

**THE POMPTON LAKES BOROUGH  
MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the  
Borough of Pompton Lakes)**

**FINANCIAL STATEMENTS**

**YEARS ENDED MAY 31, 2015 AND 2014**

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

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## **Financial Section**

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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, 2015 and 2014, 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.



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, 2015, 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.

*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") are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 August 24, 2015 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,

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

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

August 24, 2015



## **Management Discussion and Analysis**

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*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, 2015 and 2014. 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 \$11,213,870 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$11,567,671.
- Total net position is comprised of the following:
  - (1) Capital assets, net of related debt, of \$8,641,306 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 \$1,071,660 are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
  - (3) Unrestricted net position of \$1,500,904 represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority decreased by \$327,297 to \$4,865,439 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.



**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**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 \$11,213,870. This is a \$353,801 decrease under last year's net position of \$11,567,671. A summary of the Authority's statement of net position is presented in the following table:

**Condensed Statement of Net Position**

	<u>FY 2015</u>	<u>FY 2014</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>FY 2013</u>
Current and Other Assets	2,820,774	3,078,249	(257,475)	(8.36)%	3,555,496
Capital Assets	<u>13,272,617</u>	<u>13,690,707</u>	<u>(418,090)</u>	(3.05)%	<u>14,137,196</u>
Total Assets	<u>16,093,391</u>	<u>16,768,956</u>	<u>(675,565)</u>	(4.03)%	<u>17,692,692</u>
Deferred Outflows of Resources	<u>83,805</u>	<u>95,776</u>	<u>(11,971)</u>	(12.50)%	<u>107,748</u>
Long-term Debt					
Outstanding	4,300,440	4,614,099	(313,659)	(6.80)%	5,043,669
Other Liabilities	<u>564,999</u>	<u>578,637</u>	<u>(13,638)</u>	(2.36)%	<u>536,295</u>
Total Liabilities	<u>4,865,439</u>	<u>5,192,736</u>	<u>(327,297)</u>	(6.30)%	<u>5,579,964</u>
Deferred Inflows of Resources	<u>97,887</u>	<u>104,325</u>	<u>(6,438)</u>	(6.17)%	<u>110,761</u>
Invested in Capital Assets, Net of Related Debt	8,641,306	8,899,333	(258,027)	(2.90)%	9,335,411
Restricted	1,071,660	1,053,261	18,399	1.75%	1,041,856
Unrestricted	<u>1,500,904</u>	<u>1,615,077</u>	<u>(114,173)</u>	(7.07)%	<u>1,732,448</u>
Total Net Position	<u>11,213,870</u>	<u>11,567,671</u>	<u>(353,801)</u>	<u>(3.06)%</u>	<u>12,109,715</u>

While the *Statement of Net Position* shows the change in financial position of net position, 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 \$353,801.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Net Position (Continued)**

**Condensed Statement of Revenues, Expenses  
and Changes in Net Position**

	<u>FY 2015</u>	<u>FY 2014</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>FY 2013</u>
Operating Revenues	3,176,900	3,124,970	51,930	1.66%	3,032,981
Non-Operating Revenues	<u>51,587</u>	<u>740</u>	<u>50,847</u>	6871.22%	<u>90,617</u>
Total Revenues	<u>3,228,487</u>	<u>3,125,710</u>	<u>102,777</u>	3.29%	<u>3,123,598</u>
Depreciation	929,680	915,381	14,299	1.56%	863,298
Other Operating Expenses	2,531,909	2,427,598	104,311	4.30%	2,466,309
Other Non-Operating Expense	<u>120,699</u>	<u>324,775</u>	<u>(204,076)</u>	(62.84)%	<u>136,852</u>
Total Expenses	<u>3,582,288</u>	<u>3,667,754</u>	<u>(85,466)</u>	(2.33)%	<u>3,466,459</u>
Change in Net Position	(353,801)	(542,044)	188,243	(34.73)%	(342,861)
Beginning Net Position	<u>11,567,671</u>	<u>12,109,715</u>	<u>(542,044)</u>	(4.48)%	<u>12,452,576</u>
Ending Net Position	<u>11,213,870</u>	<u>11,567,671</u>	<u>(353,801)</u>	(3.06)%	<u>12,109,715</u>

The Authority's Operating Revenues increased by \$51,930 to \$3,176,900 in 2015 from \$3,124,970 in 2014. This increase is primarily due to an increase in water and sewer charges and other operating revenues. Nonoperating Revenues increased by \$50,847 to \$51,587 from \$740 due to an increase in interest income and a budgetary appropriation for retiree health benefits of \$50,000.

**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.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

The following table provides a 2015 budget comparison:

**Budget vs. Actual**  
**FY 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	<u>3,257,318</u>	<u>3,393,805</u>	<u>136,487</u>
Expenses:			
Operating	2,803,744	2,556,248	247,496
Debt Service	<u>453,574</u>	<u>445,102</u>	<u>8,472</u>
	<u>3,257,318</u>	<u>3,001,350</u>	<u>255,968</u>
Income Before Depreciation	<u>0</u>	<u>392,455</u>	<u>392,455</u>

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2015, the Authority had invested \$28,311,265 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 \$13,272,617. This is a \$418,090 decrease over last year's net property, plant and equipment of \$13,690,707. A summary of the Authority's capital assets is presented in the following table:

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**CAPITAL ASSETS**

	<u>FY 2015</u>	<u>FY 2014</u>	<u>Dollar Change</u>	<u>FY 2013</u>
Land	65,652	65,652		65,652
Buildings, Force Mains and Interceptors	22,928,478	22,809,813	118,665	22,511,841
Vehicles and Equipment	<u>5,044,825</u>	<u>4,843,789</u>	<u>201,036</u>	<u>4,664,700</u>
Total Property, Plant and Equipment	28,038,955	27,719,254	319,701	27,242,193
Less: Accumulated Depreciation	<u>15,038,648</u>	<u>14,108,968</u>	<u>929,680</u>	<u>(13,193,587)</u>
	13,000,307	13,610,286	(609,979)	14,048,606
Construction in Progress	<u>272,310</u>	<u>80,421</u>	<u>191,889</u>	<u>88,590</u>
Net Property, Plant and Equipment	<u>13,272,617</u>	<u>13,690,707</u>	<u>(418,090)</u>	<u>14,137,196</u>

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, 2015, the Authority had outstanding revenue and revenue refunding bonds in the amount of \$4,635,427 (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.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**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.

## **Basic Financial Statements**

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

**May 31,**

	<u>2015</u>	<u>2014</u>
<b><u>ASSETS</u></b>		
<b><u>Current Assets:</u></b>		
<b><u>Unrestricted:</u></b>		
Cash and Cash Equivalents	\$ 1,366,706	1,442,558
Accounts Receivable-User Charges	177,187	211,033
Miscellaneous Receivables	4,000	5,000
Prepaid Expenses	41,665	35,646
<b>Total Unrestricted Assets</b>	<u>1,589,558</u>	<u>1,694,237</u>
<b><u>Restricted:</u></b>		
<b><u>Operating Reserve Fund:</u></b>		
Cash and Cash Equivalents	<u>714,335</u>	<u>700,936</u>
<b><u>Current Debt Service Fund:</u></b>		
Cash and Cash Equivalents	<u>197,187</u>	<u>196,221</u>
<b><u>Debt Service Reserve Fund:</u></b>		
Cash and Cash Equivalents	<u>207,325</u>	<u>207,325</u>
	<u>207,325</u>	<u>207,325</u>
<b><u>Construction Fund:</u></b>		
Cash and Cash Equivalents	19,628	188,527
Due From NJ Environmental Infrastructure Trust	18,350	18,350
	<u>37,978</u>	<u>206,877</u>
<b><u>Customer Deposits:</u></b>		
Cash and Cash Equivalents	<u>47,507</u>	<u>45,793</u>
<b><u>Escrow Deposits:</u></b>		
Cash and Cash Equivalents	<u>26,884</u>	<u>26,860</u>
<b>Total Current Assets:</b>	<u>\$ 2,820,774</u>	<u>3,078,249</u>

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,**

	<b><u>2015</u></b>	<b><u>2014</u></b>
<b><u>Non-Current Assets:</u></b>		
<b><u>Capital Assets:</u></b>		
Property, Plant and Equipment	\$ 28,038,955	27,719,254
Construction In Progress	272,310	80,421
Less: Accumulated Depreciation	<u>(15,038,648)</u>	<u>(14,108,968)</u>
Total Capital Assets	<u>13,272,617</u>	<u>13,690,707</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 16,093,391</u></b>	<b><u>16,768,956</u></b>
 <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Loss on Advanced Refunding of Debt	<u>83,805</u>	<u>95,776</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>83,805</u></b>	<b><u>95,776</u></b>

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**

**Exhibit A**  
Page 3 of 3

**May 31, 2015**

	<u>2015</u>	<u>2014</u>
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities:</u></b>		
<b>Payable From Unrestricted Assets:</b>		
Accounts Payable	\$ 59,672	49,276
Accrued Liabilities:		
Compensated Absences	28,982	29,882
Total Current Liabilities Payable		
From Unrestricted Assets	<u>88,654</u>	<u>79,158</u>
<b>Payable From Restricted Assets:</b>		
Customer Deposits	47,507	45,793
Accounts Payable	19,780	
Escrow Deposits Payable	26,884	26,860
Accrued Interest on Bonds Payable	47,187	51,221
Revenue and Junior Lien Revenue Bonds		
Payable - Current Portion	<u>334,987</u>	<u>375,605</u>
Total Current Liabilities Payable		
From Restricted Assets	<u>476,345</u>	<u>499,479</u>
 <b><u>Non-Current Liabilities :</u></b>		
Long-Term Portion of Revenue Bonds		
and Loans Payable	<u>4,300,440</u>	<u>4,614,099</u>
 <b>TOTAL LIABILITIES</b>	 <b>\$ <u>4,865,439</u></b>	 <b><u>5,192,736</u></b>
 <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Unamortized Bond Premium	<u>97,887</u>	<u>104,325</u>
 <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	 <u>97,887</u>	 <u>104,325</u>
 <b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	8,641,306	8,899,333
Restricted:		
Operating Reserve	714,335	700,936
Current Debt Service	150,000	145,000
Debt Service Reserve	207,325	207,325
Unrestricted:		
Designated	945,223	836,318
Undesignated	<u>555,681</u>	<u>778,759</u>
 <b>TOTAL NET POSITION</b>	 <b>\$ <u>11,213,870</u></b>	 <b><u>11,567,671</u></b>

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 Revenues, Expenses and Changes in Net Position**

**For The Year Ended May 31,**

	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Operating Revenues:</b>		
Water Charges	\$ 642,388	606,437
Sewer Charges	2,288,045	2,248,335
Other	225,304	257,254
Interest On Delinquent Accounts	21,163	12,944
<b>Total Operating Revenues</b>	<b><u>3,176,900</u></b>	<b><u>3,124,970</u></b>
<b>Operating Expenses:</b>		
Costs of Providing Services	1,413,655	1,379,341
Administrative, General and Employee Benefits	1,118,254	1,048,257
Depreciation	929,680	915,381
<b>Total Operating Expenses</b>	<b><u>3,461,589</u></b>	<b><u>3,342,979</u></b>
<b>Operating Income (Loss)</b>	<b><u>(284,689)</u></b>	<b><u>(218,009)</u></b>
<b>Non-Operating Revenues (Expenses):</b>		
Interest on Investments	1,587	740
Interest Expense	(115,164)	(122,867)
Amortization	(5,535)	(5,535)
NJEIT Repayment Settlement		(170,373)
Dam Inspection Fees		(26,000)
Reserve for Retiree Health Benefits	50,000	
<b>Non-Operating Income / (Loss)</b>	<b><u>(69,112)</u></b>	<b><u>(324,035)</u></b>
<b>Change in Net Position</b>	<b><u>(353,801)</u></b>	<b><u>(542,044)</u></b>
<b>Net Position - June 1,</b>	<b><u>11,567,671</u></b>	<b><u>12,109,715</u></b>
<b>Net Position - May 31,</b>	<b><u>\$ 11,213,870</u></b>	<b><u>11,567,671</u></b>

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 Cash Flows**

**Exhibit C**  
Page 1 of 2

**For The Years Ended May 31,**

	<u>2015</u>	<u>2014</u>
<b><u>Cash Flow from Operating Activities:</u></b>		
Cash received from customers and users	\$ 3,213,459	3,066,629
Interest received	1,587	13,684
Cash Paid to suppliers and employees	(2,478,407)	(2,450,430)
Interest paid	(119,198)	(131,203)
<b>Net Cash Provided by Operating Activities</b>	<u>617,441</u>	<u>498,680</u>
<b><u>Cash Flow from Investing Activities:</u></b>		
Purchase of Property, Plant and Equipment	(491,812)	(468,892)
<b>Net Cash Provided by (used in) Investing Activities</b>	<u>(491,812)</u>	<u>(468,892)</u>
<b><u>Cash Flow from Financing Activities:</u></b>		
Payment of 1998 Refunding Bonds	(145,000)	(340,000)
Payment of NJEIT Loans	(184,938)	(184,902)
NJEIT Settlement Repayment	(24,339)	(24,339)
<b>Net Cash Used in Financing Activities</b>	<u>(354,277)</u>	<u>(549,241)</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	(228,648)	(519,453)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>2,808,220</u>	<u>3,327,673</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 2,579,572</u>	<u>2,808,220</u>
<b><u>Reconciliation to Statement of Net Position -</u></b>		
<b><u>Cash and Cash Equivalents:</u></b>		
Unrestricted Assets	\$ 1,366,706	1,442,558
Restricted Assets:		
Operating Reserve Fund	714,335	700,936
Current Debt Service Fund	197,187	196,221
Debt Service Reserve Fund	207,325	207,325
Construction Fund	19,628	188,527
Customer Deposit Account	47,507	45,793
Escrow Accounts	26,884	26,860
	<u>\$ 2,579,572</u>	<u>2,808,220</u>

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 Cash Flows**

**Exhibit C**  
Page 2 of 2

**For The Years Ended May 31,**

	<u>2015</u>	<u>2014</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating Income	\$ (284,689)	(218,009)
Adjustments to Reconcile Change in Net Position to Net Cash Provided by Operating Activities:		
Depreciation	929,680	915,381
Reserve for Retiree Health Benefits	50,000	
Interest Income	1,587	740
Dam Inspection Fees		(26,000)
Interest Expense	(115,164)	(122,867)
<b>(Increase) Decrease In:</b>		
Accounts Receivable-User Charges	33,846	(47,520)
Miscellaneous Receivables	1,000	1,549
Prepaid Expenses	(6,019)	3,767
<b>Increase (Decrease) In:</b>		
Accounts Payable - Unrestricted	10,397	(4,519)
Accrued Interest Payable	(4,034)	3,918
Customer Deposits	1,713	547
Escrow Deposits Payable	24	29
Accrued Liabilities	(900)	(8,336)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ <u>617,441</u></b>	<b><u>498,680</u></b>

See accompanying notes to the financial statements.

## **Notes to Financial Statements**

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2015 AND 2014**

**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:

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2015 AND 2014**  
**(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 covenants), 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



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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2015 AND 2014**  
**(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.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2015 AND 2014**  
**(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.

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

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2015 AND 2014**  
**(continued)**

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

**F. Restricted Accounts, (continued)**

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
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.
General Fund	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.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2015 AND 2014**  
**(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 \$28,982, as of May 31, 2015, 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.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2015 AND 2014**  
**(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."

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2015 AND 2014**  
**(continued)**

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

**M. Recent Accounting Pronouncements**

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 fiscal 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 GASB Statement No. 71, *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.

The Government Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement also provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The 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. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement is effective for fiscal years beginning after June 15, 2015 – except those provisions

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2015 AND 2014**  
**(continued)**

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

**M. Recent Accounting Pronouncements, (continued)**

that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016. 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. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement applies to OPEB plans and basically parallels GASB Statement 67 and replaces GASB Statement 43 and is effective for fiscal years beginning after June 15, 2016. 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for fiscal years beginning after June 15, 2017. 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.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2015 AND 2014**  
**(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.

**Custodial Credit Risk - Deposits.** 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, 2015 and 2014, \$-0- of the Authority's bank balance of \$2,638,971 and \$2,850,156, respectively, was exposed to custodial credit risk.

**3. PROPERTY, PLANT AND EQUIPMENT**

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

	Balance May 31, 2014	Additions	Deletions	Balance May 31, 2015
Capital Assets Being Depreciated:				
Buildings, Pumps, Mains	\$22,809,813	\$118,665	\$	\$22,928,478
Equipment and Vehicles	<u>4,843,789</u>	<u>201,036</u>	<u>      </u>	<u>5,044,825</u>
Total Capital Assets Being Depreciated	<u>27,653,602</u>	<u>319,701</u>	<u>      </u>	<u>27,973,303</u>
Capital Assets Not Being Depreciated:				
Land	65,652			65,652
Construction in Progress	<u>80,421</u>	<u>562,487</u>	<u>370,598</u>	<u>272,310</u>
Total Capital Assets Not Being Depreciated	<u>146,073</u>	<u>562,487</u>	<u>370,598</u>	<u>337,962</u>
Total Capital Assets	27,799,675	882,188	370,598	28,311,265
Accumulated Depreciation	<u>(14,108,968)</u>	<u>(929,680)</u>	<u>      </u>	<u>(15,038,648)</u>
Net Property, Plant and Equipment	<u>\$13,690,707</u>	<u>(\$47,492)</u>	<u>\$370,598</u>	<u>\$13,272,617</u>



**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2015 AND 2014**  
**(continued)**

**4. UNAMORTIZED PREMIUM - DEFERRED INFLOW OF RESOURCES**

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, 2015 is \$30,847 and at May 31, 2014 is \$24,409. The unamortized balance as of May 31, 2015 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, 2015:

	Balance <u>May 31, 2014</u>	<u>Issued</u>	Deobligated/ <u>Retired</u>	Balance <u>May 31, 2015</u>
1998 Refunding Bonds	\$1,345,000	\$	\$145,000	\$1,200,000
NJEIT Trust Loan Series 2009A	655,000		30,000	625,000
NJEIT Fund Loan Series 2009A	591,107		37,730	553,377
NJEIT Trust - Direct Loan	62,616		3,159	59,457
NJEIT Fund - Direct Loan	168,370		10,747	157,623
NJEIT Trust Loan Series 2010	385,000		15,000	370,000
NJEIT Fund Loan Series 2010	185,733		11,273	174,460
NJEIT Trust Loan Series 2012	355,000		15,000	340,000
NJEIT Fund Loan Series 2012	<u>1,095,844</u>		<u>62,029</u>	<u>1,033,815</u>
	<u>\$4,843,670</u>	<u>\$0</u>	<u>\$329,938</u>	<u>\$4,513,732</u>

The Authority has issued and outstanding the following bonds and loans as of May 31, 2015 and 2014:

	Interest <u>Rate</u>	<u>2015</u>	<u>2014</u>
1998 Refunding Bonds	4.00% - 4.50%	\$1,200,000	\$1,345,000
NJEIT Trust Loan Series 2009A	2.00% - 4.00%	625,000	655,000
NJEIT Fund Loan Series 2009A	0.00%	553,377	591,107
NJEIT Trust - Direct Loan	.610% - 4.18%	59,457	62,616
NJEIT Fund - Direct Loan	0.00%	157,623	168,370
NJEIT Trust Loan Series 2010	5.00%	370,000	385,000
NJEIT Fund Loan Series 2010	0.00%	174,460	185,733
NJEIT Trust Loan Series 2012	2.00% - 5.00%	340,000	355,000
NJEIT Fund Loan Series 2012	0.00%	1,033,815	1,095,844
NJEIT Loan Program Repayment		<u>121,695</u>	<u>146,034</u>
Net Carrying Amount of Debt		<u>\$4,635,427</u>	<u>\$4,989,704</u>
Current Portion		334,987	375,605
Long-Term Portion		<u>4,300,440</u>	<u>4,614,099</u>
		<u>\$4,635,427</u>	<u>\$4,989,704</u>

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2015 AND 2014**  
**(continued)**

**5. LONG-TERM DEBT, (continued)**

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

<u>May 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$334,987	\$110,030	445,017
2017	340,050	100,323	440,373
2018	355,125	89,917	445,042
2019	365,211	78,914	444,125
2020	370,306	67,727	438,033
2021-2025	1,428,297	195,769	1,624,066
2026-2030	1,126,009	73,646	1,199,655
2031-2033	<u>193,747</u>	<u>2,494</u>	<u>196,241</u>
Total	<u>\$4,513,732</u>	<u>\$718,820</u>	<u>\$5,232,552</u>

**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 two installments of \$24,339 and had a remaining outstanding balance as of May 31, 2015 as follows:

6/1/16	\$24,339
6/1/17	24,339
6/1/18	24,339
6/1/19	24,339
6/1/20	<u>24,339</u>
	<u>\$121,695</u>

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2015 AND 2014**  
**(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, 2015 was \$83,805 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:

	<u>Balance</u> <u>May 31, 2014</u>	<u>Loans</u>	<u>Deobligated/</u> <u>Received</u>	<u>Balance</u> <u>May 31, 2015</u>
NJEIT Trust - Series 2012	\$4,587	\$	\$	\$4,587
NJEIT Fund - Series 2012	<u>13,763</u>	<u>          </u>	<u>          </u>	<u>13,763</u>
	<u>\$18,350</u>	<u>\$0</u>	<u>\$0</u>	<u>\$18,350</u>

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.

**Public Employees' Retirement System (PERS)** - 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.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2015 AND 2014**  
**(continued)**

**10. PENSION PLAN, (continued)**

**Defined Contribution Retirement Program (DCRP)** - 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](http://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.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2015 AND 2014**  
**(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.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2015 AND 2014**  
**(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 CPFPPF (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 6.78% in fiscal year 2014.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2015 AND 2014**  
**(continued)**

**10. PENSION PLAN, (continued)**

**Annual Pension Costs (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012 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, 2015, 2014 and 2013, 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.

<u>Three-Year Trend Information for</u>			
<u>Year</u>	<u>Annual</u>	<u>Percentage</u>	<u>Net</u>
<u>Funding</u>	<u>Pension</u>	<u>of APC</u>	<u>Pension</u>
	<u>Cost(APC)</u>	<u>Contributed</u>	<u>Obligation</u>
5/31/15	\$103,362	100%	\$0
5/31/14	101,565	100	0
5/31/13	95,650	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.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2015 AND 2014**  
**(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 SHBP'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, 2015, 2014 and 2013 were \$57,547, \$68,202 and \$42,807, respectively, which equaled the required contributions for each year. There were approximately 5, 4 and 5 retired participants eligible at May 31, 2015, 2014 and 2013, respectively.

The Authority maintains a reserve account in the amount of \$351,000 to help defray the cost of retiree health benefits.



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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2015 AND 2014**  
**(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	\$771,751
Operating Reserve Requirement	<u>714,335</u>
Excess or (Deficiency)	<u>57,416</u>
 Bond Debt Service Reserve Fund	
Cash and Cash Equivalents	\$212,089
Bond Reserve Fund Requirement	<u>207,325</u>
Excess or (Deficiency)	<u>4,764</u>
 Bond Debt Service Principal and Interest Fund	
Cash and Cash Equivalents	\$197,187
Debt Service Principal and Interest Requirements	<u>197,187</u>
Excess or (Deficiency)	<u>\$ -0-</u>

**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, 2015 met the requirements of the 1989, 1992, 1997 and 1998 Junior Lien Bond Resolutions.

**14. COMMITMENTS AND CONTINGENT LIABILITIES**

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.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2015 AND 2014**  
**(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:

	<u>2015</u>	<u>2014</u>
Appropriated in Subsequent Year's Budget	\$594,223	\$535,318
Designated for Retiree Health Benefits	<u>351,000</u>	<u>301,000</u>
	<u>\$945,223</u>	<u>\$836,318</u>

At May 31, 2015, the Authority reported a total amount of \$945,223 of Unrestricted Net Assets — Designated for the purposes describe above.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2015 AND 2014**

(continued)

**18. SUBSEQUENT EVENTS**

The Authority has evaluated subsequent events through August 24, 2015, the date which the financial statements were available to be issued and the following item was noted for disclosure:

At its June 15, 2015 meeting, the Authority approved Contract No. 131 for Clarifier Mechanism Replacements. The project involves the replacement of six primary and secondary clarifier mechanisms. The Authority has applied for loans of \$1,065,750 through the State of New Jersey Environmental Infrastructure Financing Program to fund this project.

**Required Supplementary Information**

The Pompton Lakes Borough Municipal Utilities Authority  
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Schedule Of Revenues, Expenses And  
Changes In Net Position -  
Restricted And Unrestricted

For The Years Ended May 31, 2015 and 2014

	Invested in Capital Assets	Restricted			Unrestricted		Total (Memo)	
		Operating Reserve Fund	Debt Service Reserve Fund	Debt Service Reserve Fund	Designated	Undesignated	2015	2014
<b>Operating Revenues:</b>								
Water Charges						642,388	642,388	606,437
Sewer Charges						2,288,045	2,288,045	2,248,335
Other						225,304	225,304	257,254
Interest on Delinquent Accounts						21,163	21,163	12,944
<b>Total Operating Revenues</b>						3,176,900	3,176,900	3,124,970
<b>Operating Expenses:</b>								
Costs of Providing Services						1,413,655	1,413,655	1,379,341
Administrative, General and Employee Benefits						1,118,254	1,118,254	1,048,257
Depreciation						929,680	929,680	915,381
<b>Total Operating Expenses</b>						3,461,589	3,461,589	3,342,979
<b>Operating Income (Loss)</b>						(284,689)	(284,689)	(218,009)

The Pompton Lakes Borough Municipal Utilities Authority  
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Schedule Of Revenues, Expenses And  
Changes In Net Position -  
Restricted And Unrestricted

For The Years Ended May 31, 2015 and 2014

	Invested in Capital Assets	Operating Reserve Fund	Restricted		Unrestricted		Total (Memo)	
			Current Debt Service Reserve Fund	Debt Service Reserve Fund	Designated	Undesignated	2015	2014
<b>Non-Operating Revenue and (Expenses):</b>								
Interest Income						1,587	1,587	740
Interest Expense						(115,164)	(115,164)	(122,867)
Amortization						(5,535)	(5,535)	(5,535)
NJEIT Repayment Obligation								(170,373)
Dam Inspection Fees					50,000		50,000	(26,000)
Reserve for Retiree Health Benefits								
					50,000	(119,112)	(69,112)	(324,035)
<b>Net Income (Loss) Before Transfers and Capital Contributions</b>					50,000	(403,801)	(353,801)	(542,044)
<b>Transfers:</b>								
Interest Income		13,399	5,000			180,723		
Other	(258,027)							
<b>Increase (Decrease) in Net Position</b>	(258,027)	13,399	5,000		108,905	(223,078)	(353,801)	(542,044)
<b>Net Position - June 1,</b>	8,899,333	700,936	145,000	207,325	836,318	778,759	11,567,671	12,109,715
<b>Net Position - May 31,</b>	8,641,306	714,335	150,000	207,325	945,223	555,681	11,213,870	11,567,671
Appropriated in Subsequent Years Budget Designated for Retiree Health Benefits							594,223	
							351,000	
							945,223	

**The Pompton Lakes Borough Municipal Utilities Authority  
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**Schedule Of Cash Receipts, Cash Disbursements**

**And Changes In Cash and Investments**

**Unrestricted And Restricted Accounts**

**For The Year Ended May 31, 2015**

	Operating Account	General Fund	Payroll Fund	Construction Fund
<b>Cash, Cash Equivalents and Investments - June 1, 2014</b>	69,391	1,186,640	5,575	188,527
<b>Cash Receipts:</b>				
Interest on Investments		72		47
Water and Sewer Charges				
Customer Deposits				
Other	59,177			144,746
Employee/Employer Payroll Tax Contributions	5,136		531,155	
Net Payroll Transfers			632,933	
Transfers	2,694,325	143,278		233,000
<b>Total Cash Receipts</b>	2,758,638	143,350	1,164,088	377,793
<b>Cash and Investments Available</b>	2,828,029	1,329,990	1,169,663	566,320
<b>Cash Disbursements:</b>				
Operations	2,805,602		632,933	
Capital Expenditures				546,692
Employee/Employer Payroll Tax Contributions			531,339	
Bond Principal Payments				
Bond Interest Payments				
Customer Deposits				
Other				
Transfers		233,000		
<b>Total Cash Disbursements</b>	2,805,602	233,000	1,164,272	546,692
<b>Cash, Cash Equivalents and Investments - May 31, 2015</b>	22,427	1,096,990	5,391	19,628
<b>Analysis of Balance:</b>				
Cash and Cash Equivalents	22,427	1,096,990	5,391	19,628
Investments	-	-	-	-
	22,427	1,096,990	5,391	19,628
Unrestricted	22,427	1,076,666	5,391	-
Restricted	-	20,324	-	19,628
	22,427	1,096,990	5,391	19,628

**The Pompton Lakes Borough Municipal Utilities Authority**  
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**Schedule Of Cash Receipts, Cash Disbursements**  
**And Changes In Cash and Investments**  
**Unrestricted And Restricted Accounts**  
**For The Year Ended May 31, 2015**

	Trustee Revenue Fund	Debt Service Interest Fund	Bond Reserve Fund	Customer Deposit Account
<b>Cash, Cash Equivalents and Investments -</b>				
<b>June 1, 2014</b>	748,467	175,002	212,074	45,792
<b>Cash Receipts:</b>				
Interest on Investments	2	7	15	83
Water and Sewer Charges	3,067,877			
Customer Deposits				5,565
Other				
Employee/Employer Payroll Tax Contributions				
Net Payroll Transfers				
Transfers	3,801,304	203,700		79
<b>Total Cash Receipts</b>	<b>6,869,183</b>	<b>203,707</b>	<b>15</b>	<b>5,727</b>
<b>Cash and Investments Available</b>	<b>7,617,650</b>	<b>378,709</b>	<b>212,089</b>	<b>51,519</b>
<b>Cash Disbursements:</b>				
Operations				
Capital Expenditures				
Employee/Employer Payroll Tax Contributions				
Bond Principal Payments		145,000		
Bond Interest Payments		56,818		
Customer Deposits				4,012
Other	3,241			
Transfers	6,842,658	28		
<b>Total Cash Disbursements</b>	<b>6,845,899</b>	<b>201,846</b>	<b>-</b>	<b>4,012</b>
<b>Cash, Cash Equivalents and Investments -</b>				
<b>May 31, 2015</b>	<b>771,751</b>	<b>176,863</b>	<b>212,089</b>	<b>47,507</b>
<b>Analysis of Balance:</b>				
Cash and Cash Equivalents	771,751	176,863	212,089	47,507
Investments	-	-	-	-
	<b>771,751</b>	<b>176,863</b>	<b>212,089</b>	<b>47,507</b>
Unrestricted	57,416	-	4,764	-
Restricted	714,335	176,863	207,325	47,507
	<b>771,751</b>	<b>176,863</b>	<b>212,089</b>	<b>47,507</b>



**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, 2015**

	Escrow Deposit Fund	Retiree Health Benefit Reserve Account	Total
<b>Cash, Cash Equivalents and Investments -</b>			
<b>June 1, 2014</b>	26,860	149,892	2,808,220
<b>Cash Receipts:</b>			
Interest on Investments	24	150	400
Water and Sewer Charges			3,067,877
Customer Deposits			5,565
Other		50,000	253,923
Employee/Employer Payroll Tax Contributions			536,291
Net Payroll Transfers			632,933
Transfers			7,075,686
<b>Total Cash Receipts</b>	<u>24</u>	<u>50,150</u>	<u>11,572,675</u>
<b>Cash and Investments Available</b>	<u>26,884</u>	<u>200,042</u>	<u>14,380,895</u>
<b>Cash Disbursements:</b>			
Operations			3,438,535
Capital Expenditures			546,692
Employee/Employer Payroll Tax Contributions			531,339
Bond Principal Payments			145,000
Bond Interest Payments			56,818
Customer Deposits			4,012
Other			3,241
Transfers			7,075,686
<b>Total Cash Disbursements</b>	<u>-</u>	<u>-</u>	<u>11,801,323</u>
<b>Cash, Cash Equivalents and Investments -</b>			
<b>May 31, 2015</b>	<u>26,884</u>	<u>200,042</u>	<u>2,579,572</u>
<b>Analysis of Balance:</b>			
Cash and Cash Equivalents	26,884	200,042	2,579,572
Investments	<u>-</u>	<u>-</u>	<u>-</u>
	<u>26,884</u>	<u>200,042</u>	<u>2,579,572</u>
Unrestricted	-	200,042	1,366,706
Restricted	<u>26,884</u>	<u>-</u>	<u>1,212,866</u>
	<u>26,884</u>	<u>200,042</u>	<u>2,579,572</u>

**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**

**Schedule 3**  
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**For The Year Ended May 31, 2015**

	<b><u>2015</u></b>	<b><u>2015</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
	<b><u>Budget</u></b>	<b><u>Budget After</u></b>	<b><u>Actual</u></b>	<b><u>Actual</u></b>
		<b><u>Modifications</u></b>		
<b>Revenues:</b>				
Unrestricted Net Position Appropriated	215,318	215,318	215,318	210,509
Water Charges	750,000	750,000	642,388	606,437
Sewer Charges	2,050,000	2,050,000	2,288,045	2,248,335
Other	220,000	220,000	225,304	257,254
Interest on Delinquent Accounts	20,000	20,000	21,163	12,944
Interest on Investments and Deposits	2,000	2,000	1,587	740
<b>Total Operating Revenues</b>	<b><u>3,257,318</u></b>	<b><u>3,257,318</u></b>	<b><u>3,393,805</u></b>	<b><u>3,336,219</u></b>
<b>Expenses:</b>				
<b>Cost of Providing Services:</b>				
Operating Salaries	663,150	663,150	599,798	609,296
Overtime Salaries	35,000	35,000	31,207	32,749
Professional Fees - Other	20,000	20,000	20,400	20,400
Engineering - Retainer	11,460	11,460	11,460	11,125
Engineering - Miscellaneous	15,000	15,000	14,945	7,160
Chemicals	60,000	60,000	62,255	65,984
Systems and Equipment - Repairs and Maintenance	150,000	150,000	148,126	86,324
Truck Expenses - Gas, Oil, License	25,000	25,000	15,691	22,890
Truck Expenses - Repairs	8,000	8,000	4,596	4,563
Vehicle & Equipment Leases	5,000	5,000		859
Electricity	320,000	320,000	294,392	308,532
Water Consumed in Operations	2,000	2,000	1,917	1,826
Sludge Removal	125,000	125,000	94,266	113,590
Uniforms	8,000	8,000	5,611	3,654
Fees and Permits	50,000	50,000	47,864	28,719
Lab Supplies and Expenses	35,000	35,000	34,707	35,807
Customer Refunds	3,000	3,000	574	214
Miscellaneous Supplies and Expenses	30,000	30,000	25,846	25,649
Contingency (NJFIT)	17,454	17,454	24,339	
<b>Sub-total Cost of Providing Services</b>	<b><u>1,583,064</u></b>	<b><u>1,583,064</u></b>	<b><u>1,437,994</u></b>	<b><u>1,379,341</u></b>
<b>Administrative, General Expenses and Employee Benefits:</b>				
Administrative Salaries	340,180	340,180	325,140	305,056
Commissioners' Salaries	27,500	27,500	27,500	27,512
Administrative Trustees Fees	25,000	25,000	15,424	22,748
Customer Billing - Postage	6,000	6,000	6,894	7,432
Computer Programming	10,000	10,000	11,249	2,902
Computer Retainer	10,000	10,000	15,522	8,816
Auditing	27,000	27,000	25,770	26,500
Legal - Retainer	18,000	18,000	18,000	18,005
Legal - Miscellaneous	10,000	10,000	6,589	3,665
Office Supplies and Postage	10,000	10,000	8,504	8,532
Conferences and Seminars	10,000	10,000	6,779	6,765

**The Pompton Lakes Borough Municipal Utilities Authority**  
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**Schedule Of Operating Revenue And Costs Funded**  
**By Operating Revenue Compared To Budget**

**Schedule 3**  
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**For The Year Ended May 31, 2015**

	<b><u>2015</u></b>	<b><u>2015</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
	<b><u>Budget</u></b>	<b><u>Budget After</u></b>	<b><u>Actual</u></b>	<b><u>Actual</u></b>
		<b><u>Modifications</u></b>		
Administrative, General Expenses and				
Employee Benefits (continued):				
Special Accounting Services	6,000	6,000	4,871	4,000
Printing and Publications	8,000	8,000	2,844	5,879
Telephone and Alarm System	15,000	15,000	12,835	14,559
Insurance	40,000	40,000	33,157	38,767
Building Repairs and Maintenance	20,000	20,000	13,496	19,532
Heating	5,000	5,000	3,083	1,924
Bank Sweep Fees	4,000	4,000	3,539	2,911
Employee Benefits:				
Public Employee Retirement System	125,000	125,000	103,362	101,565
Social Security Tax	80,000	80,000	71,774	71,385
Unemployment Compensation Insurance	4,000	4,000	4,338	4,290
Worker's Compensation Insurance	30,000	30,000	27,502	29,980
Medical Insurance Premium	265,000	265,000	262,535	247,330
Retiree Health Benefits	125,000	125,000	107,547	68,202
	<u>1,220,680</u>	<u>1,220,680</u>	<u>1,118,254</u>	<u>1,048,257</u>
Debt Service:				
Bond Principal	334,938	334,938	329,938	324,902
Interest on Bonds	118,636	118,636	115,164	122,867
	<u>453,574</u>	<u>453,574</u>	<u>445,102</u>	<u>447,769</u>
<b>Total Costs Funded by Operating Revenues</b>	<u><u>3,257,318</u></u>	<u><u>3,257,318</u></u>	<u><u>3,001,350</u></u>	<u><u>2,875,367</u></u>
<b>Excess of Actual Revenues Over Expenses</b>			392,455	460,852
<b>Reconciliation of Budgetary Basis to GAAP:</b>				
Undesignated Retained Earnings			(215,318)	(210,509)
Budget Approp. - Retiree Health Benefits			50,000	
Depreciation			(929,680)	(915,381)
Amortization			(5,535)	(5,535)
Dam Inspection fees				(26,000)
NJETT Settlement Repayment			24,339	(170,373)
Bond Principal			329,938	324,902
<b>Total Adjustments</b>			<u>(746,256)</u>	<u>(1,002,896)</u>
<b>Change in Net Position</b>			<u><u>(353,801)</u></u>	<u><u>(542,044)</u></u>

**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**

**For The Year Ended May 31, 2015**

	<b><u>2015</u></b>	<b><u>2015</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
	<b><u>Budget</u></b>	<b><u>Budget After</u></b>	<b><u>Actual</u></b>	<b><u>Actual</u></b>
		<b><u>Modifications</u></b>		
<b>Financing Sources:</b>				
Debt Authorization - NJEIT	1,150,000	1,150,000		
Unrestricted Net Position	320,000	320,000	562,487	498,223
<b>Total Financing Sources</b>	<b><u>1,470,000</u></b>	<b><u>1,470,000</u></b>	<b><u>562,487</u></b>	<b><u>498,223</u></b>
<b>Capital Outlays:</b>				
Miscellaneous Water Main Valve Insertions	20,000	20,000		3,604
Leak Detection Survey	10,000	10,000		8,750
Trailer Mounted 125KW Emergency Generator				79,750
Case 580N Backhoe				69,062
Miscellaneous Upgrades to Water System	100,000	100,000	10,386	47,831
Miscellaneous Building Upgrades	40,000	40,000	4,422	
Miscellaneous Security Equipment	40,000	40,000	4,616	234
Dam Bi-Annual Inspection/Permitting	40,000	40,000	44,645	9,500
Wastewater Treatment Plant SCADA	25,000	25,000	14,707	27,693
Rehabilitation of WTP Clarifiers	650,000	650,000	70,181	
Sludge Mixer			22,226	
Miscellaneous Paving & Concrete Repairs	25,000	25,000	13,086	1,750
Main Treatment Plant Security Gate				28,354
Fire Hydrant and Aux. Valve Upgrades	50,000	50,000	18,655	
2014 Ford F150 Pickup Truck	70,000	70,000	34,306	
Misc. Computer and Office Equipment	40,000	40,000		53,748
Misc. Upgrades to Pump Stations	50,000	50,000	24,591	
Miscellaneous Treatment Plant Upgrades	60,000	60,000	51,946	45,301
Water Storage Tank Cathodic Protection	10,000	10,000		
South Pumping Station Emergency Generator			124,501	22,907
Rehabilitation of #3 Primary Clarifier				61,190
Miscellaneous Tools and Equipment	40,000	40,000		
Upgrade of South Pumping Station Controls	25,000	25,000		
Glen Court Station Emergency Generator				35,129
Miscellaneous Infrastructure Upgrades	50,000	50,000	2,175	3,420
Upgrade of Well #3 Electrical Service/Controls	100,000	100,000	64,661	
Collection System Inspection Equipment	25,000	25,000		
Fuel Tank Upgrades			57,383	
<b>Total Capital Outlay</b>	<b><u>1,470,000</u></b>	<b><u>1,470,000</u></b>	<b><u>562,487</u></b>	<b><u>498,223</u></b>
<b>Excess of Actual Revenues Over Expenses</b>				
<b>Total</b>	<b><u>1,470,000</u></b>	<b><u>1,470,000</u></b>	<b><u>562,487</u></b>	<b><u>498,223</u></b>

(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, 2015 and 2014

	Original Issuance		Interest Rate	Maturities		Balance June 1, 2014	Issued	Redeemed/Retired	Balance May 31, 2015
	Date	Amount		Date	Amount				
Series 1998 Refunding Bonds	11/10/1998	2,720,000	4.300%	06/01/2015	150,000				
			4.500%	06/01/2016	155,000				
			4.500%	06/01/2017	165,000				
			4.500%	06/01/2018	170,000				
			4.500%	06/01/2019	175,000				
			4.500%	06/01/2020	190,000				
			4.500%	06/01/2021	195,000	1,345,000		145,000	1,200,000
NJET Trust Loan Series 2009A	12/22/2009	735,000	5.000%	08/01/2015	30,000				
			5.000%	08/01/2016	30,000				
			5.000%	08/01/2017	35,000				
			5.000%	08/01/2018	35,000				
			4.000%	08/01/2019	35,000				
			4.000%	08/01/2020	40,000				
			4.000%	08/01/2021	40,000				
			3.500%	08/01/2022	40,000				
			4.000%	08/01/2023	45,000				
			4.000%	08/01/2024	45,000				
			3.750%	08/01/2025	45,000				
			4.000%	08/01/2026	50,000				
			4.000%	08/01/2027	50,000				
			4.000%	08/01/2028	50,000				
			4.000%	08/01/2029	55,000	655,000		30,000	625,000

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

May 31, 2015 and 2014

	Original Issuance		Interest Rate	Maturities		Balance June 1, 2014	Issued	Redeemed/Retired	Balance May 31, 2015
	Date	Amount		Date	Amount				
NJ/EIT Fund Loan Series 2009A	12/2/2009	704,297	0.000%	08/01/2015	25,153				
			0.000%	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				
			0.000%	02/01/2020	12,577				
			0.000%	08/01/2020	25,153				
			0.000%	02/01/2021	12,577				
			0.000%	08/01/2021	25,153				
			0.000%	02/01/2022	12,577				
			0.000%	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				
			0.000%	02/01/2025	12,577				
			0.000%	08/01/2025	25,154				
			0.000%	02/01/2026	12,577				
			0.000%	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				
			0.000%	08/01/2028	25,153				
			0.000%	02/01/2029	12,577				
			0.000%	08/01/2029	25,154				
						591,107		37,730	553,377

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, 2015 and 2014

	Original Issuance		Interest Rate	Maturities		Balance June 1, 2014	Issued	Redeemed/ Retired	Balance May 31, 2015
	Date	Amount		Date	Amount				
NJEIT									
Trust Loan									
Direct Loan									
	2/23/2010	71,914	1.950%	08/01/2015	3,208				
			2.300%	08/01/2016	3,270				
			2.590%	08/01/2017	3,346				
			2.760%	08/01/2018	3,432				
			2.970%	08/01/2019	3,527				
			3.160%	08/01/2020	3,632				
			3.290%	08/01/2021	3,747				
			3.480%	08/01/2022	3,870				
			3.620%	08/01/2023	4,004				
			3.720%	08/01/2024	4,149				
			3.820%	08/01/2025	4,304				
			3.920%	08/01/2026	4,468				
			4.010%	08/01/2027	4,643				
			4.100%	08/01/2028	4,830				
			4.180%	08/01/2029	5,027				
						62,616		3,159	59,457

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, 2015 and 2014

	Original Issuance		Interest Rate	Maturities		Balance June 1, 2014	Issued	Redeemed/Retired	Balance May 31, 2015
	Date	Amount		Date	Amount				
NJ/EIT Fund Loan Direct Loan	2/23/2010	204,192	0.000%	08/01/2015	7,165				
			0.000%	02/01/2016	3,582				
			0.000%	08/01/2016	7,165				
			0.000%	02/01/2017	3,582				
			0.000%	08/01/2017	7,165				
			0.000%	02/01/2018	3,582				
			0.000%	08/01/2018	7,165				
			0.000%	02/01/2019	3,582				
			0.000%	08/01/2019	7,165				
			0.000%	02/01/2020	3,582				
			0.000%	08/01/2020	7,165				
			0.000%	02/01/2021	3,582				
			0.000%	08/01/2021	7,165				
			0.000%	02/01/2022	3,582				
			0.000%	08/01/2022	7,165				
			0.000%	02/01/2023	3,582				
			0.000%	08/01/2023	7,165				
			0.000%	02/01/2024	3,582				
			0.000%	08/01/2024	7,165				
			0.000%	02/01/2025	3,582				
			0.000%	08/01/2025	7,165				
			0.000%	02/01/2026	3,582				
			0.000%	08/01/2026	7,165				
			0.000%	02/01/2027	3,582				
			0.000%	08/01/2027	7,165				
			0.000%	02/01/2028	3,582				
			0.000%	08/01/2028	7,165				
			0.000%	02/01/2029	3,582				
			0.000%	08/01/2029	7,165				
									168,370



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, 2015 and 2014

	Original Issuance		Interest Rate	Maturities		Balance June 1, 2014	Issued	Redeemed/ Retired	Balance May 31, 2015
	Date	Amount		Date	Amount				
NJET Trust Loan Series 2010B	12/2/2010	415,000	5.000%	08/01/2015	15,000				
			5.000%	08/01/2016	15,000				
			5.000%	08/01/2017	15,000				
			5.000%	08/01/2018	20,000				
			5.000%	08/01/2019	20,000				
			5.000%	08/01/2020	20,000				
			5.000%	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				
			5.000%	08/01/2027	30,000				
			5.000%	08/01/2028	30,000				
			5.000%	08/01/2029	30,000				
			5.000%	08/01/2030	35,000				
					385,000		15,000	370,000	

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

May 31, 2015 and 2014

	Original Issuance		Interest Rate	Maturities		Balance June 1, 2014	Issued	Redeemed/Retired	Balance May 31, 2015
	Date	Amount		Date	Amount				
NJ/EIT Fund Loan Series 2010	12/2/2010	210,450	0.000%	08/01/2015	7,515				
			0.000%	02/01/2016	3,758				
			0.000%	08/01/2016	7,515				
			0.000%	02/01/2017	3,758				
			0.000%	08/01/2017	7,515				
			0.000%	02/01/2018	3,758				
			0.000%	08/01/2018	7,515				
			0.000%	02/01/2019	3,758				
			0.000%	08/01/2019	7,515				
			0.000%	02/01/2020	3,758				
			0.000%	08/01/2020	7,515				
			0.000%	02/01/2021	3,758				
			0.000%	08/01/2021	7,515				
			0.000%	02/01/2022	3,758				
			0.000%	08/01/2022	7,515				
			0.000%	02/01/2023	3,758				
			0.000%	08/01/2023	7,515				
			0.000%	02/01/2024	3,758				
			0.000%	08/01/2024	7,515				
			0.000%	02/01/2025	3,758				
			0.000%	08/01/2025	7,515				
			0.000%	02/01/2026	3,758				
			0.000%	08/01/2026	7,515				
			0.000%	02/01/2027	3,758				
			0.000%	08/01/2027	7,515				
			0.000%	02/01/2028	3,758				
			0.000%	08/01/2028	7,515				
			0.000%	02/01/2029	3,758				
			0.000%	08/01/2029	7,515				
			0.000%	02/01/2030	3,758				
			0.000%	08/01/2030	5,565				
						185,753		11,273	174,460

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, 2015 and 2014

	Original Issuance		Interest Rate	Maturities		Balance June 1, 2014	Issued	Redeemed/ Retired	Balance May 31, 2015
	Date	Amount		Date	Amount				
NJ/EIT Trust Loan Series 2012A	05/3/2012	370,000	4.000%	08/01/2015	15,000				
			5.000%	08/01/2016	15,000				
			5.000%	08/01/2017	15,000				
			5.000%	08/01/2018	15,000				
			5.000%	08/01/2019	15,000				
			5.000%	08/01/2020	15,000				
			5.000%	08/01/2021	20,000				
			5.000%	08/01/2022	20,000				
			5.000%	08/01/2023	20,000				
			5.000%	08/01/2024	20,000				
			5.000%	08/01/2025	20,000				
			5.000%	08/01/2026	25,000				
			3.000%	08/01/2027	25,000				
			3.000%	08/01/2028	25,000				
			3.125%	08/01/2029	25,000				
			3.200%	08/01/2030	25,000				
			3.250%	08/01/2031	25,000				
						355,000		15,000	340,000

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

May 31, 2015 and 2014

	Original Issuance		Interest Rate	Maturities		Balance June 1, 2014	Issued	Redeemed/Retired	Balance May 31, 2015
	Date	Amount		Date	Amount				
NJET Fund Loan Series 2012	05/3/2012	1,157,873	0.000%	08/01/2015	41,353				
			0.000%	02/01/2016	20,676				
			0.000%	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				
			0.000%	08/01/2018	41,353				
			0.000%	02/01/2019	20,676				
			0.000%	08/01/2019	41,353				
			0.000%	02/01/2020	20,676				
			0.000%	08/01/2020	41,353				
			0.000%	02/01/2021	20,676				
			0.000%	08/01/2021	41,353				
			0.000%	02/01/2022	20,676				
			0.000%	08/01/2022	41,353				
			0.000%	02/01/2023	20,676				
			0.000%	08/01/2023	41,353				
			0.000%	02/01/2024	20,676				
			0.000%	08/01/2024	41,353				
			0.000%	02/01/2025	20,676				
			0.000%	08/01/2025	41,353				
			0.000%	02/01/2026	20,676				
			0.000%	08/01/2026	41,353				
			0.000%	02/01/2027	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%	08/01/2029	41,353				
			0.000%	02/01/2030	20,676				
			0.000%	08/01/2030	41,352				
			0.000%	02/01/2031	20,676				
			0.000%	08/01/2031	41,352				
						1,095,844		62,029	1,033,815
Grand Total						4,843,670		329,938	4,513,732
						375,605			334,987
Current Portion						4,468,065			4,178,745
Non-Current Portion						4,843,670			4,513,732

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**MEMBERS OF THE AUTHORITY**

**FISCAL YEAR 2014 - 2015**

**JUNE 1, 2014 TO MAY 31, 2015**

<u>Official</u>	<u>Position</u>	<u>Term Expires February 1</u>
George Decker	Chairman	2020
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, 2015**

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

Charles J. Ferraioli, Jr., MBA, CPA, RMA  
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## **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, 2015, and the related notes to the financial statements, and have issued our report thereon dated August 24, 2015.

### ***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.



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 certain deficiencies in internal control over financial reporting, described in the accompanying comments and recommendations as Findings 2015-001, 2015-002 and 2015-003 that we consider to be significant deficiencies 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 Responses. Pompton Lakes Borough Municipal Utilities Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

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

*Ferraioli, Wielkatz, Cerullo & Cuva, P.A.*

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

August 24, 2015





**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**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, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder.

Effective July 1, 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.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**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**

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**COMMENTS AND RECOMMENDATIONS**

**Finding \*2015-001:** There is a lack of appropriate segregation of accounting functions consistent with appropriate control objectives.

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

**Finding \*2015-002:** 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 \*2015-003:** 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.

A review was performed on prior year's recommendations and corrective action was taken on all items except Findings \*2015-001, \*2015-002 and \*2015-003.

\* \* \* \* \*

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.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**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,

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

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