# MONROE MUNICIPAL UTILITIES AUTHORITY

## REPORT OF AUDIT

## FOR THE FISCAL YEARS ENDED

## JUNE 30, 2015 AND 2014

BOWMAN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

# MONROE MUNICIPAL UTILITIES AUTHORITY

Table of Contents

**MONROE MUNICIPAL UTILITIES AUTHORITY**
Roster of Officials
June 30, 2015

| MEMBERS | POSITION |
|---|---|
| Michael Milam | Chairman |
| Joseph P. DiLolle, Jr. | Vice-Chairman |
| Hank Calloway | Secretary |
| Nicholas Pileggi | Treasurer |
| William Morrison | Assistant Treasurer |
| Domenic Mercurio | Board Member |

| OTHER OFFICIALS | POSITION |
|---|---|
| Jerry G. Moore | Executive Director, Assistant Secretary |
| Wendy Mahoney | Assistant Executive Director |
| Ralph J. Manfredi, Jr. | Superintendent |
| Charlene Denneny | Executive Assistant |
| Patricia Gallagher | Comptroller |
| John W. Trimble, Jr., Esq. | Solicitor |
| Joseph F. Federici | Engineer |

**MONROE MUNICIPAL UTILITIES AUTHORITY**

**PART I**

**FINANCIAL SECTION**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

# INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
The Monroe Municipal Utilities Authority
Williamstown, New Jersey

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Monroe Municipal Utilities Authority, in the County of Gloucester, State of New Jersey, a component unit of the Township of Monroe (Authority), as of and for the fiscal years ended June 30, 2015 and 2014 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion 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; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Monroe Municipal Utilities Authority, in the County of Gloucester, State of New Jersey as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows thereof for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

*Adoption of New Accounting Principles*

As discussed in note 1 to the financial statements, during the fiscal year ended June 30, 2015, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

*Prior Period Restatement*

Because of the implementation of GASB Statements No. 68 and No. 71, beginning net position on the statement of revenues, expenses and changes in net position has been restated for fiscal year June 30, 2015, as discussed in note 12 to the financial statements. Our opinion is 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, analysis and schedule of funding progress for the OPEB plan, schedule of the Authority's proportionate share of the net pension liability and schedule of Authority contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 1, 2016 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.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
March 1, 2016

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

## INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
The Monroe Municipal Utilities Authority
Williamstown, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Monroe Municipal Utilities Authority, in the County of Gloucester, State of New Jersey, a component unit of the Township of Monroe, (Authority), as of and for the fiscal year ended June 30. 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 1, 2016.

**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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

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

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



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### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying Schedule of Findings and Recommendations as finding no. 2015-001.

### The Authority's Response to Findings

The Authority's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
March 1, 2016

# Management's Discussion and Analysis
# (MD&A)

## FINANCIAL HIGHLIGHTS

Management believes the financial position of the Monroe Municipal Utilities Authority (the "Authority") to be strong even with the current year negative change in net position of $540,148.95. According to its bond covenants, the Authority is required to have 110% coverage on debt service, however the Authority did not meet the required coverage for the fiscal year ending June 30, 2015 with the above change in net position.

Key financial highlights for the Authority's fiscal year 2015 were:

- During the fiscal year ended June 30, 2015, the Authority was required to implement Governmental Accounting Standard Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions* and Statement No. 71 – *Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* (see discussion on the following page). In addition, the notes to the financial statements provide a more thorough discussion of the implementation of GASB 68 and the effects to the financial statements.

- The Authority generated investment income of $16,237.20 during the current year as compared to $15,773.71 in fiscal year 2014.

- Operating revenues for fiscal year 2015 were $10,956,016.48 as compared to $11,781,662.28 for fiscal year 2014.

- Operating expenses for fiscal year 2015 were $10,667,491.66 as compared to $10,381,694.41 for fiscal year 2014.

- Operating income for fiscal year 2015 was $288,524.82 as compared to $1,399,967.87 for fiscal year 2014.

- Change in Net Position for fiscal year 2015 was a decrease of $540,148.95 as compared to an increase of $578,826.58 for fiscal year 2014.

- At year-end, total Net Position was $26,254,070.27 as compared to $26,794,219.22 for fiscal year 2014 (as restated).

## OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information.

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The comparative statements of net position include all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources. As the Authority follows the accrual method of accounting, the current year's revenues and expenses are accounted for in the statements of revenues, expenses and changes in fund net position regardless of when cash is received or paid. Net position - the difference between the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources are a measure of the Authority's financial health or position.

The statements of revenues, expenses and changes in net position provides a breakdown of the various areas of revenues and expenses encountered during the current year.

The statements of cash flows provides a breakdown of the various sources of cash flow, categorized into four areas: Cash flows from operating activities, non-capital financing activities, capital and related financing activities and investing activities.

In the fiscal year ending June 30, 2015, the Authority implemented GASB 68 requirements. The results of implementation were an adjustment to the June 30, 2014 net position – unrestricted of $5,920,032.00. In addition, a deferred outflow of resources was recorded totaling $448,258.00, accounts payable in the amount of $273,499.00, and a deferred inflow of resources totaling $539,792.00 for the year ending June 30, 2015.

## FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

The Authority's total net position was $26,254,070.27 as of June 30, 2015 as shown below:

| | 2015* | 2014 | 2013 |
|---|---|---|---|
| Unrestricted Assets | $ 4,595,368.65 | $ 5,518,802.74 | $ 4,947,085.90 |
| Restricted Assets | 7,299,250.93 | 6,974,518.27 | 8,605,556.25 |
| Capital Assets | 40,208,702.61 | 41,676,690.18 | 41,735,855.43 |
| | 52,103,322.19 | 54,170,011.19 | 55,288,497.58 |
| Deferred Outflows of Resources | 610,983.56 | 189,846.48 | 216,967.40 |
| Current Liabilities | 2,430,477.73 | 2,168,671.59 | 2,419,416.10 |
| Long Term Liabilities | 23,405,835.74 | 19,392,895.70 | 20,868,318.63 |
| | 25,836,313.47 | 21,561,567.29 | 23,287,734.73 |
| Deferred Inflows of Resources | 623,922.01 | 84,039.16 | 82,305.61 |
| Net Position | | | |
| Net Investment in Capital Assets | 22,721,202.44 | 22,745,206.71 | 22,210,566.75 |
| Restricted | 4,934,692.92 | 4,948,767.92 | 4,935,214.58 |
| Unrestricted | (1,401,825.09) | 5,020,276.59 | 4,989,643.31 |
| | $ 26,254,070.27 | $ 32,714,251.22 | $ 32,135,424.64 |

** The Authority implemented GASB 68*

For the current fiscal year, the Authority realized operating income of $288,524.82 and net non-operating expenses totaling $828,673.77, resulting in a negative change in net position for the current year of $540,148.95. Major components of this activity are detailed on the subsequent page.

Comparative Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2015, 2014, and 2013

| | 2015* | 2014 | 2013 |
|---|---|---|---|
| Operating Revenues: | | | |
| Service Charges | $ 10,333,380.82 | $ 10,101,886.30 | $ 10,295,918.68 |
| Connection Fees | 468,136.94 | 1,518,683.27 | 592,685.22 |
| Other Operating Revenues | 154,498.72 | 161,092.71 | 147,055.47 |
| Total Operating Revenues | 10,956,016.48 | 11,781,662.28 | 11,035,659.37 |
| Operating Expenses: | | | |
| Administration: | | | |
| Salaries and Wages | 730,802.32 | 725,368.69 | 748,946.86 |
| Fringe Benefits | 406,386.19 | 390,645.59 | 386,779.26 |
| Other Expenses | 525,541.54 | 522,779.84 | 537,940.11 |
| Total Administration | 1,662,730.05 | 1,638,794.12 | 1,673,666.23 |
| Cost of Providing Service: | | | |
| Salaries and Wages | 1,695,796.06 | 1,681,443.62 | 1,736,459.37 |
| Fringe Benefits | 947,439.81 | 911,506.37 | 905,484.93 |
| Other Expenses | 4,761,147.95 | 4,608,097.30 | 4,541,483.67 |
| Total Cost of Providing Services | 7,404,383.82 | 7,201,047.29 | 7,180,427.97 |
| Net OPEB Cost (GASB 45 Accrual) | 48,305.79 | 73,237.00 | 66,632.00 |
| Net Pension Expense (GASB 68) | 2,553.00 | | |
| Depreciation | 1,549,519.00 | 1,468,616.00 | 1,372,392.00 |
| Total Operating Expenses | 10,667,491.66 | 10,381,694.41 | 10,293,118.20 |
| Operating Income | 288,524.82 | 1,399,967.87 | 742,541.17 |
| Non-operating Revenue (Expenses) | (828,673.77) | (821,141.29) | (478,396.98) |
| Change in Net Position Before Capital Contributions | (540,148.95) | 578,826.58 | 264,144.19 |
| Capital Contributions | - | - | 313,733.01 |
| Change in Net Position | (540,148.95) | 578,826.58 | 577,877.20 |
| Net Position July 1, as previously stated | 32,714,251.22 | 32,135,424.64 | 31,557,547.44 |
| Restatement (See Note 12) | (5,920,032.00) | | |
| Net Position July 1, Restated | 26,794,219.22 | | |
| Net Position June 30 | $ 26,254,070.27 | $ 32,714,251.22 | $ 32,135,424.64 |

** The Authority implemented GASB 68*

## OVERALL ANALYSIS

The Authority's financial position remains strong, although for the fourth consecutive period, it has not realized its budgeted excess water revenues. However, the Authority realized $468,136.94 in connection fees. As a result, the Authority was not able to meet the debt service requirements in the current period.

The Authority has not experienced any decrease in the number or overall mix of its residential, commercial, public and industrial customer billing base. The rate structure is stable.

Connection fee revenue in the current year was $468,136.94. Developers pay connection fees upon submittal of plans to connect residential developments, commercial properties, etc. into the Authority's water and/or sewer systems. The Authority recognizes these payments as revenue on the date payment is received.

Overall, the Authority believes its financial position has remained stable in the current year even with the negative change in net position. Net Position has decreased by $540,148.95 to $26,254,070.27. Unrestricted Net Position decreased by $502,069.68 to a deficit of $1,401,825.09. Looking forward, the Authority instituted a water and sewer rate increase for the fiscal year 2016 to correct the loss in fiscal year 2015. The Authority continues to be a desirable location for residential and commercial development. The composition of the ratepayer base is well diversified. The residential and public sectors, the most stable when considering the volatility of a billing base, comprise approximately 95% of the Authority's customers. There is no particular emphasis or imbalance in the type of business enterprises within the commercial sector. Industrial users exist, but do not comprise a major portion of the Authority's billing base.

## BUDGET VARIANCES

The Authority's Fiscal 2015 projected revenues for the sewer utility were collected and were sufficient to satisfy all fiscal 2015 operating and non-operating expenditures.

The Authority's Fiscal 2015 projected revenues for the water utility were collected, however were not sufficient to satisfy all fiscal 2015 operating and non-operating expenditures. Unrestricted net position funds were used to cover the deficit.

Budgeted sewer revenues in the amount of $6,353,496.00 were exceeded by actual sewer revenues of $6,377,434.70 by $23,938.70 primarily due to an increase in realized sewer service charges.

Actual sewer budgetary expenditures of $5,915,494.52 were less than the adopted budget of $6,353,496.00 by $438,001.48. Individual appropriation budget variances are detailed in Schedule 2.

Budgeted water revenues in the amount of $5,815,868.00 were not met by actual water revenues of $4,594,289.29 by $1,221,578.71, due to unrealized service charges revenue in 2015.

Actual water budgetary expenditures of $5,450,919.34 were less than the adopted budget of $5,815,868.00 by $364,948.66. Individual appropriation budget variances are detailed in Schedule 3.

## CAPITAL ASSET AND LONG-TERM ACTIVITY

The Authority continues to maintain a proactive maintenance philosophy for its capital facilities. The Authority has thirteen ongoing capital projects, five funded through the Renewal and Replacement Fund and eight funded through the Construction Fund. The capital program for the water and sewer funds can be found with the adopted budget for the fiscal year along with the analysis of the infrastructure and equipment considered for proper operation of the water and wastewater systems.

During the current year, the Authority invested an additional $173,541.96 for capital assets. The more significant increases were due to additional construction in progress.

## CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Monroe's citizens and our customers, clients, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have questions about this report or need additional financial information, contact the Executive Director, Monroe Municipal Utilities Authority, 372 South Main Street, Williamstown, NJ 08094.

## BASIC FINANCIAL STATEMENTS

**MONROE MUNICIPAL UTILITIES AUTHORITY**
Comparative Statements of Net Position
As of June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Unrestricted Assets: | | |
| Cash and Cash Equivalents | $ 3,925,941.77 | $ 4,766,868.13 |
| Consumer Accounts Receivable | 521,242.64 | 559,602.97 |
| Other Receivables | 8.47 | 8.47 |
| Inventory | 42,202.10 | 75,364.31 |
| Prepaid Expenses | 105,973.67 | 116,958.86 |
| Total Unrestricted Assets | 4,595,368.65 | 5,518,802.74 |
| Restricted Assets: | | |
| Cash and Cash Equivalents | 7,227,034.14 | 6,902,301.48 |
| Due from State of New Jersey | 72,216.79 | 72,216.79 |
| Total Restricted Assets | 7,299,250.93 | 6,974,518.27 |
| Total Current Assets | 11,894,619.58 | 12,493,321.01 |
| Noncurrent Assets: | | |
| Capital Assets: | | |
| Completed (Net of Accumulated Depreciation) | 39,977,906.64 | 39,127,950.82 |
| Construction in Progress | 230,795.97 | 2,548,739.36 |
| Total Capital Assets | 40,208,702.61 | 41,676,690.18 |
| Total Assets | 52,103,322.19 | 54,170,011.19 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Related to Pensions | 448,258.00 | |
| Deferred Loss on Defeasance of Debt | 162,725.56 | 189,846.48 |
| Total Deferred Outflows of Resources | 610,983.56 | 189,846.48 |

(Continued)

**MONROE MUNICIPAL UTILITIES AUTHORITY**
Comparative Statements of Net Position
As of June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| **LIABILITIES** | | |
| Current Liabilities Payable from Unrestricted Assets: | | |
| Accounts Payable - Operations | $ 404,176.16 | $ 161,426.32 |
| Payroll Deductions Payable | 6.77 | 3.88 |
| Developer Escrow Deposits | 98,022.93 | 88,143.02 |
| Total Current Liabilities Payable from Unrestricted Assets | 502,205.86 | 249,573.22 |
| Current Liabilities Payable from Restricted Assets: | | |
| Revenue Bonds Payable - Current Portion | 1,550,000.00 | 1,515,000.00 |
| Accrued Interest Payable | 378,271.87 | 403,053.12 |
| Contracts Payable | - | 1,045.25 |
| Total Current Liabilities Payable from Restricted Assets | 1,928,271.87 | 1,919,098.37 |
| Long-term Liabilities: | | |
| Revenue Bonds Payable | 17,362,414.57 | 18,942,133.54 |
| Net OPEB Obligation | 412,916.79 | 364,611.00 |
| Related to Pensions | 5,557,552.00 | |
| Accrued Compensated Absences | 72,952.38 | 86,151.16 |
| Total Long-term Liabilities | 23,405,835.74 | 19,392,895.70 |
| Total Liabilities | 25,836,313.47 | 21,561,567.29 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Related to Pensions | 539,792.00 | |
| Unearned Assessment Revenues | 84,130.01 | 84,039.16 |
| Total Deferred Inflows of Resources | 623,922.01 | 84,039.16 |
| **NET POSITION** | | |
| Net Investment in Capital Assets | 22,721,202.44 | 22,745,206.71 |
| Restricted: | | |
| Bond Resolution Covenants | 4,934,692.92 | 4,948,767.92 |
| Unrestricted (Deficit) | (1,401,825.09) | 5,020,276.59 |
| Total Net Position | $ 26,254,070.27 | $ 32,714,251.22 |

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

## MONROE MUNICIPAL UTILITIES AUTHORITY

Comparative Statements of Revenue, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| Operating Revenues: | | |
| Service Charges | $ 10,333,380.82 | $ 10,101,886.30 |
| Connection Fees | 468,136.94 | 1,518,683.27 |
| Other Operating Revenues | 154,498.72 | 161,092.71 |
| Total Operating Revenues | 10,956,016.48 | 11,781,662.28 |
| Operating Expenses: | | |
| Administration: | | |
| Salaries and Wages | 730,802.32 | 725,368.69 |
| Fringe Benefits | 406,386.19 | 390,645.59 |
| Other Expenses | 525,541.54 | 522,779.84 |
| Cost of Providing Service: | | |
| Salaries and Wages | 1,695,796.06 | 1,681,443.62 |
| Fringe Benefits | 947,439.81 | 911,506.37 |
| Other Expenses | 4,761,147.95 | 4,608,097.30 |
| Net OPEB Cost (GASB 45 Accrual) | 48,305.79 | 73,237.00 |
| Net Pension Expense (GASB 68) | 2,553.00 | |
| Depreciation | 1,549,519.00 | 1,468,616.00 |
| Total Operating Expenses | 10,667,491.66 | 10,381,694.41 |
| Operating Income | 288,524.82 | 1,399,967.87 |
| Non-operating Revenue (Expenses): | | |
| Investment Income | 16,237.20 | 15,773.71 |
| Interest Expense | (753,945.73) | (803,508.23) |
| Other Non-Operating | (4,691.00) | 1,244.00 |
| Major Repairs and Other Expenses | (86,274.24) | (34,650.77) |
| Total Non-operating Revenue (Expenses) | (828,673.77) | (821,141.29) |
| Change in Net Position | (540,148.95) | 578,826.58 |
| Net Position July 1, as previously stated | 32,714,251.22 | 32,135,424.64 |
| Restatement (See Note 12) | (5,920,032.00) | |
| Net Position July 1, Restated | 26,794,219.22 | 32,135,424.64 |
| Net Position June 30 | $ 26,254,070.27 | $ 32,714,251.22 |

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

**MONROE MUNICIPAL UTILITIES AUTHORITY**
Comparative Statements of Cash Flows
For the Fiscal Years Ended June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Receipts from Customers | $ 10,994,376.81 | $ 11,760,523.38 |
| Payments to Suppliers | (6,751,170.95) | (6,473,538.15) |
| Payments to Employees | (2,439,794.27) | (2,410,757.86) |
| Other Operating Receipts | 133,933.61 | 496,972.87 |
| Net Cash Provided by Operating Activities | 1,937,345.20 | 3,373,200.24 |
| Cash Flows from Noncapital Financing Activities: | | |
| Deferred Assessment Revenues | 90.85 | 1,733.55 |
| Net Cash Provided by Noncapital Financing Activities | 90.85 | 1,733.55 |
| Cash Flows from Capital and Related Financing Activities: | | |
| Received from NJDEP | | 326,120.16 |
| Capital Acquisitions | (173,541.96) | (1,806,155.21) |
| Bond Principal | (1,515,000.00) | (1,460,000.00) |
| Interest Expense | (781,324.99) | (830,134.37) |
| Net Cash Used in Capital and Related Financing Activities | (2,469,866.95) | (3,770,169.42) |
| Cash Flows from Investing Activities: | | |
| Interest on Investments | 16,237.20 | 15,773.71 |
| Net Cash Provided by Investing Activities | 16,237.20 | 15,773.71 |
| Net Decrease in Cash and Cash Equivalents | (516,193.70) | (379,461.92) |
| Cash and Cash Equivalents -- July 1 | 11,669,169.61 | 12,048,631.53 |
| Cash and Cash Equivalents -- June 30 | $ 11,152,975.91 | $ 11,669,169.61 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | |
| Operating Income | $ 288,524.82 | $ 1,399,967.87 |
| Adjustments to Reconcile Operating Income to Net Cash Net Provided (Used) by Operating Activities: | | |
| Depreciation Expense | 1,549,519.00 | 1,468,616.00 |
| Change in Assets and Liabilities: | | |
| Change in Consumer Accounts Receivable | 38,360.33 | (21,138.90) |
| Change in Other Accounts Receivable | - | 366,232.72 |
| Change in Inventory | 33,162.21 | 30,617.81 |
| Change in Prepaid Expenses | 10,985.19 | (20,268.57) |
| Change in Deferred Outflows | (448,258.00) | |
| Change in Accounts Payable - Operations | 242,749.84 | 76,552.90 |
| Change in Payroll Deductions Payable | 2.89 | 3.88 |
| Change in Accrued Liabilities | 35,107.01 | 69,296.04 |
| Change in Other Reserves | - | (77.78) |
| Change in Developers' Escrow Deposits | 9,879.91 | 3,398.27 |
| Change in Liabilities Related to Pension | (362,480.00) | |
| Change in Deferred Inflows | 539,792.00 | |
| Net Cash Provided from Operating Activities | $ 1,937,345.20 | $ 3,373,200.24 |

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

## Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Monroe Municipal Utilities Authority (the “Authority”) have been prepared to conform with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

### Reporting Entity

The Monroe Municipal Utilities Authority is a public body corporate and politic of the State of New Jersey and was originally created by an ordinance adopted on September 26, 1957 by the governing body of the Township of Monroe (the “Township”). By ordinance of the governing body of the Township adopted May 8, 1959, the Authority was reorganized as a municipal utilities authority pursuant to the Municipal and County Utilities Authorities Law.

The Authority provides water distribution and sewerage collection services to substantially all the area constituting the Township. The Authority commenced operations in 1960 and since then has undertaken various construction projects to upgrade and expand the system.

The Authority consists of five members and one alternate, who are appointed by resolution of the Township Council for five-year terms. The daily operations of the Authority are managed by the Executive Director.

### Component Unit

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be or is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units and is a component unit of the Township of Monroe.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Basis of Presentation**

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

The transactions of the Authority are divided into two separate activities (water and sewer) within the enterprise fund type. Each activity is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflow of resources, net position, revenues and expenditures.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

**Revenues -- Exchange and Non-Exchange Transactions -** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Water and sewer service charges are recognized as revenue when services are provided. Connection fees are recognized when they are received by the Authority.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

**Expenses -** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**Budgets and Budgetary Accounting**

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense, bond issue costs, bond discounts, deferred loss on defeasance and the annual required contribution for the Authority's Other Postemployment Benefits (OPEB) Plan are not included in the budget appropriations.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Budgets and Budgetary Accounting (Cont'd)**

The legal level of budgetary control is established at the detail shown on the Statements of Revenues, Expenses and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended.

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

Additionally, 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. The Act was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the Governmental Units.

## Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Inventory

Inventory consists principally of water meters and is valued at cost. The Authority has determined that any chemicals for the treatment of water, sewerage and sludge that are on hand are immaterial and are not recorded in the financial statements.

### Prepaid Expenses

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the Authority's fiscal year end.

### Capital Assets

Capital Assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets are stated at historical cost or estimated historical cost. Donated capital assets are recorded at their fair market value as of the date received.

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the year that the project is completed, these costs are transferred to Capital Assets - Completed. Interest costs incurred during construction are not capitalized into the cost of the asset.

Expenditures are capitalized when they meet the following requirements:

1) Cost of $2,500.00 or more
2) Useful life of more than one year
3) Asset is not affected by consumption

### Depreciation

Depreciation is provided using the straight-line method over the following estimated useful life of the assets:

| | Years |
|---|---|
| Major Moveable Equipment | 5-20 |
| Vehicles | 8 |
| Buildings and Infrastructure | 40 |

Depreciation is taken starting the month after the asset is placed in service.

### Bond Discounts / Bond Premiums

Bond discounts / bond premiums arising from the issuance of long-term debt (bonds) are amortized over the life of the bonds, in a systematic and rational method, from the issue date to maturity as a component of interest expense. Bond discounts / bond premiums are presented as an adjustment of the face amount on the bonds.

### Deferred Outflows of Resources

The Authority reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its statements of net position. The deferred outflows of resources reported in this year's financial statements are a deferred amount arising from a loss on refunding of revenue bonds and a deferred outflow of resources for contributions made to the Authority's defined benefit pension plan between the measurement date of the net pension liabilities from the plan and the end of the Authority's fiscal year. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Deferred Inflows of Resources**

The Authority's statements of net position report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources are reported in the Authority's statements of net position for developer assessment fees received for ongoing construction projects and for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of five (5) fiscal years, including the current fiscal year.

**Compensated Absences**

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

**Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue.

**Pensions**

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

**Net Position**

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"*, the Authority has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

**Net Investment in Capital Assets** - This component of net position consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes or other 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 should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

**Restricted** - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Note 1: <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)</u>**

**Net Position (Cont'd)**

**Unrestricted** - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." This component includes net position that may be allocated for specific purposes by the Board.

**Income Taxes**

The Authority operates as defined by the Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

**Operating and Non-Operating Revenues and Expenses**

Operating revenues include all revenues derived from facility charges (i.e., water and sewerage usage revenues) and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in debt securities.

Operating expenses include expenses associated with the operation, maintenance and repair of the water and sewer operations and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt and major non-recurring repairs.

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Impact of Recently Issued Accounting Policies**

**Recently Issued and Adopted Accounting Pronouncements**

For the fiscal year ended June 30, 2015, the Authority adopted GASB 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27,* and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. As a result of adopting such Statements, the Authority was required to measure and recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their defined benefit pensions. The cumulative effect of adopting GASB Statements No. 68 and No. 71 totaled $5,920,032.00, and was recognized as a restatement of the Authority's June 30, 2014 net position on the statements of net position (see note 12).

**Recently Issued Accounting Pronouncements**

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

Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Statement is effective for periods beginning after June 15, 2015. Management has not yet determined the impact of this Statement on the financial statements.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Recently Issued Accounting Pronouncements (Cont'd)**

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. Components of this Statement are effective for periods beginning after June 15, 2015 and 2016. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Statement is effective for periods beginning after June 15, 2016. Management does not expect this Statement will have an impact on the financial statements.

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

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

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The Statement is effective for periods beginning after December 15, 2015. Management does not expect this Statement will have an impact on the notes to the financial statements.

**Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Compliance with finance related legal and contractual provisions**
Management of the Authority is unaware of any material violations of finance related legal and contractual provisions.

**General Bond Resolution**
The Authority is subject to the provisions and restrictions of the General Bond Resolution adopted June 24, 1987, as amended. As required by the Resolution, certain cash accounts and investments of the Authority are maintained by an independent trustee, accounted for in various accounts and segregated for specific use and for the security of the bondholders. A summary of the activities of each account created by the Bond Resolution is as follows:

**Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)**

**Revenue Account -** All money collected by the Authority for service charges or from any other source for operating, maintaining or repairing the system is deposited in this account. The Trustee, on the first day of each month, shall make payments into the other accounts to satisfy bond resolution or operating requirements.

**Operating Account -** The balance on deposit must be equal to at least two months of the annual appropriation for operating expenses. At June 30, 2015, the balance in the operating account meets the requirements of the Bond Resolution.

**Debt Service Account -** The balance on deposit must be sufficient to enable the Trustee to withdraw amounts equal to interest due on bonds, principal amount maturing on bonds and sinking fund installments when such payments are required. At June 30, 2015, the balance in the debt service account meets the requirements of the Bond Resolution.

**Debt Reserve Account -** The amount of funds on deposit varies by revenue bond series and must be maintained to insure that funds are available for payment of Debt Service. At June 30, 2015, the balance in the debt service reserve account meets the requirements of the various Bond Resolutions.

**Renewal and Replacement Account -** These funds are maintained for reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually. At June 30, 2015, the balance in the renewal and replacement account meets the requirements of the Bond Resolution of $1,000,000.00.

**Construction Account -** These funds are held by the Trustee and used to pay for the cost of the 2010 project and are pledged, pending application to such costs, for the security of the payment of principal and interest on the Revenue Bonds.

**General Account -** All excess funds of the Authority are recorded in the General Account. If the Authority is not in default in the payment of bond principal or interest and all fund requirements are satisfied, the Authority may use the excess funds for any lawful purpose.

**Rebate Account** – An account established to maintain excess investment earnings per the annual rebate calculation on the Series 2004, Series 2007, and Series 2010 Bonds.

**Debt Service Coverage**

The computation of sufficiency of revenues for the years ended June 30, 2015 and 2014 as defined by the Utility System Revenue Bond Resolution as follows:

| | 2015 | 2014 |
|---|---|---|
| Operating Revenues: | | |
| Utility Service Charges | $ 10,333,380.82 | $ 10,101,886.30 |
| Connection Fees | 468,136.94 | 1,518,683.27 |
| Investments and Miscellaneous Income | 170,735.92 | 178,110.42 |
| | 10,972,253.68 | 11,798,679.99 |
| Operating Expenses: | | |
| Operating Expenses and Capital Outlay | 9,067,113.87 | 8,839,841.41 |
| | 1,905,139.81 | 2,958,838.58 |
| 110% on Next Succeeding Bond Year's Annual Debt Service Requirement | 2,512,523.74 | 2,525,957.49 |
| Excess (Deficit) of Revenues | $ (607,383.93) | $ 432,881.09 |

The required debt service coverage of 110% for the Series 2004, 2007, and 2010 Bonds was not met for fiscal year ending June 30, 2015.

## Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)

### Debt Service Coverage (Cont'd)

The required debt service coverage of 110% for the Series 2004, Series 2007 and Series 2010 Bonds was not met for fiscal year ending June 30, 2015.

In conjunction with the aforementioned Utility System Revenue Bond Resolution, the Authority has entered into a service agreement with the Township. The Township has agreed to advance to the Authority sufficient monies to eliminate any deficiency in the Authority's revenues required for its operation and administrative expenses, including certain debt service requirements, and to meet its debt service coverage requirements. Any monies advanced in accordance with this agreement would be refunded at such time as the Authority deems appropriate.

## Note 3: DETAIL NOTES - ASSETS

### Cash and Cash Equivalents

**Custodial Credit Risk Related to Deposits -** Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first $250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below.

As of June 30, 2015 and 2014, the Authority's bank balances were exposed to custodial credit risk as follows:

| | 2015 | 2014 |
|---|---|---|
| Insured by FDIC | $ 682,662.81 | $ 838,146.19 |
| Uninsured and Collateralized with Securities Held by Pledging Financial Institutions | 10,516,366.00 | 10,926,611.22 |
| Total bank balance | $ 11,199,028.81 | $ 11,764,757.41 |

### Service Fees

The following is a three-year comparison of service charge billings and collections for all types of accounts maintained by the Authority:

| Fiscal Year | Beginning Balance | Billings | Total Collections | Percentage of Collections |
|---|---|---|---|---|
| 2015 | $ 559,602.97 | $ 10,438,617.65 | $ 10,476,977.98 | 95.26% |
| 2014 | 538,464.07 | 10,203,690.38 | 10,182,551.48 | 94.79% |
| 2013 | 552,097.54 | 10,410,495.46 | 10,424,128.93 | 95.09% |

**Note 3: DETAIL NOTES – ASSETS (CONT'D)**

**Capital Assets**

During the year ended June 30, 2015 and June 30, 2014 the following changes in Capital Assets occurred:

| | Balance July 1, 2014 | Additions | Deletions | Adjustments | Balance June 30, 2015 |
|---|---|---|---|---|---|
| Land, Plants & Buildings | $ 24,229,086.53 | | | | $ 24,229,086.53 |
| Machinery & Equipment | 3,440,387.00 | $ 21,771.00 | $ 900.00 | | 3,461,258.00 |
| Furniture & Fixtures | 150,134.00 | | 3,791.00 | | 146,343.00 |
| Mains & Laterals | 32,653,824.34 | | | $ 2,382,394.77 | 35,036,219.11 |
| Construction in Progress | 2,548,739.31 | 77,995.52 | 13,544.09 | (2,382,394.77) | 230,795.97 |
| | 63,022,171.18 | 99,766.52 | 18,235.09 | - | 63,103,702.61 |
| Less: Accumulated Depreciation | 21,345,481.00 | 1,549,519.00 | | | 22,895,000.00 |
| | $ 41,676,690.18 | $ (1,449,752.48) | $ 18,235.09 | $ - | $ 40,208,702.61 |

| | Balance July 1, 2013 | Additions | Deletions | Adjustments | Balance June 30, 2014 |
|---|---|---|---|---|---|
| Land, Plants & Buildings | $ 24,136,444.53 | | | $ 92,642.00 | $ 24,229,086.53 |
| Machinery & Equipment | 3,395,717.00 | $ 105,344.00 | $ 60,674.00 | | 3,440,387.00 |
| Furniture & Fixtures | 152,396.00 | | 2,262.00 | | 150,134.00 |
| Mains & Laterals | 28,174,804.78 | | | 4,479,019.56 | 32,653,824.34 |
| Construction in Progress | 5,815,834.12 | 1,304,566.75 | | (4,571,661.56) | 2,548,739.31 |
| | 61,675,196.43 | 1,409,910.75 | 62,936.00 | - | 63,022,171.18 |
| Less: Accumulated Depreciation | 19,939,341.00 | 1,468,616.00 | 62,476.00 | | 21,345,481.00 |
| | $ 41,735,855.43 | $ (58,705.25) | $ 460.00 | $ - | $ 41,676,690.18 |

## Note 4: DETAIL NOTES – DEFERRED OUTFLOWS OF RESOURCES

### Deferred Loss of Defeasance of Debt

In August of 2010, the Authority refunded $5,055,000.00 of the 2001 Revenue Bonds. The Authority issued $5,205,000.00 in Revenue Refunding Bonds and received $123,388.65 in NOI premium, of which $5,275,780.31 was used to provide resources to purchase government obligations that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $293,810.02 (restated). This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations over the life of the refunding bonds using the straight-line method. The advance refunding was undertaken to reduce total debt payments over the next 10 years by $213,535.83 and to obtain a present value economic gain of $182,061.14.

## Note 5: DETAIL NOTES - LIABILITIES

### Compensated Absences

Authority employees may accumulate up to seventy unused sick days. Employees are compensated for accumulated sick leave upon retirement or resignation at their current hourly rate of pay times the number of hours accumulated. The accrued liability for accumulated sick leave is estimated to be $72,952.38 as of June 30, 2015 and $86,151.16 as of June 30, 2014.

### Pension Plans

The Authority contributes to a cost-sharing multiple-employer defined benefit pension plan, the Public Employees' Retirement System (PERS), which is administered by the New Jersey Division of Pensions and Benefits. In addition, Authority employees may participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. This plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

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

### General Information about the Pension Plans

### Plan Descriptions

**Public Employees' Retirement System -** The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Authority, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

**Note 5: DETAIL NOTES – LIABILITIES**

**Pension Plans (Cont'd)**
**Plan Descriptions (Cont'd)**

**Defined Contribution Retirement Program -** The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et.seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for a certain enrollment tier but who earn salary of at least $5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for certain enrollment tiers, but who earn salary of at least $5,000.00 annually.

**Vesting and Benefits Provisions**

**Public Employees' Retirement System -** The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. PERS provides retirement, death and disability benefits. All benefits vest after eight to 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 |

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

**Defined Contribution Retirement Program -** Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non-forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

**Note 5: DETAIL NOTES – LIABILITIES**

**Pension Plans (Cont'd)**
**Contributions**

**Public Employees' Retirement System -** The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.78% in State fiscal year 2014. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The Authority's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

The Authority's contractually required contribution rate for the fiscal year ended June 30, 2015 was 11.52% of the Authority's covered-employee payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $273,499.00 for the fiscal year ended June 30, 2015. Employee contributions were $148,844.54 for the fiscal year ended June 30, 2015.

The following information is being provided for the fiscal year ended June 30, 2014:

| Year | Normal Contribution | Accrued Liability | Non-Contrib. Group Ins. | Total Liability | Paid by Authority |
|---|---|---|---|---|---|
| 2015 | $ 40,738.00 | $ 188,445.00 | $ 15,523.00 | $ 244,706.00 | $ 244,706.00 |
| 2014 | 69,017.00 | 160,474.00 | 3,903.00 | 233,394.00 | 233,394.00 |
| 2013 | 64,756.00 | 154,833.00 | 13,069.00 | 232,658.00 | 232,658.00 |

**Defined Contribution Retirement Program -** State and local government employers contribute 3% of the employees' base salary. Active members contribute 5.5% of base salary.

For the fiscal year ended June 30, 2015, the Authority had no employees participating in this plan.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Public Employees' Retirement System -** At June 30, 2015, the Authority reported a liability of $5,557,552.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the Authority's proportion was 0.0296834402%, which was a decrease of 0.001292051% from its proportion measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the Authority recognized pension expense of $247,384.00 for PERS.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**

**Pension Plans (Cont'd)**
**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

**Deferred Outflows and Inflows Related to Pensions**

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|---|---|
| Differences Between Expected and Actual Experience | $ - | $ - |
| Changes of Assumptions | 174,759.00 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 331,200.00 |
| Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions | - | 208,592.00 |
| Authority Contributions Subsequent to the Measurement Date | 273,499.00 | - |
| | $ 448,258.00 | $ 539,792.00 |

$448,258.00 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Recognized Pension Expense**

| Fiscal Year Ending June 30, | PERS |
|---|---|
| 2015 | $ (118,243.38) |
| 2016 | (118,243.38) |
| 2017 | (118,243.38) |
| 2018 | (118,243.38) |
| 2019 | 74,958.94 |
| Thereafter | 32,981.93 |
| | $ (365,032.63) |

## Note 5: DETAIL NOTES – LIABILITIES (CONT'D)

### Pension Plans (Cont'd)

### Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | PERS |
|---|---|
| Inflation | 3.01% |
| Salary Increases: | |
| 2012-2021 | 2.15% - 4.40% Based on Age |
| Thereafter | 3.15% - 5.40% Based on Age |
| Investment Rate of Return | 7.90% |
| Mortality Rate Table | RP-2000 |
| Period of Actuarial Experience Study upon which Actuarial Assumptions were Based | July 1, 2008 - June 30, 2011 |

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2014 (see the discussion of the pension plans' investment policy) are summarized in the following table:

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)

**Pension Plans (Cont'd)**
**Actuarial Assumptions (Cont'd)**

| | PERS | |
|---|---|---|
| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
| Cash | 6.00% | 0.80% |
| Core Fixed Income | - | - |
| Core Bonds | 1.00% | 2.49% |
| Short-Term Bonds | - | - |
| Intermediate-Term Bonds | 11.20% | 2.26% |
| Long-Term Bonds | - | - |
| Mortgages | 2.50% | 2.17% |
| High Yield Bonds | 5.50% | 4.82% |
| Non-US Fixed Income | - | - |
| Inflation-Indexed Bonds | 2.50% | 3.51% |
| Broad US Equities | 25.90% | 8.22% |
| Large Cap US Equities | - | - |
| Mid Cap US Equities | - | - |
| Small Cap US Equities | - | - |
| Developed Foreign Equities | 12.70% | 8.12% |
| Emerging Market Equities | 6.50% | 9.91% |
| Private Equity | 8.25% | 13.02% |
| Hedge Funds / Absolute Return | 12.25% | 4.92% |
| Real Estate (Property) | 3.20% | 5.80% |
| Real Estate (REITS) | - | - |
| Commodities | 2.50% | 5.35% |
| Long Credit Bonds | - | - |
| | 100.00% | |

**Discount Rate**

The discount rate used to measure the total pension liability was 5.39% and 5.55% for PERS as of June 30, 2014 and 2013, respectively. For PERS, these single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/ Aa or higher. The projection of cash flows used to determine the discount rates for PERS assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033 for PERS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

## Note 5: DETAIL NOTES – LIABILITIES (CONT'D)

### Pension Plans (Cont'd)

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

The following presents the Authority's proportionate share of the net pension liability calculated using a discount rate of 5.39% for PERS, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

| | PERS | | |
|---|---|---|---|
| | 1% Decrease (4.39%) | Current Discount Rate (5.39%) | 1% Increase (6.39%) |
| Authority's Proportionate Share of the Net Pension Liability | $6,991,589.46 | $5,557,551.85 | $4,353,325.21 |

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated at the beginning of this note.

### Post-employment Benefits

**Plan Description -** The Authority contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 2002, the Authority authorized participation in the post-retirement benefit program through resolution number 19-2002. The policy of continued insurance coverage is detailed in the Authority's Contract Agreement with the American Federation of State, County, and Municipal Employees Local 3303D. Section 7.2 states that employees with a minimum of 25 years of service with the Authority and a minimum age of 55 and where sum of the years of employment and the employee's age total at least 81 years, prior to retirement, will receive continued medical coverage for the employee and spouse until the employee attains age 65. Benefits for dependents, other than the spouse, are available for purchase.

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

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**

**Post-employment Benefits (Cont'd)**

**Funding Policy -** Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Authority on a monthly basis. The charges for this plan are expensed when disbursed; consequently, the liability for these benefits is not recorded on the Statements of Net Position. The Authority's contributions to SHBP for the years ended June 30, 2015, 2014, and 2013, were $95,792.52, $82,569.35, and $74,898.84 respectively, which equaled the required contributions for each year. There were 6, 5, and 5 retired participants eligible at June 30, 2015, 2014, and 2013, respectively.

**Plan Description -** In addition to the State Health Benefits plan described above, the Authority provides benefits to employees that have retired from the Authority. The Authority provides dental, vision, and life insurance to retired employees and their dependents provided that they have met all the retirement criteria of the Public Employees Retirement System (PERS) and completed 25 years of service and attained age 55.

**Funding Policy -** The contribution requirement of the Authority is established by the policy of the Authority and certain employment contracts and may be amended by the same. The required contribution is based on projected pay-as-you-go financing requirements. The Authority's contributions for the years ended June 30, 2015, 2014, and 2013, were $15,723.49, $12,525.96, and $11,510.24 respectively, which equaled the required contributions for each year. Plan members are not required to make any contributions to the plan.

**Annual OPEB Cost and Net OPEB Obligation -** The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the Authority Plan, and changes in the Authority's net OPEB obligation to the Authority Plan:

**Annual OPEB Cost**

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Annual Required Contribution (ARC) | $ 68,158.00 | $ 79,253.00 | $ 72,648.00 |
| Interest on the Net OPEB Obligation | 11,786.46 | | |
| Adjustment to the ARC | (22,208.67) | | |
| Annual OPEB Cost | 57,735.79 | 79,253.00 | 72,648.00 |
| Pay-as-You Go Cost (Existing Retirees) | (9,430.00) | (6,016.00) | (6,016.00) |
| Increase in the Net OPEB Obligation | 48,305.79 | 73,237.00 | 66,632.00 |
| Net OPEB Obligation, February 1 | 364,611.00 | 291,374.00 | 224,742.00 |
| Net OPEB Obligation, January 31 | $ 412,916.79 | $ 364,611.00 | $ 291,374.00 |
| Percentage of Annual OPEB Cost Contributed | 16.33% | 7.59% | 8.28% |

## Note 5: DETAIL NOTES – LIABILITIES (CONT'D)

### Post-employment Benefits (Cont'd)

**Funded Status and Funding Progress -** The funded status of the plan as of June 30, 2015, was as follows:

| Funded Status and Funding Progress | |
|---|---|
| Actuarial Accrued Liability (AAL) | $ 693,489.00 |
| Actuarial Value of Plan Assets | - |
| Unfunded Actuarial Accrued Liability (UAAL) | $ 693,489.00 |
| Funded Ratio (Actuarial Value of Plan Assets / AAL) | - |
| Covered Payroll (Active Plan Members) | $ 2,426,598.00 |
| UAAL as a Percentage of Covered Payroll | 28.58% |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, compares the assets used for funding purposes to the comparable liabilities to determine how well the Authority Plan is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The Actuarial Accrued Liability under GASB is determined assuming that the Authority Plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

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

In the June 30, 2015, actuarial valuation, the "unit credit" actuarial cost method was used. The actuarial assumptions included a 5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 5%. The actuarial value of the Authority Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three year period. The Authority Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2015, was twenty-nine years.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**

**Revenue Bonds Payable**

All outstanding bonds issued by the Authority are secured under a Utility System Revenue Bond Resolution dated June 24, 1987 (Note 2), under which substantially all rents, revenues, receipts, fees and other charges or income received or accrued by the Authority are pledged. Subsequent supplemental bond resolutions were adopted authorizing the issuance of the Utility System Revenue Bonds, Series 2004, Series 2007 and Series 2010A, and Utility System Revenue Refunding Bonds Series 2010B.

A summary of maturities on the 2004, 2007, 2010A, and 2010B Revenue Bonds Payable at June 30, 2015 is as shown below:

| Fiscal Year Ending | Principal | Interest | Total |
|---|---|---|---|
| 2016 | $ 1,550,000.00 | $ 734,112.49 | $ 2,284,112.49 |
| 2017 | 1,605,000.00 | 686,724.99 | 2,291,724.99 |
| 2018 | 1,635,000.00 | 627,736.24 | 2,262,736.24 |
| 2019 | 1,730,000.00 | 558,872.49 | 2,288,872.49 |
| 2020 | 1,805,000.00 | 485,500.62 | 2,290,500.62 |
| 2021 | 1,880,000.00 | 406,785.00 | 2,286,785.00 |
| 2022 | 1,945,000.00 | 327,135.00 | 2,272,135.00 |
| 2023 | 1,415,000.00 | 257,917.50 | 1,672,917.50 |
| 2024 | 1,480,000.00 | 195,815.62 | 1,675,815.62 |
| 2025 | 1,545,000.00 | 128,990.62 | 1,673,990.62 |
| 2026 | 1,070,000.00 | 70,450.00 | 1,140,450.00 |
| 2027 | 520,000.00 | 35,000.00 | 555,000.00 |
| 2028 | 540,000.00 | 11,812.50 | 551,812.50 |
| | 18,720,000.00 | $ 4,526,853.07 | $ 23,246,853.07 |
| Less: | | | |
| Current Maturities | (1,550,000.00) | | |
| Premium/Discount on Bonds | 192,414.57 | | |
| Long Term Portion | $ 17,362,414.57 | | |

**Note 6: DETAIL NOTES – DEFERRED INFLOWS OF RESOURCES**

**Unearned Revenue**

The Authority has received developer assessment fees for ongoing construction projects. These fees are recorded as unearned revenues until the Authority provides the services associated with recognizing the funds as revenue.

**Note 7: DETAIL NOTES – NET POSITION**

**Net Position Appropriated**

As of June 30, 2015, the Authority had an unrestricted net position deficit of $1,401,825.09. None of the unrestricted net position has been appropriated and included as support in the operating budgets for the fiscal year ending June 30, 2016.

As of June 30, 2014, the Authority had a restated unrestricted net position deficit of $899,755.41. None of the unrestricted net position has been appropriated and included as support in the operating budgets for the fiscal year ending June 30, 2015.

**Net Position Designated**

At June 30, 2015, $30,173.16 is designated to complete various approved capital projects.

At June 30, 2014, $34,553.93 is designated to complete various approved capital projects.

**Note 8: INTERGOVERNMENTAL AGREEMENTS**

**Township of Monroe Service Agreement**

A Service Agreement was entered into on June 10, 1960 between the Authority and the Township. Under the Service Agreement, the Township agrees to pay any shortfall the Authority may encounter in making payments for either Operating Expenses and/or Debt Service (Annual Charges).

The purpose of this agreement is to grant temporary relief to the Authority should it experience difficulty in meeting its obligations. The agreement calls for the Township to be reimbursed for any Annual Charges paid by the Township when the Authority's operations permit. Ultimately, all Operating Expenses and Debt Service of the Authority are borne by revenues of the system.

**Note 9: COMMITMENTS AND CONTINGENCIES**

**Litigation**

The Authority is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Authority, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

**Note 10: DEFERRED COMPENSATION SALARY ACCOUNT**

The Authority offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Authority or its creditors. Since the Authority does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Authority's financial statements.

## Note 11: RISK MANAGEMENT

The Authority is a member of New Jersey Utility Authorities Joint Insurance Fund. The Fund provides the Authority with the following coverage:

Property - Blanket Building and Grounds
Boiler and Machinery
General and Automobile Liability

Contributions to the Fund, including a reserve for contingencies are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Authority's agreement with the fund provides that the fund will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of $250,000 for each insured event.

The Fund publishes its own financial report for the year ended June 30, 2015 which can be obtained from:

New Jersey Utility Authorities Joint Insurance Fund
Park 80 West, Plaza One
Saddle Brook, New Jersey 07663

## Note 12: RESTATEMENT OF NET POSITION

As indicated in note 1 to the financial statements, the Authority adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, for the fiscal year ended June 30, 2015. As a result of implementing these two Statements, a restatement of unrestricted net position was required to record the Authority's proportionate share of its net pension liability. The cumulative effect on the financial statements as reported for June 30, 2014 is as follows:

| | Net Position As Previously Reported June 30, 2014 | GASB 68 Implementation | | | Net Position As Restated June 30, 2014 |
|---|---|---|---|---|---|
| | | Net Pension Liability (1) | Deferred Outflows (2) | Accounts Payable (3) | |
| **Governmental Activities:** | | | | | |
| Net Investment in Capital Assets | $ 22,745,206.71 | | | | $ 22,745,206.71 |
| Reserve for: | | | | | |
| Bond Resolution Covenants | 4,948,767.92 | | | | 4,948,767.92 |
| Unrestricted (Deficit) | 5,020,276.59 | $ (5,920,032.00) | $ 244,706.00 | $ (244,706.00) | (899,755.41) |
| Total Net Position | $ 32,714,251.22 | $ (5,920,032.00) | $ 244,706.00 | $ (244,706.00) | $ 26,794,219.22 |

**(1)** Represents the District's proportionate share of the Public Employees' Retirement System (PERS) June 30, 2013 Net Pension Liability.

**(2)** Represents the District's beginning deferred outflows of resources for contributions subsequent to the measurement date, paid on April 1, 2015.

**(3)** Represents the District's accounts payable for contributions subsequent to the measurement date, paid on April 1, 2015. The State of New Jersey Division of Pension and Benefits has an accounts accounts receivable recorded in the PERS Plan Audit.

## Note 13: SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the Authority approved a resolution to increase the reserve for renewal and replacement to $2,000,000.00.

## REQUIRED SUPPLEMENTARY INFORMATION

**MONROE MUNICIPAL UTILITIES AUTHORITY**
Required Supplementary Information
Schedule of Funding Progress for the OPEB Plan

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability - (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a) / c) |
|---|---|---|---|---|---|---|
| 06/30/15 | - | $ 693,489 | $ 693,489 | 0% | $ 2,426,598 | 28.58% |
| 06/30/12 | - | 638,374 | 638,374 | 0% | 2,163,956 | 29.50% |
| 06/30/09 | - | 489,321 | 489,321 | 0% | 1,940,921 | 25.21% |

**SCHEDULE RSI-2**

Required Supplementary Information
Schedule of Employer Contributions

| **Fiscal Year Ended June 30,** | **Annual Required Contribution (ARC)** | **Percentage of ARC Contributed** |
|---|---|---|
| 2015 | $ 68,158.00 | 13.84% |
| 2014 | 79,253.00 | 7.59% |
| 2013 | 72,648.00 | 8.28% |
| 2012 | 66,807.00 | 9.01% |
| 2011 | 59,911.00 | 6.44% |
| 2010 | 54,445.00 | 6.62% |
| 2009 | 53,454.00 | 7.22% |

**MONROE MUNICIPAL UTILITIES AUTHORITY**
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS)
Last Two Fiscal Years

| | Measurement Date Ending June 30, | |
|---|---|---|
| | **2014** | **2013** |
| Authority's Proportion of the Net Pension Liability | 0.0296834402% | 0.0309754913% |
| Authority's Proportionate Share of the Net Pension Liability | $ 5,557,552.00 | $ 5,920,032.00 |
| Authority's Covered-Employee Payroll | $ 2,163,628.00 | $ 2,191,118.00 |
| Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll | 256.86% | 270.18% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 52.08% | 48.72% |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

**MONROE MUNICIPAL UTILITIES AUTHORITY**
Required Supplementary Information
Schedule of the Authority's Contributions
Public Employees' Retirement System (PERS)
Last Two Fiscal Years

| | Fiscal Year Ended June 30, | |
|---|---|---|
| | **2015** | **2014** |
| Contractually Required Contribution | $ 273,499.00 | $ 244,706.00 |
| Contributions in Relation to the Contractually Required Contribution | (273,499.00) | (244,706.00) |
| Contribution Deficiency (Excess) | $ - | $ - |
| Authority's Covered-Employee Payroll | $ 2,145,734.00 | $ 2,163,628.00 |
| Contributions as a Percentage of Authority's Covered-Employee Payroll | 12.75% | 11.31% |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

**MONROE MUNICIPAL UTILITIES AUTHORITY**
Note to Required Supplementary Information
For the Fiscal Year Ended June 30, 2015

### Other Postemployment Benefits

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

| | |
|---|---|
| Valuation Date | June 30, 2015 |
| Actuarial Cost Method | Unit Credit |
| Amortization Method | Level Dollar |
| Remaining Amortization Period | 29 years |
| Asset Valuation Method | Market Value |
| Actuarial Assumptions: | |
| Investment Rate of Return | 5.0% |
| Rate of Medical Inflation | 5% (pre-Medicare and post-Medicare) |
| Administration Expenses | 2% (included in annual health care costs) |

For determining the GASB ARC, the rate of employer contributions to the plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a portion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer Normal Costs or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

### Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None

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

## SUPPLEMENTARY SCHEDULES

**MONROE MUNICIPAL UTILITIES AUTHORITY**
Schedule of Revenue, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2015

| | | Restricted | | | | |
|---|---|---|---|---|---|---|
| | Unrestricted | Debt Service | Debt Service Reserve | Renewal and Replacement | Construction | Total |
| Operating Revenues: | | | | | | |
| Service Charges | $ 10,333,380.82 | | | | | $ 10,333,380.82 |
| Connection Fees | 468,136.94 | | | | | 468,136.94 |
| Other Operating Revenues | 154,498.72 | | | | | 154,498.72 |
| Total Operating Revenues | 10,956,016.48 | - | - | - | - | 10,956,016.48 |
| Operating Expenses: | | | | | | |
| Administration: | | | | | | |
| Salaries and Wages | 730,802.32 | | | | | 730,802.32 |
| Fringe Benefits | 406,386.19 | | | | | 406,386.19 |
| Other Expenses | 525,541.54 | | | | | 525,541.54 |
| Cost of Providing Service: | | | | | | |
| Salaries and Wages | 1,695,796.06 | | | | | 1,695,796.06 |
| Fringe Benefits | 947,439.81 | | | | | 947,439.81 |
| Other Expenses | 4,761,147.95 | | | | | 4,761,147.95 |
| Net OPEB Cost (GASB 45 Accrual) | 48,305.79 | | | | | 48,305.79 |
| Net Pension Liability (GASB 68) | 2,553.00 | | | | | 2,553.00 |
| Depreciation | | | | | $ 1,549,519.00 | 1,549,519.00 |
| Total Operating Expenses | 9,117,972.66 | - | - | - | 1,549,519.00 | 10,667,491.66 |
| Operating Income (Loss) | 1,838,043.82 | - | - | - | (1,549,519.00) | 288,524.82 |
| Non-operating Revenue (Expenses): | | | | | | |
| Investment Income | 15,707.51 | | | $ 529.69 | | 16,237.20 |
| Interest Expense | | $ (756,543.78) | - | | 2,598.05 | (753,945.73) |
| Other Non-Operating | | | | | (4,691.00) | (4,691.00) |
| Major Repairs and Other Expenses | | | | (86,274.24) | | (86,274.24) |
| Net Income (Loss) Before Transfers and Capital Contributions | 1,853,751.33 | (756,543.78) | - | (85,744.55) | (1,551,611.95) | (540,148.95) |

(Continued)

**MONROE MUNICIPAL UTILITIES AUTHORITY**
Schedule of Revenue, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2015

| | | Restricted | | | | |
|---|---|---|---|---|---|---|
| | Unrestricted | Debt Service | Debt Service Reserve | Renewal and Replacement | Construction | Total |
| Transfers Between Funds | $ (1,867,826.33) | $ 791,543.88 | - | $ (2,842,883.37) | $ 3,919,165.82 | - |
| Increase (Decrease) in Net Position | (14,075.00) | 35,000.10 | - | (2,928,627.92) | 2,367,553.87 | $ (540,148.95) |
| Net Position July 1, as restated | 1,644,449.17 | 1,515,000.25 | $ 2,304,318.75 | 995,261.49 | 20,335,189.56 | 26,794,219.22 |
| Net Position June 30: | | | | | | |
| Net Investment in Capital Assets | | | | 18,459.01 | $ 22,702,743.43 | 22,721,202.44 |
| Restricted | $ 1,630,374.17 | | $ 2,304,318.75 | 1,000,000.00 | | 4,934,692.92 |
| Unrestricted (Deficit) | | $ 1,550,000.35 | | $ (2,951,825.44) | | $ (1,401,825.09) |

**MONROE MUNICIPAL UTILITIES AUTHORITY**
Schedule of Sewer Anticipated Revenues, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
For the Fiscal Year Ended June 30, 2015

| | Original Budget | Budget Transfers | Final Budget | 2014-15 Actual | Favorable (Unfavorable) |
|---|---|---|---|---|---|
| Anticipated Revenues: | | | | | |
| Operating Revenues: | | | | | |
| Service Charges | $ 6,032,406.00 | | $ 6,032,406.00 | $ 6,098,728.85 | $ 66,322.85 |
| Connection Fees | 310,000.00 | | 310,000.00 | 265,275.46 | (44,724.54) |
| Other Operating Revenues: | | | | | |
| Application Fees | 1,750.00 | | 1,750.00 | 3,200.00 | 1,450.00 |
| Search Fees | 90.00 | | 90.00 | 89.70 | (0.30) |
| Other | 3,000.00 | | 3,000.00 | 3,528.94 | 528.94 |
| Total Operating Revenues | 6,347,246.00 | - | 6,347,246.00 | 6,370,822.95 | 23,576.95 |
| Non-Operating Revenues: | | | | | |
| Investment Income | 6,250.00 | | 6,250.00 | 6,611.75 | 361.75 |
| Total Non-Operating Revenues | 6,250.00 | - | 6,250.00 | 6,611.75 | 361.75 |
| Total Anticipated Revenues | 6,353,496.00 | - | 6,353,496.00 | 6,377,434.70 | 23,938.70 |
| Operating Appropriations: | | | | | |
| Administration | | | | | |
| Salaries and Wages: | | | | | |
| Authority Members | 2,375.00 | | 2,375.00 | 2,375.00 | - |
| Office Administration | 389,508.00 | | 389,508.00 | 352,903.04 | 36,604.97 |
| Total Salaries and Wages | 391,883.00 | - | 391,883.00 | 355,278.04 | 36,604.97 |
| Fringe Benefits: | | | | | |
| Pension | 39,000.00 | | 39,000.00 | 36,705.90 | 2,294.10 |
| Social Security | 24,255.00 | | 24,255.00 | 21,985.90 | 2,269.10 |
| Medicare | 5,700.00 | | 5,700.00 | 5,274.98 | 425.02 |
| Unemployment Insurance | 1,650.00 | | 1,650.00 | 1,444.91 | 205.10 |
| Health Insurance | 149,220.00 | | 149,220.00 | 137,854.68 | 11,365.32 |
| Total Fringe Benefits | 219,825.00 | - | 219,825.00 | 203,266.36 | 16,558.64 |
| Other Expenses: | | | | | |
| Insurance | 69,550.00 | | 69,550.00 | 64,401.96 | 5,148.04 |
| Advertising | 2,250.00 | | 2,250.00 | 1,886.76 | 363.24 |
| Computer Expense | 23,250.00 | | 23,250.00 | 22,881.82 | 368.18 |
| Dues and Subscriptions | 5,925.00 | | 5,925.00 | 3,984.81 | 1,940.19 |
| Office Maintenance Contracts | 6,718.00 | | 6,718.00 | 4,837.58 | 1,880.42 |
| Postage | 33,000.00 | | 33,000.00 | 24,617.90 | 8,382.10 |
| Office Supplies | 22,750.00 | | 22,750.00 | 21,576.62 | 1,173.38 |
| Training and Seminars | 11,000.00 | | 11,000.00 | 10,384.25 | 615.75 |
| Accounting Fees | 25,000.00 | | 25,000.00 | 20,982.50 | 4,017.50 |
| Engineer Fees | 51,950.00 | | 51,950.00 | 51,733.07 | 216.93 |
| Solicitor | 37,500.00 | | 37,500.00 | 18,501.63 | 18,998.37 |
| Litigation | 6,500.00 | | 6,500.00 | 2,649.01 | 3,850.99 |
| Trustee Fees | 7,150.00 | | 7,150.00 | 7,150.00 | - |
| Miscellaneous | 2,500.00 | | 2,500.00 | 1,031.11 | 1,468.89 |
| Total Other Expenses | 305,043.00 | - | 305,043.00 | 256,619.02 | 48,423.98 |
| Total Administration | 916,751.00 | - | 916,751.00 | 815,163.42 | 101,587.58 |
| Cost of Providing Services: | | | | | |
| Salaries and Wages: | | | | | |
| Plant Salaries | 914,392.00 | | 914,392.00 | 825,114.40 | 89,277.61 |
| Total Salaries and Wages | 914,392.00 | - | 914,392.00 | 825,114.40 | 89,277.61 |

(Continued)

**MONROE MUNICIPAL UTILITIES AUTHORITY**
Schedule of Sewer Anticipated Revenues, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
For the Fiscal Year Ended June 30, 2015

| | Original Budget | Budget Transfers | Final Budget | 2014-15 Actual | Favorable (Unfavorable) |
|---|---|---|---|---|---|
| Operating Appropriations (Cont'd): | | | | | |
| Cost of Providing Services (Cont'd): | | | | | |
| Fringe Benefits: | | | | | |
| Pension | $ 91,000.00 | | $ 91,000.00 | $ 85,647.10 | $ 5,352.90 |
| Social Security | 56,595.00 | | 56,595.00 | 51,300.42 | 5,294.58 |
| Medicare | 13,300.00 | | 13,300.00 | 12,308.30 | 991.70 |
| Unemployment Insurance | 3,850.00 | | 3,850.00 | 3,371.45 | 478.55 |
| Health Insurance | 348,180.00 | | 348,180.00 | 320,866.29 | 27,313.71 |
| Total Fringe Benefits | 512,925.00 | - | 512,925.00 | 473,493.56 | 39,431.44 |
| Other Expenses: | | | | | |
| Utilities | 536,650.00 | | 536,650.00 | 513,916.30 | 22,733.70 |
| Chemicals | 200,000.00 | | 200,000.00 | 168,903.67 | 31,096.33 |
| Sewerage Treatment Costs | 2,339,600.00 | | 2,339,600.00 | 2,338,878.04 | 721.96 |
| Repairs and Maintenance | 63,500.00 | | 63,500.00 | 38,653.48 | 24,846.52 |
| Paging Expenses | 275.00 | | 275.00 | 172.33 | 102.67 |
| Vehicle Expenses | 95,500.00 | | 95,500.00 | 75,377.44 | 20,122.56 |
| Alarm Monitoring Expenses | 36,750.00 | | 36,750.00 | 18,639.97 | 18,110.03 |
| Maintenance Contracts - Operations | 15,000.00 | | 15,000.00 | 6,647.22 | 8,352.78 |
| Operations Equipment and Materials | 157,850.00 | | 157,850.00 | 79,760.68 | 78,089.32 |
| Uniforms | 10,000.00 | | 10,000.00 | 9,438.94 | 561.06 |
| Safety Compliance | 9,500.00 | | 9,500.00 | 9,038.14 | 461.86 |
| Buildings and Grounds | 16,000.00 | | 16,000.00 | 15,729.57 | 270.43 |
| Total Other Expenses | 3,480,625.00 | - | 3,480,625.00 | 3,275,155.78 | 205,469.22 |
| Total Cost of Providing Service | 4,907,942.00 | - | 4,907,942.00 | 4,573,763.73 | 334,178.27 |
| Principal Payments on Debt Service in Lieu of Depreciation | 351,750.00 | | 351,750.00 | 344,000.00 | 7,750.00 |
| Non-Operating Appropriations: | | | | | |
| Interest on Bonds | 177,053.00 | | 177,053.00 | 182,567.37 | (5,514.37) |
| Total Non-Operating Appropriations | 177,053.00 | - | 177,053.00 | 182,567.37 | (5,514.37) |
| Total Budget Appropriations | 6,353,496.00 | - | 6,353,496.00 | 5,915,494.52 | 438,001.48 |
| Excess Budgetary Revenues Over Budgetary Appropriations | $ - | $ - | $ - | $ 461,940.18 | $ 461,940.18 |

**MONROE MUNICIPAL UTILITIES AUTHORITY**
Schedule of Water Anticipated Revenues, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
For the Fiscal Year Ended June 30, 2015

| | Original Budget | Budget Transfers | Final Budget | 2014-15 Actual | Favorable (Unfavorable) |
|---|---|---|---|---|---|
| Anticipated Revenues: | | | | | |
| Operating Revenues: | | | | | |
| Service Charges | $ 5,292,495.00 | | $ 5,292,495.00 | $ 4,234,651.97 | $ (1,057,843.03) |
| Connection Fees | 349,800.00 | | 349,800.00 | 202,861.48 | (146,938.52) |
| Other Operating Revenues: | | | | | |
| Application Fees | 1,750.00 | | 1,750.00 | 2,800.00 | 1,050.00 |
| Hydrant Rentals | 40,000.00 | | 40,000.00 | 54,217.79 | 14,217.79 |
| Search Fees | 90.00 | | 90.00 | 81.65 | (8.35) |
| Sprinkler Systems | 30,483.00 | | 30,483.00 | 35,188.69 | 4,705.69 |
| Meters and Yolks | 42,000.00 | | 42,000.00 | 15,079.25 | (26,920.75) |
| Water Permit Loans | 50,000.00 | | 50,000.00 | 22,805.65 | (27,194.35) |
| Other | 3,000.00 | | 3,000.00 | 17,507.05 | 14,507.05 |
| Total Operating Revenues | 5,809,618.00 | - | 5,809,618.00 | 4,585,193.53 | (1,224,424.47) |
| Non-Operating Revenues: | | | | | |
| Investment Income | 6,250.00 | | 6,250.00 | 9,095.76 | 2,845.76 |
| Total Anticipated Revenues | 5,815,868.00 | - | 5,815,868.00 | 4,594,289.29 | (1,221,578.71) |
| Operating Appropriations: | | | | | |
| Administration | | | | | |
| Salaries and Wages: | | | | | |
| Authority Members | 2,375.00 | | 2,375.00 | 2,375.00 | - |
| Office Administration | 389,508.00 | | 389,508.00 | 373,149.29 | 16,358.72 |
| Total Salaries and Wages | 391,883.00 | - | 391,883.00 | 375,524.29 | 16,358.72 |
| Fringe Benefits: | | | | | |
| Pension | 39,000.00 | | 39,000.00 | 36,705.90 | 2,294.10 |
| Social Security | 24,255.00 | | 24,255.00 | 21,874.44 | 2,380.56 |
| Medicare | 5,700.00 | | 5,700.00 | 5,247.80 | 452.20 |
| Unemployment Insurance | 1,650.00 | | 1,650.00 | 1,436.80 | 213.20 |
| Health Insurance | 149,220.00 | | 149,220.00 | 137,854.88 | 11,365.12 |
| Total Fringe Benefits | 219,825.00 | - | 219,825.00 | 203,119.82 | 16,705.18 |
| Other Expenses: | | | | | |
| Insurance | 69,000.00 | | 69,000.00 | 64,401.97 | 4,598.03 |
| Advertising | 2,250.00 | | 2,250.00 | 1,886.80 | 363.20 |
| Computer Expense | 23,250.00 | | 23,250.00 | 22,881.90 | 368.10 |
| Dues and Subscriptions | 2,675.00 | | 2,675.00 | 1,936.35 | 738.65 |
| Office Maintenance Contracts | 5,957.00 | | 5,957.00 | 5,199.02 | 757.98 |
| Postage | 33,000.00 | | 33,000.00 | 24,617.93 | 8,382.07 |
| Office Supplies | 22,750.00 | | 22,750.00 | 21,661.50 | 1,088.50 |
| Training and Seminars | 11,000.00 | | 11,000.00 | 10,384.25 | 615.75 |
| Accounting Fees | 25,000.00 | | 25,000.00 | 20,982.50 | 4,017.50 |
| Engineer Fees | 45,300.00 | | 45,300.00 | 45,129.08 | 170.92 |
| Solicitor | 37,500.00 | | 37,500.00 | 20,155.41 | 17,344.59 |
| Litigation | 13,700.00 | | 13,700.00 | 13,621.59 | 78.41 |
| Trustee Fees | 14,850.00 | | 14,850.00 | 14,850.00 | - |
| Miscellaneous | 2,500.00 | | 2,500.00 | 1,214.22 | 1,285.78 |
| Total Other Expenses | 308,732.00 | - | 308,732.00 | 268,922.52 | 39,809.48 |
| Total Administration | 920,440.00 | - | 920,440.00 | 847,566.63 | 72,873.37 |
| Cost of Providing Services: | | | | | |
| Salaries and Wages: | | | | | |
| Plant Salaries | 914,392.00 | | 914,392.00 | 870,681.67 | 43,710.34 |
| Total Salaries and Wages | 914,392.00 | - | 914,392.00 | 870,681.67 | 43,710.34 |

(Continued)

**MONROE MUNICIPAL UTILITIES AUTHORITY**
Schedule of Water Anticipated Revenues, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
For the Fiscal Year Ended June 30, 2015

| | Original Budget | Budget Transfers | Final Budget | 2014-15 Actual | Favorable (Unfavorable) |
|---|---|---|---|---|---|
| Operating Appropriations (Cont'd): | | | | | |
| Cost of Providing Services (Cont'd): | | | | | |
| Fringe Benefits: | | | | | |
| Pension | $ 91,000.00 | | $ 91,000.00 | $ 85,647.10 | $ 5,352.90 |
| Social Security | 56,595.00 | | 56,595.00 | 51,040.36 | 5,554.64 |
| Medicare | 13,300.00 | | 13,300.00 | 12,244.87 | 1,055.13 |
| Unemployment Insurance | 3,850.00 | | 3,850.00 | 3,352.54 | 497.46 |
| Health Insurance | 348,180.00 | | 348,180.00 | 321,661.39 | 26,518.61 |
| Total Fringe Benefits | 512,925.00 | - | 512,925.00 | 473,946.26 | 38,978.74 |
| Other Expenses: | | | | | |
| Utilities | 275,350.00 | | 275,350.00 | 262,924.80 | 12,425.20 |
| Chemicals | 91,400.00 | | 91,400.00 | 70,197.11 | 21,202.89 |
| Repairs and Maintenance | 140,500.00 | | 140,500.00 | 121,449.45 | 19,050.55 |
| Laboratory Fees | 49,500.00 | | 49,500.00 | 28,797.58 | 20,702.42 |
| Meters and Yolks | 196,000.00 | | 196,000.00 | 184,516.44 | 11,483.56 |
| State Water Tax and Allocation Assessment | 41,000.00 | | 41,000.00 | 32,365.20 | 8,634.80 |
| Water Purchases | 636,000.00 | | 636,000.00 | 602,180.57 | 33,819.43 |
| Paging Expenses | 275.00 | | 275.00 | 172.34 | 102.66 |
| Vehicle Expenses | 65,500.00 | | 65,500.00 | 53,701.91 | 11,798.09 |
| Alarm Monitoring Expenses | 36,750.00 | | 36,750.00 | 18,759.99 | 17,990.01 |
| Maintenance Contracts - Operations | 15,000.00 | | 15,000.00 | 8,902.45 | 6,097.55 |
| Operations Equipment and Materials | 91,750.00 | | 91,750.00 | 50,899.91 | 40,850.09 |
| Uniforms | 10,000.00 | | 10,000.00 | 9,439.07 | 560.93 |
| Safety Compliance | 9,000.00 | | 9,000.00 | 8,710.74 | 289.26 |
| SCADA Program | 20,220.00 | | 20,220.00 | 20,220.00 | - |
| Buildings and Grounds | 16,000.00 | | 16,000.00 | 15,729.61 | 270.39 |
| Total Other Expenses | 1,694,245.00 | - | 1,694,245.00 | 1,488,967.17 | 205,277.83 |
| Total Cost of Providing Service | 3,121,562.00 | - | 3,121,562.00 | 2,833,595.09 | 287,966.91 |
| Principal Payments on Debt Service in Lieu of Depreciation | 1,188,250.00 | | 1,188,250.00 | 1,171,000.00 | 17,250.00 |
| Non-Operating Appropriations: | | | | | |
| Interest on Bonds | 585,616.00 | | 585,616.00 | 598,757.62 | (13,141.62) |
| Total Non-Operating Appropriations | 585,616.00 | - | 585,616.00 | 598,757.62 | (13,141.62) |
| Total Budget Appropriations | 5,815,868.00 | - | 5,815,868.00 | 5,450,919.34 | 364,948.66 |
| Deficit Budgetary Revenues Over Budgetary Appropriations | $ - | $ - | $ - | $ (856,630.05) | $ (856,630.05) |

**MONROE MUNICIPAL UTILITIES AUTHORITY**
Reconciliation to Operating Income from Budgetary to GAAP Basis
For the Fiscal Year Ended June 30, 2015

Reconciliation to Operating Income

| | | |
|---|---|---|
| Excess (Deficit) Budgetary Revenues Over Budgetary Appropriations: | | |
| Sewer Utility - Schedule 2 | $ 461,940.18 | |
| Water Utility - Schedule 3 | (856,630.05) | |
| | | $ (394,689.87) |
| Add: | | |
| Principal Payments | 1,515,000.00 | |
| Interest on Bonds | 781,324.99 | |
| Expenditures Capitalized | 2,975.00 | |
| | | 2,299,299.99 |
| | | 1,904,610.12 |
| Less: | | |
| Non-Operating Income: | | |
| Investment Income | 15,707.51 | |
| Depreciation | 1,549,519.00 | |
| GASB 45 Accrual | 48,305.79 | |
| Pension Expense (GASB 68) | 2,553.00 | |
| | | 1,616,085.30 |
| Operating Income - Schedule 1 | | $ 288,524.82 |

**MONROE MUNICIPAL UTILITIES AUTHORITY**
Schedule of Revenue Bonds Payable
For the Fiscal Year Ended June 30, 2015

| Purpose | Date of Issue | Amount of Original Issue | Maturities of Bonds Outstanding June 30, 2015 Date | Maturities of Bonds Outstanding June 30, 2015 Amount | Interest Rate | Balance July 1, 2014 | Paid | Balance June 30, 2015 |
|---|---|---|---|---|---|---|---|---|
| 2004 Revenue Bonds | 9/15/04 | $ 7,370,000.00 | 7/1/15 | $ 360,000.00 | 3.625% | | | |
| | | | 7/1/16 | 375,000.00 | 3.750% | | | |
| | | | 7/1/17 | 390,000.00 | 3.850% | | | |
| | | | 7/1/18 | 405,000.00 | 4.000% | | | |
| | | | 7/1/19 | 420,000.00 | 4.000% | | | |
| | | | 7/1/20 | 440,000.00 | 4.125% | | | |
| | | | 7/1/21 | 460,000.00 | 4.250% | | | |
| | | | 7/1/22 | 475,000.00 | 4.250% | | | |
| | | | 7/1/23 | 500,000.00 | 4.500% | | | |
| | | | 7/1/24 | 520,000.00 | 4.500% | $ 4,695,000.00 | $ 350,000.00 | $ 4,345,000.00 |
| 2007 Revenue Bonds | 9/15/07 | 7,445,000.00 | 7/1/15 | 325,000.00 | 3.800% | | | |
| | | | 7/1/16 | 340,000.00 | 4.000% | | | |
| | | | 7/1/17 | 325,000.00 | 5.000% | | | |
| | | | 7/1/18 | 370,000.00 | 4.125% | | | |
| | | | 7/1/19 | 385,000.00 | 4.125% | | | |
| | | | 7/1/20 | 400,000.00 | 4.000% | | | |
| | | | 7/1/21 | 415,000.00 | 4.000% | | | |
| | | | 7/1/22 | 435,000.00 | 4.100% | | | |
| | | | 7/1/23 | 455,000.00 | 4.375% | | | |
| | | | 7/1/24 | 475,000.00 | 4.375% | | | |
| | | | 7/1/25 | 495,000.00 | 4.500% | | | |
| | | | 7/1/26 | 520,000.00 | 4.375% | | | |
| | | | 7/1/27 | 540,000.00 | 4.375% | 5,795,000.00 | 315,000.00 | 5,480,000.00 |
| 2010A Revenue Bonds | 8/29/10 | 6,550,000.00 | 7/1/15 | 380,000.00 | 2.25% | | | |
| | | | 7/1/16 | 390,000.00 | 2.50% | | | |
| | | | 7/1/17 | 405,000.00 | 4.00% | | | |
| | | | 7/1/18 | 420,000.00 | 4.00% | | | |
| | | | 7/1/19 | 440,000.00 | 5.00% | | | |
| | | | 7/1/20 | 460,000.00 | 5.00% | | | |
| | | | 7/1/21 | 480,000.00 | 4.00% | | | |
| | | | 7/1/22 | 505,000.00 | 4.25% | | | |
| | | | 7/1/23 | 525,000.00 | 4.25% | | | |
| | | | 7/1/24 | 550,000.00 | 4.50% | | | |
| | | | 7/1/25 | 575,000.00 | 4.50% | 5,500,000.00 | 370,000.00 | 5,130,000.00 |

(Continued)

**MONROE MUNICIPAL UTILITIES AUTHORITY**
Schedule of Revenue Bonds Payable
For the Fiscal Year Ended June 30, 2015

| Purpose | Date of Issue | Amount of Original Issue | Maturities of Bonds Outstanding June 30, 2015 Date | Maturities of Bonds Outstanding June 30, 2015 Amount | Interest Rate | Balance July 1, 2014 | Paid | Balance June 30, 2015 |
|---|---|---|---|---|---|---|---|---|
| 2010B Refunding Bonds | 8/29/10 | $ 5,205,000.00 | 7/1/15 | $ 485,000.00 | 2.25% | | | |
| | | | 7/1/16 | 500,000.00 | 2.50% | | | |
| | | | 7/1/17 | 515,000.00 | 4.00% | | | |
| | | | 7/1/18 | 535,000.00 | 4.00% | | | |
| | | | 7/1/19 | 560,000.00 | 4.00% | | | |
| | | | 7/1/20 | 580,000.00 | 4.00% | | | |
| | | | 7/1/21 | 590,000.00 | 4.00% | $ 4,245,000.00 | $ 480,000.00 | $ 3,765,000.00 |
| | | | | | | $ 20,235,000.00 | $ 1,515,000.00 | 18,720,000.00 |
| | | | Add: | | | | | |
| | | | Premium / Discount on Bonds | | | | | 192,414.57 |
| | | | | | | | | $ 18,912,414.57 |

**MONROE MUNICIPAL UTILITIES AUTHORITY**

**PART II**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**MONROE MUNICIPAL UTILITIES AUTHORITY**
**Schedule of Findings and Recommendations**
**For the Year Ended June 30, 2015**

### *Schedule of Financial Statement Findings*

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

**Finding No. 2015-001**

**Criteria or Specific Requirement**
Section 6.01(b) of the 1987 Bond Resolution requires a Net Revenues to Debt Service ratio of 110%.

**Condition**
The required ratio of Net Revenues to Debt Service was not met for the fiscal year ending June 30, 2015.

**Context**
The computation of sufficiency of revenues is calculated as defined by the Utility System Revenue Bond Resolution and requires that the Authority obtains debt service coverage of 110%.

**Effect**
The Authority was not in compliance with Section 6.01(b) of the Bond Resolution.

**Cause**
Net revenues were not sufficient to meet the required ratio due to a deficit in budgeted revenues for the fiscal year ending June 30, 2015.

**Recommendation**
That the Authority complies with Section 6.01(b) of the 1987 Bond Resolution.

**View of Responsible Officials and Planned Corrective Action**
The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**MONROE MUNICIPAL UTILITIES AUTHORITY**
**Summary Schedule of Prior Year Audit Findings**
**And Recommendations as Prepared by Management**

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This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

**None**

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## APPRECIATION

I express my appreciation for the assistance and courtesies rendered by the Authority officials during the course of the audit.

Respectfully submitted,

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Michael J. Welding
Certified Public Accountant
Registered Municipal Accountant