

WARREN COUNTY (PEQUEST RIVER)  
MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF WARREN  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
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YEAR ENDED DECEMBER 31, 2014

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INTRODUCTORY SECTION

# Warren County (Pequest River) Municipal Utilities Authority

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199 Foul Rift Road, P.O. Box 159  
Belvidere, New Jersey 07823

Tel. (908) 475-5412  
Fax. (908) 475-5873

March 6, 2015

The Honorable Chairman and Members  
of the Warren County (Pequest River)  
Municipal Utilities Authority  
Belvidere, NJ

Dear Authority Members:

The annual financial report of the Warren County (Pequest River) Municipal Utilities Authority (The "Authority") for the years ended December 31, 2014 and 2013, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Authority. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

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

## REPORTING ENTITY AND ITS SERVICES:

The Warren County (Pequest River) Municipal Utilities Authority is a public body corporate and politic of the State of New Jersey governed by nine members appointed by the Warren County Board of Chosen Freeholders.

The Authority was created in 1969 and reorganized in 1978 under and pursuant to the State Municipal Utilities Authorities Law (P.L. 1957, Chap. 183).

The Warren County (Pequest River) Municipal Utilities Authority was created to provide for the acquisition, construction, maintenance, operation and improvement of facilities for the collection, treatment, purification or disposal of sewage or other wastes for the purpose of relieving waters of pollution within the Authority's area of service. The Authority is authorized to collect service charges for connection with, and for use of, the Authority's services and products. The Authority bills the customers for such usage under their respective service contracts.

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

The Honorable Chairman and Members  
of the Warren County (Pequest River)  
Municipal Utilities Authority  
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March 6, 2015

**REPORTING ENTITY AND ITS SERVICES: (Cont'd)**

Governmental Accounting Standards Board Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Although the Freeholders of Warren County appoint the governing members of the Authority and the County has secured the payment of the Authority's bonds and loans, the Authority is autonomous from the County in all other pertinent matters concerning oversight responsibility. Accordingly, the Authority is considered a component unit of the County of Warren.

**General Trends and Significant Events**

During 2014, the Authority experienced the following:

- Both sewer plants operated without any major breakdowns of violations.
- Each facility is considered to be well run and orderly with housekeeping and storage exceptional.
- The MUA has gone over 15 years without any lost time accidents and no lost work days.
- During 2014, the Authority started the construction of the Oxford WWTF Upgrade as required by the NJDEP.
- During 2014, the Authority upgraded the Axford Avenue Pump Station located in Oxford Township.
- The Warren County Pollution Control Financing Authority (PCFA) continues to discharge the effluent from its facility into the Authority's Oxford Treatment plant. The flow from the PCFA plant continues to generate significant revenue for the WCPRMUA.

**CASH MANAGEMENT:** The investment policy of the Authority is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 5. The Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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

The Honorable Chairman and Members  
of the Warren County (Pequest River)  
Municipal Utilities Authority  
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March 6, 2015

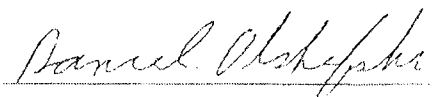
OTHER INFORMATION:

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

ACKNOWLEDGEMENTS:

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

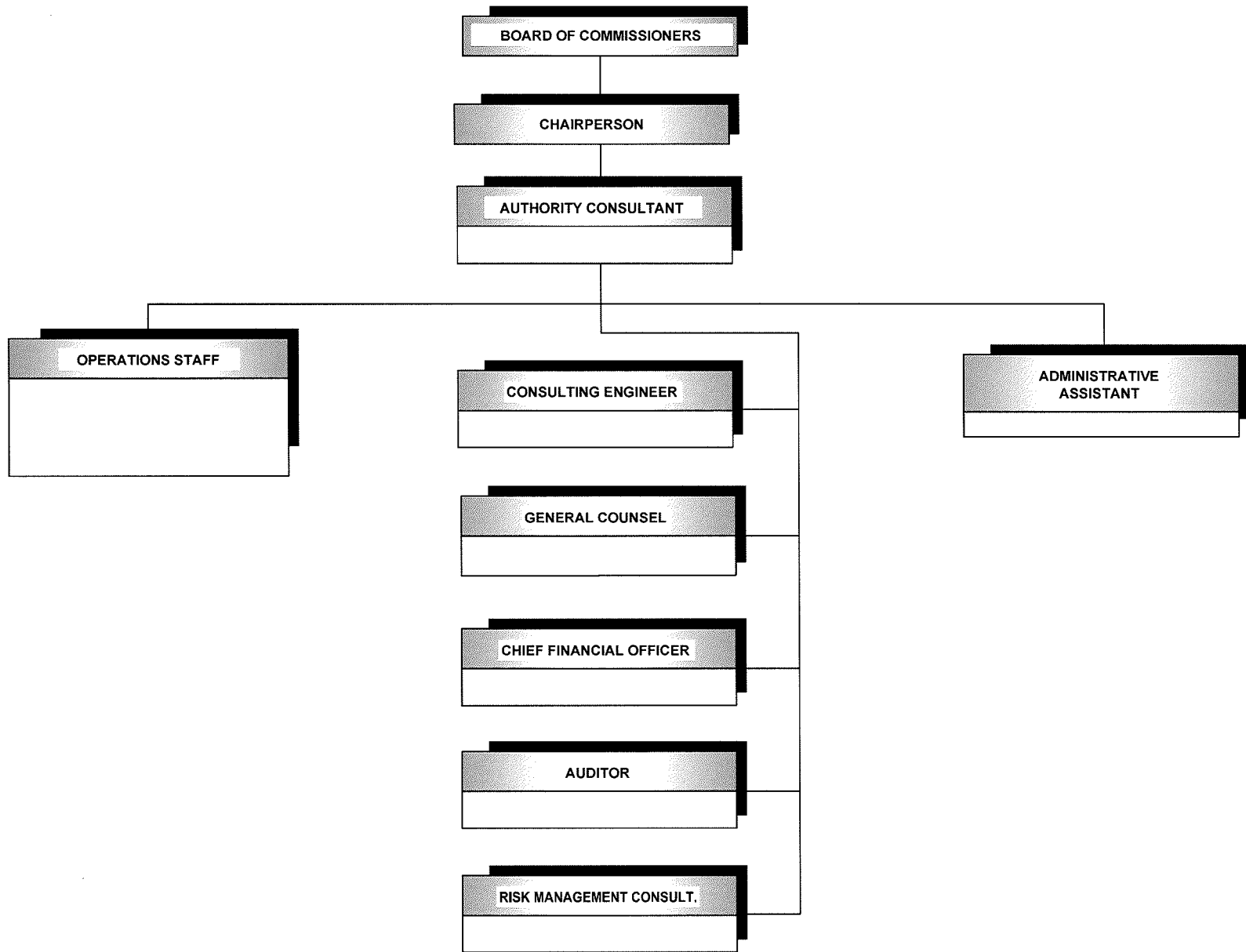
Respectfully submitted,



Daniel Olshefski  
Authority's Chief Financial Officer



E. Chad Chamberlain  
Chairman



**WARREN COUNTY (PEQUEST RIVER) MUA  
ORGANIZATIONAL STRUCTURE**

REVISED - MARCH 2014



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SPARTA, NEW JERSEY 07871  
(973) 300-9003

SPARTA, NEW JERSEY 07871  
FAX: (973) 300-4003

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
ROSTER OF OFFICIALS  
DECEMBER 31, 2014

Commissioners

E. Chad Chamberlain	Chairperson
Morris Scott, Jr.	Vice Chairperson
Laurel Napolitani	Secretary
Robert Piazza	Treasurer
Philip Rosenberg	Board Member
Sidney Deutsch	Board Member
Everdina O'Connor	Board Member
Donald Niece	Board Member
Drew Kiszonak	Board Member

Other Officials

Billy Wauhop	Authority Consultant
Charles L. Houck (until December 31, 2014)	Authority's Chief Financial Officer
Daniel Olshefski (from January 1, 2015)	Authority's Chief Financial Officer

CONSULTANTS AND ADVISORS

AUDIT FIRM

Nisivoccia LLP  
 Mt. Arlington, NJ

ATTORNEYS

Brian Tipton  
 Florio, Perrucci, Steinhardt & Fader, LLC  
 Phillipsburg, NJ

CONSULTING ENGINEER

CP Engineers, LLC  
 Sparta, NJ



FINANCIAL SECTION



Mount Arlington Corporate Center  
 200 Valley Road, Suite 300  
 Mt. Arlington, NJ 07856  
 973-328-1825 | 973-328-0507 Fax  
 Lawrence Business Center  
 11 Lawrence Road  
 Newton, NJ 07860  
 973-383-6699 | 973-383-6555 Fax

## Independent Auditors' Report

The Honorable Chairman and Members  
 of the Warren County (Pequest River)  
 Municipal Utilities Authority  
 Belvidere, NJ

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Pequest River Municipal Utilities Authority, (the "Authority"), a component unit of the County of Warren, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, as listed in the foregoing table of contents.

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

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

### ***Auditors' Responsibility***

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

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

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

The Honorable Chairman and Members  
of the Warren County (Pequest River)  
Municipal Utilities Authority  
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### ***Opinions***

In our opinion, the component unit financial statements referred to above, present fairly, in all material respects, the financial position of the Authority as of December 31, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements. The supplementary information schedules listed in the table of contents and the other information in the introductory section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*; and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for the purpose of additional analysis and are not a required part of financial statements.

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

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

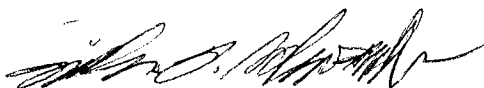
The Honorable Chairman and Members  
of the Warren County (Pequest River)  
Municipal Utilities Authority  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mt. Arlington, New Jersey  
March 6, 2015

NISIVOCCIA LLP



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

## MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

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

### Financial Highlights

Management believes the Authority's financial position to be strong for a small county utility. The Authority is functioning within its stringent financial policies and guidelines set forth by the Authority members. Following is a list of key highlights for 2014:

- The Authority reduced its outstanding debt by retiring all 2003 Series Bonds.
- The principal paid on the 2002 trust loan was \$110,000, and the balance is \$1,066,397. The principal paid on the 2002 fund loan was \$111,781, and the balance is \$902,108. The principal paid on the 2003 trust loan was \$55,000, and the balance is \$605,000. The principal paid on the 2003 fund loan was \$52,163 and the balance is \$334,685.
- The Authority entered into a new 2014 New Jersey Environmental Trust Loan. The balance of the trust loan is \$3,575,000 and the balance of the fund loan is \$8,132,882.
- Sewer charges increased \$59,216 in 2014 or 2.15%. This increase is mainly due to higher flow rates from participating entities. Sewer Connection Fees increased \$620 or 9.42%.

### Overview of Annual Financial Report

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

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

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

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

## Overview of Annual Financial Report (Cont'd)

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

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

The *supplementary information schedules* provide detailed comparison of budget to actual expenses, as well as important debt coverage data.

## Financial Conditions

The Authority is in excellent shape to meet future financial demands.

The Authority's total net position increased from the prior year by \$.99 million. The analysis below focuses on the Authority's net position (Table I) and changes in net position (Table II) during the year.

Table I  
Condensed Statement of Net Position

	Dec. 31, 2014	Dec. 31, 2013	Increase/ (Decrease) from 2013	Percent of Increase/ (Decrease)
Current and Other Assets	\$ 11,896,102	\$ 5,454,051	\$ 6,442,051	118.11%
Capital Assets	13,945,012	9,489,310	4,455,702	46.95%
Total Assets	25,841,114	14,943,361	10,897,753	72.93%
Deferred Outflows of Resources	35,618	56,989	(21,371)	(37.50%)
Current Liabilities	479,775	927,937	(448,162)	(48.30%)
Long-Term Liabilities	14,357,990	4,024,223	10,333,767	256.79%
Total Liabilities	14,837,765	4,952,160	9,885,605	199.62%
Deferred Inflows of Resources	24,741	28,864	(4,123)	(14.28%)
Net Investment in Capital Assets	6,412,229	5,445,198	967,031	17.76%
Unrestricted Net Position	1,062,928	1,687,010	(624,082)	(36.99%)
Restricted Net Position	3,539,069	2,887,118	651,951	22.58%
Total Net Position	\$ 11,014,226	\$ 10,019,326	\$ 994,900	9.93%

Total net position increased 9.93%. This was mainly a result of normal business operations, reduction of debt associated with capital assets and a new 2014 New Jersey Environmental Loan issued.

**Financial Conditions** (Cont'd)

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

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

	Dec. 31, 2014	Dec. 31, 2013	Increase/ (Decrease) from 2013	Percent of Increase/ (Decrease)
Operating Revenue	\$ 2,835,173	\$ 2,773,642	\$ 61,531	2.22%
Nonoperating Revenue	16,865	14,913	1,952	13.09%
Total Revenue	<u>2,852,038</u>	<u>2,788,555</u>	<u>63,483</u>	2.28%
Operating Expenses:				
Cost of Providing Services	1,092,807	1,156,518	(63,711)	(5.51%)
Administrative and General Expenses	215,961	144,664	71,297	49.28%
	<u>1,308,768</u>	<u>1,301,182</u>	<u>7,586</u>	0.58%
Depreciation	396,616	405,537	(8,921)	(2.20%)
Nonoperating Expenses	151,754	193,722	(41,968)	(21.66%)
Total Expenses	<u>1,857,138</u>	<u>1,900,441</u>	<u>(43,303)</u>	(2.28%)
Change in Net Position	994,900	888,114	106,786	12.02%
Beginning Net Position	<u>10,019,326</u>	<u>9,131,212</u>	<u>888,114</u>	9.73%
Ending Net Position	<u>\$ 11,014,226</u>	<u>\$ 10,019,326</u>	<u>\$ 994,900</u>	9.93%

**Results of Operations**

**Operating Revenues:** The increase in operating revenues is primarily due to sewer charges increasing 2.15% from 2013. Nonoperating revenue increased due to higher interest income.

**Expenses:** Operating expenses increased 2.28% over 2013. The Authority maintains its policy of careful spending to stay within the budget.

**Budgetary Highlights:** Over the course of the year, the Authority's Board of Directors did make amendments to the original budget. The Authority reduced its outstanding debt by retiring all 2003 Series Bonds.

## **Results of Operations** (Cont'd)

**Capital Assets:** As of December 31, 2014, the Authority had \$13.95 million invested in capital assets, including land, vehicles and two 500,000 gallons per day wastewater treatment plants, four pumping stations and the sewer collection system infrastructure. This amount represents an increase of \$4.46 million from the prior year primarily due to the new project costs that are being funded by the new New Jersey Environmental Loan established during 2014.

The following table summarizes the Authority's capital assets, net of accumulated depreciation and changes therein, for the year ended December 31, 2014. These changes are presented in detail in Note 2 to the financial statements.

Table III  
**Capital Assets, Net of Accumulated Depreciation**

	Dec. 31,	Dec. 31,	Increase/ (Decrease) from	Percent of Increase/ (Decrease)
Land	\$ 52,000	\$ 52,000		
Plant, Equipment and Vehicles	20,701,018	20,699,693	\$ 1,325	0.01%
Construction in Progress	7,739,880	2,888,887	4,850,993	167.92%
Total	<u>28,492,898</u>	<u>23,640,580</u>	4,852,318	20.53%
Less:				
Accumulated Depreciation	<u>14,547,886</u>	<u>14,151,270</u>	396,616	2.80%
Capital Assets, Net of Accumulated Depreciation	<u>\$ 13,945,012</u>	<u>\$ 9,489,310</u>	<u>\$ 4,455,702</u>	46.95%

**Long-term Debt:** At year-end, the Authority had \$14,616,072 in debt outstanding – an increase of \$9,863,938 from last year – as shown in Table IV. (More detailed information about the Authority's long-term liabilities is presented in Note 4 to the financial statements.)

Table IV  
**Outstanding Long-Term Debt**

	Dec. 31,	Dec. 31,	(Decrease) from	Percent of Decrease
Wastewater Revenue Bonds Payable		\$ 1,515,000	\$ (1,515,000)	-100.00%
NJ Environmental Infrastructure Trust Loan Payable	\$ 5,246,397	1,836,453	3,409,944	185.68%
NJ Environmental Infrastructure Fund Loan Payable	<u>9,369,675</u>	<u>1,400,681</u>	<u>7,968,994</u>	568.94%
	<u>\$ 14,616,072</u>	<u>\$ 4,752,134</u>	<u>\$ 9,863,938</u>	207.57%

**Cash Flow Activity:** The Cash and cash equivalents at year-end 2014 decreased by \$725,973 from the previous year. The Authority maintains an adequate cash balance to meet future emergencies and capital requirements.

**Final Comments:** During 2014 the Authority continued their agreement with Billy Wauhop & Associates for engineering and the management of business and supervision of operations. The Authority still continues with shared services with the County of Warren.



WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
COMPARATIVE STATEMENT OF NET POSITION  
DECEMBER 31, 2014 AND 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current Assets:		
Unrestricted Cash and Cash Equivalents	\$ 3,637,487	\$ 2,034,922
Restricted Cash and Cash Equivalents	1,062,928	3,391,466
Total Cash and Cash Equivalents	<u>4,700,415</u>	<u>5,426,388</u>
Sewer Charges Receivable	43,968	27,663
NJ Environmental Infrastructure Trust Fund Receivable	<u>7,151,719</u>	<u>                    </u>
Total Current Assets	<u>11,896,102</u>	<u>5,454,051</u>
Noncurrent Assets:		
Depreciable Plant, Equipment and Vehicles	6,153,132	6,548,413
Land and Construction in Progress	<u>7,791,880</u>	<u>2,940,897</u>
Total Noncurrent Assets	<u>13,945,012</u>	<u>9,489,310</u>
Total Assets	<u>25,841,114</u>	<u>14,943,361</u>
<u>Deferred Outflow of Resources</u>		
Unamortized Loss on Bond Refunding	<u>35,618</u>	<u>56,989</u>
Total Deferred Outflow of Resources	<u>35,618</u>	<u>56,989</u>

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
COMPARATIVE STATEMENT OF NET POSITION  
DECEMBER 31, 2014 AND 2013  
(Continued)

<u>LIABILITIES</u>	<u>2014</u>	<u>2013</u>
Current Liabilities:		
Accounts Payable - Vendors	\$ 56,286	\$ 56,457
Payroll Deductions Payable	150	2,165
Accrued Wages Payable	9,586	8,853
Accrued Interest Payable	34,566	43,344
Accrued Compensated Absences Payable	45,803	6,305
Developers' Escrow Payable	6,872	6,869
Wastewater Revenue Bonds Payable		475,000
NJ Environmental Infrastructure Trust Loan Payable	164,760	165,000
NJ Environmental Infrastructure Fund Loan Payable	161,752	163,944
Total Current Liabilities	<u>479,775</u>	<u>927,937</u>
Noncurrent Liabilities:		
Wastewater Revenue Bonds Payable		1,040,000
NJ Environmental Infrastructure Trust Loan Payable	1,506,637	1,671,453
NJ Environmental Infrastructure Fund Loan Payable	1,075,041	1,236,737
NJ Environmental Infrastructure Trust Loan Payable	8,132,882	
NJ Environmental Infrastructure Fund Loan Payable	3,575,000	
Unamortized Loan Premium	68,430	76,033
Total Noncurrent Liabilities	<u>14,357,990</u>	<u>4,024,223</u>
Total Liabilities	<u>14,837,765</u>	<u>4,952,160</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Unamortized Gain on Bond Refunding	24,741	28,864
Total Deferred Inflow of Resources	<u>24,741</u>	<u>28,864</u>
 <u>NET POSITION</u>		
Net Investment in Capital Assets	6,412,229	5,445,198
Restricted for:		
Debt Service	1,062,928	1,687,010
Unrestricted	3,539,069	2,887,118
Total Net Position	<u>\$ 11,014,226</u>	<u>\$ 10,019,326</u>

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

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
COMPARATIVE STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating Revenue:		
Sewer Charges	\$ 2,815,904	\$ 2,756,688
Sewer Connection Fees	7,200	6,580
Other Revenue	11,982	9,942
Other Revenue-Grey Water	87	432
Total Operating Revenue	<u>2,835,173</u>	<u>2,773,642</u>
Operating Expenses:		
Cost of Providing Services	1,092,807	1,156,518
Administrative and General Expenses	215,961	144,664
Depreciation	396,616	405,537
Total Operating Expenses	<u>1,705,384</u>	<u>1,706,719</u>
Operating Income	<u>1,129,789</u>	<u>1,066,923</u>
Nonoperating Revenue (Expenses):		
Interest Income	9,262	7,310
Amortization of Bond Premium	7,603	7,603
Interest Expense	(151,754)	(193,722)
Total Nonoperating Revenue (Expenses)	<u>(134,889)</u>	<u>(178,809)</u>
Change in Net Position	994,900	888,114
Net Position, Beginning of Year	<u>10,019,326</u>	<u>9,131,212</u>
Net Position, End of Year	<u>\$ 11,014,226</u>	<u>\$ 10,019,326</u>

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

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 2,806,799	\$ 2,770,605
Other Receipts	12,069	10,374
Cash Paid to Suppliers and Employees (Including Grant Expenditures)	<u>(1,270,720)</u>	<u>(1,310,592)</u>
Net Cash Provided by Operating Activities	<u>1,548,148</u>	<u>1,470,387</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of Capital Assets	(1,325)	
Construction in Progress	(4,850,991)	(619,721)
Proceeds from NJ Infrastructure Trust Loan	4,556,163	
Principal Paid on Revenue Bonds	(1,515,000)	(455,000)
Principal Paid on NJ Environmental Infrastructure Fund Loan	(328,944)	(317,746)
Interest Expense	<u>(143,286)</u>	<u>(181,414)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(2,283,383)</u>	<u>(1,573,881)</u>
Cash Flows from Noncapital Financing Activities:		
Transfer In	626,229	59,515
Transfers Out	<u>(626,229)</u>	<u>(59,515)</u>
Net Cash Used for Noncapital Financing Activities		
Cash Flows from Investing Activities:		
Interest on Investments	<u>9,262</u>	<u>7,310</u>
Net Cash Provided by Investing Activities	<u>9,262</u>	<u>7,310</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(725,973)	(96,184)
Cash and Cash Equivalents - Beginning of Year	<u>5,426,388</u>	<u>5,522,572</u>
Cash and Cash Equivalents - End of Year	<u>\$ 4,700,415</u>	<u>\$ 5,426,388</u>
Reconciliation of Net Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income	\$ 1,129,789	\$ 1,066,923
Adjustments to Reconcile Operating Income to Net		
Cash Provided by Operating Activities:		
Depreciation	396,616	405,537
Changes in Net Position:		
(Increase)/ Decrease in Sewer Rents Receivable	(16,305)	7,337
Increase/ Decrease in Compensated Absences Payable	39,498	
Increase (Decrease) in Accounts Payable	(171)	(10,312)
Increase (Decrease) in Payroll Deductions Payable	(2,015)	148
Increase (Decrease) in Accrued Wages Payable	733	751
Increase (Decrease) in Developers' Escrow Payable	3	3
Total Changes in Net Position	<u>418,359</u>	<u>403,464</u>
Net Cash Provided By Operating Activities	<u>\$ 1,548,148</u>	<u>\$ 1,470,387</u>

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

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014

Note 1 - Organization and Summary of Significant Accounting Policies

The Warren County (Pequest River) Municipal Utilities Authority is a public body corporate and politic of the State of New Jersey governed by nine members appointed by the Warren County Board of Chosen Freeholders.

The Authority was created in 1969 and reorganized in 1978 under and pursuant to the State Municipal Utilities Authorities Law (P.L. 1957, Chap. 183).

The Warren County (Pequest River) Municipal Utilities Authority was created to provide for the acquisition, construction, maintenance, operation and improvement of facilities for the collection, treatment, purification or disposal of sewage or other wastes for the purpose of relieving waters of pollution within the Authority's area of service. The Authority is authorized to impose and to collect service charges for connection with, and for use of, the Authority services and products. The Authority bills the customers for such usage under their respective service contracts.

A. Basis of Presentation and Accounting

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

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned and/or expenses incurred is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014  
(Continued)

Note 1 - Organization and Summary of Significant Accounting Policies (Cont'd)

A. Basis of Presentation and Accounting (Cont'd)

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

Reporting Entity

Governmental Accounting Standards Board publication Codification of Governmental Accounting and Financial Reporting Standards section 2100, "Defining the Financial Reporting Entity", establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The Authority is a legally separate organization. Financial transactions are processed and accounted for by the Authority's financial administration. Although the Freeholders of Warren County initially appoint the governing members of the Authority and the County has secured the payment of the Authority's bonds and loans, the Authority is autonomous from the County in all other pertinent matters concerning oversight responsibility. Accordingly, the Authority is considered a component unit of the County of Warren under the provisions of Governmental Accounting Standards Board Codification Section 2100.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014  
(Continued)

Note 1 - Organization and Summary of Significant Accounting Policies (Cont'd)

B. Grants

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

Grant related expenditures incurred in advance of receipt of grant funds result in the recording of receivables and revenue. Grants not externally restricted and utilized to finance operations are identified as nonoperating revenue. The Authority was awarded a grant in 2014.

C. Inventories

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

D. Cash and Cash Equivalents

Amounts include petty cash, amounts on deposit, and short-term investments with original maturities of three months or less.

E. Investments

Investments are stated at cost which approximates market. The Authority classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments. The Authority's investments are limited by the 1993 and 2003 Bond Resolutions to obligations of or guaranteed by the federal government and bank certificates of deposit.

F. Use of Estimates

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

G. Compensated Absences

Compensated absences are accrued and reported as a liability in the period earned. The balance as of December 31, 2014 was \$45,803, which is included on the Statement of Net Position as a current liability.

H. Revenue Recognition

The Authority has service agreements with several other local government agencies. Customers are billed quarterly based on estimates resulting from the prior year's actual usage. First quarter bills each year are adjusted, if necessary, for actual usage of the prior year. Revenue is recorded net of any discounts, assessments or abatements, if applicable.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014  
(Continued)

Note 1 - Organization and Summary of Significant Accounting Policies (Cont'd)

I. Net Position

The Authority implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the year ended December 31, 2012. This statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

The Authority implemented GASB No. 65, *Items Previously Reported as Assets and Liabilities*, during the prior year. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

A deferred outflow of resources is a consumption of net position by the Authority that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the Authority that is applicable to a future reporting period. The Authority had deferred inflows and outflows of resources at December 31, 2014 of \$24,741 and \$35,618 for an unamortized gain and loss on bond refundings, respectively.

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

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

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

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

J. Allowance for Uncollectible Accounts

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

K. Restricted Accounts

In accordance with the 1993 and 2003 Bond Resolutions, the Authority has established the following cash and investment accounts for the deposit, in the priority of the order listed, of all revenue received by the Authority:



WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014  
(Continued)

Note 1 - Organization and Summary of Significant Accounting Policies (Cont'd)

K. Restricted Accounts (Cont'd)

<u>Account</u>	<u>Amount</u>	<u>Use for which Restricted</u>
Construction	Proceeds of debt issued and construction grants-in-aid	Construction cost of the system.
Revenue	All revenue received by the Authority	Authorized operating expenses and, as of the first day of each month, transfers to the various accounts described below.
Sinking	Amount needed to equal Sinking Fund requirement	For purchase or the redemption of the Bonds for which the account is maintained.
Bond Service (Current Debt)	Amount needed to pay matured principal interest plus principal and interest due on or before the following January 1st	Principal and interest on the Bonds.
Bond Reserve (Future Debt Service)	Amount needed to equal the greatest amount of debt service due in any year.	Transfers to meet the greatest amount required in the Bond Service or Sinking Accounts. Any excess may be transferred into the Revenue Account.
Renewal and Replacement	Amount needed to increase the balance to equal the renewal and replacement requirements as defined by the resolution.	Transfers to meet minimum levels required in the Bond Service, Sinking or Bond Reserve Accounts or major repairs, renewal and extensions of the system.
General	To any extent	Transfer into the Bond Reserve Account the amount needed to increase the amount in the account so that it equals such Bond Reserve requirement.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014  
(Continued)

Note 2 - Capital Assets

Capital assets are recorded at cost and consisted of the following, as of December 31, 2013 and 2014:

	Balance Dec. 31, 2013	Additions	Deletions	Balance Dec. 31, 2014
Capital Assets to be depreciated				
Plant, Equipment and Vehicles	\$20,516,751 182,942	\$ 1,325		\$20,518,076 182,942
Total Capital Assets to be depreciated	20,699,693	1,325		20,701,018
Capital Assets not to be depreciated				
Land	52,000			52,000
Construction-in-Progress	2,888,887	\$ 4,850,993		7,739,880
Total Capital Assets	23,640,580	4,852,318		28,492,898
Accumulated Depreciation	(14,151,270)	(396,616)		(14,547,886)
Capital Assets (Net)	<u>\$ 9,489,310</u>	<u>\$ 4,455,702</u>	<u>\$ -0-</u>	<u>\$13,945,012</u>

Capital assets are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Capital assets have been reviewed for impairments.

Major classes of property, plant and equipment and their estimated useful lives are summarized below:

Vehicles	6 Years
Land Improvements	20 Years
Buildings	45 Years
Communications, Business and Computer Equipment	2-15 Years
Machinery and Tools	15 Years
Appliances	10 Years
Lab/Science/Engineering Equipment	10 Years
Furniture and Accessories	20 Years
Grounds and Agricultural Equipment	15 Years
Sewer/Water/Electric Equipment	30 Years

Construction-in-Progress

As of December 31, 2014, the Authority continues to move forward with plans to upgrade its Oxford water treatment facilities, as well as conducting a leachate study and interceptor evaluation with cumulative costs totaling \$7,739,880.

Note 3 - Pension

Authority employees are enrolled in a cost sharing multiple-employer public employee retirement system: the Public Employees' Retirement System (PERS). The State of New Jersey sponsors and administers this plan which covers substantially all Authority employees. As a general rule, all full-time employees are eligible to join the Public Employees' Retirement System.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014  
(Continued)

Note 3 - Pension (Cont'd)

Employees who are members of PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. For PERS, the contribution rate was 6.78% effective July 1, 2013 and increased to 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in the PERS. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits.

Authority contributions to PERS amounted to \$29,940, \$30,726, and \$30,659 for 2014, 2013, and 2012, respectively.

Note 4 - Long-Term Debt

NJ Environmental Infrastructure Bonds or Loans

On October 15, 2002, the Authority entered into two loan agreements with the State of New Jersey, acting by and through the NJ Department of Environmental Protection Fund (the "Fund"), and the NJ Environmental Infrastructure Trust (the "Trust"), in the aggregate amount of \$4,300,000, which represents direct obligations of the Authority. The loan agreements were obtained to finance the cost of the Belvidere wastewater treatment plant upgrade.

Principal payments to the Fund amounted to \$111,781 in 2014, and will continue on a semiannual basis over the next 15 years at zero interest. Principal payments to the Trust amounted to \$110,000 in 2014, and will continue on an annual basis over the remaining 10 years.

On October 15, 2003, the Authority entered into two supplemental loan agreements with the State of New Jersey, acting by and through the NJ Department of Environmental Protection Fund (the "Fund"), and the NJ Environmental Infrastructure Trust (the "Trust"), in the aggregate amount of \$2,054,515, which represents direct obligations of the Authority. The loan agreements were obtained to finance the additional costs of the Belvidere wastewater treatment plant upgrade.

On May 21, 2014, the Authority entered into two loan agreements with the State of New Jersey, acting by and through the NJ Department of Environmental Protection Fund (the "Fund"), and the NJ Environmental Infrastructure Trust (the "Trust"), in the aggregate amount of \$11,707,882, which represents direct obligations of the Authority. The loan agreements were obtained to finance the cost of the Belvidere wastewater treatment plant upgrade.

The principal payments to the Fund starting 2/1/16 are \$449,745, and will continue on a semiannual basis over the next 18 years at zero interest. Principal payments to the Trust will be starting 8/1/16, and will continue on an annual basis over the remaining 18 years.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014  
(Continued)

Note 4 - Long-Term Debt (Cont'd)

NJ Environmental Infrastructure Bonds or Loans (Cont'd)

Principal payments amounted to \$52,163 in 2014, and will continue on a semi-annual basis over the next 10 years at zero interest. Principal payments to the Trust amounted to \$55,000 in 2014, and will continue on an annual basis over 10 years.

The Trust loans were issued at a premium totaling \$159,670 which is being amortized over the life of the loan on the straight-line basis. \$7,603 was amortized in 2014 and \$7,603 in 2013. The unamortized loan premium balance was \$68,430 at December 31, 2014.

The New Jersey Environmental Infrastructure Trust, NJ Environmental Infrastructure Refunding Bonds, Series 2007B were issued to refund the New Jersey Environmental Infrastructure Trust 2002A. \$4,123 and \$4,123 was amortized in 2014 and 2013. The unamortized gain on bond refunding balance was \$24,741 at December 31, 2014.

<u>Purpose</u>	<u>Maturities of Loans</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2014</u>
	<u>Outstanding Dec. 31, 2014</u>			
	<u>Date</u>	<u>Amount</u>		
Trust Loan - 2002/ Refunding- 2007A	8/1/2015	\$ 109,760	5.25%	\$ 1,066,397
	8/1/2016	119,112	5.00%	
	8/1/2017	123,638	5.00%	
	8/1/2018	128,423	5.00%	
	8/1/2019	280,740	5.00%	
	8/1/2020-8/1/2022	304,724	4.75%	
Trust Loan - 2003	8/1/2015	55,000	4.00%	605,000
	8/1/2016	60,000	4.00%	
	8/1/2017	60,000	4.20%	
	8/1/2018	65,000	4.25%	
	8/1/2019	65,000	4.50%	
	8/1/2020-8/1/2023	300,000	4.5%- 5%	
				1,671,397
	Less: Short-Term Portion			164,760
	Long-Term Portion			\$ 1,506,637

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014  
(Continued)

Note 4 - Long-Term Debt (Cont'd)

NJ Environmental Infrastructure Bonds or Loans (Cont'd)

Purpose	Maturities of Loans		Interest Rate	Balance Dec. 31, 2014
	Outstanding Dec. 31, 2014			
	Date	Amount		
Fund Loan - 2002	2/1/2015	\$ 18,130	-0-%	\$ 902,108
	8/1/2015	93,145		
	2/1/2016	16,255		
	8/1/2016	97,793		
	2/1/2017	14,216		
	8/1/2017	99,016		
	8/1/2018	12,096		
	8/1/2018	100,158		
	8/1/2019	9,895		
	8/1/2019	104,479		
	2/1/2020-2/1/2022	336,925		
Fund Loan - 2003	2/1/15	8,386	-0-%	334,685
	8/1/15	42,091		
	2/1/16	7,712		
	8/1/16	44,481		
	2/1/17	6,977		
	8/1/17	43,746		
	2/1/18	6,205		
	8/1/18	46,038		
	2/1/19	6,205		
	8/1/19	46,038		
	2/1/2020-2/1/21	129,049		
			1,236,793	
	Less: Short-Term Portion		161,752	
	Long-Term Portion		\$ 1,075,041	

Purpose	Maturities of Loans		Interest Rate	Balance Dec. 31, 2014
	Outstanding Dec. 31, 2014			
	Date	Amount		
Trust Loan - 2014	8/1/2016	\$ 135,000	3.00%	\$ 3,575,000
	8/1/2017	140,000	5.00%	
	8/1/2018	145,000	5.00%	
	8/1/2019	155,000	5.00%	
	8/1/2020	160,000	5.00%	
	8/1/2021-8/1/2025	940,000	3.00-5.00%	
	8/1/2026-8/1/2030	1,135,000	3.00%	
	8/1/2031-8/1/2033	765,000	3.00-3.25%	

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014  
(Continued)

Note 4 - Long-Term Debt (Cont'd)

NJ Environmental Infrastructure Bonds or Loans (Cont'd)

Purpose	Maturities of Loans Outstanding Dec. 31, 2014		Interest Rate	Balance Dec. 31, 2014
	Date	Amount		
Fund Loan - 2014	8/1/2016	\$ 449,745	0.00%	\$ 8,132,882
	8/1/2017	449,745	0.00%	
	8/1/2018	449,745	0.00%	
	8/1/2019	449,745	0.00%	
	8/1/2020	449,745	0.00%	
	8/1/2021-8/1/2025	2,248,725	0.00%	
	8/1/2026-8/1/2030	2,248,725	0.00%	
	8/1/2031-8/1/2033	1,386,707	0.00%	
				11,707,882
	Long-Term Portion			\$ 11,707,882

Year	<u>Maturity Schedule Giving Effect to the</u> <u>"NJ Environmental Infrastructure Refunding Loans, Series 2002A, 2003A and 2014"</u>				
	Fund Loan Principal	Trust Loan Principal	Total Principal	Trust Loan Interest	Total Debt Service
2015	\$ 161,753	\$ 164,760	\$ 326,513	\$ 257,777	\$ 584,290
2016	615,986	314,112	930,098	249,827	1,179,925
2017	613,700	323,638	937,338	237,127	1,174,465
2018	614,241	338,423	952,664	206,525	1,159,189
2019	614,668	500,740	1,115,408	175,180	1,290,588
2020-2024	2,664,149	1,499,724	4,163,873	595,680	4,759,553
2025-2029	2,248,723	1,100,000	3,348,723	310,381	3,659,104
2030-2033	1,836,456	1,005,000	2,841,456	123,157	2,964,613
	9,369,676	5,246,397	14,616,073	2,155,654	16,771,727
Less: Short-Term Portion	161,753	164,760	326,513	257,777	584,290
Long-Term Portion	\$ 9,207,923	\$ 5,081,637	\$ 14,289,560	\$ 1,897,877	\$ 16,187,437

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014  
(Continued)

Note 5 - Cash and Cash Equivalents and Investments

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

Investments are stated at cost, which approximates market. The Authority classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

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

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

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

Deposits:

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

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

The market value of the collateral must equal 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository must provide collateral having market value at least equal to 100% of the amount exceeding 75%.

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

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014  
(Continued)

Note 5 - Cash and Cash Equivalents and Investments (Cont'd)

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund; or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.



WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014  
(Continued)

Note 5 - Cash and Cash Equivalents and Investments (Cont'd)

As of December 31, 2014, cash and cash equivalents and investments of the Warren County (Pequest River) Municipal Utilities Authority consisted of the following:

<u>Account</u>	<u>Cash and Cash Equivalents</u>		<u>Totals</u>
	<u>Cash on Hand and Checking Accounts</u>	<u>Money Market Funds</u>	
Unrestricted	\$ 1,239,602	\$ 2,397,885	\$ 3,637,487
Restricted:			
Renewal and Replacement		1,062,928	1,062,928
	\$ 1,239,602	\$ 3,460,813	\$ 4,700,415

The carrying amount of the Authority's cash and cash equivalents and investments at December 31, 2014, was \$4,700,415, and the bank balance was \$4,701,394. The Authority did not hold any investments during the year.

Note 6 - Amounts Required by Bond Resolutions

The following cash and investment accounts are required by the Authority's bond resolutions:

Renewal and Replacement Account	\$ 1,062,928
Cash and Investments on Hand	1,062,928
Excess	\$ -0-

Note 7 - Unamortized Loss on Bond Refunding

During 2003, the Authority issued Wastewater Revenue Refunding Bonds, Series 2003 for \$5,550,000 with interest rates ranging from 2.00% to 4.50%. These bonds were issued to provide funds: (1) to currently refund \$5,365,000 of the outstanding principal amount of Wastewater Revenue Refunding Bonds, Series 1993 maturing in the years 2005 to 2016, which were originally issued by the Authority to permanently finance a portion of the cost of the System, including two wastewater treatment plants, interceptor sewers and other facilities in the Service Area (the "Refunding Project"), and (2) to pay the costs and expenses incurred by the Authority in connection with the authorization, issuance and delivery of the bonds. The net proceeds of \$5,404,298 (after payment of \$145,702 in underwriting fees and other issuance costs) was deposited by the Trustee into a special fund or account (the "Escrow Fund") created under the Escrow Deposit Agreement. This amount when invested in direct, non-callable United States Treasury Obligations produced sufficient funds, to pay the principal of, redemption premium and interest on, the refunded bonds. As a result, the 1993 Bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014  
(Continued)

Note 7 - Unamortized Loss on Bond Refunding (Cont'd)

Although the current refunding resulted in the recognition of an accounting loss of \$277,823 for the year ended December 31, 2003, the Authority reduced its aggregate debt service payments by approximately \$397,000 over the next 13 years, and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$299,500.

The loss on the current refunding of \$277,823 is being amortized as a part of interest expense over the remaining life of the issue of 13 years on a straight-line basis. Amortization of the loss for 2014 was \$21,371 and for 2013 was \$21,371. The unamortized loss on bond refunding balance was \$35,618 at December 31, 2014.

Note 8: Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Health benefits are provided to employees through the State of New Jersey health benefits plan.

The Authority is currently a member of the New Jersey Utility Authorities Joint Insurance Fund (the "Fund"). The Fund is both an insured and self-administered group of local utility authorities established for the purpose of providing low-cost insurance coverage for the members in order to keep local user fees and charges at a minimum for the local utility authorities who form the membership of the joint insurance fund.

The following coverages are offered by the Fund to its members:

- a) Workers' Compensation and Employers' Liability
- b) Liability Other than Motor Vehicles
- c) Property Damage Other than Motor Vehicles
- d) Motor Vehicle
- e) Environmental

As a member of the Fund, the Authority could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

The December 31, 2014 audit report of the Fund is not filed as of the date of this audit. Selected, summarized financial information for the Fund as of December 31, 2013 is as follows:

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014  
(Continued)

Note 8: Risk Management (Cont'd)

	NJ Utility Authorities Joint Insurance Fund Dec. 31, 2013 <hr/>
Total Assets	\$ 13,342,232
Net Position	\$ 7,994,216
Total Revenue	\$ 9,787,183
Total Expenses	\$ 7,335,721
Change in Net Position	\$ 2,451,462
Members Dividends	\$ 1,000,000

Financial statements for the Fund are available at the offices of the Fund's Executive Director:

New Jersey Utility Authorities Joint Insurance Fund  
 PERMA Risk Management Services  
 9 Campus Drive, Suite 16  
 Parsippany, NJ 07054-4412  
 (201) 587-0555

New Jersey Unemployment Compensation Insurance

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

Note 9: Post-Retirement Benefits

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 Pension 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.

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.

Rules governing the operations 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.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014  
(Continued)

Note 9: Post-Retirement Benefits (Cont'd)

The State Health Benefits Commission is the executive body by statute to be responsible for the operations 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. The report may be obtained in writing to:

State of New Jersey Division of Pension and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

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 the pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health benefits of participating retirees in the SHBP are billed to the Authority on a monthly basis. The Authority's portion of post-retirement benefits is funded on a pay-as-you-go basis from the operating budget.

The Authority's portion of post-retirement benefits is funded on a pay-as-you-go basis from the operating budget. During 2014, the Authority had 1 employee who met eligibility requirements and recognized expenses of approximately \$10,115. In 2013, the Authority had 1 employee who met eligibility requirements and recognized expenses of approximately \$10,115.

Note 10: Intraentity and Interfund Transfers

In the normal course of business, the Authority will from time to time authorize advances between accounts. During 2014, the Authority transferred \$626,229 among restricted and unrestricted accounts based on the bond provisions. There were no advances outstanding as of December 31, 2014.

Note 11: Contractual Commitments

The Authority has entered into several contracts in the normal course of its business operations to provide sewer service for its customers including other local governments. Below is a summary of the significant contracts or agreements:

- The Authority has a three year contract with Russell Reid for transportation of liquid sludge for ultimate disposal. The cost for this service is \$0.0476 per gallon to PVSC or \$0.0376 per gallon to Par-Troy Hills Sewer Authority.
- The Authority has a five year agreement with the Passaic Valley Sewerage Commissioners for disposal services of residual sludge waste. The cost of this service is \$0.04 per gallon from the Belvidere plant, and \$0.04 per gallon from the Authority's Oxford plant.
- The Authority has a contract with Main Pool and Chemical Co., Inc. for chemicals used in the process of treating wastewater.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014  
(Continued)

Note 11: Contractual Commitments (Cont'd)

- The Authority has sewer service agreements with other local government agencies, namely;
  1. The Town of Belvidere
  2. Oxford Township
  3. The County of Warren
  4. Pollution Control Financing Authority of Warren County
  5. White Township
- The Authority holds sewer service agreements with several private entities, namely;
  1. Country View Village
  2. Windtryst Apartments

Note 12: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses were as follows:

	<u>2014</u>	<u>2013</u>
Vendors	\$ 56,286	\$ 56,457
Payroll Deductions Payable	150	2,165
Accrued Wages Payable	9,586	8,853
Accrued Interest Payable	34,566	43,344
Accrued Compensated Absences Payable	45,803	6,305
Developers' Escrow Payable	<u>6,872</u>	<u>6,869</u>
Total	<u>\$ 153,263</u>	<u>\$ 123,993</u>

Note 13: Environmental Matters

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

Note 14: Contingencies

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

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

SUPPLEMENTARY INFORMATION

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
RESTRICTED AND UNRESTRICTED  
YEAR ENDED DECEMBER 31, 2014  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Restricted			Totals (Memo) For the Years Ended December 31,		
		Bond Reserve Account	Bond Service Account	Renewal and Replacement Account	General Account	2014	2013
Operating Revenue:							
Sewer Charges	\$ 2,815,904					\$ 2,815,904	\$ 2,756,688
Sewer Connection Fees	7,200					7,200	6,580
Other Revenue	11,982					11,982	9,942
Other Revenue-Grey Water	87					87	432
Total Operating Revenue	<u>2,835,173</u>					<u>2,835,173</u>	<u>2,773,642</u>
Operating Expenses:							
Costs of Providing Services	1,092,807					1,092,807	1,156,518
Administrative and General	215,961					215,961	144,664
Depreciation	396,616					396,616	405,537
Total Operating Expenses	<u>1,705,384</u>					<u>1,705,384</u>	<u>1,706,719</u>
Operating Income	1,129,789					1,129,789	1,066,923
Nonoperating Revenue							
(Expenses):							
Interest Income	7,116		\$ 4	\$ 1,458	\$ 684	9,262	7,310
Interest Expense	(151,754)					(151,754)	(193,722)
Amortization of Bond Premium	7,603					7,603	7,603
Income (Loss) Before Transfers	<u>992,754</u>		<u>4</u>	<u>1,458</u>	<u>684</u>	<u>994,900</u>	<u>888,114</u>

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
RESTRICTED AND UNRESTRICTED  
YEAR ENDED DECEMBER 31, 2014  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)

	Unrestricted	Restricted			Totals (Memo)		
		Bond Reserve Account	Bond Service Account	Renewal and Replacement Account	General Account	For the Years Ended December 31, 2014	2013
Transfers:							
Designated Per Bond Sale Provisions	\$ 626,229	\$ (578,536)	\$ (44,909)	\$ (2,100)	\$ (684)		
Increase/ (Decrease) in Net Position	1,618,983	(578,536)	(44,905)	(642)		\$ 994,900	\$ 888,114
Net Position, Beginning of Year	8,332,315	578,536	44,905	1,063,570		10,019,326	9,131,212
Net Position, End of Year	\$ 9,951,298	\$ -0-	\$ -0-	\$ 1,062,928	\$ -0-	\$ 11,014,226	\$10,019,326



WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED BY  
OPERATING REVENUE COMPARED TO BUDGET  
YEAR ENDED DECEMBER 31, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2013

	2014 Budget	Budget After Modification	2014 Actual	Excess or Deficit	2013 Actual
Revenue:					
User Charges and Fees					
(Sewer Treatment Service)	\$ 2,868,926	\$ 2,868,926	\$ 2,815,904	\$ (53,022)	\$ 2,756,688
Interest on Investments and Deposits	10,000	10,000	9,262	(738)	7,310
Connection Fees			7,200	7,200	6,580
Other Revenue	10,000	10,000	11,982	1,982	9,942
Other Income-Grey Water			87	87	432
Total Revenue	<u>2,888,926</u>	<u>2,888,926</u>	<u>2,844,435</u>	<u>(44,491)</u>	<u>2,780,952</u>
Expenses:					
Operating Expenses:					
Salaries and Wages - Operations	293,500	293,500	292,425	1,075	279,623
Maintenance	122,400	122,400	111,636	10,764	91,085
Vehicle	3,000	3,000	3,000		3,087
Contracted Services	5,015	5,015	5,015		
Education and Training	2,500	2,500	248	2,252	
Uniforms	3,500	3,500	1,959	1,541	1,601
Permits	20,000	20,000	13,021	6,979	12,064
Renewal and Replacement	150,000	150,000		150,000	
Building and Property	210,813	210,813	3,259	207,554	
Fuel and Gasoline	10,500	10,500	8,333	2,167	7,803
Electricity	230,000	230,000	178,603	51,397	179,376
Water	250	250	192	58	96
Telephone	9,300	9,300	8,962	338	8,312
Sludge Disposal	180,000	180,000	153,300	26,700	146,031
Insurance	28,500	28,500	25,099	3,401	23,351
Contingency	50,000	50,000		50,000	
Lab	40,000	40,000	23,873	16,127	27,409
Alarm System	1,000	1,000	613	387	
Chemicals	42,840	42,840	37,349	5,491	43,746
Engineering	60,000	60,000	39,159	20,841	56,454
Miscellaneous	2,500	2,500	2,080	420	1,695
Workmen's Compensation	14,900	14,900	14,900		14,181
Hospitalization Insurance	145,824	145,824	115,562	30,262	131,110
Employer Social Security and Medicare Contribution	28,150	28,150	22,894	5,256	26,494
Employer Disability Contribution	2,250	2,250	1,385	865	1,566
Employer PERS Contribution	33,338	33,338	29,940	3,398	30,726
Total Operating Expenses	<u>1,690,080</u>	<u>1,690,080</u>	<u>1,092,807</u>	<u>597,273</u>	<u>1,085,810</u>

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED BY  
OPERATING REVENUE COMPARED TO BUDGET  
YEAR ENDED DECEMBER 31, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)

	2014 Budget	Budget After Modification	2014 Actual	Excess or Deficit	2013 Actual
Expenses: (Cont'd):					
Administrative and General Expenses:					
Salaries and Wages - General Administration	\$ 86,200	\$ 86,200	\$ 82,643	\$ 3,557	\$ 84,019
Advertising	4,500	4,500	1,583	2,917	2,036
Postage	1,500	1,500	1,085	415	864
Contracted Equipment	900	900	884	16	884
Legal and Accounting Services	18,000	18,000	9,748	8,252	8,713
Miscellaneous Consultant Services	24,400	24,400	23,325	1,075	22,950
Garbage Disposal	80,000	80,000	76,324	3,676	73,151
Office Supplies	3,700	3,700	3,179	521	2,805
Education and Training	500	500		500	
Trustee Fees	20,000	20,000	17,190	2,810	19,950
Total Administrative and General Expenses	<u>239,700</u>	<u>239,700</u>	<u>215,961</u>	<u>23,739</u>	<u>215,372</u>
Debt Service:					
Bond and Loan Principal	803,944	1,843,944	1,843,944		772,746
Interest on Bonds and Loans	155,202	123,342	155,448	(32,106)	197,464
Total Debt Service Expenses	<u>959,146</u>	<u>1,967,286</u>	<u>1,999,392</u>	<u>(32,106)</u>	<u>970,210</u>
Total Costs Funded by Operating Revenue	<u>2,888,926</u>	<u>3,897,066</u>	<u>3,308,160</u>	<u>588,906</u>	<u>2,271,392</u>
Operating Excess (Deficit) Anticipated	<u>\$ -0-</u>	<u>\$ (1,008,140)</u>	<u>\$ (463,725)</u>	<u>\$ 544,415</u>	<u>\$ 509,560</u>

SCHEDULE 3

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF WASTEWATER REVENUE BONDS PAYABLE  
YEAR ENDED DECEMBER 31, 2014

	<u>Original</u>		<u>Balance</u>	<u>Matured</u>
	<u>Date</u>	<u>Amount</u>	<u>Jan.1, 2014</u>	
2003 Issue	09/16/03	\$ 5,550,000	\$ 1,515,000	\$ 1,515,000
			<u>\$ 1,515,000</u>	<u>\$ 1,515,000</u>

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE - TRUST LOAN -  
BELVIDERE WASTEWATER TREATMENT PLANT UPGRADE

	Original		Interest Rate	Maturities of Loans		Balance Jan. 1, 2014	Matured	Balance Dec. 31, 2014
	Date	Amount		Date	Amount			
Issue of 2002/ Refunding Series 2007A	10/15/07	\$ 2,100,000	5.00%	08/01/15	\$ 109,760	\$ 1,176,397	\$ 110,000	\$ 1,066,397
			5.00%	08/01/16	119,112			
			5.00%	08/01/17	123,638			
			5.00%	08/01/18	128,423			
			5.00%	08/01/19	137,970			
			5.00%	08/01/20	142,770			
			5.00%	08/01/21	147,564			
			4.75%	08/01/22	157,160			
Issue of 2003	10/15/03	1,050,000	4.00%	08/01/15	55,000	660,000	55,000	605,000
			4.00%	08/01/16	60,000			
			4.20%	08/01/17	60,000			
			4.25%	08/01/18	65,000			
			5.00%	08/01/19	65,000			
			5.00%	08/01/20	70,000			
			4.50%	08/01/21	75,000			
			4.75%	08/01/22	75,000			
			4.75%	08/01/23	80,000			
						<u>\$ 1,836,397</u>	<u>\$ 165,000</u>	<u>\$ 1,671,397</u>
Balance Comprised of:								
Short-Term Portion						\$ 165,000	\$ (240)	\$ 164,760
Long-Term Portion						<u>1,671,397</u>	<u>(164,760)</u>	<u>1,506,637</u>
						<u>\$ 1,836,397</u>	<u>\$ (165,000)</u>	<u>\$ 1,671,397</u>

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE - FUND LOAN -  
BELVIDERE WASTEWATER TREATMENT PLANT UPGRADE

	Original		Interest Rate	Maturities of Loans Outstanding Dec. 31, 2014		Balance Jan. 1, 2014	Matured	Balance Dec. 31, 2014
	Date	Amount		Date	Amount			
Issue of 2002	10/15/02	\$ 2,200,000	0.00%	2/1/15	\$ 18,130	\$ 1,013,889	\$ 111,781	\$ 902,108
				8/1/15	93,145			
				2/1/16	16,255			
				8/1/16	97,793			
				2/1/17	14,216			
				8/1/17	99,016			
				2/1/18	12,096			
				8/1/18	100,158			
				2/1/19	9,895			
				8/1/19	104,479			
				2/1/20	7,530			
				8/1/20	105,376			
				2/1/21	5,084			
				8/1/21	106,192			
				2/1/22	2,556			
				8/1/22	110,187			

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE - FUND LOAN -  
BELVIDERE WASTEWATER TREATMENT PLANT UPGRADE  
(Continued)

	Original		Interest Rate	Maturities of Loans Outstanding Dec. 31, 2014		Balance Jan. 1, 2014	Matured	Balance Dec. 31, 2014
	Date	Amount		Date	Amount			
Issue of 2003	10/15/03	\$ 1,004,515	0.00%	2/1/15	\$ 8,386	\$ 386,848	\$ 52,163	\$ 334,685
				8/1/15	42,091			
				2/1/16	7,712			
				8/1/16	44,481			
				2/1/17	6,977			
				8/1/17	43,746			
				2/1/18	6,205			
				8/1/18	46,038			
				2/1/19	5,358			
				8/1/19	45,191			
				2/1/20	4,362			
				8/1/20	47,259			
				2/1/21	3,290			
				8/1/21	23,589			
						\$ 1,400,737	\$ 163,944	\$ 1,236,793

Balance Comprised of:

Short-Term Portion		\$ 163,944	\$ (2,192)	\$ 161,752
Long-Term Portion		1,236,793	(161,752)	1,075,041
		\$ 1,400,737	\$ (163,944)	\$ 1,236,793

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE - FUND LOAN -  
BELVIDERE WASTEWATER TREATMENT PLANT UPGRADE  
YEAR ENDED DECEMBER 31, 2014

	Original		Interest Rate	Maturities of Loans Outstanding Dec. 31, 2014		Issued	Balance Dec. 31, 2014
	Date	Amount		Date	Amount		
Issue of 2014	8/1/14	\$ 3,575,000	3.000%	8/1/16	\$ 135,000	\$ 3,575,000	\$ 3,575,000
			5.000%	8/1/17	140,000		
			5.000%	8/1/18	145,000		
			5.000%	8/1/19	155,000		
			5.000%	8/1/20	160,000		
			5.000%	8/1/21	170,000		
			5.000%	8/1/22	180,000		
			5.000%	8/1/23	190,000		
			5.000%	8/1/24	195,000		
			3.000%	8/1/25	205,000		
			3.000%	8/1/26	215,000		
			3.000%	8/1/27	220,000		
			3.000%	8/1/28	225,000		
			3.000%	8/1/29	235,000		
			3.000%	8/1/30	240,000		
			3.000%	8/1/31	245,000		
			3.125%	8/1/32	255,000		
			3.250%	8/1/33	265,000		

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE - FUND LOAN -  
BELVIDERE WASTEWATER TREATMENT PLANT UPGRADE  
YEAR ENDED DECEMBER 31, 2014  
(Continued)

	<u>Original</u>		<u>Interest</u>	<u>Maturities of Loans</u>		<u>Issued</u>	<u>Balance</u>
	<u>Date</u>	<u>Amount</u>		<u>Rate</u>	<u>Outstanding Dec. 31, 2014</u>		
				<u>Date</u>	<u>Amount</u>		<u>Dec. 31, 2014</u>
Issue of 2014	8/1/14	\$ 8,132,882	0.00%	2/1/16	\$ 149,915	\$ 8,132,882	\$ 8,132,882
				8/1/16	299,830		
				2/1/17	149,915		
				8/1/17	299,830		
				2/1/18	149,915		
				8/1/18	299,830		
				2/1/19	149,915		
				8/1/19	299,830		
				2/1/20	149,915		
				8/1/20	299,830		
				2/1/21	149,915		
				8/1/21	299,830		
				2/1/22	149,915		
				8/1/22	299,830		
				2/1/23	149,915		
				8/1/23	299,830		
				2/1/24	149,915		
				8/1/24	299,830		
				2/1/25	149,915		
				8/1/25	299,830		
				2/1/26	149,915		
				8/1/26	299,830		
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				8/1/27	299,830		
				2/1/28	149,915		
				8/1/28	299,830		
				2/1/29	149,915		
				8/1/29	299,830		
				2/1/30	149,915		
				8/1/30	299,830		
				2/1/31	149,915		
				8/1/31	299,830		
				2/1/32	149,915		
				8/1/32	299,830		
				2/1/33	149,915		
				8/1/33	337,302		
						<u>\$ 11,707,882</u>	<u>\$ 11,707,882</u>
Balance Comprised of:							
Long-Term Portion						<u>11,707,822</u>	<u>11,707,822</u>
						<u>\$ 11,707,822</u>	<u>\$ 11,707,822</u>



SINGLE AUDIT



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

Independent Auditors' Report

The Honorable Chairman and Members  
 of the Warren County (Pequest River)  
 Municipal Utilities Authority  
 Belvidere, NJ

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey ("the Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Pequest River Municipal Utilities Authority (the "Authority"), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which comprise the Authority's financial statements, and have issued our report thereon dated March 6, 2015.

**Internal Control Over Financial Reporting**

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

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

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

The Honorable Chairman and Members  
of the Warren County (Pequest River)  
Municipal Utilities Authority  
Page 2

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Mount Arlington, New Jersey  
March 6, 2015

NISIVOCCIA LLP



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



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Report on Compliance For Each Major State Program;  
 Report on Internal Control Over Compliance Required by OMB Circular A-133  
 and New Jersey's OMB Circular 04-04

Independent Auditors' Report

The Honorable Chairman and Members  
 of the Warren County (Pequest River)  
 Municipal Utilities Authority  
 Belvidere, NJ

**Report on Compliance for Each Major State Program**

We have audited the Pequest River Municipal Utilities Authority's (the "Authority's") compliance with the types of compliance requirements described in the *New Jersey's State Aid/ Grant Compliance Supplement A-133* that could have a direct and material effect on the Authority's major state program for the year ended December 31, 2014. The Authority's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the Authority's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133, and New Jersey's OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

The Honorable Chairman and Members  
of the Warren County (Pequest River)  
Municipal Utilities Authority  
Belvidere, NJ  
Page 2

### ***Opinion on Each Major State Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

### **Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey's OMB 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control over compliance.

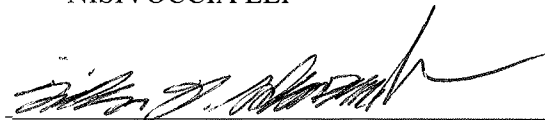
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirements of OMB Circular A-133 or New Jersey's OMB 04-04. Accordingly, this report is not suitable for any other purpose.

Mount Arlington, New Jersey  
March 6, 2015

NISIVOCCIA LLP



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

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2014

NOT APPLICABLE

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED DECEMBER 31, 2014

New Jersey Agency or Department	Program Account No.	Name of Program	Grant Period		Grant Award Amount	Received	Total Program Expenditures	Total Cumulative Expenditures
			From	To				
New Jersey Environmental Infrastructure Trust Fund	S340454-04	Belvidere Wastewater Treatment Plant Upgrade	01/01/14	12/31/14	\$ 11,707,882	\$ 4,556,163	\$ 5,909,776	\$ 5,909,776
						\$ 4,556,163	\$ 5,909,776	\$ 5,909,776

SEE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2014

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the Authority's financial statements.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the Authority which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over the major state program disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey's OMB Circular 04-04*.
- The auditor's report on compliance for the major state programs for the Authority expresses an unmodified opinion on the major state program.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 04-04 or Section 510(a) of Federal OMB Circular A-133.
- The Authority was not subject to the single audit provisions of Federal OMB Circular A-133 for the year ended December 31, 2014 as federal grant expenditures were less than the single audit threshold of \$500,000 identified in the Circular.
- The Authority's programs tested as a major state program for the current year consisted of the following state program:

<u>State Program:</u>	<u>Program Account No.</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
New Jersey Environmental Infrastructure Trust Loan	S340454-04	\$ 11,707,882	\$ 5,909,776
		<u>\$ 11,707,882</u>	<u>\$ 5,909,776</u>

- The threshold used for distinguishing between Type A and Type B state programs was \$300,000.
- The Authority was determined to be a "not low-risk" auditee for state programs.

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular or NJ OMB 04-04.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2014

The Authority had no findings during the prior year.



WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
COMMENTS AND RECOMMENDATIONS

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

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

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

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

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

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

Effective January 1, 2011 and thereafter the bid threshold in accordance with N.J.S.A. 40A:11-3 is \$17,500, and with a qualified purchasing agent the threshold may be up to \$36,000.

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

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
COMMENTS AND RECOMMENDATIONS  
(CONTINUED)

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

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

Status of Prior Year's Findings/Recommendations

There were no prior year audit recommendations.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SUMMARY OF RECOMMENDATIONS

There are no recommendations during 2014.

\* \* \* \* \*