FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2014 AND 2013



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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the Pompton Lakes Borough Municipal Utilities Authority 2000 Lincoln Avenue Pompton Lakes, New Jersey 07442

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying statements of net position of the Pompton Lakes Borough Municipal Utilities Authority (A Component Unit of the Borough of Pompton Lakes) as of May 31, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the 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 of material misstatement.



Honorable Chairperson and Members of the Pompton Lakes Borough Municipal Utilities Authority Page 2.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pompton Lakes Borough Municipal Utilities Authority as of May 31, 2014, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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



Honorable Chairperson and Members of the Pompton Lakes Borough Municipal Utilities Authority Page 3.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprises the Pompton Lakes Borough Municipal Utilities Authority's financial statements. The schedule of revenues, expenses and changes in net position - restricted and unrestricted; schedule of cash receipts, cash disbursements and changes in cash and investments - unrestricted and restricted; schedule of operating revenue and costs funded by operating revenue compared to budget; schedule of capital budget program funded by financing services; schedule of revenue and revenue refunding bonds; and roster of officials (collectively referred to as the "Supplementary Schedules").

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 22, 2014 on our consideration of the Pompton Lakes Borough Municipal Utilities 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 Pompton Lakes Borough Municipal Utilities Authority's internal control over financial reporting and compliance.

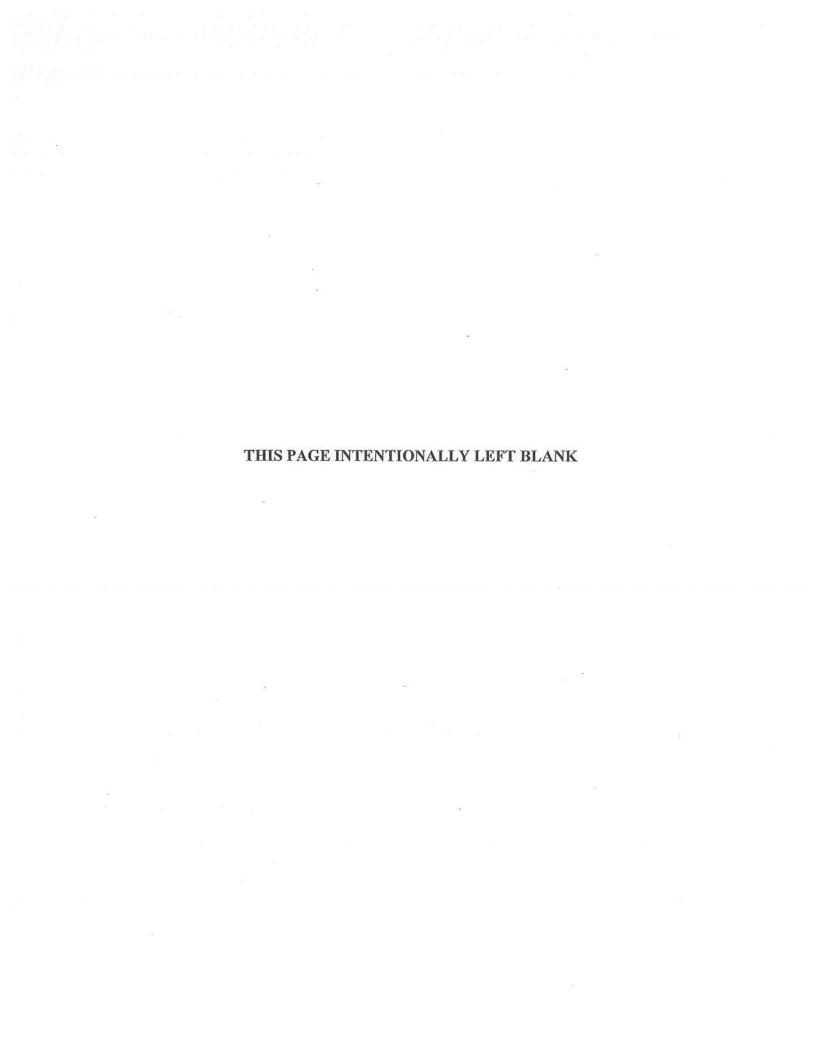
Very truly yours,

Ferraiali, Wielkotz, Cerulla & Cura, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A. Certified Public Accountants Pompton Lakes, New Jersey

July 22, 2014





MANAGEMENT'S DISCUSSION AND ANALYSIS MAY 31, 2014

As management of the Pompton Lakes Borough Municipal Utilities Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal years ended May 31, 2014 and 2013. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's assets exceeded its liabilities by \$11,567,671 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$12,109,715.
- Total net position is comprised of the following:
 - (1) Capital assets, net of related debt, of \$8,899,333 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Restricted net position of \$1,053,261 are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$1,615,077 represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority decreased by \$387,228 to \$5,192,736 during the fiscal year.

Overview of the Financial Statements

This annual report includes this management discussion, the independent auditor's report and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The *Statement of Net Position* includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) MAY 31, 2014

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues*, *Expenses and Changes in Net Position*. This statement measures the results of the Authority's operations over the past year and can be used to determine whether the Authority has recovered all its costs through its user fees and other charges, operational stability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. This statement reports cash receipts and cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as what operational sources provided cash, what was the cash used for, and what was the change in cash balance during the reporting period.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. This supplementary information follows the notes to the financial statements.

Financial Analysis of the Authority

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better able to fulfill its mission as a result of this years activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities in a way that will help answer this question. These two statements report net position of the Authority and the changes in those assets. The reader can think of the Authority's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) MAY 31, 2014

Net Position

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Authority as a whole.

The Authority's net position at fiscal year-end are \$11,567,671. This is a \$542,044 decrease under last year's net position of \$12,109,715. A summary of the Authority's statement of net position is presented in the following table:

Condensed Statement of Net Position

	FY 2014	FY 2013	Dollar <u>Change</u>	Percent Change	(Restated) FY 2012
Current and Other Assets	3,078,249	3,555,496	(477,247)	(13.42)%	4,423,103
Capital Assets	13,690,707	14,137,196	(446,489)	(3.16)%	13,856,427
Total Assets	16,768,956	17,692,692	(923,736)	(0.10),0	18,279,530
Deferred Outflows of					
Resources	95,776	107,748	_(11,972)		_119,721
Long-term Debt					
Outstanding	4,614,099	5,043,669	(429,570)	(8.52)%	5,368,571
Other Liabilities	578,637	536,295	42,342	7.90%	_460,906
Total Liabilities	5,192,736	5,579,964	(387,228)	7.5070	5,829,477
Deferred Inflows of					
Resources	104,325	_110,761	(6,436)		117,198
Invested in Capital Assets,					
Net of Related Debt	8,899,333	9,335,411	(436,078)	(4.67)%	9,644,908
Restricted	1,053,261	1,041,856	11,405	1.09%	1,037,975
Unrestricted	1,615,077	1,732,448	(117,371)	(6.77)%	1,769,693
Total Net Position	11,567,671	12,109,715	(542,044)	(4.48)%	12,452,576

While the Statement of Net Position shows the change in financial position of net assets, the Statement of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in the following table, net position decreased by \$542,044.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) MAY 31, 2014

Net Position (Continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position

	FY 2014	FY 2013	Dollar Change	Percent Change	(Restated) FY 2012
Operating Revenues	3,124,970	3,032,981	91,989	3.03%	3,019,570
Non-Operating Revenues	740	90,617	(89,877)	(99.18)%	124,706
Total Revenues	3,125,710	3,123,598	2,112		3,144,276
Depreciation	915,381	863,298	52,083	6.03%	818,770
Other Operating Expenses	2,427,598	2,466,309	(38,711)	(1.57)%	2,518,106
Other Non-Operating Expense	324,775	136,852	187,923	137.32%	_148,366
Total Expenses	3,667,754	3,466,459	201,295		3,485,242
Change in Net Position	(542,044)	(342,861)	(199,183)	58.09%	(340,966)
Beginning Net Position	12,109,715	12,452,576	(342,861)	(2.75)%	12,793,542
Ending Net Position	11,567,671	12,109,715	(542,044)	(4.48)%	12,452,576

The Authority's Operating Revenues increased by \$91,989 to \$3,124,970 in 2014 from \$3,032,981 in 2013. This increase is primarily due to an increase in water and sewer charges and other operating revenues. Nonoperating Revenues decreased by \$89,877 to \$740 from \$90,617 due to a decrease in interest income and a decrease in FEMA grant funds in the amount of \$89,711.

Budgetary Highlights

The State of New Jersey requires local authorities to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute and codified as N.J.A.C. 5:31-1 et seq. The statutory budget was designed to demonstrate to the Bureau of Authority Regulation of the Division of Local Government Services that the cash flows of the Authority for the coming year will be sufficient to cover operating expenses, interest accruing on bonded indebtedness and cash payments of maturing bond and loan principal.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) MAY 31, 2014

The following table provides a 2014 budget comparison:

Budget vs. Actual FY 2014

	Budget	Actual	Variance
Revenues: Operating	3,179,165	3,336,219	157,054
Expenses: Operating Debt Service	2,742,125 437,040 3,179,165	2,427,598 447,769 2,875,367	314,527 (10,729) 303,798
Income Before Depreciation	0	460,852	460,852

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, the Authority had invested \$27,799,675 in capital assets. Included in that amount is \$1,237,625 of capital that was contributed to the Authority in the form of federal and state grants and other property. The Authority's net property, plant and equipment at fiscal year end was \$13,690,707. This is a \$446,489 decrease over last year's net property, plant and equipment of \$14,137,196. A summary of the Authority's capital assets is presented in the following table:

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) MAY 31, 2014

CAPITAL ASSETS

	FY 2014	FY 2013	Dollar Change	FY 2012
Land Buildings, Force Mains	65,652	65,652		65,652
and Interceptors	22,809,813	22,511,841	297,972	20,888,860
Vehicles and Equipment	4,843,789	4,664,700	179,089	4,318,584
Total Property, Plant and Equipment	27,719,254	27,242,193	477,061	25,273,096
Less: Accumulated Depreciation	14,108,968	(13,193,587)	27,302,555	(12,330,288)
	13,610,286	14,048,606	(438,320)	12,942,808
Construction in Progress	80,421	88,590	(8,169)	913,619
Net Property, Plant and Equipment	13,690,707	14,137,196	(446,489)	13,856,427

The Authority's on going capital plan is reviewed each year by the Authority's consulting engineer. Notable future capital improvements are listed below.

Debt Administration

At May 31, 2014, the Authority had outstanding revenue and revenue refunding bonds in the amount of \$4,989,704 (gross). The debt service schedule goes out to 2031. Interest rates range from 0.00% to 5.00%.

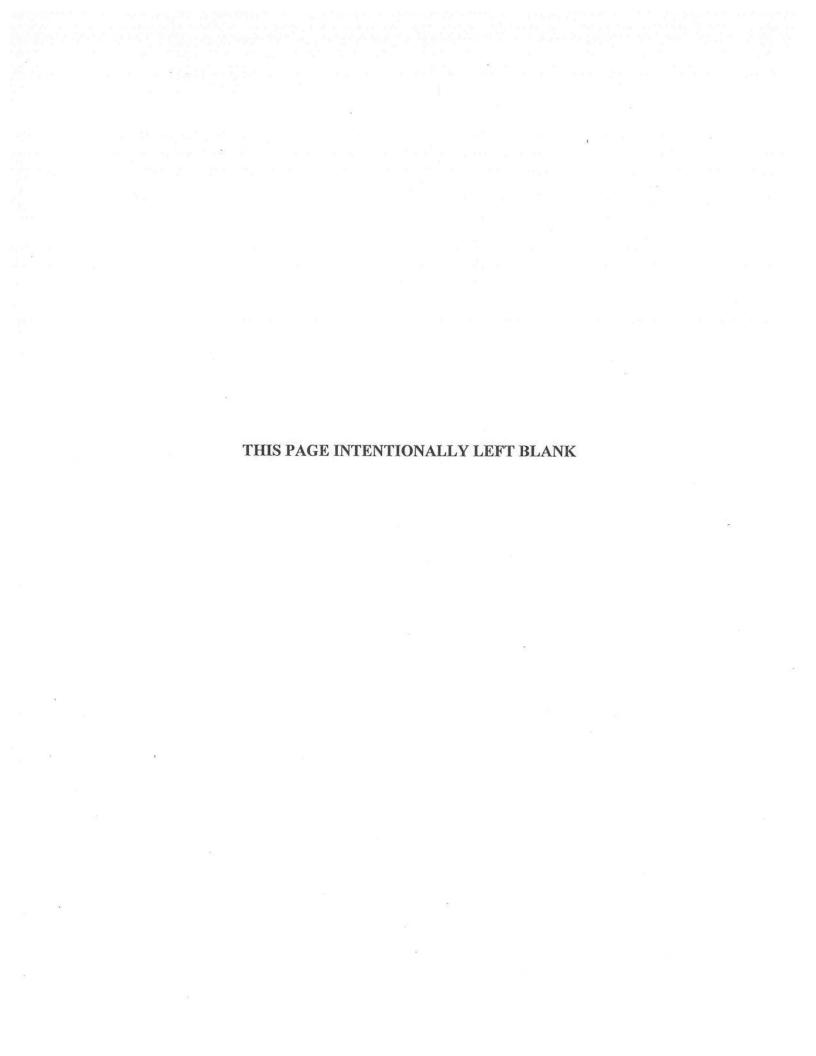
Economic Factors, Future Years' Budgets and Rates

The Commissioners and Management of the Authority consider many factors when preparing each year's budget and annual charges. The main factors are maintaining the Authority's existing system, plans for improvements, respond to new regulations issued by the State and Federal governments and understanding the current economic conditions impacting the Authority and our customers.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) MAY 31, 2014

Contacting the Authority

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Pompton Lakes Borough Municipal Utilities Authority, 2000 Lincoln Avenue, Pompton Lakes, New Jersey 07442.



The Pompton Lakes Borough Municipal Utilities Authority (A Component Unit of the Borough of Pompton Lakes) Statement of Net Position

May 31,

		2014	2013
<u>ASSETS</u>	11515		
Current Assets:			
Unrestricted:			
Cash and Cash Equivalents	\$	1,442,558	1,602,734
Accounts Receivable-User Charges		211,033	163,511
Miscellaneous Receivables		5,000	6,549
Prepaid Expenses	-	35,646	39,413
Total Unrestricted Assets	_	1,694,237	1,812,207
Restricted:			
Operating Reserve Fund:			
Cash and Cash Equivalents	-	700,936	685,531
Current Debt Service Fund:			
Cash and Cash Equivalents	(5	196,221	199,557
Debt Service Reserve Fund:			
Cash and Cash Equivalents		207,325	216,325
	-	207,325	216,325
Construction Fund:	M7-		
Cash and Cash Equivalents		188,527	551,449
Due From NJ Environmental Infrastructure Trust		18,350	18,350
		206,877	569,799
Customer Deposits:			
Cash and Cash Equivalents	-	45,793	45,246
Escrow Deposits:			
Cash and Cash Equivalents	_	26,860	26,831
Total Current Assets:	\$	3,078,249	3,555,496

See accompanying notes to the financial statements.

The Pompton Lakes Borough Municipal Utilities Authority (A Component Unit of the Borough of Pompton Lakes) Statement of Net Position

May 31,

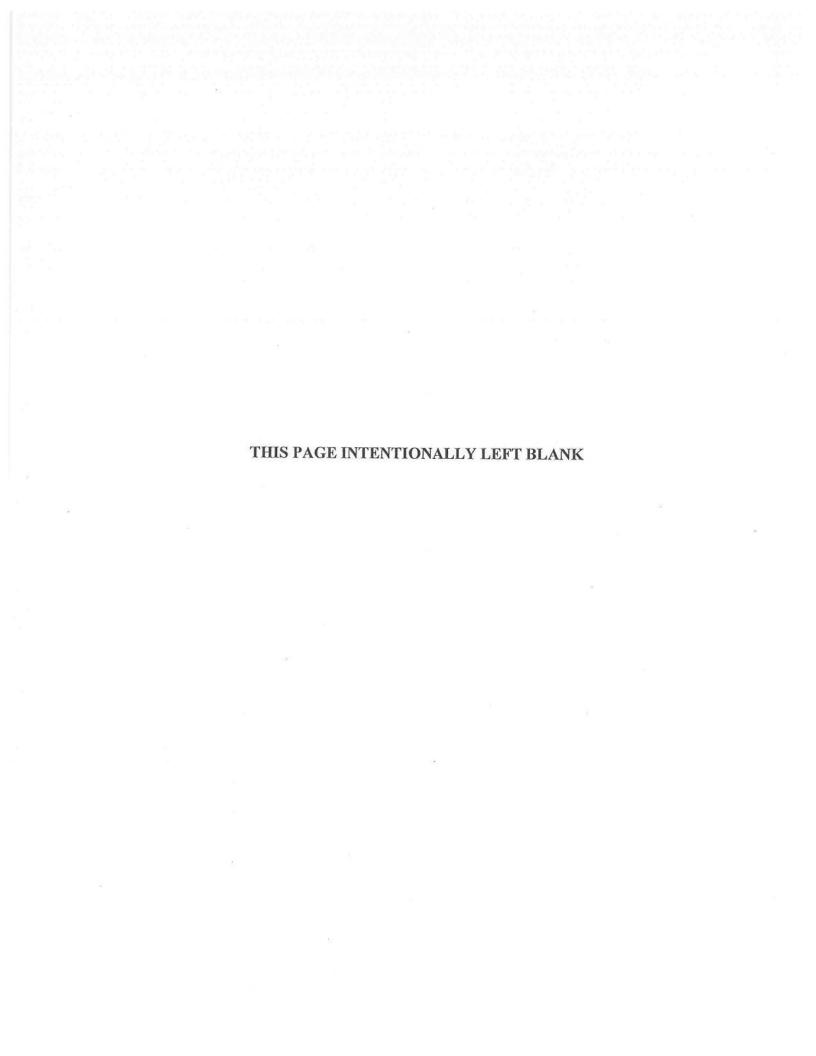
		2014	2013
Non-Current Assets:			
Capital Assets:			
Property, Plant and Equipment	\$	27,719,254	27,242,193
Construction In Progress		80,421	88,590
Less: Accumulated Depreciation		(14,108,968)	(13,193,587)
Total Capital Assets	_	13,690,707	14,137,196
TOTAL ASSETS	\$_	16,768,956	17,692,692
DEFERRED OUTFLOWS OF RESOURCES		8	
Loss on Advanced Refunding of Debt	_	95,776	107,748
TOTAL DEFERRED OUTFLOWS OF RESOURCES		95,776	107,748

See accompanying notes to the financial statements.

The Pompton Lakes Borough Municipal Utilities Authority (A Component Unit of the Borough of Pompton Lakes) Statement of Net Position

May 31, 2014

	2014	2013
LIABILITIES		
Current Liabilities:		
Payable From Unrestricted Assets:		
Accounts Payable	\$ 49,276	53,795
Accrued Liabilities:		
Compensated Absences	29,882	25,964
Total Current Liabilities Payable		
From Unrestricted Assets	79,158	79,759
Payable From Restricted Assets:		
Customer Deposits	45,793	45,246
Escrow Deposits Payable	26,860	26,831
Accrued Interest on Bonds Payable	51,221	59,557
Revenue and Junior Lien Revenue Bonds	00-00 7	
Payable - Current Portion	375,605	324,902
Total Current Liabilities Payable		
From Restricted Assets	499,479	456,536
Non-Current Liabilities : Long-Term Portion of Revenue Bonds and Loans Payable	4,614,099	5,043,669
TOTAL LIABILITIES	\$5,192,736	5,579,964
DEFERRED INFLOWS OF RESOURCES Unamortized Bond Premium	104,325	110,761
TOTAL DEFERRED INFLOWS OF RESOURCES	104,325	110,761
NET POSITION		
Net Investment in Capital Assets	8,899,333	9,335,411
Restricted:		
Operating Reserve	700,936	685,531
Current Debt Service	145,000	140,000
Debt Service Reserve	207,325	216,325
Unrestricted:		
Designated	836,318	511,509
Undesignated	778,759	1,220,939
TOTAL NET POSITION	\$11,567,671_	12,109,715



The Pompton Lakes Borough Municipal Utilities Authority (A Component Unit of the Borough of Pompton Lakes) Statement of Revenues, Expenses and Changes in Net Position

For The Year Ended May 31,

	2014	2013
Operating Revenues:		
Water Charges	\$ 606,437	604,392
Sewer Charges	2,248,335	2,200,368
Other	257,254	202,502
Interest On Delinquent Accounts	12,944	25,719
Total Operating Revenues	3,124,970	3,032,981
Operating Expenses:	*	
Costs of Providing Services	1,379,341	1,460,745
Administrative, General and		
Employee Benefits	1,048,257	1,005,564
Depreciation	915,381	863,298
Total Operating Expenses	3,342,979	3,329,607
Operating Income (Loss)	(218,009)	(296,626)
Non-Operating Revenues (Expenses):		
Interest on Investments	740	906
FEMA Reimbursement		89,711
Interest Expense	(122,867)	(131,317)
Amortization	(5,535)	(5,535)
NJEIT Repayment Settlement	(170,373)	
Dam Inspection Fees	(26,000)	
Loss on Disposal of Equipment		
Non-Operating Income / (Loss)	(324,035)	(46,235)
Change in Net Position	(542,044)	(342,861)
Net Position - June 1,	12,109,715	12,452,576
Net Position - May 31,	\$11,567,671_	12,109,715



The Pompton Lakes Borough Municipal Utilities Authority (A Component Unit of the Borough of Pompton Lakes) Statement Of Cash Flows

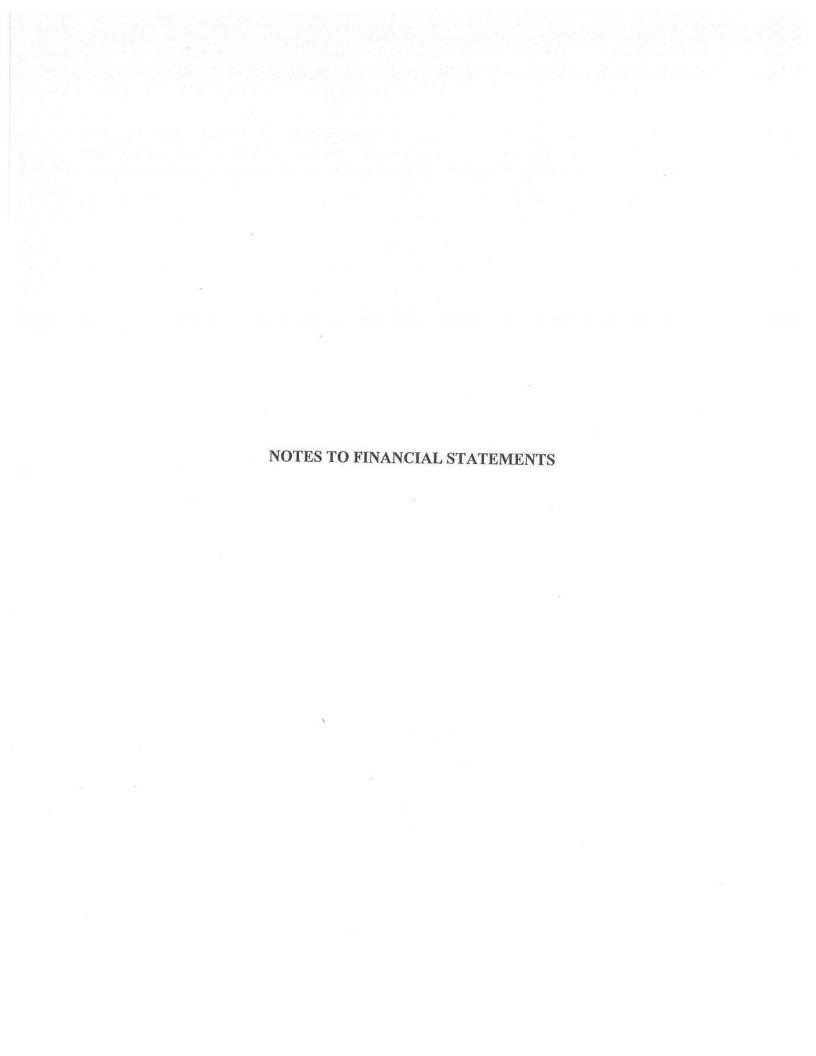
For The Years Ended May 31,

	_	2014	2013
Cash Flow from Operating Activities:			
Cash received from customers and users	\$	3,066,629	3,053,567
Interest received	•	13,684	37,944
Cash Paid to suppliers and employees		(2,450,430)	(2,484,365)
Interest paid	_	(131,203)	(132,839)
Net Cash Provided by Operating Activities		498,680	474,307
Cash Flow from Investing Activities:			
Investment Maturities			1,043,330
Purchase of Property, Plant and Equipment		(468,892)	(1,144,068)
Net Cash Provided by (used in) Investing Activities		(468,892)	(100,738)
Cash Flow from Financing Activities:			
Payment of 1998 Refunding Bonds		(340,000)	(130,000)
Payment of NJEIT Loans		(184,902)	(102,847)
FEMA Reimbursement			89,711
Received from NJEIT Trust/Fund			1,221,397
NJEIT Settlement Repayment	1	(24,339)	
Net Cash Used in Financing Activities		(549,241)	1,078,261
Net Increase/(Decrease) in Cash and Cash Equivalents		(519,453)	1,451,830
Cash and Cash Equivalents at Beginning of Year		3,327,673	1,875,843
Cash and Cash Equivalents at End of Year	\$	2,808,220	3,327,673
Reconciliation to Statement of Net Position -			
Cash and Cash Equivalents:			
Unrestricted Assets	\$	1,442,558	1,602,734
Restricted Assets:			
Operating Reserve Fund		700,936	685,531
Current Debt Service Fund		196,221	199,557
Debt Service Reserve Fund		207,325	216,325
Construction Fund		188,527	551,449
Customer Deposit Account		45,793	45,246
Escrow Accounts		26,860	26,831
	\$	2,808,220	3,327,673

The Pompton Lakes Borough Municipal Utilities Authority (A Component Unit of the Borough of Pompton Lakes) Statement Of Cash Flows

For The Years Ended May 31,

	2014	2013
Reconciliation of change in net position to net cash		
provided (used) by operating activities		69-12
Change in Net Position	\$ (542,044)	(342,861)
Adjustments to Reconcile Change in Net Position		
to Net Cash Provided by Operating Activities:		
Depreciation	915,381	863,298
NJEIT Settlement	170,373	
FEMA Reimbursement		(89,711)
Amortization	(6,436)	(6,436)
Amortization of Deferred Loss on		
Refunding - Series 1998	11,973	11,973
(Increase) Decrease In:		
Accounts Receivable-User Charges	(47,522)	16,048
Miscellaneous Receivables	1,549	4,537
Accrued Interest Receivable		37,038
Prepaid Expenses	3,767	(2,913)
Increase (Decrease) In:		
Accounts Payable	(4,519)	(14,045)
Accrued Interest Payable	3,918	(1,522)
Customer Deposits	547	1,521
Escrow Deposits Payable	29	(76)
Accrued Liabilities	 (8,336)	(2,544)
Net Cash Provided by Operating Activities	\$ 498,680	474,307



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NOTES TO FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2014 AND 2013

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pompton Lakes Borough Municipal Utilities Authority was created to construct and operate a water distribution system and a wastewater collection and treatment system to serve the Borough of Pompton Lakes, New Jersey. The Authority bills and collects its revenue only from the users of the systems. On May 1, 1993 the Authority entered into a service contract with the Borough of Pompton Lakes.

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

A. Basis of Presentation and Accounting

Basis of Presentation

The financial statements of the Pompton Lakes Borough Municipal Utilities Authority have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to enterprise funds of state and local governmental units. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, accountability or other purposes. The Governmental Accounting Standards Board GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant of the Authority's accounting policies are described below.

On June 1, 2012, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which amends the net asset reporting requirement of Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, and other pronouncements by incorporating deferred outflows from resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The classifications of net position are defined as follows:

NOTES TO FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2014 AND 2013 (continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

A. Basis of Presentation and Accounting, (continued)

- Invested in capital assets, net of related debt This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are any significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather that portion of the debt is included in the same net assets component as the unspent proceeds.
- Restricted This component of net position consists of constraints placed on net assets used through external constraints imposed by creditors (such as through debt convents), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted This component of net position consists of net assets that do not meet the
 definition of "restricted" or "invested in capital assets, net of related debt."

Basis of Accounting

The Pompton Lakes Borough Municipal Utilities Authority prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

Reporting Entity

GASB has issued Statement No. 61 which amends GASB 14 and requires the financial reporting entity to include both the primary government and those component units. Component units are legally separate organizations for which the Authority is financially accountable or other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Authority is financially accountable to the Borough of Pompton Lakes (the "Borough") since the Borough appoints a voting majority of the Authority's board, and (1) the Borough is able to significantly influence the programs or services performed or provided by the Authority; or (2) the Borough is legally entitled to or can otherwise access the

NOTES TO FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2014 AND 2013 (continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

A. Basis of Presentation and Accounting, (continued)

Authority's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the Authority; or the Borough is obligated for the debt of the Authority. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the Authority is a component unit of the Borough.

B. Grants

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

C. Accounts Receivable

Bad debts are charged to operations in the year in which the account is determined uncollectable. If the reserve method of accounting for uncollectable accounts were used, it would not have a material effect on the financial statements.

D. Inventories

Inventories of materials and supplies are considered expenditures when purchased.

E. Property, Plant and Equipment

Property, plant and equipment is stated at cost which included direct construction costs and other expenditures related to construction.

System construction costs are changed to construction in progress until such time as given segments of the system are completed and put into operation.

Depreciation is determined on the straight-line method for all property, plant equipment.

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

NOTES TO FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2014 AND 2013 (continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

F. Restricted Accounts

In accordance with the 1998 Supplemental Resolution No. 4 authorizing the issuance of Junior Lien Revenue Bonds, the Authority has established the following cash and investment accounts for the deposit, in the priority of the order listed, of all revenues received by the Authority.

Account				
ъ				

Amount

Use for Which Restricted

Revenue Fund

All revenues received by the Authority in excess of the amounts required under the Resolution. Transfer to the various accounts described below.

Bond Service Fund

The amount of money equal to any unpaid interest then due, plus any interest to become due at or before the first (1st) day of June next ensuing, plus any unpaid principal then due, plus any principal maturing at or before the first (1st) day of June next ensuing.

Principal and interest on Bonds.

Sinking Fund

The amount needed (if any) to increase the amount then or theretofore paid during the fiscal year into the Sinking Fund so that it equals the aggregate amount of all Sinking Fund Installments (if any) required to be paid on the next succeeding June 1.

The amount of money required by or pursuant to a Supplemental Resolution of the Authority to be paid by the Authority on a particular date toward the requirement of any particular Outstanding Junior Lien Bonds which mature on a single date in a fiscal year beginning after said particular date. The Authority has not adopted any such Supplemental Resolution.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2014 AND 2013 (continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

F. Restricted Accounts, (continued)

Account	<u>Amount</u>	Use for Which Restricted		
Bond Reserve Fund	An amount of money equal to the Maximum Annual Bond Service.	To make up the deficiency, if any, in the Bond Service Fund.		
Renewal and Replacement Fund	An amount of money equal to the System Reserve Requirement, which is \$0.00 or the sum (if larger) approved by the Authority and stated as required as a reserve in the Consulting Engineer's Certificate most recently filed with the Trustee. No such Certificate has been filed with the Trustee.	(1) If the amount in the Bond Reserve Fund shall be less than the bond reserve requirement as of such date, to increase the amount in the Bond Reserve Fund so that it equals such bond reserve requirement; (2) for reasonable and necessary expenses of the Authority with respect to the System, for improvements, construction, reconstruction, major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals and for cost of equipment.		
Any balance remaining in the revenue account after making all transfers required to be made to the foregoing accounts.		(1) If the amount in the Bond Reserve Fund shall be less than the bond reserve requirement as of any date, to increase the amount in the Bond Service Fund so that it equals such bond reserve requirement; (2) provided the amounts in the Bond Service Fund, Sinking Fund, Bond Reserve Fund, and Renewal and Replacement Fund equal or exceed the minimum requirements in each such fund and the Authority is not in default in the		

payment of the principal of or interest on or the Redemption Price of any of the Junior Lien Bonds, any balance in the General Fund may be withdrawn by the Authority and may be spent by the

Authority for any lawful purpose.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2014 AND 2013 (continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

F. Restricted Accounts, (continued)

In addition to the above, the Authority has also established the following restricted accounts:

Customer deposit for monies received from customer to assure payment or performance. Deposits are retained in the account until the customer withdraws from the system and satisfies all outstanding debts to the Authority.

Payroll agency account for the retention of various payroll deductions, pending payment to the appropriate agency.

Escrow deposit accounts for the payment of costs of various projects.

NJEIT capital account for the payment of costs of various projects funded by the New Jersey Environmental Infrastructure Trust.

G. Accrued Vacation Benefits

Pompton Lakes Borough Municipal Utilities Authority employees are granted sick and vacation leave in varying amounts. Employees are permitted to accumulate sick days, however no reimbursement is given upon termination or resignation. In the event of termination, an employee is reimbursed for accumulated vacation days. Accrued vacation benefits amounting to \$29,882, as of May 31, 2014, has been recorded as an expenditure and a liability of the Authority.

H. Allowance for Doubtful Accounts

The Authority does not provide an allowance for doubtful accounts because of the Authority's ability to compel payments through the lien or shut off process.

I. Operating Fund Budget

The budget amounts included in the schedule of operating revenues and cost funded by operating revenues compared to budget were approved in accordance with the requirements of the "Local Finance Board" of the State of New Jersey, and were adopted by the Commissioners after a public hearing.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2014 AND 2013 (continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

K. Capitalized Interest

Interest expense is capitalized on qualified projects, net of interest revenue earned on the proceeds, from the time of borrowing funds for the project until the completion of the project. Thus, during the construction of a qualified project, there would be no impact upon operating results for interest expense or income. Instead, the net interest cost would be added to the cost of the project.

L. Net Position

Equity is classified as net position and displayed in three components:

- 1) Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted when constraints placed on net position are either a) externally imposed by creditors (such as debt covenants), grants, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted any other net position that does not meet the definition of "restricted" or "net investment in capital assets."

NOTES TO FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2014 AND 2013 (continued)

1. <u>ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>, (continued)

M. Recent Accounting Pronouncements

The Government Accounting Standards Board issued GASB Statement No. 67, Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25. The objective of this Statement is to improve financial reporting by state and local government pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision - useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve financial reporting by state and local government for pensions. It also improves information provided by state and local governmental employees about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating transparency. This Statement is effective for financial statements for fiscals years beginning after June 15, 2014. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued <u>GASB Statement No. 69</u>, Government Combinations and Disposals of Government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term "government combinations" includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement is effective for financial statements beginning after December 15, 2013. The Authority does not believe this Statement will materially affect its current practice.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2014 AND 2013 (continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

M. Recent Accounting Pronouncements, (continued)

The Government Accounting Standards Board issued GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued <u>GASB Statement No. 71</u>, Pension Transition for Contributions Made Subsequent to the Measurement Date. This Statement requires a state or local government employer to recognize a net pension liability measured as of a date no earlier than the end of its prior fiscal year. This Statement is effective for financial statements with fiscal years beginning after June 15, 2014. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

2. CASH AND CASH EQUIVALENTS

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, the Federal Savings and Loan 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 depository insurance limits as follows:

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

NOTES TO FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2014 AND 2013 (continued)

2. CASH AND CASH EQUIVALENTS, (continued)

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

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

<u>Custodial Credit Risk - Deposits</u>. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based on banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of May 31, 2014, \$-0- of the Authority's bank balance of \$2,850,156 was exposed to custodial credit risk.

3. PROPERTY, PLANT AND EQUIPMENT

Activity for the property, plant and equipment is summarized below:

	Balance May 31, 2013	A dditions	D-1-4'	Balance
Capital Assets Being Depreciated:	<u>Iviay 31, 2013</u>	Additions	Deletions	May 31, 2014
Buildings, Pumps, Mains	\$22,511,841	\$297,972	\$	\$22,809,813
Equipment and Vehicles	4,664,700	179,089	520	4,843,789
Total Capital Assets Being Depreciated	27,176,541	477,061		27,653,602
Capital Assets Not Being Depreciated:				
Land	65,652		Al	65,652
Construction in Progress	88,590	80,421	88,590	80,421
Total Capital Assets Not Being Depreciated	154,242	80,421	88,590	146,073
Total Capital Assets	27,330,783	557,482	88,590	27,799,675
Accumulated Depreciation	(13,193,587)	(915,381)	-	(14,108,968)
Net Property, Plant and Equipment	\$14,137,196	(\$357,899)	\$88,590	\$13,690,707

NOTES TO FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2014 AND 2013 (continued)

4. <u>UNAMORTIZED PREMIUM - DEFERRED INFLOW OF RESOURCES</u>

The Authority received a premium of \$40,422 in connection with the Series 2009 NJEIT financing; \$41,356 in connection with the Series 2010 NJEIT financing; and \$46,956 in connection with the Series 2012 NJEIT financing. These premiums are being amortized on a straight-line basis over the remaining lives of the bonds. Accumulated amortization at May 31, 2014 is \$24,409 and at May 31, 2013 is \$17,973. The unamortized balance as of May 31, 2014 is shown on the Statement of Net Position as a deferred inflow of resources.

5. LONG-TERM DEBT

The following is a summary of the Authority's long-term debt for the fiscal year ended May 31, 2014:

	Balance May 31, 2013	Issued	Deobligated/ Retired	Balance May 31, 2014
			<u>recom ou</u>	1114 51, 2014
1998 Refunding Bonds	\$1,685,000	\$	\$340,000	\$1,345,000
NJEIT Trust Loan Series 2009A	685,000		30,000	655,000
NJEIT Fund Loan Series 2009A	628,837		37,730	591,107
NJEIT Trust - Direct Loan	65,739		3,123	62,616
NJEIT Fund - Direct Loan	179,117		10,747	168,370
NJEIT Trust Loan Series 2010	400,000		15,000	385,000
NJEIT Fund Loan Series 2010	197,006		11,273	185,733
NJEIT Trust Loan Series 2012	370,000		15,000	355,000
NJEIT Fund Loan Series 2012	1,157,873	-	_62,029	1,095,844
	\$5,368,572	\$0	\$524,902	\$4,843,670

The Authority has issued and outstanding the following bonds and loans as of May 31, 2014 and 2013:

	Interest		
	Rate	<u>2014</u>	2013
1998 Refunding Bonds	4.00% - 4.50%	\$1,345,000	\$1,685,000
NJEIT Trust Loan Series 2009A	2.00% - 4.00%	655,000	685,000
NJEIT Fund Loan Series 2009A	0.00%	591,107	628,837
NJEIT Trust - Direct Loan	.610% - 4.18%	62,616	65,739
NJEIT Fund - Direct Loan	0.00%	168,370	179,116
NJEIT Trust Loan Series 2010	5.00%	385,000	400,000
NJEIT Fund Loan Series 2010	0.00%	185,733	197,006
NJEIT Trust Loan Series 2012	2.00% - 5.00%	355,000	370,000
NJEIT Fund Loan Series 2012	0.00%	1,095,844	1,157,873
Net Carrying Amount of Debt		<u>\$4,843,670</u>	<u>\$5,368,571</u>
Current Portion		375,605	324,902
Long-Term Portion		4,468,065	5,043,669
		\$4,843,670	\$5,368,571

NOTES TO FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2014 AND 2013 (continued)

5. LONG-TERM DEBT, (continued)

Presented below is a summary of debt service requirements to maturity by year.

May 31,	Principal	Interest	Total
2015	\$329,938	\$119,203	\$449,141
2016	334,987	110,030	445,017
2017	340,050	100,323	440,373
2018	355,125	89,917	445,042
2019-2023	1,732,102	282,576	2,014,678
2024-2028	1,105,464	117,494	1,222,958
2029-2033	646,004	18,480	664,484
Total	<u>\$4,843,670</u>	\$838,023	\$5,681,693

6. JUNIOR LIEN REVENUE REFUNDING BONDS (SERIES 1998)

On October 19, 1998, the Pompton Lakes Borough Municipal Utilities Authority issued \$2,720,000 in Junior Lien Revenue Refunding Bonds with a net interest cost of 4.483 percent in order to advance refund \$2,335,000 of outstanding 1992 Series C Junior Lien Revenue Bonds maturing on or after June 1, 2003 with a net interest cost of 6.893 percent, and to pay the expenses incidental to the authorization, issuance and delivery of the bonds. As a result of this refunding, that portion of the 1992 Junior Lien Revenue Bonds are considered to be defeased and the liability for those bonds has been removed from the balance sheet.

Although the advance refunding resulted in an accounting loss of \$287,326 for the fiscal year ended May 31, 1999, the Authority in effect reduced its aggregate debt service payments by \$534,264 over the next 22 years and obtained a gross present value debt service savings of \$296,409. This loss is being amortized on a straight line method.

7. NJEIT LOAN PROGRAM REPAYMENT

The Authority has agreed to repay an advance from NJEIT in the amount of \$170,373 over a period of seven years at zero percent interest. The Authority has made the first installment of \$24,339 and had a remaining outstanding balance as of May 31, 2014 as follows:

6/1/15	\$24,339
6/1/16	24,339
6/1/17	24,339
6/1/18	24,339
6/1/19	24,339
6/1/20	24,339
	\$146,034

NOTES TO FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2014 AND 2013 (continued)

8. LOSSES ON DEBT DEFEASANCE

Accounting losses on advanced refundings of debt will be amortized over the life of the new debt. The unamortized amount as of May 31, 2014 was \$95,776 and is shown on the Statement of Net Position as a deferred outflow of resources.

9. NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

The Authority issued Bonds through the New Jersey Environmental Infrastructure Trust (the "Trust") to finance the cost of various capital improvements being made to its facilities. The proceeds of the Bond are held by the Trust until the Authority expends the funds on the project. The Authority then submits for reimbursement of these expenditures from the Trust. The following is the remaining amounts to be received from the Trust:

	Balance May 31, 2013	Loans	Deobligated/ Received	Balance May 31, 2014
NJEIT Trust - Series 2012 NJEIT Fund - Series 2012	\$4,587 	\$	\$	\$4,587 13,763
	<u>\$18,350</u>	<u>\$0</u>	\$0	\$18,350

These funds shall be disbursed to the Authority under the terms of its loan agreements with the New Jersey Environmental Infrastructure Trust.

10. EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Authority employees who are eligible for pension coverage.

<u>Public Employees' Retirement System (PERS)</u> - Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care for those eligible employees whose local employers elected to do so, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement health care coverage.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Authority employees who are eligible for pension coverage.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2014 AND 2013 (continued)

10. PENSION PLAN, (continued)

<u>Defined Contribution Retirement Program (DCRP)</u> - Established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employers who would otherwise be eligible to participate in PERS and do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to State law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasurey/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS operate and to the benefit provisions of those systems.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2014 AND 2013 (continued)

10. PENSION PLAN, (continued)

This new legislation's provisions impacting employee pension and health benefits include:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement increased from 25 years to 30 years and the early retirement age increased from 55 to 65. The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.
- It increased the active member contribution rates as follows. PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years; PFRS active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2013, PERS member contribution rate was 6.64%. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2014 AND 2013 (continued)

10. PENSION PLAN, (continued)

Funding Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS is 64.5 percent with an unfunded actuarial accrued liability of \$47.2 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 56.7 percent and \$34.4 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 76.1 percent.

The funded status and funding progress of the retirement system is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2012 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.90% for investment rate of return for all the retirement systems except CPFPF (2.00%) and (b) changes to projected salary increases, which vary by fund.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 6.50% plus an additional 1% phased-in over 7 years beginning in July 2012 for PERS and 5.50% for DCRP of employees' annual compensation. The member contribution for PERS was 6.64% in fiscal year 2013.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2014 AND 2013 (continued)

10. PENSION PLAN, (continued)

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 20123 for PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended May 31, 2014, 2013 and 2012, the Authority was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program contributions, deferred pension obligation contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year.

Three-Year Trend Information for

Year	Annual Pension	Percentage of APC	Net Pension
<u>Funding</u>	Cost(APC)	Contributed	Obligation
5/31/14	\$101,565	100%	\$0
5/31/13	95,650	100	0
5/31/12	87,485	100	0

11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The Authority offers certain postemployment benefits other than pension for eligible employees upon retirement. Employees who retire with adequate years of age and service under the rules of the New Jersey State Health Benefits Plan (NJSHBP) and the Authority's Employee Contract (current contract for period June 1, 2013 to May 31, 2016) qualify for full paid or cost-sharing of premiums for retirement health insurance benefits including coverage for their spouse.

New Jersey State Health Benefits Program

Plan Description

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

NOTES TO FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2014 AND 2013 (continued)

11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION, (continued)

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 2007, the Pompton Lakes Borough Municipal Utilities Authority authorized participation in the SHPB's post-retirement benefit program through a resolution adopted December 11, 2007. Under the provisions of Chapter 88, P.L. 1974, as amended by Chapter 436, P.L. 1981, members enrolled in the New Jersey State Health Benefits Program who retire from the Pompton Lakes Borough Municipal Utilities Authority with adequate years of age and service in the State of New Jersey pension system, or an approved disability retirement, shall be eligible for paid retirement medical coverage which includes surviving spouses.

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

Funding Policy

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Pompton Lakes Borough Municipal Utilities Authority on a monthly basis.

The Pompton Lakes Borough Municipal Utilities Authority contributions to SHBP for retirees for the years ended May 31, 2014, 2013 and 2012 were \$68,202, \$42,807 and \$27,790, respectively, which equaled the required contributions for each year. There were approximately 4, 5 and 2 retired participants eligible at May 31, 2014, 2013 and 2012, respectively.

The Authority maintains a reserve account in the amount of \$301,000 to help defray the cost of retiree health benefits.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2014 AND 2013 (continued)

12. AMOUNTS REQUIRED BY BOND RESOLUTIONS

The following cash and investment account is required by the Junior Lien Revenue Bond Resolutions:

Operating Reserve Fund	
Cash and Cash Equivalents	\$748,467
Operating Reserve Requirement	700,936
Excess or (Deficiency)	\$47,531
Bond Debt Service Reserve Fund	
Cash and Cash Equivalents	\$212,074
Bond Reserve Fund Requirement	207,325
Excess or (Deficiency)	4,749
Bond Debt Service Principal and Interest Fund	
Cash and Cash Equivalents	\$196,221
Debt Service Principal and Interest	
Requirements	196,221
Excess or (Deficiency)	\$ -0-

13. COMPLIANCE WITH CONTRACTUAL PROVISION OF BOND RESOLUTION

The 1989 Junior Lien Revenue Bond Resolution requires that the Authority establish Service Charges (1) to pay all operating expenses, and (2) to provide one hundred per centum (100%) of the Bond Service for such Fiscal Year (except any part thereof the payment of which has been provided for by the deposit of proceeds of Junior Lien Bonds in the Bond Service Fund).

The service charges in effect during the year ended May 31, 2014 met the requirements of the 1989, 1992, 1997 and 1998 Junior Lien Bond Resolutions.

14. COMMITMENTS AND CONTINGENT LIABILITIES

The Authority has entered into a contract for the South Pumping Generator and ATS replacement. This contract was awarded to Manor II Electric Inc. in the amount of \$103,302 and was outstanding as of May 31, 2014.

The Authority's attorney has advised them that there are no known material commitments or contingencies that would have a material effect on the financial statements.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED MAY 31, 2014 AND 2013 (continued)

15. OTHER MATTERS

Since 2008, the Authority has dealt with the NJDEP Bureau of Dam Safety & Flood Control in the evaluation of the condition of the Lower Twin Lakes Dam, built in 1926, located on Authority property deeded to the Authority in the 1970's. Ongoing analysis and evaluation continues, including bi-annual inspections (latest October, 2013). An updated and revised plan for rehabilitation of the dam was submitted in June, 2014 to the NJDEP, including a permit application. While no decisions have been made by the Authority regarding whether the rehabilitation is necessary, especially in lieu of good dam performance under recent hurricane and superstorm conditions, estimates on the cost of rehabilitation have been revised to be between \$400,000 and \$700,000. The review of the design application and permit application could be completed by April 2015 and work could commence within 24 months of that date (April 2017).

16. RISK MANAGEMENT

The Pompton Lakes Borough Municipal Utilities Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Pompton Lakes Borough Municipal Utilities Authority is currently a member of the New Jersey Utility Authorities Joint Insurance Fund, a public entity risk pool currently composed of 46 member authorities. The Fund provides members with Property, Liability, and Workers Compensation Insurance, and Public Officials Liability Insurance.

17. DESIGNATION OF UNRESTRICTED NET ASSETS

The Authority's General and Operating Accounts maintain funds that, although may be spent for any lawful purpose by the Authority, have been designated by the Board as follows:

Appropriated in Subsequent Year's Budget	\$537,318
Designated for Retiree Health Benefits	301,000

\$838,318

At May 31, 2014, the Authority reported a total amount of \$838,318 of Unrestricted Net Assets — Designated for the purposes describe above.

18. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through July 22, 2014, the date which the financial statements were available to be issued and no other items were noted for disclosure.

The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Schedule Of Revenues, Expenses And
Changes In Net Position Restricted And Unrestricted

For The Years Ended May 31, 2014 and 2013

			Kestricted		Onres	Unrestricted		
	Invested in		Current				Total (Memo)	emo)
	Capital	Operating Reserve Fund	Debt Service Reserve Fund	Debt Service Reserve Fund	Designated	Undesignated	2014	2014
Operating Revenues:						100	200	200 200
water Charges Sewer Charges						2.248.335	2.248.335	2.200.368
Other						257,254	257,254	202,502
Interest on Delinquent Accounts						12,944	12,944	25,719
Total Operating Acvenues			7			3,124,970	3,124,970	3,032,981
Operating Expenses: Costs of Providing Services						1,379,341	1,379,341	1,460,745
Administrative, General and						1 048 257	1 048 257	1 005 564
Depreciation						915,381	915,381	863,298
Total Operating Expenses						3,342,979	3,342,979	3,329,607
Operating Income (Loss)						(218,009)	(218,009)	(296,626)

The Pompton Lakes Borough Municipal Utilities Authority
[A Component Unit of the Borough of Pompton Lakes]
Schedule Of Revenues, Expenses And
Changes In Net Position Restricted And Unrestricted

For The Years Ended May 31, 2014 and 2013

			Restricted		Unres	Unrestricted		
	Invested in	Oneroting	Current	Dob't Counties			Total (Memo)	(emo)
1	Assets	Reserve Fund	Reserve Fund	Reserve Fund	Designated	Undesignated	2014	2013
Non-Operating Revenue and (Expenses): Interest Income	2					740	740	906
								89,711
						(122,867)	(122,867)	(131,317)
						(170,373)	(170,373)	(cress)
E E						(324,035)	(324,035)	(46,235)
Net Income (Loss) Before Transfers and Capital Contributions						(542,044)	(542,044)	(342,861)
- 1	(436,078)	15,405	5,000	(0,000)	324,809	99,864		
	(436,078)	15,405	5,000	(0000)	324,809	(442,180)	(542,044)	(342,861)
E	9,335,411	685,531	140,000	216,325	511,509	1,220,939	12,109,715	12,452,576
Н	8,899,333	700,936	145,000	207,325	836,318	778,759	11,567,671	12,109,715

The Pompton Lakes Borough Municipal Utilities Authority (A Component Unit of the Borough of Pompton Lakes) Schedule Of Cash Receipts, Cash Disbursements And Changes In Cash and Investments Unrestricted And Restricted Accounts For The Year Ended May 31, 2014

Account Fund Fund I	
Total Cash Receipts Cash and Investments Cash and Investments Cash and Investments Cash and Interest Payments Cash and I	struction Fund
Cash Receipts Customer Deposits Cash Areceipts Cash Areceipts Cash Receipts Customer Deposits Cash Areceipts Customer Deposits Cash And Investments Cash Areceipts Cash Are	
Interest on Investments	551,449
Interest on Investments	
Water and Sewer Charges Customer Deposits Other 84,401 Employee/Employer Payroll Tax Contributions 521,009 Net Payroll Transfers 193,037 Transfers 2,477,176 193,110 521,009 Cash Receipts 2,561,577 193,110 521,009 Cash and Investments Available 2,840,719 1,386,640 541,018 Cash Disbursements: Operations 2,771,328 535,443 Capital Expenditures Employee/Employer Payroll Tax Contributions 535,443 Bond Principal Payments 200,000 535,443 Customer Deposits Other 771,328 200,000 535,443 Total Cash Disbursements 2,771,328 200,000 535,443 Cash, Cash Equivalents and Investments - May 31, 2014 69,391 1,186,640 5,575 Analysis of Balance: Cash and Cash Equivalents 69,391 1,186,640 5,575 Investments - - - -	412
Customer Deposits Other 84,401 Employee/Employer Payroll Tax Contributions Net Payroll Transfers Transfers 2,477,176 193,037 Total Cash Receipts 2,561,577 193,110 521,009 Cash and Investments Available 2,840,719 1,386,640 541,018 Cash Disbursements: Operations 2,771,328 Capital Expenditures Employee/Employer Payroll Tax Contributions Bond Principal Payments 200,000 Bond Interest Payments Customer Deposits Other Transfers Total Cash Disbursements: 2,771,328 200,000 535,443 Cash, Cash Equivalents and Investments - May 31, 2014 69,391 1,186,640 5,575 Investments 69,391 1,186,640 5,575 Investments 69,391 1,186,640 5,575 Investments 69,391 1,186,640 5,575 Investments 69,391 1,186,640 5,575	
Other 84,401 Employee/Employer Payroll Tax Contributions 521,009 Net Payroll Transfers 193,037 Transfers 2,477,176 193,037 Total Cash Receipts 2,561,577 193,110 521,009 Cash and Investments Available 2,840,719 1,386,640 541,018 Cash Disbursements: Operations 2,771,328 535,443 Capital Expenditures 535,443 535,443 535,443 Bond Principal Payments 200,000 535,443 535,443 Bond Interest Payments 200,000 535,443 535,443 Other Transfers 771,328 200,000 535,443 Cash, Cash Equivalents and Investments - May 31, 2014 69,391 1,186,640 5,575 Analysis of Balance: Cash and Cash Equivalents 69,391 1,186,640 5,575 Investments - - - -	
Employee/Employer Payroll Tax Contributions S21,009 Net Payroll Transfers 2,477,176 193,037 Total Cash Receipts 2,561,577 193,110 S21,009 Cash and Investments Available 2,840,719 1,386,640 S41,018 Cash Disbursements: Operations 2,771,328 Capital Expenditures Employee/Employer Payroll Tax Contributions S35,443 Bond Principal Payments 200,000 Bond Interest Payments Customer Deposits Other Transfers Total Cash Disbursements 2,771,328 200,000 S35,443 Cash, Cash Equivalents and Investments - May 31, 2014 69,391 1,186,640 5,575 Analysis of Balance: Cash and Cash Equivalents 69,391 1,186,640 5,575 Investments Cash Disbursements Cash and Cash Equivalents 69,391 1,186,640 5,575 Investments Cash Disbursements Cash and Cash Equivalents Cash and Cash E	135,018
Net Payroll Transfers	
Transfers 2,477,176 193,037 Total Cash Receipts 2,561,577 193,110 521,009 Cash and Investments Available 2,840,719 1,386,640 541,018 Cash Disbursements: Operations 2,771,328 Capital Expenditures Employee/Employer Payroll Tax Contributions Bond Principal Payments 200,000 Bond Interest Payments Customer Deposits Other Transfers Total Cash Disbursements 2,771,328 200,000 535,443 Cash, Cash Equivalents and Investments - May 31, 2014 69,391 1,186,640 5,575 Investments 69,391 1,186,640 5,575 Investments	
Cash and Investments Available 2,840,719 1,386,640 541,018 Cash Disbursements: Operations 2,771,328 2,771,328 Capital Expenditures Employee/Employer Payroll Tax Contributions 535,443 Bond Principal Payments 200,000 200,000 Bond Interest Payments 200,000 200,000 Customer Deposits Other 300,000	
Cash Disbursements: Operations Capital Expenditures Employee/Employer Payroll Tax Contributions Bond Principal Payments Customer Deposits Other Transfers Total Cash Disbursements Cash, Cash Equivalents and Investments - May 31, 2014 Analysis of Balance: Cash and Cash Equivalents 69,391 1,186,640 5,575 Investments	135,430
Operations	686,879
Capital Expenditures Employee/Employer Payroll Tax Contributions Bond Principal Payments 200,000 Bond Interest Payments Customer Deposits Other Transfers Total Cash Disbursements 2,771,328 200,000 535,443 Cash, Cash Equivalents and Investments - May 31, 2014 69,391 1,186,640 5,575 Analysis of Balance: Cash and Cash Equivalents 69,391 1,186,640 5,575 Investments	
Capital Expenditures Employee/Employer Payroll Tax Contributions Bond Principal Payments 200,000 Bond Interest Payments Customer Deposits Other Transfers Total Cash Disbursements 2,771,328 200,000 535,443 Cash, Cash Equivalents and Investments - May 31, 2014 69,391 1,186,640 5,575 Analysis of Balance: Cash and Cash Equivalents 69,391 1,186,640 5,575 Investments	
Bond Principal Payments 200,000	498,352
Bond Principal Payments 200,000	
Customer Deposits Other Transfers Total Cash Disbursements 2,771,328 200,000 535,443 Cash, Cash Equivalents and Investments - May 31, 2014 69,391 1,186,640 5,575 Analysis of Balance: Cash and Cash Equivalents 69,391 1,186,640 5,575 Investments	
Other Transfers Total Cash Disbursements 2,771,328 200,000 535,443 Cash, Cash Equivalents and Investments - May 31, 2014 69,391 1,186,640 5,575 Analysis of Balance: Cash and Cash Equivalents 69,391 1,186,640 5,575 Investments	
Transfers 2,771,328 200,000 535,443 Cash, Cash Equivalents and Investments - May 31, 2014 69,391 1,186,640 5,575 Analysis of Balance: Cash and Cash Equivalents 69,391 1,186,640 5,575 Investments	
Total Cash Disbursements 2,771,328 200,000 535,443 Cash, Cash Equivalents and Investments - 69,391 1,186,640 5,575 Analysis of Balance: Cash and Cash Equivalents 69,391 1,186,640 5,575 Investments - - - -	
Cash, Cash Equivalents and Investments - May 31, 2014 69,391 1,186,640 5,575 Analysis of Balance: Cash and Cash Equivalents 69,391 1,186,640 5,575 Investments - - - - - - - - - - - - -	
May 31, 2014 69,391 1,186,640 5,575 Analysis of Balance: Cash and Cash Equivalents 69,391 1,186,640 5,575 Investments	498,352
Analysis of Balance: Cash and Cash Equivalents 69,391 1,186,640 5,575 Investments	
Cash and Cash Equivalents 69,391 1,186,640 5,575 Investments	188,527
Investments	
	188,527
Normal Control of the	
69,391 1,186,640 5,575	188,527
Unrestricted 69,391 1,165,420 5,575	
	188,527
69,391 1,186,640 5,575	188,527

The Pompton Lakes Borough Municipal Utilities Authority (A Component Unit of the Borough of Pompton Lakes) Schedule Of Cash Receipts, Cash Disbursements And Changes In Cash and Investments Unrestricted And Restricted Accounts For The Year Ended May 31, 2014

	Trustee Revenue	Debt Service Interest	Bond Reserve	Customer Deposit
	Fund	Fund	Fund	Account
Cash, Cash Equivalents and Investments -				
June 1, 2013	672,193	177,470	212,060	45,246
Cash Receipts:				
Interest on Investments	84	7	14	7
Water and Sewer Charges	2,954,249			
Customer Deposits				5,319
Other				
Employee/Employer Payroll Tax Contributions				
Net Payroll Transfers				
Transfers		204,935		
Total Cash Receipts	2,954,333	204,942	14	5,326
Cash and Investments Available	3,626,526	382,412	212,074	50,572
Cash Disbursements:				
Operations				
Capital Expenditures				
Employee/Employer Payroll Tax Contributions				
Bond Principal Payments		140,000		
Bond Interest Payments		67,410		
Customer Deposits		57,110		4,780
Other	2,911			1,700
Transfers	2,875,148	- الكياسي		
Total Cash Disbursements	2,878,059	207,410		4,780
Cash, Cash Equivalents and Investments -				
May 31, 2014	748,467	175,002	212,074	45,792
Analysis of Balance:				
Cash and Cash Equivalents	748,467	175,002	212,074	45,792
Investments			11/1/2	
	748,467	175,002	212,074	45,792
Unrestricted	47,531		4,749	
Restricted	700,936	175,002	207,325	45,792
	748,467	175,002	212,074	45,792

The Pompton Lakes Borough Municipal Utilities Authority (A Component Unit of the Borough of Pompton Lakes) Schedule Of Cash Receipts, Cash Disbursements And Changes In Cash and Investments Unrestricted And Restricted Accounts For The Year Ended May 31, 2014

			Retiree Health	
		Escrow Deposit	Benefit Reserve	
		Fund	Account	Total
Cash, Cash Equivalents and Investments -		11 41 71	20.20	100
June 1, 2013		26,831	149,743	3,327,673
Cash Receipts:				
Interest on Investments		29	149	775
Water and Sewer Charges				2,954,249
Customer Deposits				5,319
Other				219,419
Employee/Employer Payroll Tax Contributions				521,009
Net Payroll Transfers				1.1-
Transfers				2,875,148
Total Cash Receipts		29	149	6,575,919
Cash and Investments Available		26,860	149,892	9,903,592
Cash Disbursements:				
Operations				2,771,328
Capital Expenditures				498,352
Employee/Employer Payroll Tax Contributions				535,443
Bond Principal Payments				340,000
Bond Interest Payments				67,410
Customer Deposits				4,780
Other				2,911
Transfers				2,875,148
Total Cash Disbursements				7,095,372
Cash, Cash Equivalents and Investments -				
May 31, 2014		26,860	149,892	2,808,220
Analysis of Balance:				
Cash and Cash Equivalents	2	26,860	149,892	2,808,220
Investments	-	20,800	145,652	2,000,220
		77.41		
	_	26,860	149,892	2,808,220
Unrestricted	**************************************		149,892	1,442,558
Restricted	-	26,860		1,365,662
		26,860	149,892	2 808 220
		20,000	147,072	2,808,220



The Pompton Lakes Borough Municipal Utilities Authority (A Component Unit of the Borough of Pompton Lakes) Schedule Of Operating Revenue And Costs Funded By Operating Revenue Compared To Budget

		2014		
	2014 Budget	Budget After Modifications	2014 Actual	2013 Actual
Revenues:	Duuget	Widdiffications	Actual	Actual
Unrestricted Net Position Appropriated	210,509	210,509	210,509	180,600
Water Charges	720,000	720,000	606,437	604,392
Sewer Charges	2,032,250	2,032,250	2,248,335	2,200,368
Other	186,406	186,406	257,254	202,502
Interest on Delinquent Accounts	20,000	20,000	12,944	25,719
Interest on Investments and Deposits	10,000	10,000	740	906
Total Operating Revenues	3,179,165	3,179,165	3,336,219	3,214,487
Expenses:				
Cost of Providing Services:	*			
Operating Salaries	625,000	625,000	609,296	609,157
Overtime Salaries	35,000	35,000	32,749	24,661
Professional Fees - Other	20,000	20,000	20,400	19,000
Engineering - Retainer	11,125	11,125	11,125	10,800
Engineering - Miscellaneous	25,000	25,000	7,160	10,555
Chemicals	60,000	60,000	65,984	60,705
Systems and Equipment - Repairs				
and Maintenance	150,000	150,000	86,324	120,749
Truck Expenses - Gas, Oil, License	25,000	25,000	22,890	29,078
Truck Expenses - Repairs	8,000	8,000	4,563	7,372
Vehicle & Equipment Leases	5,000	5,000	859	1,698
Electricity	320,000	320,000	308,532	303,128
Water Consumed in Operations	2,500	2,500	1,826	2,512
Sludge Removal	140,000	140,000	113,590	159,423
Uniforms	8,000	8,000	3,654	5,254
Fees and Permits	50,000	50,000	28,719	38,369
Lab Supplies and Expenses	35,000	35,000	35,807	34,671
Customer Refunds	3,500	3,500	214	3,125
Miscellaneous Supplies and Expenses	30,000	30,000	25,649	20,488
Sub-total Cost of Providing Services	1,553,125	1,553,125	1,379,341	1,460,745
Administrative, General Expenses and				
Employee Benefits:				
Administrative Salaries	310,000	310,000	305,056	303,173
Commissioners' Salaries	27,000	27,000	27,512	27,014
Administrative Trustees Fees	25,000	25,000	22,748	22,748
Customer Billing - Postage	6,000	6,000	7,432	5,955
Computer Programming	25,000	25,000	2,902	5,439
Computer Retainer	9,000	9,000	8,816	9,720
Auditing	26,000	26,000	26,500	24,980
Legal - Retainer	18,000	18,000	18,005	16,800
Legal - Miscellaneous	10,000	10,000	3,665	7,249
Office Supplies and Postage	10,000	10,000	8,532	7,970
Conferences and Seminars	10,000	10,000	6,765	8,535

The Pompton Lakes Borough Municipal Utilities Authority (A Component Unit of the Borough of Pompton Lakes) Schedule Of Operating Revenue And Costs Funded By Operating Revenue Compared To Budget

		2014		
	2014	Budget After	2014	2013
	Budget	Modifications	Actual	Actual
				and the same
Administrative General Ermaness and				
Administrative, General Expenses and Employee Benefits (continued):				
Special Accounting Services	6,000	6,000	4,000	£ 150
Printing and Publications	8,000			5,150
77-2		8,000	5,879	2,419
Telephone and Alarm System	18,000	18,000	14,559	17,226
Insurance	35,000	35,000	38,767	36,717
Building Repairs and Maintenance	20,000	20,000	19,532	12,619
Heating	8,000	8,000	1,924	1,199
Bank Sweep Fees	4,000	4,000	2,911	3,070
Employee Benefits:				
Public Employee Retirement System	105,000	105,000	101,565	95,650
Social Security Tax	80,000	80,000	71,385	71,505
Unemployment Compensation Insurance	4,000	4,000	4,290	4,445
Worker's Compensation Insurance	30,000	30,000	29,980	20,936
Medical Insurance Premium	275,000	275,000	247,330	252,238
Retiree Health Benefits	120,000	120,000	68,202	42,807
	1,189,000	1,189,000	1,048,257	1,005,564
	1,102,000	1,100,000	1,048,237	1,005,504
Debt Service:				
Bond Principal	309,226	309,226	324,902	242,847
Interest on Bonds	127,814	127,814	122,867	131,317
more on bonds	127,011	127,011	122,007	151,517
	437,040	437,040	447,769	374,164
Total Costs Funded by Operating Revenues	3,179,165	3,179,165	2,875,367	2,840,473

The Pompton Lakes Borough Municipal Utilities Authority (A Component Unit of the Borough of Pompton Lakes) Schedule Of Operating Revenue And Costs Funded By Operating Revenue Compared To Budget

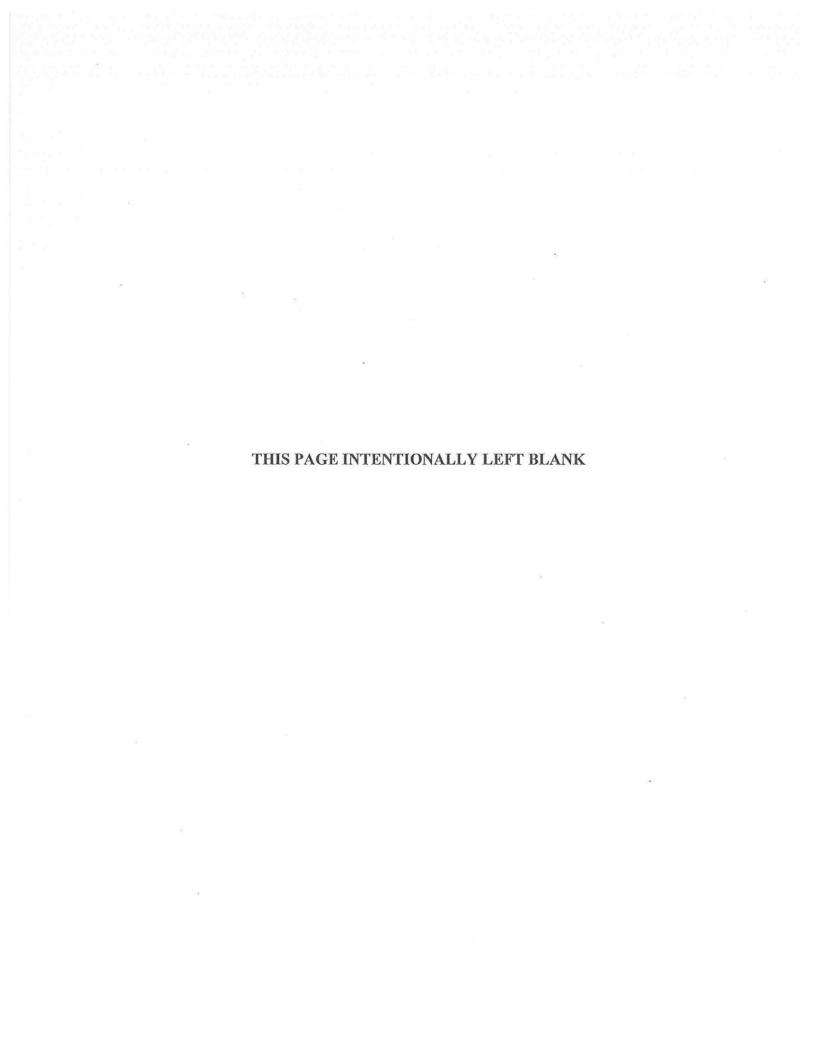
		2014		
	2014	Budget After	2014	2013
	Budget	Modifications	Actual	Actual
Excess of Actual Revenues Over Expenses			460,852	374,014
Reconciliation of Budgetary Basis to GAAP:				
Undesignated Retained Earnings			(210,509)	(180,600)
Other Income - FEMA Reimbursements			43 37 375	89,711
Depreciation			(915,381)	(863,298)
Amortization			(5,535)	(5,535)
Dam Inspection fees		*	(26,000)	
NJEIT Settlement Repayment			(170,373)	
Bond Principal	(New York Control of the Control of	-	324,902	242,847
Total Adjustments	-		(1,002,896)	(716,875)
Change in Net Position			(542,044)	(342,861)

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The Pompton Lakes Borough Municipal Utilities Authority (A Component Unit of the Borough of Pompton Lakes) Schedule Of Capital Financing Sources And Costs Funded By Financing Sources Compared To Budget

	2014 Budget	2014 Budget After Modifications	2014 Actual	2013 Actual
Financing Sources:				
Debt Authorization - NJEIT	1,120,000	1,120,000		714,288
Unrestricted Fund Balances	225,000	225,000	498,223	429,780
Total Financing Sources	1,345,000	1,345,000	498,223	1,144,068
Capital Outlays:				
Miscellaneous Water Main Valve Insertions	20,000	20,000	3,604	
Iron and Manganese Removal Systems	25,000	25,000		
Leak Dection Survey	10,000	10,000	8,750	
Well #1 Concrete Supports/Membrane Roofing	*			7,000
Installation of Solar Unit-Water Storage Tank				2,850
Trailer Mounted 125KW Emergency Generator	150,000	150,000	79,750	
Case 580N Backhoe	70,000	70,000	69,062	
Miscellaneous Upgrades to Water System	30,000	30,000	47,831	
Miscellaneous Survivity System	20,000	20,000	224	
Miscellaneous Security System Dam Bi-Annual Inspection/Permitting	40,000 10,000	40,000 10,000	234 9,500	33,000
Wastewater Treatment Plant SCADA	20,000	20,000	27,693	21,037
Milling and Paving Treatment Plant	20,000	20,000	21,093	61,230
Treatment Plant Thickener Upgrade				150,834
Miscellaneous Paving & Concrete Repairs	20,000	20,000	1,750	150,054
Main Treatment Plant Security Gate	40,000	40,000	28,354	
Fire Hydrant and Aux. Value Upgrades	50,000	50,000	,	
Upgrades of Water Main, Services & Values	150,000	150,000		
Miscellaneous Building Maintenance	37			2,280
Distribution Inspection Equipment	15,000	15,000		
Miscellaneous Computer and Office Equipment	50,000	50,000	53,748	
Water Main Inspection Equipment	10,000	10,000		
Security/Office/Computer Equipment				71,605
Misc. Upgrades to Pump Stations	50,000	50,000		11,979
S. Pump Station Generator & ATS Repl.	79/560000000	1/2017/06/00/20	0.2 - 18808.01	8,160
Miscellaneous Treatment Plant Upgrades	50,000	50,000	45,301	52,605
Water Storage Cathodic Protection	10,000	10,000		
South Pumping Station Emergency Generator	150,000	150,000	22,907	
Rehabilitation of #3 Primary Clarifier	100,000	100,000	61,190	
Upgrade of Sewer Mains, Laterals & Manholes	150,000	150,000		
Upgrade of South Pumping Station Controls	25,000	25,000		
Water Main Replacements				714,288 (1)
Glen Court Station Emergency Generator	30,000	30,000	35,129	
Micellaneous Infrastructure Upgrades	30,000	30,000	3,420	7,200
Collection System Inspection Equipment	10,000	10,000		
Collection System Inspection Equipment	10,000	10,000		
Total Capital Outlay	1,345,000	1,345,000	498,223	1,144,068
Excess of Actual Revenues Over Expenses	-			
Total	1,345,000	1,345,000	498,223	1,144,068

⁽¹⁾ Funded by New Jersey Environmental Infrastructure Trust.



The Pompton Lakes Borough Municipal Utilities Authority (A Component Unit of the Borough of Pompton Lakes) Schedule Of Revenue and Junior Lien Revenue Bonds Payable

	May 31, 2014									1,345,000																			655,000
, p. 1	Retired									340,000																			30,000
	Issued																												
Dolono	June 1, 2013									1,685,000																			000,589
44.00	Amount	145 000	150,000	155,000	165,000	170,000	175,000	190,000	195,000				30,000	30,000	30,000	35,000	35,000	35,000	40,000	40,000	40,000	45,000	45,000	45,000	50,000	20,000	50,000	55,000	÷
Motunition	Date	06/01/2014	06/01/2015	06/01/2016	06/01/2017	06/01/2018	06/01/2019	06/01/2020	06/01/2021				08/01/2014	08/01/2015	08/01/2016	08/01/2017	08/01/2018	08/01/2019	08/01/2020	08/01/2021	08/01/2022	08/01/2023	08/01/2024	08/01/2025	08/01/2026	08/01/2027	08/01/2028	08/01/2029	
Interact	Rate	4.300%	4.300%	4.500%	4.500%	4.500%	4.500%	4.500%	4.500%				2.000%	2.000%	5.000%	5.000%	2.000%	4.000%	4.000%	4.000%	3.500%	4.000%	4.000%	3.750%	4.000%	4.000%	4.000%	4.000%	
Original Tesuanca	Amount	2,720,000											735,000																
Original	Date	11/10/1998											12/2/2009																
		Series 1998 Refunding Bonds									NJEIT	Trust Loan	Series 2009.																

The Pompton Lakes Borough Municipal Utilities Authority (A Component Unit of the Borough of Pompton Lakes) Schedule Of Revenue and Junior Lien Revenue Bonds Payable

	Original assuance	Assummen	-	TARRESTANCE	The state of the s	Dalance		Kedeemed/	Багапсе
	Date	Amount	Rate	Date	Amount	June 1, 2013	Issued	Retired	May 31, 2014
Fund Loan									
A60	12/2/2009	704,297	0.000%	08/01/2014	25,153				
			%00000	02/01/2015	12,577				
			%000.0	08/01/2015	25,153				
			%00000	02/01/2016	12,577				
			0.000%	08/01/2016	25,153				
			0.000%	02/01/2017	12,577				
			0.000%	08/01/2017	25,153				
			0.000%	02/01/2018	12,577				
			0.000%	08/01/2018	25,153				
			0.000%	02/01/2019	12,577				
			0.000%	08/01/2019	25,153				
			%00000	02/01/2020	12,577				
			0.000%	08/01/2020	25,153				
			0.000%	02/01/2021	12,577				
			%000.0	08/01/2021	25,153				
			0.000%	02/01/2022	12,577				
			%00000	08/01/2022	25,153				
			0.000%	02/01/2023	12,577				
			0.000%	08/01/2023	25,154				
			0.000%	02/01/2024	12,577				
			0.000%	08/01/2024	25,153				
			%00000	02/01/2025	12,577				
			%00000	08/01/2025	25,154				
			0.000%	02/01/2026	12,577				
			%00000	08/01/2026	25,153				
			0.000%	02/01/2027	12,577				
			0.000%	08/01/2027	25,154				
			0.000%	02/01/2028	12,577				
			%000.0	08/01/2028	25,153				
			%000.0	02/01/2029	12,577				
			%000.0	08/01/2029	25,154				
						758 869		77 730	501 107

The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Schedule Of Revenue and Junior Lien Revenue Bonds Payable

Amount Rate Date Amount 71,914 1.550% 08/01/2014 3,159 2.300% 08/01/2015 3,208 2.500% 08/01/2016 3,270 2.500% 08/01/2017 3,346 2.760% 08/01/2017 3,432 2.970% 08/01/2019 3,432 2.970% 08/01/2020 3,632 3.200% 08/01/2021 3,474 3.200% 08/01/2021 3,870 3.520% 08/01/2022 4,004 3.520% 08/01/2023 4,149 3.200% 08/01/2023 4,149 3.200% 08/01/2023 4,468 4.100% 08/01/2026 4,468 4.100% 08/01/2028 4,830 4.180% 08/01/2028 5,027 5.027 5,027	Orig	ial Issu	Interest	Maturities	ities	Balance		Redeemed/	Balance
71,914 1.550% 08/01/2014 3,159 1.950% 08/01/2015 3,208 2.300% 08/01/2016 3,270 2.590% 08/01/2017 3,346 2.970% 08/01/2019 3,527 3.160% 08/01/2021 3,477 3.480% 08/01/2021 3,870 3.520% 08/01/2022 3,870 3.520% 08/01/2022 4,004 3.720% 08/01/2023 4,004 3.720% 08/01/2023 4,004 4.149 3.820% 08/01/2023 4,468 4.100% 08/01/2028 4,830 4.180% 08/01/2028 5,027 3,123	Date	Amount	Rate	Date	Amount	June 1, 2013	Issued	Retired	May 31, 2014
71,914 1.550% 08/01/2014 3,159 1.950% 08/01/2015 3,208 2.300% 08/01/2016 3,270 2.590% 08/01/2018 3,346 2.760% 08/01/2018 3,432 2.970% 08/01/2019 3,527 3.160% 08/01/2021 3,747 3.480% 08/01/2021 3,747 3.480% 08/01/2022 3,870 3.520% 08/01/2022 4,004 3.720% 08/01/2023 4,004 3.720% 08/01/2024 4,149 4,149 3.720% 08/01/2026 4,468 4.00% 08/01/2028 4,830 4.100% 08/01/2028 4,830 4.180% 08/01/2028 4,830 3.123									
08/01/2015 3,208 08/01/2016 3,270 08/01/2018 3,432 08/01/2019 3,527 08/01/2020 3,632 08/01/2021 3,747 08/01/2023 4,004 08/01/2025 4,468 08/01/2026 4,468 08/01/2026 4,643 08/01/2028 5,027 08/01/2029 5,027	2/23/2010		1.550%	08/01/2014	3,159				
08/01/2016 3,270 08/01/2017 3,346 08/01/2019 3,527 08/01/2019 3,527 08/01/2020 3,632 08/01/2021 3,747 08/01/2023 4,004 08/01/2025 4,468 08/01/2026 4,468 08/01/2026 4,830 08/01/2028 4,830 08/01/2028 5,027 08/01/2029 5,027			1.950%	08/01/2015	3,208				
08/01/2017 3,346 08/01/2018 3,432 08/01/2019 3,527 08/01/2020 3,632 08/01/2021 3,747 08/01/2024 4,149 08/01/2026 4,648 08/01/2027 4,643 08/01/2028 4,830 08/01/2028 5,027 08/01/2029 5,027			2.300%	08/01/2016	3,270				
08/01/2018 3,432 08/01/2019 3,527 08/01/2020 3,632 08/01/2021 3,747 08/01/2024 4,149 08/01/2026 4,643 08/01/2026 4,830 08/01/2028 4,830 08/01/2028 4,830 08/01/2028 5,027 65,739 3,123			2.590%	08/01/2017	3,346				
08/01/2019 3,527 08/01/2020 3,632 08/01/2021 3,747 08/01/2023 4,004 08/01/2024 4,149 08/01/2026 4,648 08/01/2026 4,643 08/01/2028 5,027 65,739 3,123			2.760%	08/01/2018	3,432				
08/01/2020 3,632 08/01/2021 3,747 08/01/2022 3,870 08/01/2023 4,149 08/01/2026 4,468 08/01/2028 4,830 08/01/2028 5,027 65,739 3,123			2.970%	08/01/2019	3,527				
08/01/2021 3,747 08/01/2022 3,870 08/01/2023 4,004 08/01/2024 4,149 08/01/2026 4,468 08/01/2028 4,830 08/01/2028 4,830 08/01/2029 5,027 65,739 3,123			3.160%	08/01/2020	3,632				
08/01/2022 3,870 08/01/2023 4,004 08/01/2025 4,149 08/01/2026 4,468 08/01/2027 4,643 08/01/2029 5,027 65,739 3,123			3.290%	08/01/2021	3,747				
08/01/2023 4,004 08/01/2025 4,149 08/01/2026 4,468 08/01/2028 4,830 08/01/2029 5,027 65,739 3,123			3.480%	08/01/2022	3,870				
08/01/2024 4,149 08/01/2025 4,304 08/01/2027 4,643 08/01/2029 5,027 65,739 3,123			3.620%	08/01/2023	4,004				
08/01/2025 4,304 08/01/2026 4,468 08/01/2028 4,830 08/01/2029 5,027 65,739 3,123			3.720%	08/01/2024	4,149				
08/01/2026 4,468 08/01/2028 4,830 08/01/2029 5,027 65,739 3,123			3.820%	08/01/2025	4,304				
08/01/2027 4,643 08/01/2028 4,830 08/01/2029 5,027 65,739 3,123			3.920%	08/01/2026	4,468				
08/01/2028 4,830 08/01/2029 5,027 65,739 3,123			4.010%	08/01/2027	4,643				
08/01/2029 5,027 65,739 3,123			4.100%	08/01/2028	4,830		59		
3,123			4.180%	08/01/2029	5,027				
						65,739		3,123	62,61

The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Schedule Of Revenue and Junior Lien Revenue Bonds Pavable

2021/2010 204,192 0,000% 08/01/2015 7,165 0,000% 02/01/2015 7,165 0,000% 02/01/2015 7,165 0,000% 02/01/2016 3,582 0,000% 02/01/2017 7,165 0,000% 02/01/2017 7,165 0,000% 02/01/2018 7,165 0,000% 02/01/2018 7,165 0,000% 02/01/2018 7,165 0,000% 02/01/2019 7,165 0,000% 02/01/2019 7,165 0,000% 02/01/2019 7,165 0,000% 02/01/2021 3,582 0,000% 02/01/2021 3,582 0,000% 02/01/2021 3,582 0,000% 02/01/2021 3,582 0,000% 02/01/2021 3,582 0,000% 02/01/2022 3,582 0,000% 02/01/2023 3,582 0,000% 02/01/2023 3,582 0,000% 02/01/2023 3,582 <	Date	ite Amount	Rate	Date	Amount	June 1, 2013	Issued	Retired	May 31, 2014
204,192 0.000% 08/01/2014 7,165 0.000% 0.201/2015 3,582 0.000% 0.201/2016 3,582 0.000% 0.201/2016 3,582 0.000% 0.801/2016 7,165 0.000% 0.801/2017 7,165 0.000% 0.201/2017 7,165 0.000% 0.801/2017 7,165 0.000% 0.801/2018 7,165 0.000% 0.201/2019 3,582 0.000% 0.201/2019 3,582 0.000% 0.201/2020 3,582 0.000% 0.201/2021 3,582 0.000% 0.201/2021 3,582 0.000% 0.201/2021 3,582 0.000% 0.201/2022 7,165 0.000% 0.201/2022 3,582 0.000% 0.201/2022 3,582 0.000% 0.201/2022 3,582 0.000% 0.201/2022 3,582 0.000% 0.201/2022 3,582 0.000%						18			
0.000% 0201/2015 3,582 0.000% 0801/2016 3,582 0.000% 0801/2016 7,165 0.000% 0801/2017 7,165 0.000% 0801/2017 7,165 0.000% 0801/2018 3,582 0.000% 0801/2019 3,582 0.000% 0801/2019 3,582 0.000% 0801/2019 3,582 0.000% 0801/2020 7,165 0.000% 0801/2021 3,582 0.000% 0801/2021 3,582 0.000% 0801/2021 3,582 0.000% 0801/2022 7,165 0.000% 0801/2024 7,165 0.000% 0801/2024 7,165 0.000% 0801/2024 7,165 0.000% 0801/2024 7,165 0.000% 0801/2024 7,165 0.000% 0801/2024 7,165 0.000% 0801/2024 7,165 0.000% 0801/2025 3,582 0.000% 0801/2025 7,165 0.000% 0801/2025 3,582 0.000% 0801/2025 7,165 0.000% 0801/2025 3,582 0.000% 0801/2025 7,165 0.000% 0801/2025 3,582 0.000% 0801/2025 3,582 0.000% 0801/2029 3,582 0.000% 0801/2029 3,582	2/23/2010	204,192	0.000%	08/01/2014	7,165				
08/01/2015 7,165 02/01/2016 3,582 08/01/2017 7,165 02/01/2018 3,582 08/01/2019 3,582 08/01/2019 3,582 08/01/2019 7,165 02/01/2019 7,165 02/01/2020 7,165 02/01/2021 3,582 08/01/2021 3,582 08/01/2021 3,582 08/01/2022 7,165 02/01/2024 3,582 08/01/2024 3,582 08/01/2024 3,582 08/01/2024 3,582 08/01/2024 3,582 08/01/2025 3,582 08/01/2025 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582			%000.0	02/01/2015	3,582				
02/01/2016 3,582 08/01/2016 7,165 08/01/2018 3,582 02/01/2018 3,582 08/01/2019 7,165 02/01/2019 7,165 02/01/2020 3,582 08/01/2020 7,165 02/01/2021 3,582 08/01/2021 3,582 08/01/2021 3,582 08/01/2021 3,582 08/01/2022 7,165 02/01/2023 3,582 08/01/2024 7,165 02/01/2024 7,165 02/01/2024 3,582 08/01/2025 3,582 08/01/2024 7,165 02/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582			%000.0	08/01/2015	7,165				
08/01/2016 7,165 02/01/2017 3,582 08/01/2018 3,582 08/01/2018 7,165 02/01/2019 7,165 02/01/2019 7,165 02/01/2020 3,582 08/01/2021 3,582 08/01/2021 7,165 02/01/2021 3,582 08/01/2022 3,582 08/01/2023 3,582 08/01/2024 3,582 08/01/2024 3,582 08/01/2024 3,582 08/01/2024 7,165 02/01/2025 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582			%000.0	02/01/2016	3,582				
02/01/2017 3,582 08/01/2018 7,165 02/01/2018 7,165 02/01/2019 3,582 08/01/2020 3,582 08/01/2020 7,165 02/01/2021 3,582 08/01/2021 7,165 02/01/2021 3,582 08/01/2022 7,165 02/01/2023 3,582 08/01/2023 3,582 08/01/2024 7,165 02/01/2024 3,582 08/01/2024 3,582 08/01/2025 7,165 02/01/2026 3,582 08/01/2026 7,165 02/01/2026 3,582 08/01/2026 7,165 02/01/2026 3,582 08/01/2026 7,165 02/01/2027 7,165 02/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582			%000.0	08/01/2016	7,165				
08/01/2017 7,165 02/01/2018 3,582 08/01/2019 3,582 08/01/2019 7,165 02/01/2020 3,582 08/01/2020 7,165 02/01/2021 7,165 02/01/2021 7,165 02/01/2021 7,165 02/01/2022 3,582 08/01/2023 7,165 02/01/2023 3,582 08/01/2024 7,165 02/01/2024 3,582 08/01/2025 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2027 7,165 02/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582			%000.0	02/01/2017	3,582				
02/01/2018 3,582 08/01/2018 7,165 08/01/2019 7,165 02/01/2020 3,582 08/01/2020 7,165 02/01/2021 7,165 02/01/2021 7,165 08/01/2021 7,165 08/01/2022 7,165 08/01/2022 7,165 08/01/2023 3,582 08/01/2024 3,582 08/01/2024 7,165 02/01/2024 7,165 02/01/2024 7,165 02/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2027 7,165 02/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582			%000.0	08/01/2017	7,165				
08/01/2018 7,165 02/01/2019 3,582 08/01/2019 3,582 08/01/2020 3,582 08/01/2021 3,582 08/01/2021 3,582 08/01/2022 7,165 02/01/2022 7,165 02/01/2023 3,582 08/01/2024 3,582 08/01/2024 7,165 02/01/2024 3,582 08/01/2025 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582			0.000%	02/01/2018	3,582				
02/01/2019 3,582 08/01/2019 7,165 02/01/2020 7,165 02/01/2021 3,582 08/01/2021 3,582 08/01/2022 7,165 02/01/2022 7,165 02/01/2023 3,582 08/01/2023 7,165 02/01/2024 7,165 02/01/2024 7,165 02/01/2025 3,582 08/01/2026 7,165 02/01/2026 3,582 08/01/2026 7,165 02/01/2026 7,165 02/01/2026 3,582 08/01/2026 7,165 02/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582			%000.0	08/01/2018	7,165				
08/01/2019 7,165 02/01/2020 3,582 08/01/2021 3,582 08/01/2021 3,582 08/01/2022 7,165 02/01/2022 3,582 08/01/2023 3,582 08/01/2023 3,582 08/01/2024 7,165 02/01/2024 7,165 02/01/2024 7,165 02/01/2024 7,165 02/01/2025 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2026 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2028 3,582 08/01/2029 7,165			%000.0	02/01/2019	3,582				
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			%000.0	08/01/2029	7,165				

The Pompton Lakes Borough Municipal Utilities Authority (A Component Unit of the Borough of Pompton Lakes) Schedule Of Revenue and Junior Lien Revenue Bonds Payable

	Ongina	Original Issuance	Interest	Maturities	ities	Balance		Redeemed/	Balance
	Date	Amount	Rate	Date	Amount	June 1, 2013	Issued	Retired	May 31, 2014
L									
Trust Loan	01000001	000 517	70000	× 100/10/00					
70107	12/2/2010	412,000	5.000%	08/01/2014	000,61				
			2.000%	08/01/2015	15,000				
			2.000%	08/01/2016	15,000				
			5.000%	08/01/2017	15,000				
			2.000%	08/01/2018	20,000				
			5.000%	08/01/2019	20,000				
			5.000%	08/01/2020	20,000				
			2.000%	08/01/2021	20,000				
			5.000%	08/01/2022	20,000				
			5.000%	08/01/2023	25,000				
			5.000%	08/01/2024	25,000				
			5.000%	08/01/2025	25,000				
			5.000%	08/01/2026	25,000				
			2.000%	08/01/2027	30,000				
			5.000%	08/01/2028	30,000				
			2.000%	08/01/2029	30,000				
			2.000%	08/01/2030	35,000				
						400,000		15,000	385,000

The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Schedule Of Revenue and Junior Lien Revenue Bonds Payable

The Pompton Lakes Borough Municipal Utilities Authority (A Component Unit of the Borough of Pompton Lakes) Schedule Of Revenue and Junior Lien Revenue Bonds Payable

ince Redeemed/	Issued																			2000 31
es Balance	Amount June 1, 2013	15,000	15,000	15,000	15,000	15,000	15,000	15,000	20,000	20,000	20,000	20,000	20,000	25,000	25,000	25,000	25,000	25,000	25,000	
Maturities	Date	08/01/2014	08/01/2015	08/01/2016	08/01/2017	08/01/2018	08/01/2019	08/01/2020	08/01/2021	08/01/2022	08/01/2023	08/01/2024	08/01/2025	08/01/2026	08/01/2027	08/01/2028	08/01/2029	08/01/2030	08/01/2031	
Interest	Rate	3.000%	4.000%	2.000%	5.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	3.000%	3.000%	3.125%	3.200%	3.250%	
ssuance	Amount	370,000																		
Original Issuance	Date	05/3/2012																		

The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Schedule Of Revenue and Junior Lien Revenue Bonds Payable

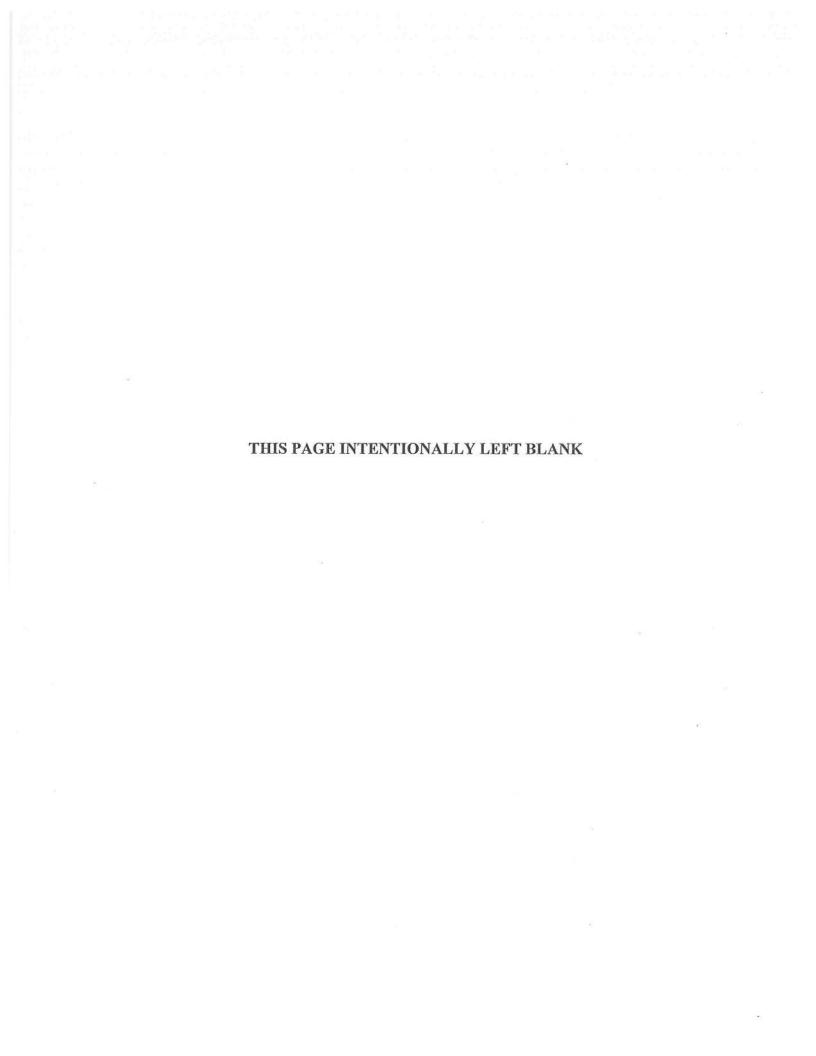
	Origina	Original Issuance ate Amount	Interest	Maturities Date	rities	Balance June 1, 2013	Issued	Redeemed/ Retired	Balance May 31, 2014	
NJEIT Fund Loan										
Series 2012	05/3/2012	1,157,873	%000.0	08/01/2014	41,353					
			%000.0	02/01/2015	20,676					
			%00000	08/01/2015	41,353					
		564	%000.0	02/01/2016	20,676					
			%000.0	08/01/2016	41,353					
			0.000%	02/01/2017	20,676					
			0.000%	08/01/2017	41,353					
			0.000%	02/01/2018	20,676					
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			%0000	02/07/2019	20,676					
			0.000%	02/07/2019	41,533					
			0.000%	08/01/2020	41 353					
			0.000%	02/01/2021	20,676					
			%000.0	08/01/2021	41,353					
			%00000	02/01/2022	20,676					200
			%00000	08/01/2022	41,353					
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			%000.0	08/01/2026	41,353					
			0.000%	7707/10/70	20,676					
			0.000%	08/01/2027	41,353					
			0.000%	02/01/2028	20,676					
			0.000%	08/01/2028	41,353					
			0.000%	02/01/2029	20,676					
			0.000%	08/07/2029	41,353					
			0.000%	02/01/2030	0/0,07					
			0.000%	08/07/2030	41,352					
			0.000%	02/01/2031	41 353					
			2000	100710100	ACC. T	1.157.873		62.029	1 095 844	
						200		-	1000000	
Grand Total						5,368,572		524,902	4,843,670	
Current Portion Non-Current Portion	ш					324,902 5,043,670 5,368,572			375,605 4,468,065 4,843,670	
Budget Principal Payment Term Bonds Redemption	ayment rption							324,902		
								524 903		
								347,746		

MEMBERS OF THE AUTHORITY

FISCAL YEAR 2013 - 2014

JUNE 1, 2013 TO MAY 31, 2014

Official	Position	Term Expires February 1
George Decker	Chairman	2015
Kevin P. Carroll	Vice-Chairman/Treasurer	2016
Lawrence DeMaio	Secretary	2018
Neal Galletta	Assistant Secretary	2017
Michael Longo	Assistant Treasurer	2019



POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY

PART II

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

COMMENTS AND RECOMMENDATIONS

YEAR ENDED MAY 31, 2014



Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA Steven D. Wielkotz, CPA, RMA James J. Cerullo, CPA, RMA Paul J. Cuva, CPA, RMA Thomas M. Ferry, CPA, RMA

Certified Public Accountants 401 Wanaque Avenue Pompton Lakes, New Jersey 07442 973-835-7900 Fax 973-835-6631 Newton Office 100B Main Street Newton, N.J. 07860 973-579-3212 Fax 973-579-7128

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

Honorable Chairman and Members of the Pompton Lakes Borough Municipal Utilities Authority 2000 Lincoln Avenue Pompton Lakes, New Jersey 07442

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; 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 Pompton Lakes Borough Municipal Utilities Authority (A Component Unit of the Borough of Pompton Lakes), as of and for the year ended May 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated July 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit on the financial statements, we considered the Pompton Lakes Borough Municipal Utilities 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 Pompton Lakes Borough Municipal Utilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pompton Lakes Borough Municipal Utilities Authority's internal control.

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



Honorable Chairman and Members of the Pompton Lakes Borough Municipal Utilities Authority Page 2.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2014-1 that we consider to be a significant deficiency in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pompton Lakes Borough Municipal Utilities 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.

Pompton Lakes Borough Municipal Utilities Authority's Response to Findings

Pompton Lakes Borough Municipal Utilities Authority's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Pompton Lakes Borough Municipal Utilities Authority's response was not subjected to the auditing procedures applied in the audit of the financials statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Ferraiali, Wielkatz, Cerulla & Cura, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A. Certified Public Accountants Pompton Lakes, New Jersey

July 22, 2014



THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED MAY 31, 2014

FINDING 2014-1:

CONDITION:

Absence of appropriate segregation of accounting functions consistent with appropriate control objectives.

CRITERIA:

Duties should be segregated such that the work of one individual provides a cross-check on the work of another individual. Generally, assigning different people the responsibilities of authorizing transactions, recording transactions and maintaining custody of related assets reduces the opportunities for an individual to both perpetrate and conceal errors or fraud in the normal course of duties.

EFFECT:

Opportunities for an individual to perpetrate and conceal errors or fraud exists. The duties of accounts receivable billing, receiving of cash payments, and reconciling bank statements are often performed by one individual. In addition, the cash disbursement, payment and record keeping functions are often performed by the same individual.

CAUSE:

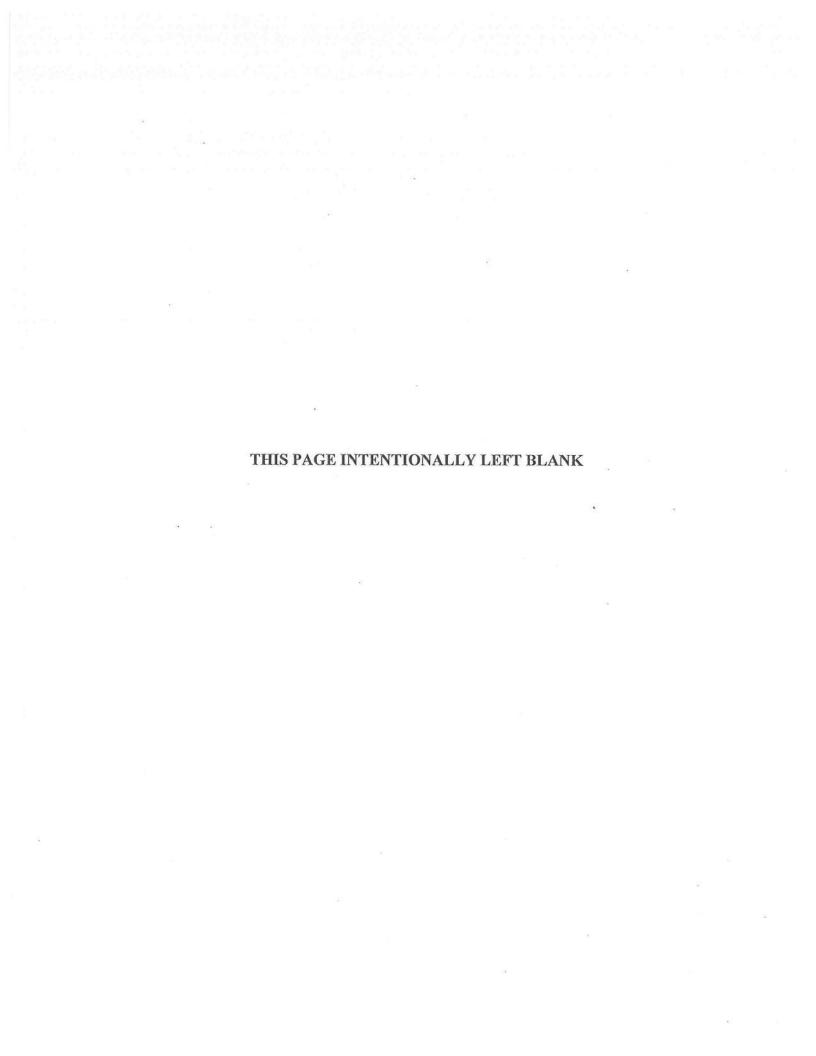
The Authority's small size and number of personnel makes it difficult to properly segregate accounting functions.

RECOMMENDATION:

The Authority should consider the costs/benefits of proper segregation of accounting functions.

VIEWS OF RESPONSIBLE OFFICIALS/CORRECTIVE ACTIONS:

The Authority will continue to evaluate the cost/benefit of designing an effective system of internal controls with appropriate segregation of accounting functions.



GENERAL COMMENTS

Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-3

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term 'competitive contracting', which is defined as "the method described in sections 1 through 5 of P.L. 1999, c.440 (C.40:11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors' formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received."

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing 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 and bidding therefore, except that the governing body 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. 1971, 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.

N.J.S.A. 40A:11-4 states that 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 therefor, except as is provided otherwise in this act of specifically by any other law. The governing body of a contracting unit may, be resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder.

Effective July 1, 2010, the bid threshold, in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$26,000 and with a qualified purchasing agent the threshold may be up to \$36,000.

Effective January 1, 2011, P.L., 2009, c.166 eliminated the previous lower non-qualified purchasing agent threshold of \$26,000. Thus a contracting unit without a qualified purchasing agent now has a maximum bid threshold of \$17,500.

GENERAL COMMENTS, (continued)

N.J.S.A. 40A:11-15 was amended with P.L. 1999, c.440 to extend the base contract period. "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 paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months."

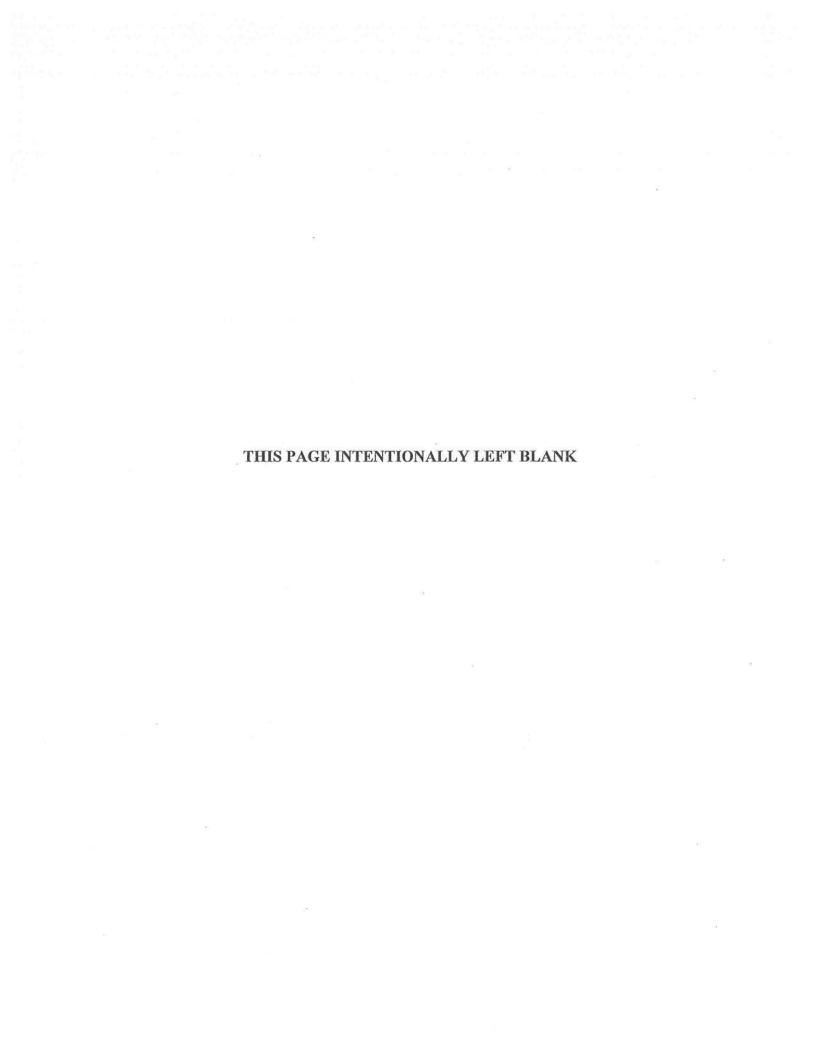
The governing body of the Authority has the responsibility of determining whether the expenditures in any category will exceed the statutory threshold within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Authority Counsel's opinion should be sought before a commitment is made.

Resolutions were adopted authorizing the awarding of contracts and agreements for "Professional Services" N.J.S. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any material or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violation existed. No violations were disclosed.

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 40A:11-4.





COMMENTS AND RECOMMENDATIONS

Finding: All contracts and purchases required to be bid on are not always being bidded on.

Recommendation: That all contracts and purchases required to be bid on are in accordance with the

Local Public Contract Law.

Finding: The water and sewer billing software does not provide the proper reports for

reconciliation to the general ledger.

Recommendation: That the water and sewer billing software be modified to generate reports that can

easily be used to reconcile the water and sewer receivable balance to the general

ledger on a monthly basis.

Finding: The Authority is not maintaining a fixed asset inventory.

Recommendation: That the Authority maintain a fixed asset inventory schedule and reconcile it to the

general ledger.

Finding: That all expenditures be approved subject to a budget appropriation and certification

of availability of funds.

Recommendation: That the Authority budget be amended prior to any additional expenditures.

Finding: The Authority has not filed its continuing disclosure as required by its 1998

continuing disclosure requirement.

Recommendation: That the Authority fulfill its annual continuing disclosure with EMMA.

A review was performed on prior year's recommendations and corrective action was taken on all items.

* * * * * * * * *

Problems and weaknesses noted in our review were not of such magnitude that they would effect our ability to express an opinion on the financial statements taken as a whole.

COMMENTS AND RECOMMENDATIONS, (continued)

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, do not hesitate to call us.

We would like to express our gratitude to the management and staff of the Authority for their assistance extended to us throughout the audit.

Very truly yours,

Ferraiali, Wielkatz, Cerulla & Cura, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A. Certified Public Accountants
Pompton Lakes, New Jersey