POLLUTION CONTROL FINANCING AUTHORITY
OF WARREN COUNTY
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016 AND 2015

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
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INTRODUCTORY SECTION

April 20, 2017

The Honorable Chairman and Members
of the Pollution Control Financing Authority of Warren County
Warren County, NJ

Dear Authority Members:

The Annual Financial report of the Pollution Control Financing Authority of Warren County (the "Authority") for the years ended December 31, 2016 and 2015, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Authority. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority for the years ended December 31, 2016 and 2015. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

The annual financial report is presented in four sections: introductory, financial, *Single Audit* section and comments and recommendations. The introductory section includes this transmittal letter, the Authority's organizational chart and a list of principal officials. The financial section includes the financial statements as well as the auditors' report thereon. Information related to the *Single Audit section*, including the auditors' report on internal control and compliance with applicable laws and regulations and findings and related responses, are included in the *Government Auditing Standards* section of this report.

REPORTING ENTITY AND ITS SERVICES:

The Pollution Control Financing Authority of Warren County (the "Authority") is a political subdivision and a public body politic and corporate of the State of New Jersey, created by resolution of the Board of Chosen Freeholders of the County of Warren on August 14, 1974, and an amending resolution adopted April 11, 1984.

The objectives and purposes of the Authority are those set forth in the New Jersey Industrial Pollution Control Financing Law, Chapter 376 of the Laws of 1973 of the State of New Jersey, and those powers and duties delegated to the Authority by the Board of Chosen Freeholders of the County of Warren, by resolution.

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

The Honorable Chairman and Members
of the Pollution Control Financing Authority of Warren County
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April 20, 2017

GENERAL TRENDS AND SIGNIFICANT EVENTS

During 2016 the Authority experienced the following:

- The Warren County Landfill Energy, LLC Gas to Energy plant was not operational the entire year. This plant uses landfill generated methane gas to produce electricity. Some electricity generated is used for on site needs and the excess is sold to the local power company. DCO Energy staffs the energy plant while the Authority operates a sulfur scrubbing system to assure a clean stream of gas for DCO and assist in odor reduction.
- The Authority received final approval of the Closure and Post Closure Maintenance Plan on July 7, 2010 from the NJDEP. The Authority will also seek to update this plan to stay in compliance with NJDEP mandates.
- The Authority completed construction of its leachate treatment facility during 2009. The plant become operational in late summer and began discharging leachate into the Pequest River M.U.A. sewer system in October 2009. The plant was fully functional during 2010 and is effectively treating leachate to meet the safe discharge standards.
- The Authority started the process to obtain approval from the New Jersey Department of Environmental Protection for increasing the permitted capacity of the landfill. The County's solid Waste disposal plan was amended in January 2014 and the Authority authorized an engineering firm to begin preliminary work associated with the feasibility study. If and when the expansion is completed, the residents of the County will continue to have access to a local facility for solid waste disposal. By expanding the current facility, the Authority will ensure that there will be sufficient funding generated from operations to meet the Landfill Closure Trust requirements mandated by statute.

CASH MANAGEMENT: The investment policy of the Authority is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 6. The Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("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. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

RISK MANAGEMENT: The Authority carries various forms of insurance, including but not limited to general liability, excess liability, public officials liability, automobile liability and comprehensive/collision, hazard and theft insurance on property, contents, and fidelity bonds.

OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Authority. The auditors' report on the financial statements is included in the financial section of this report. The auditors' report related specifically to *Government Auditing Standards* is included in the *Single Audit* section of this report.

The Honorable Chairman and Members
of the Pollution Control Financing Authority of Warren County
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April 20, 2017

ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Pollution Control Financing Authority of Warren County for their concern in providing fiscal accountability to the citizens of Warren County and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

James Williams	Daniel Olshefsky
Director of Operations	Chief Financial Officer

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
ROSTER OF OFFICIALS
DECEMBER 31, 2016

Authority Members

James Cannon, Chairman	Term Expires 02/01/2021
Richard A. Mach, Vice-Chairman	Term Expires 02/01/2018
Bud Allen, Treasurer	Term Expires 02/01/2020
Joe Pryor, Secretary	Term Expires 02/01/2022
Marc Pasquini, Member	Term Expires 02/01/2019

CONSULTANTS AND ADVISORS

AUDIT FIRM

Nisivoccia LLP
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856

ATTORNEY

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Florio Perrucci Steinhardt and Fader, LLC
235 Broubalow Way
Phillipsburg, NJ 08865

ENGINEERS

Mott McDonald
111 Wood Avenue South
Iselin, NJ 08830
Brendan Mullen, P.E.

Cornerstone Environmental Group, LLC
90 Crystal Run Road, Suite 201
Middletown, NY 10941
Mark A Swyka, P.E.

FINANCIAL SECTION

NISIVOCCIA LLP
Certified Public Accountants & Advisors

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Mt. Arlington, NJ 07856
973-328-1825 | 973-328-0507 Fax

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11 Lawrence Road
Newton, NJ 07860
973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

The Honorable Chairman and Members
of the Pollution Control Financing Authority
of Warren County
Warren County, NJ

Report on the Financial Statements

We have audited the accompanying financial statements of the Pollution Control Financing Authority of Warren County, (the "Authority"), as of and for the years ended December 31, 2016 and 2015 and the related notes to the financial statements, as listed in the foregoing 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 6 to the financial statements, the Authority implemented Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*, during the year ended December 31, 2016. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements. The supplementary information schedules listed in the table of contents and the schedule of expenditures of State awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid,* are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The Honorable Chairman and Members
of the Pollution Control Financing Authority
of Warren County
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The introductory section has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mt. Arlington, New Jersey
April 20, 2017

NISIVOCCIA LLP

William F. Schroeder
Registered Municipal Accountant #452
Certified Public Accountant

MANAGEMENT DISCUSSION AND ANALYSIS
UNAUDITED

This section presents management's analysis of the Authority's financial condition and activities for the year. This information should be read in conjunction with the financial statements.

Financial Highlights

Management believes the Authority's financial position is strong. The Authority is well within its stringent financial policies and guidelines set by the Board and management. The following are key highlights:

- The Authority accepted approximately 163,776 tons of waste and cover materials at the WCDL which is a decrease of 77,906 tons from the prior year.
- The Authority's Household Hazardous Waste programs were held twice in 2016 with great success. As a result of the program, various types of liquid and solid hazardous wastes were removed from the waste stream and disposed of properly. Additionally, the electronics program enabled the Authority to properly collect and recycle approximately 213,619 pounds of different types of electronic equipment.

Overview of Annual Financial Report

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

The financial statements report information about the Authority using full accrual accounting as utilized by similar government activities. The financial statements include a statement of net position; a statement of revenue, expenses, and changes in net position; a statement of cash flows; notes to the financial statements, and supplementary information schedules.

The ***statement of net position*** presents the financial position of the Authority on a full accrual basis. The statement of net position presents information on all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position is one indicator of whether the financial position of the Authority is improving or deteriorating.

While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the ***statement of revenue, expenses, and changes in net position*** presents the results of the authority's activities over the course of the year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Authority's recovery of its costs. Rate setting policies use different methods of cost recovery not fully provided for by generally accepted accounting principles. The primary objectives of the rate model are to improve equity among customer classes and ensure that capital costs are allocated on the basis of long-term requirements, ensuring that growth pays for growth.

MANAGEMENT DISCUSSION AND ANALYSIS
UNAUDITED
(Continued)

Overview of Annual Financial Report (Cont'd)

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

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

The ***supplementary information schedules*** provides detailed comparison of budget to actual expenses.

Financial Condition

The Authority's financial condition remained strong at year-end with adequate liquid assets, reliable plants and systems to meet demand, and a reasonable level of unrestricted net position. The current financial condition, technical support staff capabilities, and operating and expansion plans to meet anticipated customer needs are well balanced and under control.

The Authority's total net position decreased from the prior year by $1,834,836. The analysis below focuses on the Authority's net position (Table I) and changes in net position (Table 2) during the year.

Table I
Net Position

	December 31,		Increase/ (Decrease)	Percent Increase/
	2016	2015	From 2014	(Decrease)
Current Unrestricted Assets	$ 13,361,225	$ 11,235,343	$ 2,125,882	18.92
Current Restricted Assets	29,828,485	28,934,584	893,901	3.09
Noncurrent Assets	12,623,495	13,721,972	(1,098,477)	(8.01)
Total Assets	55,813,205	53,891,899	1,921,306	3.57
Deferred Outflows of Resources	803,389	317,493	485,896	153.04
Current Liabilities	676,309	574,659	101,650	17.69
Long-term Liabilities	32,904,167	28,730,023	4,174,144	14.53
Total Liabilities	33,580,476	29,304,682	4,275,794	14.59
Deferred Inflows of Resources	15,501	49,257	(33,756)	(68.53)
Net Investment in Capital Assets	10,480,485	11,490,646	(1,010,161)	(8.79)
Unrestricted	12,540,132	13,364,807	(824,675)	(6.17)
Total Net Position	$ 23,020,617	$ 24,855,453	$ (1,834,836)	(7.38)

MANAGEMENT DISCUSSION AND ANALYSIS
UNAUDITED
(Continued)

Total net position decreased 7.38%. This was primarily the result of the current year provision for Landfill Escrow closure costs of $3,550,505.

Changes in the Authority's net position can be determined by reviewing the following condensed Statement of Revenue, Expenses and Changes in Net Position for the year.

Table II
Statement of Revenue, Expenses and Changes in Net Position

	December 31,		Increase/ (Decrease)	Percent Increase/
	2016	2015	From 2015	(Decrease)
Operating Revenue	$ 7,590,962	$ 8,486,880	$ (895,918)	(10.56) %
Nonoperating Revenue-Interest Income	47,001	33,585	13,416	39.95
Nonoperating Revenue-Interest Income and Hauler Taxes for Landfill Escrow Closure Costs	893,901	1,417,215	(523,314)	(36.93)
Total Revenue	8,531,864	9,937,680	(1,405,816)	(14.15)
Administrative and Cost of Providing Services	5,432,261	6,139,555	(707,294)	(11.52)
Amortization of Prepaid Ground Lease	88,316	88,316		
Depreciation	1,295,618	1,433,605	(137,987)	(9.63)
Provision for Landfill Escrow Closure Costs	3,550,505	3,694,153	(143,648)	(3.89)
Total Expenses	10,366,700	11,355,629	(988,929)	(8.71)
Increase/decrease in Net Position	(1,834,836)	(1,417,949)	(416,887)	(29.40)
Beginning Net Position	24,855,453	26,273,402	(1,417,949)	(5.40)
Ending Net Position	$ 23,020,617	$ 24,855,453	$ (1,834,836)	(7.38) %

MANAGEMENT DISCUSSION AND ANALYSIS
UNAUDITED
(Continued)

Results of Operations

Operating Revenue: Revenue primarily consists of tipping fees charged for waste disposal. Several other smaller miscellaneous revenue streams exist; however, their combined total is immaterial to operations. Total actual Haulers revenue delivered to the facility was $6,992,941 in 2016. This revenue helps to assure all operational obligations can continue to be satisfied while preserving landfill life and serving the solid waste disposal needs of Warren County.

Expenses: Administrative and costs of providing services expenses for 2016 were 11.52% less than 2015. Diligent monitoring of the Authority's operations allows the Authority to provide a superior level of service to the facility's customers.

As was the case in 2015, significant expenses in 2016 include engineering and treatment and sludge disposal.

Engineering costs continue to remain high resulting from continued work on the landfill gas collection system and sulfur scrubber system as well as services rendered in relation to the Authority's issues surrounding leachate management and its proper disposal. In conjunction with Leachate Management, the Authority continues trucking leachate off site until a solution can be reached on a more cost efficient, controllable disposal method. The Leachate Plant became fully operational by the middle of the year 2010. This plant substantially reduced the need for leachate transportation, thereby significantly decreasing the cost of leachate treatment and disposal.

Budgetary Highlights: The Authority made no amendments to its 2016 budget.

Capital Assets: At December 31, 2016, the Authority had $10,480,485 invested in net capital assets, primarily consisting of the landfill cells, the gas technology collection system, the wastewater treatment facility and the administration building. The amount represents a decrease of $1,010,161 or 8.79% over the prior year, which was due to capital acquisitions of $285,457 less depreciation expense of $1,295,618.

MANAGEMENT DISCUSSION AND ANALYSIS
UNAUDITED
(Continued)

Results of Operations (Cont'd)

Capital Assets (Cont'd)

	December 31, 2016	December 31, 2015	(Decrease) From 2016	Increase/ (Decrease)
Buildings	$ 1,997,519	$ 1,997,519		
Machinery and Equipment	1,892,354	1,843,735	$ 48,619	2.64 %
Landfill (Cells 1a and 1e)	8,507,402	8,507,402		
Landfill (Cell W1/W2)	6,523,272	6,523,272		
Landfill Infrastructure	7,133,053	7,133,053		
Landfill (Cell A1 and W3)	3,746,851	3,746,851		
Landfill (Cell 4)	7,100,412	7,100,412		
Landfill (Cell 5)	5,383,135	5,379,800	3,335	0.06
Landfill (Cell 6)	614,178	404,413	209,765	51.87
Solar Project	28,646	28,646		
Gas Technology and Collection System	4,774,334	4,774,334		
Protective Tarp Cover	596,243	596,243		
Lined Lagoon	1,332,688	1,332,688		
Convenience Center	829,631	829,631		
Wastewater Treatment Facility	5,308,929	5,285,191	23,738	0.45
Total	55,768,647	55,483,190	285,457	0.51
Less: Accumulated Depreciation	45,288,162	43,992,544	1,295,618	2.95
	$ 10,480,485	$ 11,490,646	$ (1,010,161)	(8.79) %

Cash Flow Activity: The cash and cash equivalents at year end 2016 increased by $3,142,626, or 7.97% from the previous year. The Authority maintains a healthy cash balance to meet future emergencies and capital requirements.

Long-Term Debt: The Authority had no outstanding debt as of December 31, 2016 or 2015.

Final Comments: The Authority started the process to obtain approval from the New Jersey Department of Environmental Protection for increasing the permitted capacity of the landfill. The County's Solid Waste disposal plan was amended in January 2014 and the Authority authorized an engineering firm to begin preliminary work associated with the feasibility study. If and when the expansion is completed, the residents of the County will continue to have access to a local facility for solid waste disposal. By expanding the current facility, the Authority will ensure that there will be sufficient funding generated from operations to meet the Landfill Closure Trust requirements mandated by statute.

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	$ 12,728,225	$ 10,479,500
Receivable from Haulers (Less Allowance for Uncollectible Receivables of $28,448 for 2016 and $36,207 for 2015)	539,742	656,932
Prepaid Expenses	93,258	98,911
Total Current Unrestricted Assets	13,361,225	11,235,343
Restricted Assets:		
Investments Held by Trustee	29,828,485	28,934,584
Total Current Restricted Assets	29,828,485	28,934,584
Noncurrent Assets:		
Capital Assets, Net	10,480,485	11,490,646
Prepaid Ground Lease and Related Cost-Landfill, Net	2,143,010	2,231,326
Total Noncurrent Assets	12,623,495	13,721,972
TOTAL ASSETS	55,813,205	53,891,899
DEFERRED OUTFLOWS OF RESOURCES:		
Changes in Assumptions - Pensions	506,035	195,373
Changes in Proportion - Pensions	85,499	78,719
Investment Gains - Pensions	93,149	
Contribution Subsequent to the Measurement Date - Pensions	73,276	
Net Difference Between Expected and Actual Experience - Pensions	45,430	43,401
TOTAL DEFERRED OUTFLOWS OF RESOURCES:	$ 803,389	$ 317,493

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2016 AND 2015
(Continued)

	2016	2015
LIABILITIES		
Current Liabilities Payable from Unrestricted Assets:		
Compensated Absences Payable	$ 93,362	$ 102,567
Accounts Payable	491,892	380,804
Hauler Deposits Payable	91,055	91,288
Total Current Liabilities Payable from Unrestricted Assets	676,309	574,659
Long-Term Liabilities:		
Landfill Escrow Closure and Postclosure Care	30,461,281	26,910,776
Net Pension Liability	2,442,886	1,819,247
Total Long-Term Liabilities	32,904,167	28,730,023
Total Liabilities	33,580,476	29,304,682
DEFERRED INFLOWS OF RESOURCES:		
Changes in Proportion - Pensions	15,501	20,007
Investment Gains - Pensions		29,250
Total Deferred Inflows of Resources	15,501	49,257
NET POSITION		
Net Investment In Capital Assets	10,480,485	11,490,646
Unrestricted	12,540,132	13,364,807
Total Net Position	$ 23,020,617	$ 24,855,453

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Operating Revenue:		
Haulers Revenue	$ 6,992,941	$ 7,973,827
Other Income	9,832	41,664
Gas to Energy Plant Revenue	178,628	89,717
Solid Waste Services Tax Grant	104,625	94,542
Covanta Service Agreement Payments	279,858	279,577
Recycling Revenue	25,078	7,553
Total Operating Revenue	7,590,962	8,486,880
Operating Expenses:		
Administrative and Cost of Providing Services	5,432,261	6,139,555
Depreciation	1,295,618	1,433,605
Amortization of Prepaid Ground Lease	88,316	88,316
Provision for Landfill Escrow Closure Costs	3,550,505	3,694,153
Total Operating Expenses	10,366,700	11,355,629
Operating Income/(Loss)	(2,775,738)	(2,868,749)
Nonoperating Revenue (Expenses):		
Interest Income	47,001	33,585
Investment Income and Haulers' Taxes- Landfill Escrow Closure Costs	893,901	1,417,215
Total Nonoperating Revenue (Expenses)	940,902	1,450,800
Increase In Net Position	(1,834,836)	(1,417,949)
Net Position, Beginning of Year	24,855,453	26,273,402
Net Position, End of Year	$ 23,020,617	$ 24,855,453

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$ 7,110,131	$ 8,060,288
Other Receipts	597,788	545,748
Cash Paid to Suppliers and Employees	(5,220,738)	(6,300,640)
Net Cash Provided by/(Used for) Operating Activities	2,487,181	2,305,396
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(285,457)	(1,193,825)
Net Cash Provided by/(Used for) Capital and Related Financing Activities	(285,457)	(1,193,825)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income and Haulers' Taxes - Landfill Escrow Closure Costs	893,901	1,417,215
Interest on Investments	47,001	33,585
Net Cash Provided by Investing Activities	940,902	1,450,800
Net Increase in Cash and Cash Equivalents and Investments	3,142,626	2,562,371
Cash and Cash Equivalents and Investments- Beginning of Year	39,414,084	36,851,713
Cash and Cash Equivalents and Investments - End of Year	$ 42,556,710	$ 39,414,084

Reconciliation of operating loss to net cash provided by/ (Used for) operating activities:		
Operating Income/(Loss)	$ (2,775,738)	$ (2,868,749)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:		
Depreciation	1,295,618	1,433,605
Changes in Net Position:		
(Increase)/Decrease in Haulers Receivable	117,190	86,461
(Increase)/Decrease in Changes in Assumptions - Pensions	(310,662)	
(Increase)/Decrease in Changes in Proportion - Pensions	(6,780)	
(Increase)/Decrease in Investment Gains - Pensions	(93,149)	
(Increase)/Decrease in Contribution Subsequent to the Measurement Date - Pensions	(73,276)	
(Increase)/Decrease in Net Difference Between Expected and Actual Experience - Pensions	(2,029)	
Increase/(Decrease) in Changes in Proportion - Pensions	(4,506)	
Increase/(Decrease) in Investment Gains - Pensions	(29,250)	
Increase/(Decrease) in Compensated Absence Payable	(9,205)	483
Increase/(Decrease) in Haulers Deposits Payable	(233)	32,695
Increase/(Decrease) in Net Pension Liability	623,639	126,455
Increase/(Decrease) in Landfill Escrow Closure Liability	3,550,505	3,694,153
Decrease in Prepaid Ground Lease	88,316	88,316
Increase/(Decrease) in Accounts Payable	111,088	(197,441)
(Increase)/Decrease in Prepaid Expenses	5,653	(90,582)
Total Adjustments	5,262,919	5,174,145
Net Cash Provided By/(Used For) Operating Activities	$ 2,487,181	$ 2,305,396

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 1 - Nature of Authority

The Pollution Control Financing Authority of Warren County (the "Authority") is a political subdivision and a public body politic and corporate of the State of New Jersey, created by resolution of the Board of Chosen Freeholders of the County of Warren on August 14, 1974, and an amending resolution adopted April 11, 1984.

The objectives and purposes of the Authority are those set forth in the New Jersey Industrial Pollution Control Financing Law, Chapter 376 of the Laws of 1973 of the State of New Jersey, and those powers and duties delegated to the Authority by the Board of Chosen Freeholders of the County of Warren, by resolution.

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

Note 2 - Summary of Significant Accounting Policies

A. Basis of Presentation and Accounting

The Authority utilizes the accrual basis of accounting whereby revenue is recorded as earned and expenses are reflected as the liability is incurred. Operating revenue, such as charges for services result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenue, such as subsidies and investment earnings, results from nonexchange transactions or ancillary activities. Nonexchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, generally do not occur, with the exception of investment earnings and interest expense. The Authority applies all applicable GASB pronouncements.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) 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 changes; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., totals assets plus deferred outflows net of total liabilities and deferred inflows) is segregated into "net investment in capital assets," "restricted" and "unrestricted" components.

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Reporting Entity

Governmental Accounting Standards Board publication Codification of Governmental Accounting and Financial Reporting Standards section 2100, "Defining the Financial Reporting Entity", establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources, and significance) should be included in the financial reporting entities. The Authority is a legally separate organization, whose members are appointed by the Freeholders of Warren County. Financial transactions are processed and accounted for by the Authority's financial administration. Accordingly, the Authority is not considered a component unit of the County of Warren under the provisions of Governmental Accounting Standards Boards, Codification Section 2100. There were no additional entities required to be included in the reporting entity under the criteria as described above.

B. Grants

Recognition of revenue from grants is based on the accrual basis of accounting. Grant funds received before costs are incurred are deferred.

Grant related expenditures incurred in advance of receipt of grant funds result in the recording of receivables and revenue. Grants not externally restricted and utilized to finance operations are identified as nonoperating revenue. Grants externally restricted for nonoperating purposes are recorded as contributed capital and identified as grants-in-aid.

C. Inventories

The cost of inventories of supplies is recorded as expenditures at the time individual items are purchased, since they are immaterial to the financial position and results of operations.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from the estimates.

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (Cont'd)

E. Compensated Absences

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

Authority employees are granted varying amounts of vacation and sick leave in accordance with the Authority's personnel policy. Upon termination, employees are paid for accrued vacation. The Authority's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years with a maximum cap of $14,000. Upon retirement, employees shall be paid by the Authority for the unused sick leave in accordance with the Authority's agreements with the various employee unions.

In the *Statement of Net Position*, the liabilities, whose average maturities are greater than one year, should be reported in two components – the amount due within one year and the amount due in more than one year.

F. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

A deferred outflow of resources is a consumption of net position by the Authority that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the Authority that is applicable to a future reporting period. The Authority has deferred outflows of resources for the change in assumptions for pensions, changes in proportion for pensions, investment gains in pensions, the contribution subsequent to the measurement date for pensions, and net difference between expected and actual expense for pensions.

A deferred inflow of resources is an acquisition of net position by the Authority that is applicable to a future reporting period. The Authority has deferred inflows of resources at December 31, 2016 for investment gains in pensions and changes in proportion for pensions.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (Cont'd)

G. Restricted Cash Accounts

Landfill Closure Escrow Cash Account: The escrow fund is increased by an amount equal to $1.00 per ton of all solid waste accepted for disposal during the preceding month. The deposit of escrow funds is to be made by the 20th of the following month in an interest-bearing account. Expenses, if any, require the prior approval of the New Jersey Department of Environmental Protection. The Authority had a balance of $7,443,272 in this account as of December 31, 2016.

Landfill Alternate Closure Escrow Cash Account: During the year ended December 31, 2002 the Authority voluntarily established (with prior consent of the New Jersey Department of Environmental Protection) the landfill alternative closure escrow account. The purpose of this account is to accumulate any funds that the Authority may deem appropriate to be deposited into the fund to help fulfill the estimated requirement costs of the landfill closure (as discussed in Note 7). The Authority had a balance of $9,558,684 in this account as of December 31, 2016.

Landfill Supplemental Closure Escrow Cash Account: During the year ended December 31, 2008 the Authority voluntarily established (with prior consent of the New Jersey Department of Environmental Protection) the Landfill Supplemental Closure Escrow Account. The Authority has directed that an additional $4 per ton of the tipping fees collected (in addition to the $1 per ton which is required by State statute to be collected and deposited into the Landfill Closure Escrow Account) be deposited in to the fund to help fulfill the estimated requirement costs of the landfill closure (as discussed in Note 7). The Authority does reserve the right to potentially use this fund for purposes other than landfill closure. The Authority has a balance of $12,826,529 in this account as of December 31, 2016.

H. Allowance for Uncollectible Accounts

All receivables are reported at the gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowance is established at the discretion of management of the Authority as deemed necessary based on prior collection history.

I. Capital Contributions

Any assets contributed to the Authority are capitalized at the contributor's costs, which approximate fair value at the time of the Authority's acquisition, and are recorded as capital contributions when received.

J. Capital Grants and Contributions

The Authority periodically receives capital grants from certain government agencies to be used for various purposes in connection with the planning, modernization, and expansion of the landfill. Capital grants of the Authority are reported as revenue rather than contributed capital.

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (Cont'd)

K. Revenue Recognition

The Authority's primary source of revenue is from haulers revenue, which is tipping fees charged for waste tonnage received. All commercial carriers and other local government tipping fees are set by individual contracts with those entities. These fee rates may vary depending on agreed-upon tonnage commitments. Any public/residential users are charged the Authority's standard tariff rate as determined by the Authority's Board. Revenue is recorded net of any discounts, assessments or abatements, if applicable.

L. Investments

Investments are stated at fair value. The Authority's investments are limited by its cash management plan to obligations of or guaranteed by the federal government and bank certificates of deposit.

For purposes of the Statement of Cash Flows, the Authority considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

M. Pensions

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

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 3 - Capital Assets

Capital assets are recorded at cost and consisted of the following, as of December 31, 2016 and 2015:

	2015	Additions	2016
Buildings	1,997,519		$ 1,997,519
Machinery and Equipment	1,843,735	$ 48,619	1,892,354
Landfill (Cells 1a and 1e)	8,507,402		8,507,402
Landfill (Cell W1/W2)	6,523,272		6,523,272
Landfill Infrastructure	7,133,053		7,133,053
Landfill (Cell A1 and W3)	3,746,851		3,746,851
Landfill (Cell 4)	7,100,412		7,100,412
Landfill (Cell 5)	5,379,800	3,335	5,383,135
Landfill (Cell 6)	404,413	209,765	614,178
Solar Project	28,646		28,646
Gas Technology and Collection System	4,774,334		4,774,334
Protective Tarp Cover	596,243		596,243
Lined Lagoon	1,332,688		1,332,688
Convenience Center	829,631		829,631
Wastewater Treatment Facility	5,285,191	23,738	5,308,929
Total	55,483,190	285,457	55,768,647
Less: Accumulated Depreciation	43,992,544	1,295,618	45,288,162
Totals	$11,490,646	$ (1,010,161)	$ 10,480,485

Property and equipment are recorded at cost. Depreciation on all assets other than the landfill cells and its infrastructure is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the operations. Depreciation is provided over the following estimated useful lives:

Buildings	40 Years
Recycling Equipment	20 Years
Vehicles	5 Years
Protective Tarp Cover	4 Years
Gas Technology and Collection System	10 Years

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 3 - Capital Assets (Cont'd)

Depreciation on the landfill cells and that portion of its related infrastructure is provided by determining the volume utilized as a percentage of the capacity of the cell and the landfill as a whole, respectively. No depreciation is provided for that portion of the infrastructure on which landfill cells have not been constructed.

Depreciation on assets acquired with grants-in-aid and contributed capital assets, if any, is recorded as a reduction of contributed capital.

Capital assets are reviewed for impairment.

Note 4 - Long Term Liabilities

As of December 31, 2016 and 2015 the Authority has not outstanding debt.

Net Pension Liability

The Public Employees' Retirement System's (PERS) net pension liability is recorded in the current and long-term liabilities of the Authority. The current portion of the net pension liability at December 31, 2016 is $-0- and the long-term portion is $2,442,886. See Note 5 for further information on the PERS.

Note 5 - Pension Plans

Substantially all of the Authority's employees participate in one contributory, defined benefit public employee retirement systems: the Public Employee's Retirement System (PERS) of New Jersey.

Public Employees' Retirement System (PERS)

Plan Description

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 the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

Benefits Provided

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

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 5 - Pension Plans (Cont'd)

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. 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. Authority contributions to PERS amounted to $69,675 for 2016.

The employee contribution rate was 7.06% effective July 1, 2015 and increased to 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities and Pension Expense

At December 31, 2016, the Authority's liability was $2,442,886 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the Authority's proportion was 0.008%, which was an increase of 0.0001% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Authority recognized actual pension expense in the amount of $250,532. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 5 - Pension Plans (Cont'd)

Pension Liabilities and Pension Expense (Cont'd)

	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions - 2014	6.44	$ 30,708	
Changes in Assumptions - 2015	5.72	125,478	
Changes in Assumptions - 2016	5.57	349,849	
Changes in Proportion - 2014	6.44		15,501
Changes in Proportion - 2015	5.72	62,041	
Changes in Proportion - 2016	5.57	23,459	
Authority Contribution Subsequent to the Measurement Date - 2016	1	73,276	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2014	5	(46,016)	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2015	5	29,441	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2016	5	109,724	
Difference Between Expected and Actual Experience - 2015	5.72	34,813	
Difference Between Expected and Actual Experience - 2016	5.57	10,617	
		$ 803,390	$ 15,501

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion and the Authority contribution subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2017	$ 145,128
2018	145,129
2019	168,137
2020	141,260
2021	44,960
	$ 644,614

Actuarial Assumptions

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

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 5 - Pension Plans (Cont'd)

Actuarial Assumptions (Cont'd)

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.65%

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

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

Note 5 - Pension Plans (Cont'd)

Long Term Expected Rate of Return (Cont'd)

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

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. 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 on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Authority's proportionate share of the collective net pension liability as of December 31, 2016 calculated using the discount rate as disclosed below, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 5 - Pension Plans (Cont'd)

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

December 31, 2016	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Authority's proportionate share of Net Pension Liability	$ 2,993,472	$ 2,442,886	$ 1,988,330

Pension Plan Fiduciary Net Position

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

Note 6 - Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

The Authority implemented GASB Statement No. 72 *Fair Value Measurement and Application*, during the year ended December 31, 2016. This standard addresses accounting and financial reporting issues related to the fair value measurement. Investments are stated at fair value. The Authority classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures,* requires disclosure of the level of custodial credit risk assumed by the Authority in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Authority ensures that any deposit or investments matures within the time period that approximates the prospective need for the funds, deposited on invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Authority limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed below on the following two pages.

Custodial Credit Risk - The Authority's policy with respect to custodial credit risk required that the Authority ensures that Authority funds are only deposited in financial institutions in which New Jersey municipalities are permitted to invest their funds.

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Authorities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

Note 6 - Cash and Cash Equivalents and Investments (Cont'd)

Deposits: (Cont'd)

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

> The market value of the collateral must equal 5% of the average daily balance of public funds; and in addition
>
> If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than $25,000,000.

Investments

New Jersey statutes permit the Authority to purchase the following types of investments:

(1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

(2) Government money market mutual funds;

(3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bears a fixed rate of interest not dependent on any index or other external factor;

(4) Bonds or other obligations of local units or bonds or other obligations of school districts of which the local units are part or within which the school district is located;

(5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;

(6) Local government investment pools;

(7) Deposits with the State of New Jersey Cash Management Fund established pursuant to Section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or

(8) Agreements for the repurchase of fully collateralized securities if:

(a) the underlying securities are permitted investments pursuant to paragraph (1) and (3) above;

(b) the custody of collateral is transferred to a third party;

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 6 - Cash and Cash Equivalents and Investments (Cont'd)

Investments (Cont'd)

(c) the maturity of the agreement is not more than 30 days;

(d) the underlying securities are purchased through a public depository as defined in Section 1 of P.L. 1970, c.236 (C.17:9-41); and

(e) a master repurchase agreement providing for the custody and security of collateral is executed.

(9) Debt obligations of federal agencies or government corporations with maturities not to exceed 10 years from the date of purchase, excluding mortgage backed or derivative obligations, provided that the investments are purchased through the State Division of Investment and are invested consistent with the rules and regulations of the State Investment Council.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurement as of Decemer 31, 2016.

- U.S. Treasury securities of $29,828,485 million are valued using quoted market prices (Level 1 inputs).

The investments are held by the Authority's custodial bank trust department in the Authority's name. The bank's trust department is also its agent in purchasing and selling the securities. The investments are uninsured and unregistered. All of the funds held by the custodial bank are held in a fiduciary account, in the Authority's name, and are backed by the full faith and credit of the U.S. Investments at December 31, 2016 consisted of the following:

	Balance December 31, 2016	Weighted Average Maturity in Months
Federal Agency Obligations	$ 340,190	18.93
US Treasury Obligations	6,634,201	11.12
INVESTMENTS	6,974,391	11.50
Money Markets	22,854,094	
GRAND TOTAL	$ 29,828,485	

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 6 - Cash and Cash Equivalents and Investments (Cont'd)

Investments (Cont'd)

As of December 31, 2016, cash and cash equivalents and investments of the Pollution Control Financing Authority of Warren County consisted of the following:

Account	Checking Accounts	Change Funds and Savings Accounts	Investments US Securities	Total
Restricted:				
Landfill Altnerative Escrow Closure			$ 9,558,684	$ 9,558,684
Landfill Escrow Closure			7,443,272	7,443,272
Landfill Supplemental Closure			12,826,529	12,826,529
Total Restricted			29,828,485	29,828,485
Total Unrestricted	$ 72,359	$ 12,655,866		12,728,225
	$ 72,359	$ 12,655,866	$29,828,485	$ 42,556,710

The carrying amount of the Pollution Control Financing Authority of Warren County cash and cash equivalents and investments at year end was $42,556,710 and the bank balance was $42,634,820.

Note 7 - Closure and Post-closure Care Costs

In 2010 the Authority updated its closure plan. This plan was submitted to the New Jersey Department of Environmental Protection for their review and comment. This plan is being used as the basis for the calculation of the required provision for landfill closure and post-closure costs in accordance with GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs.*

State and federal laws and regulations require that the Authority place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and post-closure care costs has a balance of $30,461,281 as of December 31, 2016, which is based on 88.47% usage (filled) of the landfill. It is estimated that an additional $9,453,219 will be recognized as closure and post-closure care expenses between December 31, 2016 and the date the landfill is expected to be totally filled to capacity in the year 2020. The estimated total current cost of the landfill closure and post-closure care ($39,914,500) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2020. However, the actual cost of closure and post-closure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 7 - Closure and Post-closure Care Costs (Cont'd)

The Authority is required by state and federal laws and regulations to make annual contributions to finance closure and post-closure care. The Authority is in compliance with these requirements, and at December 31, 2016, investments of $29,828,485 are held for these purposes. These investments are held and managed by a third-party trustee and are presented on the Authority's statement of net position as part of "Investments Held by Trustee". It is anticipated that future inflation costs will be financed in part from earnings on investments held by the trustee. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in post-closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

The Authority has also developed a financial plan to fund the projected closure and post-closure care costs. Major components of this financial funding plan include the $1 per ton for interred waste, investment earnings on accumulated funds provided for this purpose and future budget provisions of applicable budget revenue and/or bond proceeds.

TD Wealth Management was selected as the financial investment advisor for the Authority's closure funds. TD Wealth Management will follow the NJDEP's guidelines in investing these funds and follow the Authority's Cash Management Plan in assuring that capital preservation is the guiding principle for these funds. As the Authority's closure plan is updated, TD Wealth Management will be apprised of any changes in annual spending or the total anticipated expenditures that comprise the closure and post closure maintenance of the landfill.

Note 8 - Prepaid Ground Lease and Related Costs-Landfill

The Authority has entered into a Ground Lease agreement with the County of Warren for the period July 1, 1987 through December 31, 2038. Under the terms of the lease, the Authority paid, or will pay, as rent, the cost of acquisition of the property, including all costs directly or indirectly associated with the acquisition. Upon expiration of the term, the lease may be automatically extended for two additional ten-year terms at a rental of $1.00 per year. This asset is being expensed over the 50-year term of the lease on the straight-line method of amortization. During 2016, $88,316 was amortized and charged to operations.

The prepaid ground lease at December 31, 2016, is as follows:

Prepaid Ground Lease and Related Costs	$ 4,439,219
Less: Accumulated Amortization	2,296,209
Net Prepaid Ground Lease and Related Costs	$ 2,143,010

Note 9 - Risk Management

The Authority is exposed to various risks of loss related torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. Health benefits, including medical, dental and life insurance coverage, are provided to employees through private carrier health benefit plans.

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 9 - Risk Management (Cont'd)

The Authority secures all of its non-health related insurances through private insurance carriers using a broker as its representative. The following coverages were in place in 2016:

1. Workers' Compensation
2. Property Damage Other Than Motor Vehicles
3. Motor Vehicle
4. General Liability
5. Inland Marine
6. Public Officials Liability
7. Pollution Legal Liability

New Jersey Unemployment Compensation Insurance

The Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the Authority is required to remit employee withholdings to the State on a quarterly basis. All of the Authority's claims are paid by the State.

Note 10 - Contractual Commitments

The Authority has entered into several contracts in the normal course of its business operations in order to provide waste disposal services for its customers. Significant agreements are summarized below:

- The Authority has an agreement with PRMUA to accept the landfill's leachate pipe discharge at a rate of $22.24 per 1,000 gallons.

- The Authority has a contract with SpectaServ for the hauling and disposal of leachate that the existing pumping infrastructure is unable to handle.

- The Authority has an agreement with its host municipality, White Township. This is a financial benefit paid to White Township for each ton of waste disposed of in the landfill. The cost for 2016 was $4.06/ton through October 31,2016 and $4.01/ton from November 1, 2016 of waste and ash classified as waste disposed of and $1/ton of ash classified as cover material.

- The Authority has an agreement with Mott McDonald and Cornerstone Environmental Group, LLC to provide various engineering services. The cost of these services varies based on services used.

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

Note 11 - Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of December 31 were as follows:

	Operating Fund	Pension Contributions Subsequent to the Measurement Date	Total
Compensated Absences Payable	$ 93,362		$ 93,362
Due to State of New Jersey		$ 73,276	73,276
Haulers Deposit Payble	91,055		91,055
Accounts Payable - Vendors	418,616		418,616
Total	$ 603,033	$ 73,276	$ 676,309

Note 12 - Environmental Matters

The Authority's past and present daily operations include activities which are subject to extensive federal and state environmental regulations. Compliance with these regulations has not had, nor does the Authority expect such compliance to have, any material effect upon expected capital expenditures, income, financial condition or competitive position of the Authority. The Authority believes that its current practices and procedures comply with applicable regulations. The Authority's policy is to accrue environmental and related costs of a noncapital nature when it is both probable that a liability has been incurred and that the amount can be reasonably estimated. No such amounts have been accrued in these statements.

Note 13 - Contingencies

The Authority is periodically involved in various lawsuits, claims, and grievances arising in the normal course of business, including claims for personal injury and personnel practices, property damage, and disputes over eminent domain proceedings. In the opinion of the General Counsel to the Authority, payment of claims by the Authority, for amounts not covered by insurance, in the aggregate, are not expected to have a material adverse effect on the Authority's financial position.

The Authority is involved in various collection matters for payments due and owing to it. Failure of the Authority to be successful in these litigation matters will not have an adverse material impact on the Authority's operations.

The Authority participates in federal and state assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. In the opinion of Authority Management, liabilities resulting from such disallowed expenses, if any, will not be material to the accompanying financial statements.

Note 14 - Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with section 457 of the Internal Revenue Code. The plan, which is administered by Variable Annuity Life Insurance Company, is available to all Authority employees and permits participants to defer a portion of their salary. The deferred compensation is not available to employees until termination, retirement, unforeseeable emergency or upon death to their beneficiaries.

POLLUTION CONTROL FINANCING AUTHORITY
OF WARREN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF AUTHORITY CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO YEARS
UNAUDITED

	Year Ending December 31,	
	2015	2016
Contractually required contribution	$ 62,725	$ 69,675
Contributions in relation to the contractually required contribution	(62,725)	(69,675)
Contribution deficiency/(excess)	$ -0-	$ -0-
Authority's covered employee payroll	$ 571,680	$ 576,865
Contributions as a percentage of covered employee payroll	10.97%	12.08%

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO YEARS
UNAUDITED

	Year Ending December 31, 2015	Year Ending December 31, 2016
Authority's proportion of the net pension liability	0.0081042716%	0.0082482191%
Authority's proportionate share of the net pension liability	$ 1,819,247	$ 2,442,886
Authority's covered employee payroll	$ 551,255	$ 571,680
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	330.02%	427.32%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	40.14%

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

The inflation rate changed from 3.04% as of June 30, 2015 to 3.08% as of June 30, 2016. The salary increases changed from 2.15% - 4.40% for 2012 – 2021 to 1.65%-4.15% through 2026 and from 3.15%-5.40% thereafter to 2.65%-5.15% thereafter.

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

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

The mortality rates in the July 1, 2015 actuarial valuation were based on the following:

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

POLLUTION CONTROL FINANCING AUTHORITY
OF WARREN COUNTY

SUPPLEMENTARY DATA

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
RESTRICTED AND UNRESTRICTED FUNDS
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

	Unrestricted	Net Investment in Capital Assets	Memo Total 2016	Memo Total 2015
Operating Revenue:				
Haulers Revenue	$ 6,992,941		$ 6,992,941	$ 7,973,827
Other Income	9,832		9,832	41,664
Gas to Energy Plant Revenue	178,628		178,628	89,717
Solid Waste Services Tax Grant	104,625		104,625	94,542
Covanta Service Agreement Payments	279,858		279,858	279,577
Recycling Revenue	25,078		25,078	7,553
Total Operating Revenue	7,590,962		7,590,962	8,486,880
Operating Expenses:				
Administrative and Cost of Providing Services	5,432,261		5,432,261	6,139,555
Depreciation	1,295,618		1,295,618	1,433,605
Amortization of Prepaid Ground Lease	88,316		88,316	88,316
Provision for Landfill Escrow Closure Costs	3,550,505		3,550,505	3,694,153
Total Operating Expenses	10,366,700		10,366,700	11,355,629
Operating Income/(Loss)	(2,775,738)		(2,775,738)	(2,868,749)
Nonoperating Revenue (Expenses):				
Interest Income	47,001		47,001	33,585
Interest Income and Haulers' Taxes - Landfill Escrow Closure Costs	893,901		893,901	1,417,215
Total Nonoperating Revenue (Expenses)	940,902		940,902	1,450,800
Increase/(Decrease) in Net Position (Before Transfers)	(1,834,836)		(1,834,836)	(1,417,949)
Transfers:				
Capital Acquisitions	(285,457)	$ 285,457		
Depreciation	1,295,618	(1,295,618)		
Increase/(Decrease) in Net Position (After Transfers)	(824,675)	(1,010,161)	(1,834,836)	(1,417,949)
Net Position, January 1	13,364,807	11,490,646	24,855,453	2,673,402
Net Position, December 31	$ 12,540,132	$ 10,480,485	$ 23,020,617	$ 24,855,453

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 Annual Budget After Modification	Actual 2016	Excess or (Deficit)
Revenue:			
Operating Revenues:			
Gas to Energy Plant Revenue	$ 92,500	$ 178,628	$ 86,128
Covanta Service Agreement Payments	275,000	279,858	4,858
Recycling Revenues	24,000	25,078	1,078
Haulers Charges and Fees	6,530,625	6,992,941	462,316
Miscellaneous Revenue		9,832	9,832
Total Operating Revenues	6,922,125	7,486,337	564,212
Non-Operating Revenues:			
Solid Waste Services Grant	100,000	104,625	4,625
Interest on Investments	19,750	47,001	27,251
Total Non-Operating Revenue	119,750	151,626	31,876
Total Revenue	$ 7,041,875	$ 7,637,963	$ 596,088
Budgeted Appropriations:			
Administration:			
Salaries & Wages	$ 217,350	$ 205,641	$ 11,709
Fringe Benefits	126,952	109,961	16,991
Other Expenses	430,950	365,172	65,778
Total Administration	775,252	680,774	94,478
Cost of Providing Service:			
Salaries & Wages	497,085	481,037	16,048
Fringe Benefits	325,677	472,366	(146,689)
Other Expenses	5,443,861	3,698,084	1,745,777
Total Cost of Providing Service	6,266,623	4,651,487	1,615,136
Contribution to County of Warren		100,000	(100,000)
Total Operating Appropriations	$ 7,041,875	$ 5,432,261	$ 1,609,614

POLLUTION CONTROL FINANCING AUTHORITY
OF WARREN COUNTY

SINGLE AUDIT SECTION

YEAR ENDED DECEMBER 31, 2016

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2016

State Grantor/Program Title	Grant or State Project Number	Award Amount	Grant Receipts	Grant Period From	Grant Period To	Grant Expenditures	Cumulative Grant Expenditures
Department of Environmental Protection (Passed Through the County of Warren)	Solid Waste Services Tax Grant	$104,625	$104,625	01/01/16	12/31/16	$104,625	$104,625

SEE NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2016

Note 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of state awards (the "Schedule") include the state grant activity of the Pollution Control Financing Authority of Warren County under programs of the state government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* Because this schedule presents only a selected portion of the operations of the Authority, it is not intended to and do not present the financial position, changes in fund balance or cash flows of the Authority.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedule of expenditures of state awards are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The Authority has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. RELATIONSHIP TO STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related state financial reports.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Honorable Chairman and Members
of the Pollution Control Financing
Authority of Warren County
Warren County, NJ

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey ("the Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Pollution Control Financing Authority of Warren County (the "Authority") as of, and for the years ended, December 31, 2016 and 2015, and the related notes to the financial statements, which comprise the Authority's financial statements, and have issued our report thereon dated April 20, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free 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 result of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mount Arlington, New Jersey
April 20, 2017

NISIVOCCIA LLP

William F. Schroeder
Certified Public Accountant
Registered Municipal Accountant #452

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2016

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Authority.

- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' 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*.

- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

- The Authority was not subject to the single audit provisions of the Uniform Guidance and New Jersey's OMB Circular 15-08 for the year ended December 31, 2016 as State grant expenditures were less than the single audit threshold of $750,000 identified in the Uniform Guidance and New Jersey's OMB 15-08.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for State Awards:

- Not applicable – since State expenditures were below the single audit threshold.

Findings and Questioned Costs for Federal Awards:

- Not applicable – since there were no Federal award expenditures.

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

The Authority had no findings for the year ended December 31, 2015.

COMMENTS AND RECOMMENDATIONS

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-4 et seq.

N.J.S. 40A:11-3 states:

a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of $17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1071, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to $25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A: 11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L.1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L.1971, c.198 (C.40A11-2), and shall round the adjustment to the nearest $1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

N.J.S. 40A: 11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is $17,500 and with a qualified purchasing agent the threshold may be up to $40,000.

The minutes indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services", per N.J.S. 40A:11-5.

Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-4 et seq. (Cont'd)

Inasmuch as the system of records did provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. None were noted.

Overexpenditure of Individual Budget Appropriations

The schedule of revenue and expenditures compared to budget has an overexpenditure in the fringe benefit line item. This was caused by the recording of the net pension liability and related deferred inflows and outflows for the current year. Prior to that implementation, the Authority made all necessary budget transfers and had no overexpenditures. Since the amount of net pension liability was not known by the Authority before the year end budget amendments were made, no formal recommendation is deemed necessary.

Corrective Action Plan

The Authority had no comments noted in the 2014 audit report.

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
SUMMARY OF RECOMMENDATIONS

It is recommended that:

None.

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