

The Authority’s largest industrial customer announced in 2016 it plans to close its plant in the summer of 2017. The revenues derived from the customer’s user charges, including surcharge fees in 2016 were approximately \$815,000. In 2016 this represented approximately eight percent (8%) of the Authority’s user charge fees. Management has evaluated the potential impact to the Authority’s revenues, rate structure and operations and has implemented measures, including adopting a rate increase of \$20 per home or 5% on non-residential users effective June 1, 2017, to lessen the impact of this event should it occur as announced.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**THE LANDIS SEWERAGE AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION - PART II  
SCHEDULES OF PROPORTIONATE SHARE, EMPLOYER CONTRIBUTIONS AND NOTES  
STATE OF NEW JERSEY PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)**

**Schedule of Proportionate Share of Net Pension Liability at June 30 (measurement date)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability	0.0461319889%	0.0433908573%	0.0441950963%	0.0438836049%
Authority's Proportionate Share of the Net Pension Liability	\$ 13,662,972	\$ 9,740,378	\$ 8,274,531	\$ 8,387,029
Authority's Covered-Employee Payroll	\$ 3,164,092	\$ 2,863,016	\$ 3,056,348	\$ 3,014,168
Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	431.81%	340.21%	270.73%	278.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%	48.72%

**Schedule of Employer Contributions**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 409,830	\$ 373,045	\$ 364,338	\$ 330,654
Contributions in Relation to the Contractually Required Contribution	<u>(409,830)</u>	<u>(373,045)</u>	<u>(364,338)</u>	<u>(330,654)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered-Employee Payroll	\$ 3,050,187	\$ 3,126,640	\$ 2,940,410	\$ 3,026,210
Contributions as a Percentage of Authority's Covered-Employee Payroll	13.44%	11.93%	12.39%	10.93%

**Notes**

*Changes in Benefit Terms* - There were no significant changes in benefits for the July 1, 2015 and 2014 actuarial valuation.

*Changes in Assumptions* - The discount rate changed from 5.55% as of June 30, 2013, to 5.39% as of June 30, 2014, to 4.90% as of June 30, 2015 and to 3.98% as of June 30, 2016 in accordance with Paragraph 44 of GASB Statement No. 67.

*Schedule Presentation* - These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

## **SUPPLEMENTARY INFORMATION**



**THE LANDIS SEWERAGE AUTHORITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-**  
**NET INVESTMENT IN CAPITAL ASSETS, RESTRICTED AND UNRESTRICTED**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

NET INVESTMENT IN CAPITAL ASSETS	UNRESTRICTED		RESTRICTED				TOTALS (MEMO)	
	UNDESIGNATED	DESIGNATED	DEBT SERVICE	CONSTRUCTION	RENEWAL AND REPLACEMENT	OPERATING	2016	2015
<b>OPERATING REVENUE:</b>								
User Charges and Fees	\$ -	\$ 10,035,031	\$ -	\$ -	\$ -	\$ -	\$ 10,035,031	\$ 10,098,336
Connection Fees		350,724					350,724	118,222
Other		174,439					174,439	176,750
		<u>10,560,194</u>					<u>10,560,194</u>	<u>10,393,308</u>
<b>OPERATING EXPENSES:</b>								
Cost of Providing Services		7,076,669					7,076,669	6,582,635
Administrative and General		2,061,508					2,061,508	1,957,798
Depreciation		2,150,391					2,150,391	2,148,848
		<u>11,288,568</u>					<u>11,288,568</u>	<u>10,689,281</u>
<b>OPERATING LOSS</b>		<u>(728,374)</u>					<u>(728,374)</u>	<u>(295,973)</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>								
Miscellaneous Income		30,905					30,905	9,718
Interest Income		61,096		91,202	1,337		153,635	137,308
Interest Expense		(260,703)					(260,703)	(329,888)
Debt Issuance Costs		(149,052)					(149,052)	
Decrease in Fair Value of Investments		(39,852)					(39,852)	(97,136)
Gain on Disposal of Capital Asset							-	6,683
		<u>(357,606)</u>		<u>91,202</u>	<u>1,337</u>		<u>(265,067)</u>	<u>(273,315)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>		<u>(1,085,980)</u>		<u>91,202</u>	<u>1,337</u>		<u>(993,441)</u>	<u>(569,288)</u>
<b>CAPITAL CONTRIBUTIONS</b>								60,000
<b>TRANSFERS AND ADJUSTMENTS:</b>								
Interest Income		92,539		(91,202)	(1,337)		-	-
Other Transfers	(868,360)	798,712		32,818		36,830	-	-
<b>INCREASE (DECREASE) IN NET POSITION</b>	(868,360)	(194,729)		32,818	-	-	36,830	(993,441)
<b>NET POSITION - JANUARY 1,</b>	51,382,105	(5,630,328)		567,568	-	500,000	1,393,170	48,212,515
<b>NET POSITION - DECEMBER 31,</b>	<u>\$ 50,513,745</u>	<u>\$ (5,825,057)</u>	<u>\$ -</u>	<u>\$ 600,386</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 1,430,000</u>	<u>\$ 48,212,515</u>
<b>UNRESTRICTED NET POSITION (DEFICIT)- UNDESIGNATED-</b>								
Related to Pensions (GASB 68 and 71)		(10,089,665)						
Before GASB 68 and 71 Pension Related Items		4,264,608						
		<u>\$ (5,825,057)</u>						

**THE LANDIS SEWERAGE AUTHORITY**  
**SCHEDULE OF REVENUES AND COSTS FUNDED BY**  
**REVENUES COMPARED TO BUDGET - BUDGETARY BASIS**  
**YEAR ENDED DECEMBER 31, 2016**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>2016 BUDGET</u>	<u>2016 ACTUAL</u>	<u>2015 ACTUAL</u>
<b>REVENUE:</b>			
User Charges and Fees	\$ 9,455,000	\$ 10,035,031	\$ 10,098,336
Connection and Lateral Fees	40,000	350,724	118,222
Other Revenue	205,000	205,344	186,468
Interest Income	245,000	153,635	137,308
<b>Total Revenue</b>	<u>9,945,000</u>	<u>10,744,734</u>	<u>10,540,334</u>
<b>EXPENSES:</b>			
Cost of Providing Services:			
Salaries - Supervision	1,085,000	1,147,300	1,117,045
Salaries and Wages	1,785,000	1,979,372	1,863,326
Employee Benefits	1,416,700	1,214,619	1,269,682
Payroll Taxes	238,200	236,291	228,745
Utilities and Telephone	928,000	918,203	984,068
Miscellaneous Materials and Supplies	180,000	104,541	160,964
Repairs and Maintenance	204,000	168,443	222,289
Laboratory Testing	22,000	19,810	24,805
Grit and Grease Disposal	6,000	7,597	7,823
Mobile Equipment Expense	113,000	104,556	131,786
Chemicals	250,000	223,521	206,159
Industrial Pretreatment	14,000	13,618	13,632
Farm Supplies, Maintenance and Utilities	165,000	143,135	159,425
	<u>6,406,900</u>	<u>6,281,006</u>	<u>6,389,749</u>
Administrative and General Expenses:			
Salaries and Wages	940,000	847,527	856,518
Employee Benefits	363,900	356,078	388,344
Payroll Taxes	76,200	67,767	71,623
Professional Services	181,000	195,756	199,760
Insurance	166,000	156,782	154,073
Travel	5,000	4,366	3,938
Public Relations	1,000	325	600
Health Department-City of Vineland	4,000		
City of Vineland - Tax Office	7,500	8,250	7,500
Permit Fees	63,000	62,793	61,279
Miscellaneous Expense	48,500	48,879	63,447
Office Expenses	87,000	85,161	77,873
Chairman's Expenses	5,000	8,148	4,920
Household Hazardous Waste Clean-Up Day	4,000	4,000	4,000
	<u>1,952,100</u>	<u>1,845,832</u>	<u>1,893,875</u>
Interest Expense	<u>241,000</u>	<u>233,880</u>	<u>294,124</u>

**THE LANDIS SEWERAGE AUTHORITY**  
**SCHEDULE OF REVENUES AND COSTS FUNDED BY**  
**REVENUES COMPARED TO BUDGET - BUDGETARY BASIS**  
**YEAR ENDED DECEMBER 31, 2016**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>2016 BUDGET</u>	<u>2016 ACTUAL</u>	<u>2015 ACTUAL</u>
<b>OTHER COSTS FUNDED BY REVENUE:</b>			
Principal Maturities	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Debt Service Coverage Requirement	124,000		
Capital Outlays	<u>221,000</u>	<u>179,283</u>	<u>108,328</u>
	<u>1,345,000</u>	<u>1,179,283</u>	<u>1,108,328</u>
<b>TOTAL COSTS FUNDED BY REVENUE</b>	<u>9,945,000</u>	<u>9,540,001</u>	<u>9,686,076</u>
<b>REVENUES OVER COSTS FUNDED BY REVENUES</b>	<u><u>-</u></u>	1,204,733	854,258
<b>Reconciliation of Budgetary Basis to Change in Net Position:</b>			
Adjustments to Budgetary Basis:			
Principal Maturities		1,000,000	1,000,000
Capital Outlays		179,283	108,328
Depreciation		(2,150,391)	(2,148,848)
Amortization Charged to Interest Expense		(26,823)	(35,764)
Decrease in Fair Value of Investments		(39,852)	(97,136)
Capital Contributions		-	60,000
Gain on Disposal of Capital Asset		-	6,683
Pension Expense - Difference of GAAP vs. Budgetary Basis		(1,011,339)	(256,809)
Debt Issuance Cost		<u>(149,052)</u>	<u>-</u>
<b>CHANGE IN NET POSITION PER EXHIBIT B</b>		<u><u>\$ (993,441)</u></u>	<u><u>\$ (509,288)</u></u>

**THE LANDIS SEWERAGE AUTHORITY  
SCHEDULE OF TERM BONDS PAYABLE  
DECEMBER 31, 2016**

DESCRIPTION	ORIGINAL ISSUE	DATE OF ISSUE	MATURITIES		INTEREST RATE	BALANCE JANUARY 1, 2016	ISSUED 2016	PRINCIPAL PAID 2016	BALANCE DECEMBER 31, 2016	
			DATE	AMOUNT						
Short Term Auction Rate Securities-Series 1993-B	(2)	\$ 6,500,000	4/1/93	9/19/2019	\$ 6,500,000	VARIOUS (1)	\$ 2,250,000	\$ 500,000	\$ 1,750,000	
Complimentary Auction Rate Securities-Series 1993-C	(2)	6,500,000	4/1/93	9/19/2019	6,500,000	VARIOUS (1)	2,250,000	500,000	1,750,000	
							<u>\$ 4,500,000</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ 3,500,000</u>

(1) The combined rate or Linked Coupon Rate is 5.65% which is the rate the Authority pays, even though the rates for each of these Securities can change at each Auction Date.

(2) The Short Term Auction Rate Securities and the Complimentary Auction Rate Securities are subject to mandatory redemption through October 1, 2019 at 100% of the principal amounts established as follows:

Year	Principal Amount of Short Term Auction Rate Securities	Principal Amount of Complimentary Auction Rate Securities
2017	550,000	550,000
2018	600,000	600,000
2019	600,000	600,000
	<u>\$ 1,750,000</u>	<u>\$ 1,750,000</u>

**THE LANDIS SEWERAGE AUTHORITY  
SCHEDULE OF SEWER REVENUE BONDS PAYABLE  
DECEMBER 31, 2016**

DESCRIPTION	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE JANUARY 1, 2016	ISSUED 2016	PRINCIPAL PAID 2016	BALANCE DECEMBER 31, 2016
	DATE	AMOUNT		DATE	AMOUNT				
Issue of 2016	8/11/2016	\$ 25,000,000	3.95%	12/31/2020	\$ 530,583	\$ -	\$ 25,000,000	\$ -	\$ 25,000,000
			3.95%	12/31/2021	551,832				
			3.95%	12/31/2022	573,932				
			3.95%	12/31/2023	596,917				
			3.95%	12/31/2024	620,823				
			3.95%	12/31/2025	645,686				
			3.95%	12/31/2026	671,545				
			3.95%	12/31/2027	698,440				
			3.95%	12/31/2028	726,411				
			3.95%	12/31/2029	755,503				
			3.95%	12/31/2030	785,760				
			3.95%	12/31/2031	817,228				
			3.95%	12/31/2032	849,957				
			3.95%	12/31/2033	883,997				
			3.95%	12/31/2034	919,400				
			3.95%	12/31/2035	956,220				
			3.95%	12/31/2036	994,516				
			3.95%	12/31/2037	1,034,344				
			3.95%	12/31/2038	1,075,769				
			3.95%	12/31/2039	1,118,852				
			3.95%	12/31/2040	1,163,660				
			3.95%	12/31/2041	1,210,263				
			3.95%	12/31/2042	1,258,732				
			3.95%	12/31/2043	1,309,143				
			3.95%	12/31/2044	1,361,572				
			3.95%	12/31/2045	1,416,101				
			3.95%	12/31/2046	1,472,814				
						<u>\$ -</u>	<u>\$ 25,000,000</u>	<u>\$ -</u>	<u>\$ 25,000,000</u>

**THE LANDIS SEWERAGE AUTHORITY  
FINDINGS AND RECOMMENDATIONS  
YEAR ENDED DECEMBER 31, 2016**

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

**None Noted**

**THE LANDIS SEWERAGE AUTHORITY  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
YEAR ENDED DECEMBER 31, 2016**

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

**None Noted**

**THE LANDIS SEWERAGE AUTHORITY  
ROSTER OF OFFICIALS**

<u>Authority Members</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Thomas J. Merighi, Jr.	Chairman	\$ 10,000
Carlos E. Villar	Vice Chairman	10,000
G. Steven Errickson	Secretary	10,000
Joseph J. Reuben	Treasurer	10,000
Perry D. Barse	Assistant Secretary/Treasurer	10,000

Other Officials

A. Steven Fabietti	Solicitor	
Dennis W. Palmer	Executive Director/Chief Engineer	10,000
David R. Kotok	Financial Advisor	

Surety Companies

Selective Insurance Company of America