

WARREN COUNTY (PEQUEST RIVER)
MUNICIPAL UTILITIES AUTHORITY
COUNTY OF WARREN
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2015

	<u>Page</u>
<u>PART I - INTRODUCTORY SECTION (UNAUDITED)</u>	
Letter of Transmittal.....	1-3
Organizational Chart.....	4
Roster of Officials.....	5
<u>PART II - FINANCIAL SECTION</u>	
Independent Auditors' Report.....	6-8
Management's Discussion and Analysis (Unaudited).....	9-12
<u>Financial Statements</u>	
Statement of Net Position.....	13-14
Statement of Revenue, Expenses and Changes in Net Position.....	15
Statement of Cash Flows.....	16
Notes to Financial Statements.....	17-37
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedules Related to Accounting and Reporting for Pensions (GASB 68) (Unaudited)	
Schedule of Authority's Proportionate Share of the Net Pension Liability- Public Employees Retirement System.....	38
Schedule of Authority Contributions – Public Employees Retirement System.....	39
Notes to Required Supplementary Information (Unaudited).....	40
<u>SUPPLEMENTARY INFORMATION</u>	
Schedule 1 – Statement of Revenue, Expenses and Changes in Net Position – Restricted and Unrestricted.....	41
Schedule 2 – Statement of Operating Revenue and Costs Funded by Operating Revenue Compared to Budget.....	42-43
Schedule 3 - Schedule of New Jersey Environmental Infrastructure Loans Payable - Trust Loan - Belvidere and Oxford Wastewater Treatment Plant Upgrades.....	44-45
Schedule 4 – Schedule of New Jersey Environmental Infrastructure Loans Payable - Fund Loan - Belvidere and Oxford Wastewater Treatment Plant Upgrades.....	46-47

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

PART III – SINGLE AUDIT SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48-49
Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance Required by the Uniform Guidance and New Jersey’s OMB Circular 15-08.....	50-51
Schedules of Expenditures for Federal (not applicable) and State Awards.....	52
Schedule of Findings and Questioned Costs.....	53
Summary Schedule of Prior Audit Findings.....	54

PART IV – COMMENTS AND RECOMMENDATIONS

Comments and Recommendations.....	55-56
Summary of Recommendations.....	57

INTRODUCTORY SECTION

Warren County (Pequest River) Municipal Utilities Authority

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

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

April 1, 2016

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 year ended December 31, 2015, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Authority. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority. 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
Page 2
April 1, 2016

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 the 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 2015, 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 Authority has gone over 16 years without any lost time accidents and no lost work days.
- During 2015, the Authority achieved substantial completion of the Oxford Wastewater Treatment Facility (WWTF) Upgrade as required by the New Jersey Department of Environmental Protection (NJDEP).
- 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 Authority.

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
Page 3
April 1, 2016

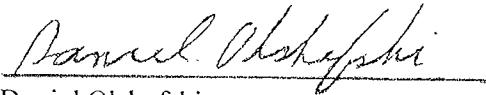
OTHER INFORMATION:

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.

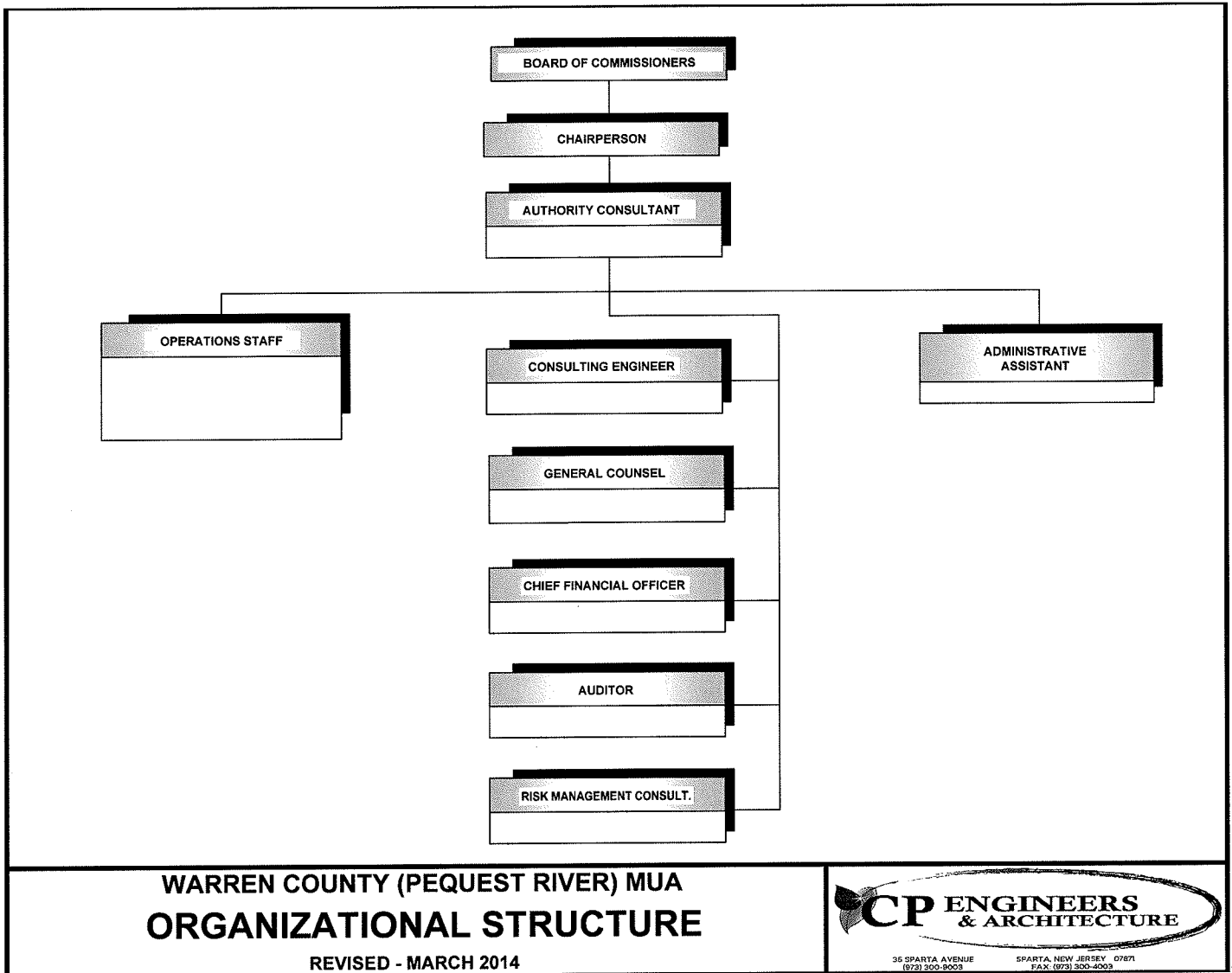
Respectfully submitted,



Daniel Olshefski
Authority's Chief Financial Officer



E. Chad Chamberlain
Chairman



WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
ROSTER OF OFFICIALS
DECEMBER 31, 2015

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 J. Kiszonak	Board Member

Other Officials

Billy Wauhop	Authority Consultant
Daniel Olshefski	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 year ended December 31, 2015, and the related notes to the financial statements, as listed in the foregoing table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

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, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the Authority implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* during the year ended December 31, 2015. Our opinions are not modified with respect to this matter. The implementation resulted in the restatement of certain balances on the Statement of Net Position and the ending balance for Net Position as of December 31, 2014 as detailed in Note 16 to the financial statements.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Honorable Chairman and Members
of the Warren County (Pequest River)
Municipal Utilities Authority
Page 3

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mt. Arlington, New Jersey
April 1, 2016

NISIVOCCIA LLP



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

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

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

Financial Highlights

Management believes the Authority's financial position 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 2015:

- The principal paid on the 2002 trust loan was \$109,760, and the balance is \$956,637. The principal paid on the 2002 fund loan was \$111,275, and the balance is \$790,833. The principal paid on the 2003 trust loan was \$55,000, and the balance is \$550,000. The principal paid on the 2003 fund loan was \$50,477 and the balance is \$284,208. There were no principal payments made for either the 2014 trust loan or the 2014 fund loan. The balance of the 2014 trust loan is \$3,575,000 and the balance of the 2014 fund loan is \$8,132,882.
- Sewer charges increased \$63,508 in 2015 or 2.26%. This increase is mainly due to higher flow rates from participating entities. Sewer Connection Fees increased \$43,173 due to a construction project at LaTorre Plaza.

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 \$986,902. 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

	December 31,		Increase/ (Decrease)	Percent of Increase/ (Decrease)
	2015	(Restated) 2014	from 2014	
Current and Other Assets	\$ 8,747,818	\$ 11,896,102	\$ (3,148,284)	-26.46%
Capital Assets, Net	18,411,319	13,945,012	4,466,307	32.03%
Total Assets	27,159,137	25,841,114	1,318,023	5.10%
Deferred Outflows of Resources	127,724	35,618	92,106	-258.59%
Current Liabilities	1,664,622	479,775	1,184,847	-246.96%
Long-Term Liabilities	14,247,483	15,117,417	(869,934)	-5.75%
Total Liabilities	15,912,105	15,597,192	314,913	2.02%
Deferred Inflows of Resources	58,340	24,741	33,599	-135.80%
Net Investment in Capital Assets	5,393,382	6,412,229	(1,018,847)	-15.89%
Restricted Net Position	1,063,896	1,062,928	968	0.09%
Unrestricted Net Position	4,769,196	2,764,415	2,004,781	-72.52%
Total Net Position	<u>\$ 11,226,474</u>	<u>\$ 10,239,572</u>	<u>\$ 986,902</u>	9.64%

Total net position increased 9.64%. This was mainly a result of normal business operations and a reduction of debt associated with capital assets.

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				
	December 31,		Increase/ (Decrease)	Percent of
	2015	(Restated) 2014	from 2014	Increase/ (Decrease)
Operating Revenue	\$ 2,935,740	\$ 2,835,173	\$ 100,567	3.55%
Nonoperating Revenue	20,804	16,865	3,939	23.36%
Total Revenue	<u>2,956,544</u>	<u>2,852,038</u>	<u>104,506</u>	3.66%
Operating Expenses:				
Cost of Providing Services	1,194,885	1,092,807	102,078	-9.34%
Administrative and General Expenses	<u>228,311</u>	<u>215,961</u>	<u>12,350</u>	5.72%
	1,423,196	1,308,768	114,428	8.74%
Depreciation	344,427	396,616	(52,189)	13.16%
Nonoperating Expenses	<u>202,019</u>	<u>151,754</u>	<u>50,265</u>	-33.12%
Total Expenses	<u>1,969,642</u>	<u>1,857,138</u>	<u>112,504</u>	-6.06%
Change in Net Position	986,902	994,900	(7,998)	-0.80%
Beginning Net Position	<u>10,239,572</u>	<u>9,244,672</u>	<u>994,900</u>	10.76%
Ending Net Position	<u>\$ 11,226,474</u>	<u>\$ 10,239,572</u>	<u>\$ 986,902</u>	9.64%

Results of Operations

Operating Revenues: The increase in operating revenues is primarily due to sewer charges increasing 2.26% from 2014. Nonoperating revenue increased due to higher interest income.

Expenses: Operating expenses increased 8.74% over 2014. 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.

Capital Assets: As of December 31, 2015, the Authority had \$18.41 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 \$4.47 million from the prior year primarily due to the new project costs that are being funded by the 2014 New Jersey Environmental Loan.

The following table summarizes the Authority's capital assets, net of accumulated depreciation and changes therein, for the year ended December 31, 2015. These changes are presented in detail in Note 2 to the financial statements.

Table III
Capital Assets, Net of Accumulated Depreciation

	December 31,		Increase	Percent of
	2015	2014	from 2014	Increase/ (Decrease)
Land	\$ 52,000	\$ 52,000		
Plant, Equipment and Vehicles	20,720,018	20,701,018	\$ 19,000	0.09%
Construction in Progress	12,531,614	7,739,880	4,791,734	61.91%
Total	33,303,632	28,492,898	4,810,734	16.88%
Less:				
Accumulated Depreciation	14,892,313	14,547,886	344,427	2.37%
Capital Assets, Net of Accumulated Depreciation	<u>\$ 18,411,319</u>	<u>\$ 13,945,012</u>	<u>\$ 4,466,307</u>	32.03%

Long-term Debt: At year-end, the Authority had \$15,154,156 in debt outstanding – a decrease of \$236,570 from last year – as shown in Table IV. (More detailed information about the Authority's long-term liabilities is presented in Note 3 to the financial statements.)

Table IV
Outstanding Long-Term Debt

	December 31,		Increase/ (Decrease)	Percent of
	2015	(Restated) 2014	from 2014	Decrease
NJ Environmental Infrastructure Trust Loan Payable	\$ 5,081,637	\$ 5,246,397	\$ (164,760)	-3.14%
NJ Environmental Infrastructure Fund Loan Payable	9,207,923	9,369,675	(161,752)	-1.73%
Net Pension Liability	864,596	774,654	89,942	11.61%
	<u>\$ 15,154,156</u>	<u>\$ 15,390,726</u>	<u>\$ (236,570)</u>	-1.54%

Cash Flow Activity: The Cash and cash equivalents at year-end 2015 increased by \$2,687,270 from the previous year. The Authority maintains an adequate cash balance to meet future emergencies and capital requirements.

Final Comments: During 2015, the Authority continued their agreement with Billy Wauhup & 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
STATEMENT OF NET POSITION
DECEMBER 31, 2015

<u>ASSETS</u>	<u>2015</u>
Current Assets:	
Unrestricted Cash and Cash Equivalents	\$ 6,323,789
Restricted Cash and Cash Equivalents	1,063,896
Total Cash and Cash Equivalents	<u>7,387,685</u>
Sewer Charges Receivable	27,683
NJ Environmental Infrastructure Trust Fund Receivable	1,332,450
Total Current Assets	<u>8,747,818</u>
Noncurrent Assets:	
Depreciable Plant, Equipment and Vehicles	5,827,705
Land and Construction in Progress	12,583,614
Total Noncurrent Assets	<u>18,411,319</u>
TOTAL ASSETS	<u>27,159,137</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Unamortized Loss on Bond Refunding	14,247
Changes in Assumptions - Pensions	92,851
Net Difference Between Expected and Actual Experience - Pensions	<u>20,626</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>127,724</u>

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY

STATEMENT OF NET POSITION

DECEMBER 31, 2015

(Continued)

	<u>2015</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable - Vendors	\$ 85,850
Contracts Payable	529,537
Payroll Deductions Payable	1,802
Accrued Wages Payable	12,898
Accrued Interest Payable	104,094
Developers' Escrow Payable	343
NJ Environmental Infrastructure Trust Loan Payable	314,112
NJ Environmental Infrastructure Fund Loan Payable	615,986
Total Current Liabilities	<u>1,664,622</u>
Noncurrent Liabilities:	
Accrued Compensated Absences Payable	52,540
Net Pension Liability	864,596
NJ Environmental Infrastructure Trust Loan Payable	4,767,525
NJ Environmental Infrastructure Fund Loan Payable	8,591,937
Unamortized Loan Premium	60,827
Total Noncurrent Liabilities	<u>14,337,425</u>
TOTAL LIABILITIES	<u>16,002,047</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unamortized Gain on Bond Refunding	20,618
Investment Gains - Pensions	13,901
Changes in Proportion - Pensions	23,821
TOTAL DEFERRED INFLOW OF RESOURCES	<u>58,340</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	5,393,382
Restricted	1,063,896
Unrestricted	4,769,196
TOTAL NET POSITION	<u>\$ 11,226,474</u>

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

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>
Operating Revenue:	
Sewer Charges	\$ 2,879,412
Sewer Connection Fees	50,373
Other Revenue	5,955
Total Operating Revenue	<u>2,935,740</u>
Operating Expenses:	
Cost of Providing Services	1,194,885
Administrative and General Expenses	228,311
Depreciation	344,427
Total Operating Expenses	<u>1,767,623</u>
Operating Income	<u>1,168,117</u>
Nonoperating Revenue (Expenses):	
Interest Income	20,804
Amortization of Bond Premium	(13,768)
Interest Expense	(188,251)
Total Nonoperating Revenue (Expenses)	<u>(181,215)</u>
Change in Net Position	986,902
Net Position, Beginning of Year (Restated)	<u>10,239,572</u>
Net Position, End of Year	<u><u>\$ 11,226,474</u></u>

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

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 2,946,070
Other Receipts	5,955
Cash Paid to Suppliers and Employees (Including Grant Expenses)	(858,923)
Payments to/for Employees	14,187
Net Cash Provided by Operating Activities	<u>2,107,289</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	(19,000)
Construction in Progress	(4,791,734)
Proceeds from NJ Infrastructure Trust Loan	5,819,269
Principal Paid on NJ Environmental Infrastructure Fund Loan	(326,512)
Interest Expense	(122,846)
Net Cash Provided by Capital and Related Financing Activities	<u>559,177</u>
Cash Flows from Investing Activities:	
Interest on Investments	20,804
Net Cash Provided by Investing Activities	<u>20,804</u>
Net Increase in Cash and Cash Equivalents	2,687,270
Cash and Cash Equivalents - Beginning of Year	<u>4,700,415</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 7,387,685</u></u>
Reconciliation of Net Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income	\$ 1,168,117
Adjustments to Reconcile Operating Income to Net	
Cash Provided by Operating Activities:	
Depreciation	344,427
Changes in Net Position:	
Decrease in Sewer Rents Receivable	16,285
Increase in Accrued Compensated Absences Payable	6,737
Increase in Accounts Payable	29,564
Increase in Contracts Payable	529,537
Increase in Payroll Deductions Payable	1,652
Increase in Accrued Wages Payable	3,312
(Decrease) in Developers' Escrow Payable	(6,529)
(Increase) in Change in Assumptions - Pensions	(92,851)
(Increase) in Net Difference Between Expected and Actual Experience - Pensions	(20,626)
Increase in Net Pension Liability	89,942
Increase in Changes in Proportion - Pensions	23,821
Increase in Investment Gains - Pensions	13,901
Total Changes in Net Position	<u>939,172</u>
Net Cash Provided By Operating Activities	<u><u>\$ 2,107,289</u></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, 2015

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.

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.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

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

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

Reporting Entity

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

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.

C. Inventories

The cost of inventories of supplies are recorded as expenses 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.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

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

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, 2015 was \$52,540, which is included on the Statement of Net Position as a non-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.

I. Net Position

Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the Authority that is applicable to a future reporting period. The Authority had deferred outflows of resources at December 31, 2015, for the loss on bond refundings, changes in assumptions in pensions and net difference between expected and actual experience.

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 of resources at December 31, 2015, for an unamortized gain, the net difference between projected and actual investment earnings on pension plan investments and changes in proportion in pension.

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.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

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

I. Net Position (Cont'd)

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:

<u>Account</u>	<u>Amount</u>	<u>Use for which Restricted</u>
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.

L. Pensions

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

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 2 - Capital Assets

Capital assets are recorded at cost and consisted of the following, as of December 31, 2014 and 2015:

	Balance Dec. 31, 2014	Additions	Deletions	Balance Dec. 31, 2015
Capital Assets to be depreciated				
Plant, Equipment and Vehicles	\$20,701,018	\$ 19,000		\$20,720,018
Total Capital Assets to be depreciated	20,701,018	19,000		20,720,018
Capital Assets not to be depreciated				
Land	52,000			52,000
Construction-in-Progress	7,739,880	4,791,734		12,531,614
Total Capital Assets	28,492,898	4,810,734		33,303,632
Accumulated Depreciation	(14,547,886)	(344,427)		(14,892,313)
Capital Assets (Net)	<u>\$13,945,012</u>	<u>\$ 4,466,307</u>	<u>\$ -0-</u>	<u>\$18,411,319</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, 2015, the Authority continues to move forward with plans to complete its Oxford water treatment facilities upgrade, as well as conducting a leachate study and interceptor evaluation with cumulative costs totaling \$12,531,614.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 3 - 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 \$111,275 in 2015, and will continue on a semiannual basis over the next 7 years at zero interest. Principal payments to the Trust amounted to \$109,760 in 2015, and will continue on an annual basis over the remaining 7 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.

Principal payments to the Fund amounted to \$50,477 in 2015, and will continue on a semi-annual basis over the next 6 years at zero interest. Principal payments to the Trust amounted to \$55,000 in 2015, and will continue on an annual basis over 8 years.

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 Oxford 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, 2015
(Continued)

Note 3 - Long-Term Debt (Cont'd)

NJ Environmental Infrastructure Bonds or Loans (Cont'd)

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 2015 and \$7,603 in 2014. The unamortized loan premium balance was \$60,827 at December 31, 2015.

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 of gain on the refunding of these bonds was amortized in 2015 and 2014. The unamortized gain on bond refunding balance was \$20,618 at December 31, 2015.

<u>Purpose</u>	<u>Maturities of Loans</u> <u>Outstanding Dec. 31, 2015</u>		<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
	<u>Date</u>	<u>Amount</u>		
Trust Loan - 2002/ Refunding- 2007A	8/1/2016	119,112	5.00%	\$ 956,637
	8/1/2017	123,638	5.00%	
	8/1/2018	128,423	5.00%	
	8/1/2019	137,970	5.00%	
	8/1/2020	142,770	4.75%	
	8/1/2021-8/1/2022	304,724	4.75%	
Trust Loan - 2003	8/1/2016	60,000	4.00%	550,000
	8/1/2017	60,000	4.20%	
	8/1/2018	65,000	4.25%	
	8/1/2019	65,000	5.00%	
	8/1/2020	70,000	5.00%	
	8/1/2021-8/1/2023	230,000	4.5%- 4.75%	
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%	
				5,081,637
Less: Short-Term Portion				314,112
Long-Term Portion				\$ 4,767,525

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 3 - Long-Term Debt (Cont'd)

NJ Environmental Infrastructure Bonds or Loans (Cont'd)

<u>Purpose</u>	<u>Maturities of Loans</u> <u>Outstanding Dec. 31, 2015</u>		<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
	<u>Date</u>	<u>Amount</u>		
Fund Loan - 2002	2/1/2016	\$ 16,255	-0-%	\$ 790,833
	8/1/2016	97,793		
	2/1/2017	14,216		
	8/1/2017	99,016		
	2/1/2018	12,096		
	8/1/2018	100,158		
	2/1/2019	9,895		
	8/1/2019	104,479		
	2/1/2020	7,530		
	8/1/2020	105,376		
	2/1/2021-8/1/2022	224,019		
Fund Loan - 2003	2/1/16	7,712	-0-%	284,208
	8/1/16	44,481		
	2/1/17	6,977		
	8/1/17	43,746		
	2/1/18	6,205		
	8/1/18	46,037		
	2/1/19	5,358		
	8/1/19	45,191		
	2/1/2020	4,363		
	8/1/2020	47,259		
	2/1/2021-8/1/2021	26,879		
Fund Loan - 2014	2/1/16	149,915	-0-%	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		
	2/1/2020	149,915		
	8/1/2020	299,830		
	2/1/2021-8/1/2025	2,248,725		
	2/1/2026-8/1/2030	2,248,721		
	2/1/2031-8/1/2033	1,386,711		
				9,207,923
	Less: Short-Term Portion			615,986
	Long-Term Portion			\$ 8,591,937

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 3 - Long-Term Debt (Cont'd)

NJ Environmental Infrastructure Bonds or Loans (Cont'd)

<u>Maturity Schedule Giving Effect to the</u> <u>"NJ Environmental Infrastructure Refunding Loans, Series 2002A, 2003A and 2014"</u>					
<u>Year</u>	<u>Fund Loan</u> <u>Principal</u>	<u>Trust Loan</u> <u>Principal</u>	<u>Total</u> <u>Principal</u>	<u>Trust Loan</u> <u>Interest</u>	<u>Total Debt</u> <u>Service</u>
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	357,970	972,638	175,181	1,147,819
2020	614,272	372,770	987,042	156,931	1,143,973
2021-2025	2,499,620	1,474,724	3,974,344	513,606	4,487,950
2026-2030	2,248,723	1,135,000	3,383,723	277,381	3,661,104
2031-2033	1,386,713	765,000	2,151,713	81,300	2,233,013
	<u>9,207,923</u>	<u>5,081,637</u>	<u>14,289,560</u>	<u>1,897,878</u>	<u>16,187,438</u>
Less: Short-Term Portion	615,986	314,112	930,098	249,827	1,179,925
Long-Term Portion	<u>\$ 8,591,937</u>	<u>\$ 4,767,525</u>	<u>\$ 13,359,462</u>	<u>\$ 1,648,051</u>	<u>\$ 15,007,513</u>

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$864,596 at December 31, 2015. See Note 4 for further information on the PERS.

Note 4 - Pension

Authority employees participate in the State of New Jersey Public Employee's Retirement System (PERS).

Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 4 - Pension (Cont'd)

Benefits Provided

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Authority contributions to PERS amounted to \$33,113 for 2015.

The employee contribution rate was 6.92% effective July 1, 2014 and increased to 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 4 - Pension (Cont'd)

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

At December 31, 2015, the Authority's liability was \$774,654 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the Authority's proportion was 0.004%, which was an increase of 0.0002% from its proportion measured as of June 30, 2013. The Authority has rolled forward the net pension liability to December 31, 2014 with no adjustments.

For the year ended December 31, 2015, the Authority recognized actual pension expense in the amount of \$44,692. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 92,851	
Net Difference Between Expected and Actual Experience	\$ 20,626	
Changes in Proportion		\$ 23,821
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	<u> </u>	<u>\$ 13,901</u>

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

<u>Year Ending December 31,</u>	<u>Total</u>
2015	\$ (7,063)
2016	(7,063)
2017	(7,063)
2018	(7,063)
2019	4,478
Thereafter	1,968
	<u><u>\$ (21,806)</u></u>

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 4 - Pension (Cont'd)

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

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

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 4 - Pension (Cont'd)

Long Term Expected Rate of Return (Cont'd)

Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90% and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 4 - Pension (Cont'd)

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

The following presents the Authority's proportionate share of the collective net pension liability as of December 31, 2015 calculated using the discount rate as disclosed below, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Year Ended December 31, 2015		
	1%	Current	1%
	Decrease (3.90%)	Discount Rate (4.90%)	Increase (5.90%)
Authority's proportionate share of the Net Pension Liability	\$ 1,074,587	\$ 864,596	\$ 688,541

Pension Plan Fiduciary Net Position

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

Note 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.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

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

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.

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

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

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

- (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.

As of December 31, 2015, 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>Investments</u>	<u>Totals</u>
	<u>Checking Accounts</u>	<u>Petty Cash</u>	<u>Money Market Funds</u>	<u>Certificate of Deposits</u>	
Unrestricted	\$ 3,161,147	\$ 300	\$ 1,162,342	\$ 2,000,000	\$ 6,323,789
Restricted:					
Renewal and					
Replacement			63,896	1,000,000	1,063,896
	<u>\$ 3,161,147</u>	<u>\$ 300</u>	<u>\$ 1,226,238</u>	<u>\$ 3,000,000</u>	<u>\$ 7,387,685</u>

The carrying amount of the Authority's cash and cash equivalents and investments at December 31, 2015, was \$7,387,685, and the bank balance was \$7,406,109.

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	\$ 1,063,896
Cash and Investments on Hand	<u>1,063,896</u>
Excess	<u>\$ -0-</u>

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

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

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 was removed from the Statement of Net Position in 2003.

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 2015 was \$21,371 and for 2014 was \$21,371. The unamortized loss on bond refunding balance was \$14,247 at December 31, 2015.

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

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 8: Risk Management (Cont'd)

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, 2015 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, 2014 is as follows:

	NJ Utility Authorities Joint Insurance Fund Dec. 31, 2014
Total Assets	\$ 13,438,730
Net Position	\$ 6,548,208
Total Revenue	\$ 9,985,260
Total Expenses	\$ 10,331,268
Change in Net Position	\$ (346,008)
Members Dividends	\$ 1,100,000

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 216
Parsippany, NJ 07054-4412
(201) 881-7632

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.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

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

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.

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 2015, the Authority had two employees who met eligibility requirements and recognized expenses of approximately \$19,827. In 2014 and 2013, the Authority had one employee who met eligibility requirements and recognized expenses of approximately \$10,115 in each of the respective years.

Note 10: Intraentity and Interfund Transfers

In the normal course of business, the Authority will, from time to time, authorize advances between accounts. There were no transfers between restricted and unrestricted accounts during 2015. There were no advances outstanding as of December 31, 2015.

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 three year contract with Russell Reid for transportation of liquid sludge for ultimate disposal expired at the end of July 2015. On August 1, 2015, the Authority entered into a three year contract with Accurate Waste Removal Services for the aforementioned services. The cost for this service is \$0.048 per gallon to PVSC or \$0.038 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 two year 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, 2015
(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>2015</u>	<u>2014</u>
Vendors	\$ 85,850	\$ 56,286
Contracts Payable	529,537	
Payroll Deductions Payable	1,802	150
Accrued Wages Payable	12,898	9,586
Accrued Interest Payable	104,094	34,566
Accrued Compensated Absences Payable	52,540	45,803
Developers' Escrow Payable	343	6,872
Total	<u>\$ 787,064</u>	<u>\$ 153,263</u>

Note 13: Operating Leases

The Authority has commitments to lease copying equipment under operating leases which expire in 2019. Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2016	\$ 949
December 31, 2017	949
December 31, 2018	949
December 31, 2019	710
Total future minimum lease payments	<u>\$ 3,557</u>

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 14: 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 expenses, operating 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 15: 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.

Note 16: Prior Period Adjustments

The Authority made a prior year adjustment in the Authority's Financial Statements to record the net pension liability as of December 31, 2014 as a result of implementing Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

	Balance 12/31/14 as Previously Reported	Retroactive Adjustments	Balance 12/31/14 as Restated
<u>Statement of Net Position:</u>			
Liabilities:			
Long-Term Liabilities	\$ 14,357,990	\$ 774,654	\$ 15,132,644
Total Liabilities	14,837,765	774,654	15,612,419
Net Position:			
Unrestricted	3,539,069	(774,654)	2,764,415
Total Net Position	11,014,226	(774,654)	10,239,572

REQUIRED SUPPLEMENTARY INFORMATION

PEQUEST RIVER MUNICIPAL UTILITIES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO YEARS
UNAUDITED

	Year Ending December 31,	
	2014	2015
Authority's proportion of the net pension liability	0.0041375057%	0.0038515500%
Authority's proportionate share of the net pension liability	\$ 774,654	\$ 864,596
Authority's covered employee payroll	\$ 255,461	\$ 271,238
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	303.24%	318.76%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%

PEQUEST RIVER MUNICIPAL UTILITIES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF AUTHORITY CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO YEARS
UNAUDITED

	Year Ending December 31,	
	2014	2015
Contractually required contribution	\$ 29,940	\$ 34,109
Contributions in relation to the contractually required contribution	(29,940)	(34,109)
Contribution deficiency/(excess)	\$ -0-	\$ -0-
District's covered employee payroll	\$ 255,461	\$ 271,238
Contributions as a percentage of covered employee payroll	11.72%	12.58%

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015 in accordance with Paragraph 44 of GASB Statement No. 67.

The inflation rate changed from 3.01% as of June 30, 2014 to 3.04% as of June 30, 2015

SUPPLEMENTARY INFORMATION

SCHEDULE 1

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
RESTRICTED AND UNRESTRICTED
YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Restricted Renewal and Replacement Account	Memo Total 2015
Operating Revenue:			
Sewer Charges	\$ 2,879,412		\$ 2,879,412
Sewer Connection Fees	50,373		50,373
Other Revenue	5,955		5,955
Total Operating Revenue	<u>2,935,740</u>		<u>2,935,740</u>
Operating Expenses:			
Costs of Providing Services	1,194,885		1,194,885
Administrative and General	228,311		228,311
Depreciation	344,427		344,427
Total Operating Expenses	<u>1,767,623</u>		<u>1,767,623</u>
Operating Income	1,168,117		1,168,117
Nonoperating Revenue/(Expenses):			
Interest Income	19,836	\$ 968	20,804
Interest Expense	(188,251)		(188,251)
Amortization of Bond Premium	(13,768)		(13,768)
Increase in Net Position	<u>985,934</u>	<u>968</u>	<u>986,902</u>
Net Position, Beginning of Year (Restated)	<u>9,176,644</u>	<u>1,062,928</u>	<u>10,239,572</u>
Net Position, End of Year	<u>\$ 10,162,578</u>	<u>\$ 1,063,896</u>	<u>\$ 11,226,474</u>

SCHEDULE 2
1 of 2

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED BY
OPERATING REVENUE COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015 Budget	Budget After Modification	2015 Actual	Excess or Deficit	2014 Actual
Revenue:					
User Charges and Fees					
(Sewer Treatment Service)	\$ 2,919,599	\$ 2,919,599	\$ 2,879,412	\$ (40,187)	\$ 2,815,904
Interest on Investments and Deposits	10,000	10,000	20,804	10,804	9,262
Connection Fees			50,373	50,373	7,200
Other Revenue	10,000	10,000	5,955	(4,045)	11,982
Other Income-Grey Water					87
Total Revenue	<u>2,939,599</u>	<u>2,939,599</u>	<u>2,956,544</u>	<u>16,945</u>	<u>2,844,435</u>
Expenses:					
Operating Expenses:					
Salaries and Wages - Operations	279,300	279,300	290,107	(10,807)	292,425
Maintenance	125,000	125,000	121,811	3,189	111,636
Vehicle	5,000	5,000	1,947	3,053	3,000
Contracted Services					5,015
Education and Training	2,500	2,500	2,500		248
Uniforms	3,500	3,500	3,391	109	1,959
Permits	20,000	20,000	12,050	7,950	13,021
Renewal and Replacement	150,000	150,000		150,000	
Building and Property	845,668	845,668	67,893	777,775	3,259
Fuel and Gasoline	10,500	10,500	6,402	4,098	8,333
Electricity	210,000	210,000	188,760	21,240	178,603
Water	250	250	154	96	192
Telephone	9,900	9,900	9,084	816	8,962
Sludge Disposal	168,700	168,700	133,510	35,190	153,300
Insurance	30,210	30,210	26,116	4,094	25,099
Contingency	50,000	50,000		50,000	
Lab	30,000	30,000	30,000		23,873
Alarm System	1,000	1,000	527	473	613
Chemicals	45,000	45,000	45,000		37,349
Engineering	60,000	60,000	58,751	1,249	39,159
Miscellaneous	2,500	2,500	1,269	1,231	2,080
Workmen's Compensation	15,900	15,900	15,835	65	14,900
Hospitalization Insurance	124,675	124,675	118,830	5,845	115,562
Employer Social Security and					
Medicare Contribution	26,187	26,187	25,361	826	22,894
Employer Disability Contribution	2,250	2,250	1,478	772	1,385
Employer PERS Contribution	36,850	36,850	34,109	2,741	29,940
Total Operating Expenses	<u>2,254,890</u>	<u>2,254,890</u>	<u>1,194,885</u>	<u>1,060,005</u>	<u>1,092,807</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

	2015 Budget	Budget After Modification	2015 Actual	Excess or Deficit	2014 Actual
Expenses: (Cont'd):					
Administrative and General Expenses:					
Salaries and Wages - General Administration	\$ 87,350	\$ 87,350	\$ 90,402	\$ (3,052)	\$ 82,643
Advertising	4,500	4,500	2,100	2,400	1,583
Postage	1,500	1,500	1,021	479	1,085
Contracted Equipment	900	900	826	74	884
Legal and Accounting Services	25,700	25,700	22,631	3,069	9,748
Miscellaneous Consultant Services	24,400	24,400	23,900	500	23,325
Garbage Disposal	85,000	85,000	81,974	3,026	76,324
Office Supplies	3,700	3,700	3,700		3,179
Education and Training	500	500		500	
Trustee Fees	1,800	1,800	1,757	43	17,190
Total Administrative and General Expenses	235,350	235,350	228,311	7,039	215,961
Debt Service:					
Bond and Loan Principal	326,513	326,513	326,512	1	1,843,944
Interest on Bonds and Loans	122,846	122,846	122,846		155,448
Total Debt Service Expenses	449,359	449,359	449,358	1	1,999,392
Total Costs Funded by Operating Revenue	2,939,599	2,939,599	1,872,554	1,067,045	3,308,160
Operating Excess (Deficit) Anticipated	\$ -0-	\$ -0-	\$ 1,083,990	\$ 1,083,990	\$ (463,725)

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 Outstanding Dec. 31, 2015		Balance Jan. 1, 2015	Matured	Balance Dec. 31, 2015
	Date	Amount		Date	Amount			
Issue of 2002/ Refunding Series 2007A	10/15/07	\$ 2,100,000	5.00%	08/01/16	119,112	\$ 1,066,397	\$ 109,760	\$ 956,637
			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%	08/01/16	60,000	605,000	55,000	550,000
			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			

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 Outstanding Dec. 31, 2015		Balance Jan. 1, 2015	Matured	Balance Dec. 31, 2015						
	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									
									\$ 5,246,397	\$ 164,760	\$ 5,081,637			
			Balance Comprised of:											
Short-Term Portion						\$ 164,760	\$ 149,352	\$ 314,112						
Long-Term Portion						5,081,637	(314,112)	4,767,525						
						\$ 5,246,397	\$ (164,760)	\$ 5,081,637						

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, 2015		Balance Jan. 1, 2015	Matured	Balance Dec. 31, 2015
	Date	Amount		Date	Amount			
Issue of 2002	10/15/02	\$ 2,200,000	0.00%	2/1/16	\$ 16,255	\$ 902,108	\$ 111,275	\$ 790,833
				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			
Issue of 2003	10/15/03	1,004,515	0.00%	2/1/16	7,712	334,685	50,477	284,208
				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			
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			

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, 2015		Balance Jan. 1, 2015	Matured	Balance Dec. 31, 2015
	Date	Amount		Date	Amount			
Issue of 2014 (Continued)	8/1/14	\$ 8,132,882	0.00%	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			
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				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			
						\$ 9,369,675	\$ 161,752	\$ 9,207,923
Balance Comprised of:								
Short-Term Portion						\$ 161,752	\$ 454,234	\$ 615,986
Long-Term Portion						9,207,923	(615,986)	8,591,937
						\$ 9,369,675	\$ (161,752)	\$ 9,207,923

SINGLE AUDIT SECTION



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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 year ended December 31, 2015, and the related notes to the financial statements, which comprise the Authority's financial statements, and have issued our report thereon dated April 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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

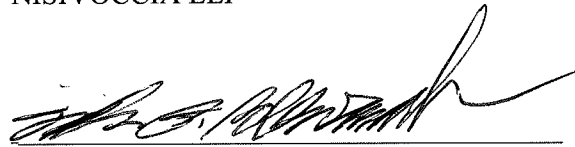
As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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
April 1, 2016

NISIVOCCIA LLP

A handwritten signature in black ink, appearing to read 'William F. Schroeder', is written over a horizontal line.

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 the Uniform Guidance
and New Jersey's OMB Circular 15-08

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* that could have a direct and material effect on the Authority's major state program for the year ended December 31, 2015. 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 each of the Authority's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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 state program for the year ended December 31, 2015.

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 the Uniform Guidance and New Jersey's OMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control over compliance.

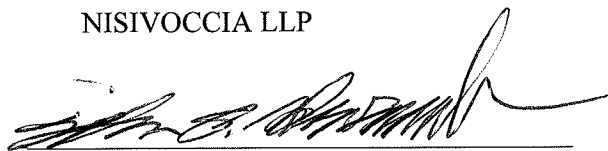
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 of testing based on the requirements of the Uniform Guidance or New Jersey's OMB 15-08. Accordingly, this report is not suitable for any other purpose.

Mount Arlington, New Jersey
April 1, 2016

NISIVOCIA 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, 2015

NOT APPLICABLE

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2015

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	Oxford Wastewater Treatment Plant Upgrade	01/01/14	12/31/15	\$ 11,707,882	\$ 5,819,269	\$ 4,715,705	\$ 10,625,481
						<u>\$ 5,819,269</u>	<u>\$ 4,715,705</u>	<u>\$ 10,625,481</u>

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, 2015

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 the Uniform Guidance and New Jersey's OMB Circular 15-08*.
- The auditor's report on compliance for the major state program 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 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- 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	\$ 4,715,705
		<u>\$11,707,882</u>	<u>\$ 4,715,705</u>

- The threshold used for distinguishing between Type A and Type B state programs was \$750,000.
- The Authority was not determined to be a "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 2 CFR 200.516(a) of the Uniform Guidance or NJ OMB 15-08.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015

The Authority had no findings during the prior year.

COMMENTS AND RECOMMENDATIONS

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.40A:11-2), 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.

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

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

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.

Overexpenditure of Individual Budget Appropriations

The analysis of the Authority schedule of operating revenue and costs funded by operating revenue compared to budget has overexpenditures in the operating salary and wages and general administration salary and wages line items. This was caused by the implementation of pension liability of GASB #68. Prior to that implementation, the Authority made all necessary budget transfers and had no overexpenditures. Since the amount of net pension liability was not known by the Authority before the year end budget amendments were made, no formal recommendation is deemed necessary.

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 for 2015.

* * * * *