

**CUMBERLAND COUNTY UTILITIES AUTHORITY**

**AUDIT REPORT**

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



**Romano, Hearing, Testa & Knorr**

**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

**CUMBERLAND COUNTY UTILITIES AUTHORITY**  
**AUDIT REPORT**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

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## INDEPENDENT AUDITORS' REPORT

Chairman and Commissioners of the  
Cumberland County Utilities Authority  
Bridgeton, New Jersey

### Report on the Financial Statements

We have audited the accompanying financial statements of the Cumberland County Utilities Authority as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cumberland County Utilities Authority as of December 31, 2015 and 2014, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Adoption of New Accounting Principles*

As discussed in note 1 to the financial statements, during the fiscal year ended December 31, 2015, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

### *Prior Period Restatement*

Because of the implementation of GASB Statements No. 68 and No. 71, net position as of January 1, 2014 on the statement of revenues, expenses and changes in net position has been restated, as discussed in Note 19 to the financial statements. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

*Other Information*

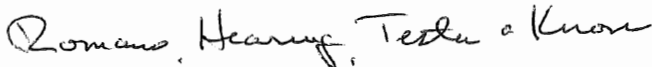
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cumberland County Utilities Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2016 on our consideration of the Cumberland County 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 and not to provide an opinion on the 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 Cumberland County Utilities Authority's internal control over financial reporting and compliance.

ROMANO, HEARING, TESTA & KNORR



Certified Public Accountants

June 28, 2016

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

Chairman and Commissioners of the  
Cumberland County Utilities Authority  
Bridgeton, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Cumberland County Utilities Authority, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Cumberland County Utilities Authority's basic financial statements, and have issued our report thereon dated June 28, 2016. Our report on the financial statements included an emphasis of matter paragraph describing the restatement of the prior period financial statements resulting from the adoption of new accounting principles.

**Internal Control Over Financial Reporting**

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

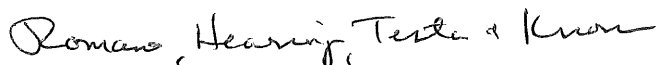
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Cumberland County 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*.

### **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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

ROMANO, HEARING, TESTA & KNORR



Certified Public Accountants

June 28, 2016



**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Cumberland County Utilities Authority's (the Authority) annual financial report presents the analysis of the Authority's overall financial position and results of operations for the year that ended on December 31, 2015. Please read it in conjunction with the financial statements, which follow this section.

### **AUTHORITY OVERVIEW**

The Authority was founded for the purpose of protecting and preserving the area's vital environment for current and future generations and by so doing ensure a healthy ecology, a robust economy and a high quality of life for our citizens.

The skilled and dedicated men and women at the Authority accomplish this by effectively collecting and treating wastewater from our service areas' customers and then recycling safe, clean water back into the natural ecosystem.

Our philosophy is to never lose sight of those who we are committed to serve; residents, businesses, and public institutions located within our service region.

All of the plans, improvements and system changes are made to ensure that we continue to meet or surpass all mandated federal and state regulations and standards, and to operate the Authority at as low a cost to our customers as possible.

### **SUMMARY OF ORGANIZATION AND BUSINESS**

The Authority is a corporate public body originally created by resolution of the Board of Chosen Freeholders of Cumberland County adopted November 11, 1971, under Chapter 123 of the Laws of 1946 of the State of New Jersey and reorganized on April 13, 1978 under P.L. 1977 Chapter 384, and the Sewerage Authorities Law, constituting Chapter 38 of the Pamphlet Laws of 1946 of the State as amended.

The Authority is authorized to design, finance, construct, acquire, maintain, and operate a district sewer system for the purpose of relief of waters in or bordering within the county from pollution or threatened pollution from causes arising within Cumberland County.

The Authority is governed by seven Commissioners who are appointed by the Board of Chosen Freeholders of Cumberland County. All Members of the Authority are appointed to five-year terms. The Authority is administered by the Director appointed by the Members and directly responsible to them. The Authority has approximately 34 employees.

The Authority has no power to levy or collect taxes. Operation and maintenance costs are funded from service fees and other charges. The acquisition and construction of capital assets are funded by operating revenue, net position, wastewater revenue bonds, New Jersey Environmental Infrastructure Trust Financing Program loans and Federal and State grants, when available.

## **RESPONSIBILITY AND CONTROLS**

The Authority has prepared and is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on recognition that the cost of the system should not exceed its benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The Authority's system of internal accounting controls is evaluated on an ongoing basis by the Authority's internal staff. Independent external auditors also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

Management believes that its policies and procedures provide guidance and reasonable assurance that the Authority's operations are conducted in accordance with management's intentions and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations and cash flow of the Authority in conformity with accounting principles generally accepted in the United States of America.

## **FINANCIAL HIGHLIGHTS**

Management believes the Authority's financial condition is strong. The stringent financial policies and guidelines set by the Board of Commissioners and Management, with the adoption of the Cash Management and Investment Policy and the Five-Year Capital Improvement Plan in particular, add to the financial strength of the Authority. The following are key financial highlights for 2015 and 2014:

- During 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial reporting for Pensions – an amendment of GASB Statement No. 27 (GASB 68)* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68 (GASB 71)*. As a result of the implementation of GASB 68 and 71, beginning unrestricted net position as of January 1, 2014, was decreased by \$4,609,012. The notes to the financial statements provide a more thorough discussion of the implementation of GASB 68 and 71 and the effects to the financial statements.
- For fiscal years 2015 and 2014, the Authority treated flow from Customers of 1,280.34 and 1,263.28 million gallons of wastewater, respectively. As a result, Treatment Fees

from Customers increased approximately 4.22% for the fiscal year 2015 as compared to 2014.

- Septage fees decreased 3% for the fiscal year 2015 as compared to 2014 primarily due to a decrease in the volume of wastewater delivered in by individual haulers.
- Operating expenses increased approximately \$291,000 in fiscal year 2015 as compared to 2014. This can be attributed to an increase in utilities and sludge/waste/recycling disposal.
- Net position increased \$1,175,000 and \$1,100,000 for the years ended December 31, 2015 and 2014, respectively.

## **AUDIT ASSURANCE**

The unmodified opinion of our independent external auditors, Romano, Hearing, Testa & Knorr, is included in this report.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The Authority is a single enterprise fund. The Authority's Audit Report includes the required Basic Financial Statements, as described below, the Notes to Financial Statements, required supplementary information, which consists of this Management Discussion and Analysis and finally, supplementary information.

## **REQUIRED FINANCIAL STATEMENTS**

The financial statements report information about 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 computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority.

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 success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its wastewater treatment user fees and other charges. This statement also measures the Authority's profitability and credit worthiness. The other required financial statement is the **Statement of Cash Flows**. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities, and provides answers to such questions as "where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period?"

## FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

One of the most important questions asked about the Authority's finances is "Is the Authority, as a whole, better off or worse off as a result of the year's 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 the net position of the Authority, and changes in them. You 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, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The Authority's total net position increased from last year by \$1,175,000. The analysis below focuses on the Authority's net position (Table 1) and changes in net position (Table 2) during the year.

Table 1  
Net Position  
(Dollars in Thousands)

	2015	2014 <i>Restated</i>	2013*	2015-2014 Increase(Decrease)	
				\$	%
Current Assets	\$ 9,332	\$ 8,241	\$ 7,317	1,091	13.24%
Noncurrent Assets	15,795	16,700	17,491	(905)	(5.42)%
Total Assets	<u>25,127</u>	<u>24,941</u>	<u>24,808</u>	<u>186</u>	<u>.75%</u>
Deferred Loss on Defeasance of Debt		37	65	(37)	100.00%
Deferred Amount Relating to Pensions	<u>1,066</u>	<u>360</u>		<u>706</u>	<u>196.11%</u>
Total Deferred Outflows of Resources	<u>1,066</u>	<u>397</u>	<u>65</u>	<u>669</u>	<u>168.51%</u>
Current Liabilities	1,704	1,767	1,611	(63)	(3.57)%
Long-Term Liabilities	11,322	11,398	7,852	(76)	(.67)%
Total Liabilities	<u>13,026</u>	<u>13,165</u>	<u>9,463</u>	<u>(139)</u>	<u>(1.06)%</u>
Deferred Amount Relating to Pensions	<u>91</u>	<u>272</u>	<u>-</u>	<u>(181)</u>	<u>(66.54)%</u>
Total Deferred Inflows of Resources	<u>91</u>	<u>272</u>	<u>-</u>	<u>(181)</u>	<u>(66.54)%</u>
Net Investment in Capital Assets	9,080	8,499	8,253	581	6.84%
Restricted Net Position	2,217	2,110	2,294	107	5.07%
Unrestricted Net Position	<u>1,779</u>	<u>1,292</u>	<u>4,863</u>	<u>487</u>	<u>37.69%</u>
Total Net Position	<u>\$ 13,076</u>	<u>\$ 11,901</u>	<u>\$ 15,410</u>	<u>1,175</u>	<u>9.87%</u>

\*2013 has not been restated to comply with GASB 68. See Note 19.

The increase in current assets is primarily the result of the increase in investments.

The decrease in noncurrent assets is due to the decrease in investments and net capital assets.

The decrease in long-term liabilities is due to the net of the decrease in principal payments on bonds and loans payable and the increase in net pension liability.

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

Table 2  
Statement of Revenues, Expense and Changes in Net Position  
(Dollars in Thousands)

	2015	2014 (Restated)	2013*	2015-2014 Increase(Decrease)	
				\$	%
Operating Revenue					
Treatment Fees	\$ 6,476	\$ 6,214	5,888	\$ 262	4.22%
Septage Fees	390	402	339	(12)	(2.99)%
Other Operating	139	103	145	36	34.95%
Nonoperating Revenue	100	75	67	25	33.33%
Total Revenue	<u>7,105</u>	<u>6,766</u>	<u>6,439</u>	<u>339</u>	5.01%
Operating Expenses					
Cost of Providing Services	3,470	3,202	3,286	268	8.37%
Administrative and General	1,255	1,232	1,167	23	1.87%
Depreciation	990	991	1,013	(1)	(.10)%
Non Operating Expense					
Interest	215	241	354	(26)	(10.79)%
Total Expenses	<u>5,930</u>	<u>5,666</u>	<u>5,820</u>	<u>264</u>	4.66%
Change in Net Position	<u>1,175</u>	<u>1,100</u>	<u>619</u>	<u>75</u>	6.82%
Beginning Net Position	11,901	15,410	14,791	(3,509)	(22.78)%
Cumulative Effect of Change					
In Accounting Principle		(4,609)		4,609	100.00%
Beginning Net Position (Restated)	<u>11,901</u>	<u>10,801</u>	<u>14,791</u>	<u>1,100</u>	10.18%
Ending Net Position	<u>\$ 13,076</u>	<u>\$ 11,901</u>	<u>15,410</u>	<u>\$ 1,175</u>	9.87%

\*2013 has not been restated to comply with GASB 68. See Note 19.

## REVENUES

The Authority's total revenues are approximately \$7.105 million for the year ended December 31, 2015 as compared to \$6.766 million for the year ended December 31, 2014. Treatment Fees were \$6.476 million, accounting for 91% of total revenue.

## EXPENSES

Operating expenses of \$5.715 million for the year ended December 31, 2015 increased \$.290 million or 5% from operating expenses of \$5.425 million for the year ended December 31, 2014 primarily due to the increase in utilities, employee benefits (pension related) and sludge/waste disposal.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### Capital Assets

At the end of December 2015, the Authority had \$14.709 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 6 to the financial statements. Total depreciation expense for the year was \$.990 million.

The following table summarizes the Authority's capital assets, net of accumulated depreciation, and changes therein, for the years ended December 31, 2015 and 2014.

Table 3  
Capital Assets, Net of Accumulated Depreciation  
(Dollars in Thousands)

	2015	2014	2015-2014 Increase(Decrease)	
			\$	%
Land	\$ 1,135	\$ 1,135	\$ -	
Land Improvements	66	71	(5)	(7.04)%
Treatment Plant and Facilities	9,101	9,712	(611)	(6.29)%
Pumping Stations and Interceptors	2,792	2,949	(157)	(5.34)%
Machinery and Equipment	1,037	1,030	7	.68%
Vehicles	373	248	125	50.40%
Office Equipment	15	18	(3)	(16.67)%
Construction in Progress	190	6	184	3,067%
Total	\$ <u>14,709</u>	\$ <u>15,169</u>	\$ <u>(460)</u>	(3.03)%

The Authority's fiscal year 2016 capital budget plans for investing another \$300,000 in capital projects, including:

Plant/Motor/Pump Replacement	\$ 100
Buildings, Grounds and Vehicles	200
Total	<u>\$ 300</u>

The Authority plans to fund the above capital projects from year 2016 revenue and unrestricted net position.

## **DEBT ADMINISTRATION**

At December 31, 2015, the Authority had several outstanding bond issues and loans payable in the amount of \$6,550,963 that will mature in various amounts through the year 2032 with interest rates ranging from 3.0% to 5.0%.

## **NEXT YEAR'S BUDGETS AND RATES**

The Authority has adopted appropriate strategic operating, finance and capital improvement plans to ensure that the Authority will continue to provide the residents of our operating area with an exemplary level of service while maintaining reasonable rates. The Authority's 2016 Operating Budget reflects a 1.4% increase from the 2015 Amended Budget. The Authority plans to fund the capital expenditures of \$300,000 from year 2016 revenue and unrestricted net position. The proposed budget reflects a 2% rate increase to the Users. Growth within our service area has stalled and the 2016 Budget was developed to work within those limitations.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Authority's customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Authority's Director at the Cumberland County Utilities Authority, 333 Water Street, Bridgeton, New Jersey 08302.



## **BASIC FINANCIAL STATEMENTS**

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2015 AND 2014**

	<b>2015</b>	<b>2014 (Restated)</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS - UNRESTRICTED:</b>		
Cash and Cash Equivalents	\$ 2,175,308	\$ 2,578,156
Investments	2,658,965	1,662,421
Accounts Receivable (Net of Allowance of \$10,000)	32,525	51,262
Interest Receivable	20,512	11,663
Prepaid Expenses	359	6,845
Inventory	75,062	79,479
	<b>4,962,731</b>	<b>4,389,826</b>
<b>CURRENT ASSETS- RESTRICTED:</b>		
Accounts Required by the Authority's Bond Resolutions:		
Cash and Cash Equivalents	1,103,388	965,667
Investments	1,503,823	1,399,262
Interest Receivable	15,631	13,717
Other Restricted Accounts:		
Cash and Cash Equivalents	27,013	45,070
Cash Held by Fiscal Agent	36,146	110,394
Investments	1,594,356	1,156,316
Due from Unrestricted Assets	63,886	141,286
Interest Receivable	25,219	19,794
	<b>4,369,462</b>	<b>3,851,506</b>
<b>NONCURRENT ASSETS:</b>		
Investments - Required by Authority's Bond Resolutions	355,188	510,627
Investments - Other Restricted Accounts	730,862	887,166
Capital Assets, Net	14,708,936	15,168,587
	<b>15,794,986</b>	<b>16,699,901</b>
<b>TOTAL ASSETS</b>	<b>25,127,179</b>	<b>24,941,233</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred Loss on Defeasance of Debt		37,032
Deferred Amount Relating to Pensions	1,066,109	360,321
	<b>1,066,109</b>	<b>397,353</b>

(Continued)

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2015 AND 2014**

	<b>2015</b>	<b>2014 (Restated)</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:</b>		
Accounts Payable - Operations	\$ 137,738	\$ 108,484
Due to Restricted Assets	63,886	141,286
Accrued Liabilities	270,598	329,516
<b>Total Current Liabilities Payable From Unrestricted Assets</b>	472,222	579,286
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>		
Sewer Revenue Bonds Payable - Current Portion	865,000	815,000
New Jersey Environmental Infrastructure Trust Loans Payable - Current Portion	291,302	284,841
Sensor Escrow	6,800	6,100
Accrued Interest Payable - Bonds and Loans	69,073	82,148
<b>Total Current Liabilities Payable From Restricted Assets</b>	1,232,175	1,188,089
<b>LONG-TERM LIABILITIES:</b>		
Sewer Revenue Bonds Payable - Non Current Portion	1,995,150	2,861,097
New Jersey Environmental Infrastructure Trust Loans Payable - Non Current Portion	3,502,679	3,808,400
Net Pension Liability	5,651,688	4,563,531
Accrued Liabilities - Non Current Portion	108,227	100,469
Accrued Compensated Absences	64,435	65,091
<b>Total Long-Term Liabilities</b>	11,322,179	11,398,588
<b>TOTAL LIABILITIES</b>	13,026,576	13,165,963
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred Amount Relating to Pensions	90,868	271,962
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	90,868	271,962
<b>NET POSITION:</b>		
Net Investment in Capital Assets	9,079,867	8,498,560
Restricted:		
Current Debt Service	1,203,337	1,095,869
Future Debt Service	339,056	339,056
Renewal and Replacement	600,000	600,000
Construction	74,997	74,992
Unrestricted	1,778,587	1,292,184
<b>TOTAL NET POSITION</b>	\$ 13,075,844	\$ 11,900,661

The accompanying Notes to Financial Statements are an integral part of these statements.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGE IN NET POSITION  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014 (Restated)</u>
<b>OPERATING REVENUE:</b>		
Treatment Fees	\$ 6,340,783	\$ 6,129,800
User Surcharge Revenue	135,556	83,996
Septage Fees	389,818	402,381
Service Fees	9,026	11,622
Finance Charges	2,448	2,118
Industrial Pretreatment Program Revenue	76,750	32,500
Other Operating Income	51,044	28,490
	<hr/>	<hr/>
<b>Total Operating Revenue</b>	7,005,425	6,690,907
	<hr/>	<hr/>
<b>OPERATING EXPENSES:</b>		
Cost of Providing Services	3,469,852	3,202,127
Administrative and General	1,255,368	1,231,512
Depreciation	990,135	990,666
	<hr/>	<hr/>
<b>Total Operating Expenses</b>	5,715,355	5,424,305
	<hr/>	<hr/>
<b>OPERATING INCOME</b>	1,290,070	1,266,602
	<hr/>	<hr/>
<b>NON-OPERATING REVENUE (EXPENSES):</b>		
Connection Fees	23,680	19,240
Interest Income	140,926	116,888
Interest Expense	(215,147)	(240,883)
Gain on Disposal of Capital Assets	18,050	224
Realized Loss on Investments	(52,710)	(64,283)
Increase/(Decrease) in Fair Value of Investments	(29,686)	2,180
	<hr/>	<hr/>
<b>Total Non-Operating Revenue (Expenses)</b>	(114,887)	(166,634)
	<hr/>	<hr/>
<b>CHANGE IN NET POSITION</b>	1,175,183	1,099,968
	<hr/>	<hr/>
<b>TOTAL NET POSITION-BEGINNING</b>	11,900,661	15,409,705
	<hr/>	<hr/>
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>		(4,609,012)
	<hr/>	<hr/>
<b>TOTAL NET POSITION - BEGINNING (AS RESTATED)</b>	11,900,661	10,800,693
	<hr/>	<hr/>
<b>TOTAL NET POSITION-ENDING</b>	<u>\$ 13,075,844</u>	<u>\$ 11,900,661</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2015 AND 2014**

	<b>2015</b>	<b>2014 (Restated)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers and Users	\$ 6,973,818	\$ 6,639,055
Cash Payments to Suppliers for Goods and Services	(1,873,235)	(1,581,807)
Cash Payments for Employee Services	(2,654,928)	(2,856,640)
Other Receipts (Payments)	51,360	28,488
	<b>2,497,015</b>	<b>2,229,096</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and Construction of Capital Assets	(486,974)	(231,671)
Connection Fees Received	23,680	19,240
Proceeds from Sale of Fixed Assets	18,050	224
Principal Paid on Bonds	(815,000)	(780,000)
Principal Paid on Loans Payable	(284,841)	(281,628)
Interest Paid on Bonds and Loans	(206,555)	(242,118)
Proceeds from NJEIT Funds	-	472,846
	<b>(1,751,640)</b>	<b>(1,043,107)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Investment Securities	(5,457,545)	(4,590,678)
Proceeds from Sale and Maturities of Investment Securities	4,230,000	2,605,000
Interest Received on Non-Operating Investments	124,738	110,667
	<b>(1,102,807)</b>	<b>(1,875,011)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(357,432)</b>	<b>(689,022)</b>
<b>CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR</b>	<b>3,699,287</b>	<b>4,388,309</b>
<b>CASH AND CASH EQUIVALENTS-END OF YEAR</b>	<b>\$ 3,341,855</b>	<b>\$ 3,699,287</b>
<b>CASH AND CASH EQUIVALENTS - STATEMENT OF NET POSITION:</b>		
Cash and Cash Equivalents - Unrestricted	\$ 2,175,308	\$ 2,578,156
Cash and Cash Equivalents - Accounts Required by Authority's Bond Resolutions	1,103,388	965,667
Cash and Cash Equivalents - Other Restricted Accounts	27,013	45,070
Cash Held by Fiscal Agent	36,146	110,394
	<b>\$ 3,341,855</b>	<b>\$ 3,699,287</b>

(CONTINUED)

to Financial Statements are an integral part of these statements.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2015 AND 2014**

<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	<b>2015</b>	<b>2014 (Restated)</b>
	<u>2015</u>	<u>2014 (Restated)</u>
Operating Income	\$ 1,290,070	\$ 1,266,602
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	990,135	990,666
Increase (Decrease) in Cash Resulting From Changes in:		
Accounts Receivable	18,737	(23,762)
Prepaid Expenses	6,486	(6,845)
Inventory	4,417	5,601
Accounts Payable - Non Capital	29,254	(89,496)
Accrued Liabilities	157,872	86,379
Sensor Escrow	700	400
Accrued Compensated Absences	(656)	(449)
Total Adjustments	<u>1,206,945</u>	<u>962,494</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 2,497,015</u>	<u>\$ 2,229,096</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 1 GENERAL**

The Cumberland County Utilities Authority (formerly the Cumberland County Sewerage Authority) is a corporate public body originally created by resolution of the Board of Chosen Freeholders of Cumberland County adopted November 11, 1971, under Chapter 123 of the Laws of 1946 of the State of New Jersey and reorganized on April 13, 1978 under P.L. 1977 Chapter 384. The commissioners of the Authority are appointed by the Board of Chosen Freeholders of Cumberland County and therefore, the Authority is a related organization of the County as defined by Governmental Accounting Standards Board Statement No. 14, but not a component unit of the County. The Authority does not have any component units for which it is accountable.

The Authority is authorized to design, finance, construct, acquire, maintain, and operate a district sewer system for the purpose of relief of waters in or bordering within the county from pollution or threatened pollution from causes arising within Cumberland County.

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

**Service Contracts**

The Authority has entered into Service Contracts (the "Contracts") with the City of Bridgeton, the Township of Upper Deerfield, the Township of Hopewell, TIP'S Trailer Park Corporation, located in Fairfield Township, the County of Cumberland, the Cumberland County Technical Education Center, the Township of Deerfield, the Township of Fairfield and the United States Government (for the federal correctional institution) (the "Participants"). The Township of Deerfield has not delivered any flows to the Authority through December 31, 2015, and therefore, has not been required to pay any service charges.

The Contracts provide, among other things, for the payment of service charges by the Participants to the Authority in return for their usage of the System and the Authority's construction, operation and maintenance of the System.

The Authority is obligated under the Contracts to charge rates sufficient to provide for all expenses of operation, maintenance and repair of the System, the payment of the principal of and interest on any bonds or obligations issued or to be issued and maintenance of such reserves or sinking funds for any of the foregoing purposes as may be required by the terms of any Contract or other obligation of the Authority.

Each Participant's obligation is limited to payment of rates and charges made by the Authority for the disposal of sewage delivered by such Participant to the System. Such Participant is not responsible for payments which are charged to but not paid by any other Participants.



**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the more significant accounting policies:

A. Basis of Presentation

The accounts of the Authority are an enterprise fund. An enterprise fund is a Proprietary type fund used to account for operations (a) 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 goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or the change in net assets is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

The accompanying financial statements are reported using the “economic resources measurement focus,” and the “accrual basis of accounting.” Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Authority are treatment fees and septage fees. The Authority also recognizes service fees, lab fees, finance charges, industrial pretreatment program revenues and miscellaneous operating income as operating revenue. Operating expenses include cost of providing services, administrative and general expenses and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

C. Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. The budget must be introduced by the governing body at least 60 days prior to the end of the current fiscal year, and adopted no later than the beginning of the Authority’s fiscal year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Budgets and Budgetary Accounting (Continued)

Depreciation and amortization expense are not included as budget appropriations. The Authority may make budget transfers and amendments at any time, which must be approved by resolution of the Authority and by the State of New Jersey Division of Local Government Services if the legal level line items are affected. Detailed line item transfers not affecting the legal level line items may be made by management at any time. There are no statutory provisions that budgetary line items not be over-expended.

D. Grants

Contributions received from various sources as grants are recorded in the period earned. 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 as non-operating revenue.

Grants externally restricted for non-operating purposes are recorded as capital contributions.

E. Accounts Receivable

The Authority has provided for doubtful accounts by the allowance method. The allowance for doubtful accounts is based upon management's estimate of potentially uncollectible accounts.

F. Capital Assets

Capital assets, which consist of property, plant and equipment, are stated at cost which includes direct construction costs and other expenditures related to construction.

Capital assets are defined by the Authority as assets with an initial, individual cost of \$3,000 or more and an estimated useful life in excess of one year.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and put into operation. Construction in Progress includes interest expense incurred during construction. The Authority reduces the capitalized project costs by the amount of interest earned from the investment of project funds and amortization of the premium received in connection with the issuance of debt; which has the effect of reducing the cost of borrowing.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2015 AND 2014**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

F. Capital Assets (Continued)

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

Treatment plant and facilities	5 - 50 years
Pumping stations, interceptors and improvements	15 - 40 years
Machinery and equipment	2 - 20 years
Office furniture	5 - 10 years
Vehicles	5 - 15 years

G. Accounts Required by the General Bond Resolution

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

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted if any</u>
Revenue	All revenue received by the Authority.	Transfers to the various accounts described below.
Operating	Amount to be required for operating expenses for the quarter.	To pay reasonable and necessary operating expenses in accordance with the annual budget.
Bond Service (Current Debt Service)	An amount equal to (1) any unpaid interest due on outstanding bonds, plus the interest to become due on all outstanding bonds on the interest payment date next ensuing and (2) the principal amount of any unpaid bonds then matured, plus the principal amount of outstanding bonds, if any, maturing on the principal maturity date next ensuing.	Principal and interest on the Bonds.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2015 AND 2014**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

G. Accounts Required by the General Bond Resolution (Continued)

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted if any</u>
Bond Reserve (Future Debt Service)	An amount equal to the largest of the amount of maturing principal of and interest on all bonds outstanding at such date which will become due and payable in the then current or any future fiscal year.	Transfers to meet minimum levels in the Bond Service Fund. Any excess is to be withdrawn by the trustee and credited to the Revenue Fund.
Renewal and Replacement	An amount deemed reasonably necessary for costs and expenses, with respect to the system, of reconstruction or of required replacements, renewals, major repairs or maintenance items of a non-recurring nature.	Transfers to the Bond Service Fund if necessary to meet the minimum requirements, or payment, if any, of the necessary costs and expenses of reconstruction, replacements, renewals, major repairs or maintenance items of a non-recurring nature.
Construction	Proceeds from the sale of bonds, government grants with respect to the initial project and any amount for the project directed into the fund by the Authority.	Costs of construction of the project or costs of replacements, renewals, major repairs or non-recurring maintenance.
General	Funds remaining in the Construction Fund after a project has been completed and all construction costs have been paid and the balance of revenues remaining after making the necessary transfers to the foregoing accounts.	May be applied to any purpose.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

G. Accounts Required by the General Bond Resolution (Continued)

In addition to the accounts required by the General Bond Resolution, the Authority has also established the following restricted accounts:

Plant Reconstruction or Replacement account reserved for the future reconstruction or replacement of the Sewerage Treatment Facility or components thereof.

Sensor Escrow account consisting of funds collected from septage haulers as a deposit on a gate opening sensor mechanism issued to the haulers.

User Revenue Reserve account to be used to minimize the impact of flow fluctuations from the Authority's Users, particularly from any unanticipated loss or reduction in flow and related revenue.

H. Bond/Loan Premiums, Discounts

Bond and loan premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds and loans payable are reported net of the applicable bond premium or discount.

I. Deferred Amount on Refunding

The deferred amount on refunding is recorded as a deferred outflow of resources. It is amortized over the shorter of the remaining life of the old debt or new debt based upon the interest method as a component of interest expense.

J. Inventory

Inventory consists principally of chemicals and supplies used in the treatment process and are stated at cost determined on a first-in, first-out basis.

K. Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase. Investments are stated at fair value.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to adopt a cash management plan and to deposit and/or invest its funds pursuant to that plan. The governing body of the Authority has adopted a cash management plan ("the plan") and, as required, approves the plan annually. The plan includes the designation of the public depositories to be utilized by the Authority to deposit public funds.

Eligible depositories are defined in section 1 of P.L. 1970, c.236 (C. 17.9-41) and are limited to banks or trust companies having their place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or with the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey governments and their component units.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Cash, Cash Equivalents and Investments (Continued)**

N.J.S.A. 17:9-41 et. seq., which establishes the requirements for the security of deposits of governmental units, requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured.

All public depositories must pledge collateral, having a market value of at least five percent (5%) of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

The cash management plan adopted by the Cumberland County Utilities Authority requires it to deposit funds in public depositories protected from loss under the provisions of GUDPA.

**L. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The estimates and assumptions affect the amounts reported in the financial statements. The actual results may differ from these estimates.

**M. Pensions**

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

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

N. Postemployment Benefits Other than Pensions

In 2009 the Authority implemented Governmental Accounting Standards Board (GASB) Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*. Since the Authority participates in a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pension and Benefits, the Authority's portion of this liability and cost is calculated and recorded at the State of New Jersey level and included in the State's Comprehensive Annual Financial Report.

The Authority records its other postemployment benefits cost (expense) based on billings from the State of New Jersey PERS. Required financial statement disclosures are included in Note 18.

O. Deferred Outflows and Deferred Inflows of Resources

The Schedule of Net Position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after Total Assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after Total Liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflow of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources:

**Defined Benefit Pension Plans** – The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Authority's proportion of expenses and liabilities to the pension as a whole, differences between the Authority's pension contribution and its proportionate share of contributions, and the Authority's pension contributions subsequent to the pension valuation measurement date.

P. Subsequent Events

Management has evaluated subsequent events through June 28, 2016, the date the financial statements were available for issue.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Q. Adoption of Accounting Pronouncements

The Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 (GASB 68)*. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pensions. Note disclosures and required supplementary information requirements about pensions are also addressed.

The Authority also adopted GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68 (GASB 71)*. GASB 71 amends paragraph 137 of GASB 68 to require that, at transition, a government recognize a beginning deferred outflow or resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

The provisions of GASB Statements No. 68 and No. 71 have been applied to the beginning of the 2014 net position and the 2014 financial statements have been restated. As a result of the implementation of GASB 68 and 71, beginning unrestricted net position as of January 1, 2014, was decreased by \$4,609,012. See Note 19 for a reconciliation of the 2014 amounts as previously reported to the total restated amounts.

R. Recent Accounting Pronouncements not Yet Effective

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application (GASB 72)*. The statement addresses accounting and financial reporting issues related to fair value measurements of assets and liabilities. GASB 72 identifies various approaches to measuring fair value and levels of inputs based on the objectivity of the data used to measure fair value. GASB 72 will be effective for periods beginning after June 15, 2015. Management is evaluating the impact of this new statement.

In June 2015, the GASB issued 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 (GASB 73)*. This statement establishes requirements for defined benefit pensions and defined contribution pensions that are not within the scope of GASB 68 and amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB 68. GASB 73 will be effective for periods beginning after June 15, 2016. Management is evaluating the impact of this new statement.



**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

R. Recent Accounting Pronouncements not Yet Effective (Continued)

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. GASB 74 will be effective for periods beginning after June 15, 2016. Management does not expect this statement will have an impact on the financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This statement addresses accounting and financial reporting for other postemployment benefits (OPEB) that are provided to the employees of state and local governmental employers. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB in the basic financial statements, in addition to requiring more extensive note disclosures and required supplementary information. GASB 75 will be effective for periods beginning after June 15, 2017. Management is evaluating the impact of this new statement.

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

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement establishes the criteria for identifying the applicable pension plans and addresses measurement and recognition of pension liabilities, expense, and expenditures; note disclosures of descriptive information about the plan, benefit terms, and contribution terms; and required supplementary information presenting required contribution amounts for the past 10 fiscal years. GASB 78 will be effective for periods beginning after December 15, 2015. Management is evaluating the impact of this new statement.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 3 CASH AND CASH EQUIVALENTS**

At December 31, 2015, the carrying amount and bank balance of the Authority's time and demand deposits were \$1,915,752 and \$2,057,939, respectively. All of the time and demand deposits were covered by either federal deposit insurance or by the Governmental Unit Deposit Protection Act (GUDPA).

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). The Authority's public funds in excess of the FDIC insured amounts are protected by GUDPA. As of December 31, 2015, \$250,000 of the Authority's bank balance of \$2,057,939 was insured and \$1,807,939 was uninsured and collateralized.

In addition to the bank deposits described above, the Authority also had \$1,426,088 invested in a government money market fund which is not covered by federal deposit insurance or by GUDPA, but which invests exclusively in general obligations issued by the U.S. Government and backed by its full faith and credit and which carries a credit rating of AAA.

At December 31, 2015 the Authority had \$15 invested in the New Jersey Cash Management Fund ("the Fund") which is not covered by either federal deposit insurance or by GUDPA. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above.

**NOTE 4 INVESTMENTS**

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name.

All of the Authority's \$6,843,194 investments in U.S. Treasury obligations and agencies and other governmental agencies are held in the name of the counterparty, as trustee for the Authority, not in the name of the Authority.

Interest Rate Risk- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 4 INVESTMENTS (CONTINUED)**

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Authority may purchase in order to limit the exposure of governmental units to credit risk. The Authority’s Cash Management Plan also limits its investment choices to those permitted by N.J.S.A. 40A:5-15.1.

Concentration of Credit Risk – The Authority does not place a limit on the amount that may be invested in any one issuer. Sixty-six percent (66%) of the investments held are in bonds of various NJ State Agencies, and the remaining thirty-four percent (34%) are held in NJ county government bonds.

As of December 31, 2015, the Authority had the following investments and maturities:

Quality/Rating	Total Fair Value			
AAA	\$	903,941		
AA		4,346,693		
A		115,929		
Other		1,476,631		
Total Investments	\$	6,843,194		

Investment	Investment Maturities (in Years)			
	Less than 1	1-5	6-10	Greater than 10
Total Investments	\$ 5,757,144	\$ 919,705	\$ -	\$ 166,345

As of December 31, 2014, the Authority had the following investments and maturities:

Investment	Investment Maturities (in Years)			
	Less than 1	1-5	6-10	Greater than 10
Total Investments	\$ 4,217,999	\$ 1,363,374	\$ -	\$ 167,940

**NOTE 5 DUE FROM NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**

As described in Note 9, during 2010, the Authority received loans from the State of New Jersey under the New Jersey Environmental Infrastructure Trust Program (“Trust”). As of December 31, 2015 the Trust and Fund Loans have been fully funded. The undrawn portion of the Trust Loan in the amount of \$36,146 plus interest is being held by the Fiscal Agent and will be applied as credits against the loan’s repayments until the amount is exhausted.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 6 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance			Balance
	<u>January 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2015</u>
Non-Depreciable Capital Assets:				
Land	\$ 1,135,342	\$	\$	\$ 1,135,342
Construction In Progress	<u>6,338</u>	<u>183,902</u>	<u></u>	<u>190,240</u>
Total Non-Depreciable Capital Assets	<u>1,141,680</u>	<u>183,902</u>	<u>-</u>	<u>1,325,582</u>
Depreciable Capital Assets:				
Land Improvements	517,677			517,677
Treatment Plant	25,352,698	22,325		25,375,023
P/S And Interceptors	7,710,670			7,710,670
Machinery And Equipment	3,647,227	165,977	74,667	3,738,537
Vehicles	871,166	158,280		1,029,446
Office Equipment	<u>167,650</u>	<u></u>	<u></u>	<u>167,650</u>
Total Depreciable Capital Assets	<u>38,267,088</u>	<u>346,582</u>	<u>74,667</u>	<u>38,539,003</u>
Less Accumulated Depreciation:				
Land Improvements	447,008	5,477		452,485
Treatment Plant	15,641,057	630,261		16,271,318
P/S And Interceptors	4,761,603	157,055		4,918,658
Machinery and Equipment	2,617,291	159,822	74,667	2,702,446
Vehicles	623,463	34,025		657,488
Office Equipment	<u>149,759</u>	<u>3,495</u>	<u></u>	<u>153,254</u>
Total Accumulated Depreciation	<u>24,240,181</u>	<u>990,135</u>	<u>74,667</u>	<u>25,155,649</u>
Net Depreciable Capital Assets	<u>14,026,907</u>	<u>(643,553)</u>	<u>-</u>	<u>13,383,354</u>
Total Capital Assets, Net	<u>\$ 15,168,587</u>	<u>\$ (459,651)</u>	<u>\$ -</u>	<u>\$ 14,708,936</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 7 PENSIONS**

Substantially all of the Authority's employees participate in the Public Employees' Retirement System (the System) which is administered and/or regulated by the New Jersey Division of Pensions and Benefits. The System's Board of Trustees is primarily responsible for the administration of the System.

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

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

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

**Tier Definition**

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

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

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 7 PENSIONS (CONTINUED)**

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015 and 2014, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Covered Authority employees are required to contribute a percentage of their salary toward their pension benefits. P.L. 2011, c78, effective June 28, 2011, increased the active member contribution rate from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. Employee contributions were \$123,047, \$116,328 and \$109,783 for the years ended December 31, 2015, 2014, and 2013, respectively. The payroll subject to pension for the Authority's employees covered by PERS was \$1,691,268, \$1,692,080 and \$1,635,946 for the years ended December 31, 2015, 2014 and 2013, respectively.

The Authority is required by statute to contribute to the employee's pension benefits based on an annual actuarial calculation. The valuation is a determination of the financial condition of the retirement system. The Authority's required annual contributions to the PERS were \$216,453, \$200,938 and \$178,587 for the years ended December 31, 2015, 2014, and 2013, respectively, and is included in the accompanying financial statements. The percentage of employer's contribution rate as a percentage of covered payroll for 2015, 2014 and 2013 was 12.80%, 11.88% and 10.92%, respectively.

At December 31, 2015, the Authority reported a liability of \$5,651,688 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. At June 30, 2015, the Authority's proportion was 0.0251768050%, which was an increase of 0.0008025309% from its proportion measured as of June 30, 2014.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 7 PENSIONS (CONTINUED)**

At December 31, 2015 and 2014, respectively, the Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	2015		2014	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 134,829	\$	\$	\$
Changes of Assumptions	606,946		143,502	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		90,868		271,962
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	216,107		108,592	
Authority Contributions Subsequent to the Measurement Date	108,227		108,227	
Total	\$ 1,066,109	\$ 90,868	\$ 360,321	\$ 271,962

Deferred outflows of resources related to pensions in the amount of \$108,227 will be included as a reduction of the net position liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31:	
2016	\$ 165,160
2017	165,160
2018	165,158
2019	233,150
Thereafter	138,386
	\$ 867,014

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 7 PENSIONS (CONTINUED)**

**Actuarial Assumptions**

The total pension liability for the June 30, 2015 and 2014 measurement dates were determined by actuarial valuations as of July 1, 2014 and 2013, respectively, which were rolled forward to June 30, 2015 and 2014, respectively.

These actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

	<u>2015</u>	<u>2014</u>
Inflation Rate	3.04%	3.01%
Salary Increases:		
2012-2021	2.15% - 4.40% Based on Age	2.15% - 4.40% Based on Age
Thereafter	3.15% - 5.40% Based on Age	3.15% - 5.40% Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience:		
Study upon which Actuarial Assumptions were Based	July 1, 2008 – June 30, 2011	July 1, 2008 – June 30, 2011

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015 and 2014) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of returns for each major asset class included in PERS's target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:



**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 7 PENSIONS (CONTINUED)**

**Actuarial Assumptions (Continued)**

<u>Asset Class</u>	<u>2015</u>		<u>2014</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%	6.00%	.80%
Core Bonds	-	-	1.00%	2.49%
U.S. Treasuries	1.75%	1.64%	-	-
Intermediate-Term Bonds	-	-	11.20%	2.26%
Investment Grade Credit	10.00%	1.79%	-	-
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds / Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.50%	-0.40%	-	-
REIT	4.25%	5.12%	-	-
	<u>100.00%</u>		<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 7 PENSIONS (CONTINUED)**

**Discount Rate (Continued)**

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate**

The following presents the Authority's proportionate share of the net pension liability at June 30, 2015 and 2014, respectively, calculated using the discount rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

<b>2015</b>			
	At 1% decrease (3.90%)	At current discount rate (4.90%)	At 1% increase (5.90%)
Authority's Proportionate Share of the Net Pension Liability	\$ <u>7,024,357</u>	\$ <u>5,651,688</u>	\$ <u>4,500,853</u>
<b>2014</b>			
	At 1% decrease (4.39%)	At current discount rate (5.39%)	At 1% increase (6.39%)
Authority's Proportionate Share of the Net Pension Liability	\$ <u>5,741,077</u>	\$ <u>4,563,531</u>	\$ <u>3,574,692</u>

**NOTE 8 AMOUNTS REQUIRED BY BOND RESOLUTION**

The following cash and investment accounts are required by the General Bond Resolution:

	Bond Service Fund	Bond Reserve Fund
Cash and Investments	\$ 936,253	\$ 1,347,327
Required Amount	1,272,410	1,327,975
	\$ <u>*(336,157)</u>	\$ <u>19,352</u>

\*Account was fully funded January 2016.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 9 LONG-TERM LIABILITIES**

A. Bonds Payable

In April 2006, the Authority issued its Sewer Revenue Refunding Bonds (Series 2006A), in the principal amount of \$6,055,000. The proceeds derived from the issuance and sale of the Bonds were used to advance refund the \$5,020,000 aggregate principal amount of Sewer Revenue Refunding Bonds, Series 1997, originally issued in the aggregate principal amount of \$7,915,000, dated September 1, 1997 and maturing on March 1 in each of the years 2011 through 2017, inclusive, advance refund \$810,000 aggregate principal amount of Sewer Revenue Bonds, Series 2001A, originally issued in the aggregate principal amount of \$1,200,000, dated November 15, 2001 and maturing on December 1 in each of the years 2012 through 2021, inclusive and pay the costs and expenses associated with the issuance of the Bonds.

The Series 2006A Bonds maturing on or before March 1, 2016 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after March 1, 2017 shall be redeemable at the option of the Authority in whole or in part at any time on any date on or after March 1, 2016, at par, plus in each case accrued interest to the date fixed for redemption. The Series 2006A Bonds maturing on March 1, 2021 are subject to mandatory sinking fund redemption on March 1 in each year at the redemption price equal to the principal portion thereof being redeemed.

The outstanding balance of the Series 2006A Bonds consist of serial bonds that mature in the amount \$650,000 and \$710,000 with an interest rate of 4.00% in 2016 and 2017, respectively and term bonds due from 2018-2021 in the principal amounts ranging from \$70,000 to \$85,000 with an interest rate of 4.00%.

In April 2006, the Authority issued its Sewer Revenue Bonds (Series 2006B), in the principal amount of \$2,430,000 to provide funds for certain capital improvements, to fund the amount required to be deposited in the bond reserve fund and to pay the costs and expenses associated with the issuance of the bonds.

The Series 2006B Bonds maturing prior to March 1, 2017 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after March 1, 2017 shall be redeemable at the option of the Authority in whole or in part at any time on any date on or after March 1, 2016, at par, plus in each case accrued interest to the date fixed for redemption.

The Series 2006B Bonds maturing on March 1, 2016, 2018 and 2021 are subject to mandatory sinking fund redemption on March 1 in each year at the redemption price equal to the principal portion thereof being redeemed plus the interest portion thereon accrued to the date of redemption

The outstanding balance of the Series 2006B Bonds consist of term bonds maturing in various amounts ranging from \$175,000 to \$210,000 with interest rates ranging from 4.00% to 4.20% from 2016 to 2021.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 9 LONG-TERM LIABILITIES (CONTINUED)**

**B. Loans Payable**

The Authority received loans from the State of New Jersey under the 2001 New Jersey Environmental Infrastructure Trust Program ("Trust"). The Trust has issued bonds for loans to various entities. The loans have interest rates ranging from 4.75% to 5.00% and mature in various increments through 2021. In 2007 the Trust issued its Series 2007A Wastewater Treatment Refunding Bonds partially refunding the Series 2001 Bonds, which will result in savings credits to be applied to the Authority's interest payments in 2016 through 2021. The outstanding balance of \$400,000 is included in loans payable as of December 31, 2015.

Under the 2001 New Jersey Environmental Infrastructure Fund Program ("Fund"), the State extended \$1,000,000 of non interest-bearing loan funds to the Authority. The outstanding balance of \$305,750 is included in loans payable as of December 31, 2015.

The Authority issued 2010 Series A and B bonds, dated December 2, 2010 to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance the replacement of the lower portion of the Upper Deerfield sewer force main.

The Trust Loan (Series A) was issued in the amount of \$875,000 at an interest rate of 5% with repayment commencing August 1, 2012 through August 1, 2030. As described in Note 5, the undrawn portion of the Trust Loan in the amount of \$36,146 is being held by the Fiscal Agent and will be applied as credits against the loan's repayments until the amount is exhausted. The outstanding loan balance of \$750,000 is included in loans payable as of December 31, 2015.

The Fund Loan (Series B) was originally issued in the amount of \$938,785 at zero interest. The undrawn portion (unexpended project funds) relating to the Fund Loan in the amount of \$232,143 was deobligated and applied to the loan balance, making the revised loan amount \$706,642. The principal payments commenced on August 1, 2011 with the final payment due on August 1, 2026. The outstanding loan balance of \$483,879 is included in loans payable as of December 31, 2015.

The Authority issued 2013 Series A and B bonds, dated May 22, 2013 to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance upgrades projects for the Treatment Plant.

The Trust Loan (Series A) was issued in the amount of \$485,000 at interest rates of 3% to 5% with repayment commencing August 1, 2013 through August 1, 2032. The outstanding loan balance of \$445,000 is included in loans payable as of December 31, 2015.

The Fund Loan (Series B) was issued in the amount of \$1,511,250 at zero interest. The principal payments commenced on August 1, 2013 with the final payment on August 1, 2032. The outstanding loan balance of \$1,306,334 is included in loans payable as of December 31, 2015.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 9 LONG-TERM LIABILITIES (CONTINUED)**

C. Net Pension Liability

For details on the net pension liability, refer to note 7. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

D. Compensated Absences

Current policy allows employees shall be paid for sick leave allowance accumulated to a maximum of two hundred twenty four (224) hours upon termination in good standing.

The following is a summary of changes in long-term liabilities for the year ended December 31, 2015:

Type of Debt	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015	Amounts Due Within One Year
Revenue Bonds Payable:					
Series 2006A	\$ 2,360,000	\$	\$ 650,000	\$ 1,710,000	\$ 690,000
Series 2006B	1,315,000		165,000	1,150,000	175,000
	3,675,000	-	815,000	2,860,000	865,000
Add:					
Unamortized Premium	3,337		1,545	1,792	
Less:					
Unamortized Original Issue Discount	(2,240)		(598)	(1,642)	
Total Revenue Bonds Payable	3,676,097	-	815,947	2,860,150	865,000
Loans Payable:					
Series 2001B Trust	455,000		55,000	400,000	60,000
Series 2001B Fund	356,013		50,263	305,750	51,724
Series 2010 Trust	785,000		35,000	750,000	35,000
Series 2010 Fund	531,614		47,735	483,879	47,735
Series 2013 Trust	1,383,177		76,843	1,306,334	76,843
Series 2013 Fund	465,000		20,000	445,000	20,000
	3,975,804	-	284,841	3,690,963	291,302
Add:					
Unamortized Premium	117,437		14,419	103,018	
Total Loans Payable	4,093,241	-	299,260	3,793,981	291,302
Accrued PERS Liabilities	100,469	108,227	100,469	108,227	
Net Pension Liability	4,563,531	1,088,157		5,651,688	
Accrued Compensated Absence	65,091		656	64,435	
	\$ 12,498,429	\$ 1,196,384	\$ 1,216,332	\$ 12,478,481	\$ 1,156,302

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 9 LONG-TERM LIABILITIES (CONTINUED)**

The annual debt service requirements to maturity, including principal and interest, for revenue bonds and loans payable as of December 31, 2015 are as follows:

Year Ending December 31	Revenue Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2016	\$ 865,000	\$ 98,685	\$ 291,302	\$ 69,385
2017	890,000	63,495	289,353	63,968
2018	255,000	40,413	300,653	58,317
2019	270,000	29,625	306,789	52,193
2020	285,000	18,125	309,516	45,979
2021- 2025	295,000	6,110	1,118,916	164,000
2026 - 2030			850,747	72,250
2031 - 2032			223,687	3,150
	<u>\$ 2,860,000</u>	<u>\$256,453</u>	<u>\$3,690,963</u>	<u>\$ 529,242</u>

**NOTE 10 DEFERRED COMPENSATION PLAN**

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional and participants elect how their salary deferrals are invested. Investment options include the following: stock funds, bond funds, and money market accounts, including various risk alternatives. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Investments are managed by the plan trustees under one of various pools of investment options offered by the ING Life Insurance and Annuity Company, who is a provider of deferred compensation services in good standing with the State of New Jersey Division of Local Government Services.

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

**NOTE 11 INTEREST EXPENSE**

	2015	2014
Interest on Bonds, Notes and Loans	\$ 193,480	\$ 229,655
Add: Amortization of Original Issue Discount	598	678
Amortization of Deferred Amount on Refunding	37,032	27,974
Less: Amortization of Premium – Bonds and Loans	(15,963)	(17,424)
Net Interest Expense	<u>\$ 215,147</u>	<u>\$ 240,883</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 12 ARBITRAGE RULES**

The Authority is subject to certain arbitrage rules added to the Internal Revenue Code in 1969 and amended by TEFRA in 1992 and by the 1986 TRA. Under these rules, interest earnings on certain investments of proceeds of the Authority's bonds are subject to the limitations imposed by the arbitrage provisions of the Internal Revenue Code. The Authority is required to rebate certain arbitrage profits on non-purpose investments at least once every five years. At December 31, 2015 there were no material arbitrage profits subject to rebate.

**NOTE 13 RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority is also a member of Cumberland County Insurance Commission (the "Commission"). The Commission is operated in accordance with regulations of the Division of Local Governmental Services of the Department of Community Affairs for the purpose of securing significant savings in insurance costs as well as providing stability in coverage. It is governed by three County officials who serve as commissioners and are appointed by the Board. Coverage in excess of the Commission's self-insured retention limit is provided through the Commission's membership in the New Jersey Counties Excess Joint Insurance Fund established in March 2010.

The Commission provides the Authority coverage for General and Automobile Liability; Pollution Liability; Crime; Workers' Compensation and Employer's Liability; Property Damage, including Equipment Breakdown and Public Officials and Employment Practices.

The Commissioner of Insurance may order additional assessments to supplement the Commission's claim, loss retention or administrative accounts to assure the payment of the Commission's obligations.

The Commission provides its own financial report for the year ended December 31, 2015, which can be obtained from:

Cumberland County Insurance Commission  
790 East Commerce Street  
Bridgeton, NJ 08032

Settled claims have not exceeded commercial insurance coverage in any of the past three years.

**NOTE 14 ECONOMIC DEPENDENCY**

The Authority derives approximately eighty percent (80%) of its User Charge revenues from the City of Bridgeton.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 15 RESTRICTED NET POSITION**

The Authority has restricted net position for the following purposes in accordance with the requirements of its Bond Resolution.

	2015	2014
Current Debt Service	\$ 1,203,337	1,095,869
Future Debt Service	339,056	339,056
Renewal and Replacement	600,000	600,000
Construction	74,997	74,992

**NOTE 16 UNRESTRICTED NET POSITION**

Designated:

The Authority has, by resolution, designated a portion of its Unrestricted Net Position for the following purposes:

Future Plant Reconstruction or Replacement - The amount so designated as of December 31, 2015 and 2014 is \$2,148,033 and \$2,071,109, respectively.

User Revenue Reserve - The Reserve is to be used to minimize the impact of flow fluctuations from it Users, particularly from any unanticipated loss or reduction in flow and the related revenue. The amount so designated as of December 31, 2015 and 2014 is \$285,081 and \$171,195, respectively.

Subsequent Year's Expenditures - The amount so designated as of December 31, 2015 and 2014 is \$80,000 and \$140,000, respectively.

Undesignated:

The balance of unrestricted and undesignated net position (deficit) as of December 31, 2015 and 2014 of \$(734,527) and \$(1,090,120) respectively, is comprised of the following:

	2015	2014
Amount Related to Pensions (GASB 68 and 71)	\$ (5,001,127)	\$ (4,784,337)
Undesignated before GASB 68 and 71 Pension Related Items	4,266,600	3,694,217
	\$ <u>(734,527)</u>	\$ <u>(1,090,120)</u>



**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 17 COMPLIANCE WITH GENERAL BOND RESOLUTION**

Section 720 of the Authority's General Bond Resolution requires that the Authority calculate, certify and charge rates (service charges) so that the total Revenues, as defined in the Resolution, shall at least equal the amount of all Operating Expenses for the fiscal year, plus the amount required to pay the principal of and interest on Outstanding Bonds as the same become due and payable. Revenues for the years 2015 and 2014 as defined in the Authority's General Bond Resolution were greater than the total of Operating Expenses paid plus Debt Service paid. As a result, the Authority met the rate covenant contained in Section 720 of the Authority's General Bond Resolution.

**NOTE 18 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 1990 and 1996 the Authority adopted resolutions authorizing participation in the SHBP's post-retirement benefit program. Pursuant to those resolutions, the Authority pays 100% of the premium charges for the benefits provided to certain eligible pensioners who retire with 25 years or more of service in the retirement system and their dependents, including surviving spouses, covered by the New Jersey SHBP and reimburses retired employees and their spouses for their premium charges under Part B of the Federal Medicare Program.

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

<http://www.state.nj.us/treasury/pensions/audit-rpts-2014/shbp-2014.pdf>

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.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 18 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to and paid by the Authority on a monthly basis. Plan members are not required to contribute to the cost of those premiums.

The Authority contributions to SHBP for retirees for the years ended December 31, 2015, 2014 and 2013, were \$295,466, \$207,423 and \$217,826, respectively, which equaled the required contributions for each year. There were approximately 21, 17, and 15 retired participants eligible at December 31, 2015, 2014, and 2013, respectively.

**NOTE 19 RESTATEMENT OF PRIOR PERIOD NET POSITION**

As indicated in Note 1 to the financial statements, the Authority adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, for the fiscal year ended December 31, 2015. As a result of implementing these two Statements, a restatement of the January 1, 2014 unrestricted net position was required to record the Authority's proportionate share of its net pension liability. The cumulative effect on the financial statements as reported as of January 1, 2014, is as follows:

	Net Position As Previously Reported January 1, 2014	<u>GASB 68 and 71 Implementation</u>				Net Position As Restated January 1, 2014
		Deferred Outflows	Accounts Payable and Accrued Expenses	Net Pension Liability	Deferred Inflows	
Net Investment in Capital Assets	\$ 8,252,433	\$	\$	\$	\$	\$ 8,252,433
Restricted	2,293,782					2,293,782
Unrestricted	4,863,490	100,469	(179,627)	(4,529,854)	-	254,478
	<u>\$ 15,409,705</u>	<u>\$ 100,469</u>	<u>\$ (179,627)</u>	<u>\$ (4,529,854)</u>	<u>\$ -</u>	<u>\$ 10,800,693</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015 AND 2014**

**NOTE 19 RESTATEMENT OF PRIOR PERIOD NET POSITION (CONTINUED)**

Reconciliation of the 2014 amounts as previously reported to the total restated amounts:

<b>Summary Statement of Net Position</b>			
	2014 Amounts as Previously Reported	Adjustments	2014 Amounts as Restated
<b>Assets</b>			
Current Assets	\$ 8,100,046	\$ 141,286	\$ 8,241,332
Noncurrent Assets	16,699,901		16,699,901
Total Assets	24,799,947	141,286	24,941,233
<b>Deferred Outflows of Resources</b>			
Deferred Loss on Defeasance of Debt	37,032		37,032
Deferred Amount Relating to Pensions		360,321	360,321
Total Deferred Outflows of Resources	37,032	360,321	397,353
<b>Liabilities</b>			
Current Liabilities	1,517,840	249,535	1,767,375
Noncurrent Liabilities	6,734,588	4,664,000	11,398,588
Total Liabilities	8,252,428	4,913,535	13,165,963
<b>Deferred Inflows of Resources</b>			
Deferred Amount Relating to Pensions		271,962	271,962
Total Deferred Inflows of Resources	-	271,962	271,962
<b>Net Position</b>			
Net Investment in Capital Assets	8,498,560		8,498,560
Restricted	2,109,917		2,109,917
Unrestricted	5,976,074	(4,683,890)	1,292,184
Total Net Position	\$ 16,584,551	\$ (4,683,890)	\$ 11,900,661

<b>Summary of Revenues, Expenses and Changes in Net Position</b>			
	2014 Amounts as Previously Reported	Adjustments	2014 Amounts as Restated
Operating Revenues	\$ 6,690,907	\$ -	\$ 6,690,907
Operating Expenses	(5,349,427)	(74,878)	(5,424,305)
Non-Operating Expenses	(166,634)		(166,634)
Change in Net Position	1,174,846	(74,878)	1,099,968
Net Position January 1,	15,409,705	(4,609,012)	10,800,693
Net Position December 31,	\$ 16,584,551	\$ (4,683,890)	\$ 11,900,661

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION - PART II  
SCHEDULES OF PROPORTIONATE SHARE, EMPLOYER CONTRIBUTIONS AND NOTES  
STATE OF NEW JERSEY PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)**

**Schedule of Proportionate Share of Net Pension Liability at June 30 (measurement date)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability	0.0251768050%	0.0243742741%	0.0237016378%
Authority's Proportionate Share of the Net Pension Liability	\$ 5,651,688	\$ 4,563,531	\$ 4,529,854
Authority's Covered-Employee Payroll	\$ 1,736,708	\$ 1,632,168	\$ 1,572,248
Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	325.43%	279.60%	288.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

**Schedule of Employer Contributions**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 216,453	\$ 200,938	\$ 178,587
Contributions in Relation to the Contractually Required Contribution	<u>(216,453)</u>	<u>(200,938)</u>	<u>(178,587)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered-Employee Payroll	\$ 1,691,268.00	\$ 1,692,080.00	1,635,946.00
Contributions as a Percentage of Authority's Covered-Employee Payroll	12.80%	11.88%	10.92%

**Notes**

*Changes in Benefit Terms* - There were no significant changes in benefits for the July 1, 2014 and 2013 actuarial valuation.

*Changes in Assumptions* - The discount rate changed from 5.55% as of June 30, 2013, to 5.39% as of June 30, 2014, and to 4.90% as of June 30, 2015 in accordance with Paragraph 44 of GASB Statement No. 67.

*Schedule Presentation* - These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

See accompanying independent auditors' report.

## **SUPPLEMENTARY INFORMATION**

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-  
NET INVESTMENT IN CAPITAL ASSETS, RESTRICTED AND UNRESTRICTED  
YEAR ENDED DECEMBER 31, 2015 AND 2014**

	UNRESTRICTED				RESTRICTED				TOTALS (MEMO)		
	NET INVESTMENT IN CAPITAL ASSETS	UNDESIGNATED	DESIGNATED - SUBSEQUENT EXPENDITURES	DESIGNATED - USER REVENUE RESERVE	DESIGNATED - FUTURE PLANT RECONSTRUCTION OR REPLACEMENT	CURRENT DEBT SERVICE	FUTURE DEBT SERVICE	RENEWAL AND REPLACE-MENT	CONSTRUCTION	2015	2014 (Restated)
<b>OPERATING REVENUE:</b>											
Treatment Fees	\$	\$ 6,340,783	\$	\$	\$	\$	\$	\$	\$	\$ 6,340,783	\$ 6,129,800
User Surcharge Revenue		135,556								135,556	83,996
Septage Fees		389,818								389,818	402,381
Service Fees		9,026								9,026	11,622
Finance Charges		2,448								2,448	2,118
Industrial Pretreatment Program Revenue		76,750								76,750	32,500
Other Operating Income		51,044								51,044	28,490
		<u>7,005,425</u>								<u>7,005,425</u>	<u>6,690,907</u>
<b>OPERATING EXPENSES:</b>											
Cost of Providing Services		3,365,791								3,365,791	3,202,127
Administrative and General		1,359,429								1,359,429	1,231,512
Depreciation		990,135								990,135	990,666
		<u>5,715,355</u>								<u>5,715,355</u>	<u>5,424,305</u>
<b>OPERATING INCOME</b>		<u>1,290,070</u>								<u>1,290,070</u>	<u>1,266,602</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>											
Connection Fees		23,680								23,680	19,240
Interest Income		18,068		1,007	69,655	43	37,704	14,449		140,926	116,888
Interest Expense		(215,147)								(215,147)	(240,883)
Gain on Disposal of Capital Assets		18,050								18,050	224
Decrease in Fair Value of Investments		(5,267)		(816)	(42,731)	(22,295)		(11,287)		(82,396)	(62,103)
		<u>(160,616)</u>		<u>191</u>	<u>26,924</u>	<u>(22,252)</u>	<u>37,704</u>	<u>3,162</u>		<u>(114,887)</u>	<u>(166,634)</u>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>		<u>1,129,454</u>		<u>191</u>	<u>26,924</u>	<u>(22,252)</u>	<u>37,704</u>	<u>3,162</u>		<u>1,175,183</u>	<u>1,099,968</u>
Investment Income		17,798		816		22,252	(37,704)	(3,162)		-	-
Increase (Decrease) in Debt Service Requirement		(107,468)				107,468				-	-
Other Transfers	581,307	(684,191)	(60,000)	112,879	50,000				5	-	-
<b>INCREASE (DECREASE) IN NET POSITION</b>	581,307	<u>355,593</u>	<u>(60,000)</u>	<u>113,886</u>	<u>76,924</u>	<u>107,468</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>1,175,183</u>	<u>1,099,968</u>
<b>NET POSITION JANUARY 1,</b>											15,409,705
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>											(4,609,012)
<b>NET POSITION - JANUARY 1, (AS RESTATED)</b>	8,498,560	<u>(1,090,120)</u>	<u>140,000</u>	<u>171,195</u>	<u>2,071,109</u>	<u>1,095,869</u>	<u>339,056</u>	<u>600,000</u>	<u>74,992</u>	<u>11,900,661</u>	<u>10,800,693</u>
<b>NET POSITION - DECEMBER 31,</b>	<u>\$ 9,079,867</u>	<u>\$ (734,527)</u>	<u>\$ 80,000</u>	<u>\$ 285,081</u>	<u>\$ 2,148,033</u>	<u>\$ 1,203,337</u>	<u>\$ 339,056</u>	<u>\$ 600,000</u>	<u>\$ 74,997</u>	<u>\$ 13,075,844</u>	<u>\$ 11,900,661</u>
<b>UNRESTRICTED NET POSITION (DEFICIT) - UNDESIGNATED-</b>											
Related to Pensions (GASB 68 and 71)		\$ (5,001,127)									
Before GASB 68 and 71 Pension Related Items		4,266,600									
		<u>\$ (734,527)</u>									

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
SCHEDULE OF REVENUES AND COSTS FUNDED BY  
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS  
YEAR ENDED DECEMBER 31, 2015 AND 2014**

	<b>2015 BUDGET</b>	<b>2015 ACTUAL</b>	<b>2014 ACTUAL (Restated)</b>
<b>REVENUES:</b>			
Treatment Fees	\$ 6,222,000	\$ 6,340,783	\$ 6,129,800
User Surcharge Revenue		135,556	83,996
Septage Fees	222,941	389,818	402,381
Service Fees		9,026	11,622
Finance Charges		2,448	2,118
Industrial Pretreatment Program Fees	24,500	76,750	32,500
Investment Income	35,000	70,265	58,245
Connection Fees		23,680	19,240
Other Income		51,044	28,490
	<u>6,504,441</u>	<u>7,099,370</u>	<u>6,768,392</u>
<b>Total Revenues</b>	<b>\$ 6,504,441</b>	<b>\$ 7,099,370</b>	<b>\$ 6,768,392</b>
<b>EXPENSES:</b>			
Costs of Providing Services:			
Salaries and Wages	\$ 1,441,127	\$ 1,359,801	\$ 1,355,258
Employee Benefits	799,000	775,895	726,047
Automotive Expense	36,000	31,901	34,779
Chemicals Used in Treatment	106,000	102,075	92,078
Fuels and Lubricants	105,000	61,178	90,093
Utilities	498,500	511,933	479,065
Materials and Supplies	43,700	43,392	45,339
Repairs and Replacements	105,000	93,712	96,024
Sludge/Waste/Recycling Disposal	293,000	270,907	190,469
Laboratory Expenses	58,000	49,878	31,906
Other Operations and Maintenance Expenses	3,500	3,242	2,242
Industrial Pretreatment Program	6,500	5,513	3,796
	<u>3,495,327</u>	<u>3,309,427</u>	<u>3,147,096</u>



**CUMBERLAND COUNTY UTILITIES AUTHORITY  
SCHEDULE OF REVENUES AND COSTS FUNDED BY  
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS  
YEAR ENDED DECEMBER 31, 2015 AND 2014**

	<b>2015 BUDGET</b>	<b>2015 ACTUAL</b>	<b>2014 ACTUAL (Restated)</b>
<b>EXPENSES (CONTINUED):</b>			
Administrative and General Expenses:			
Salaries and Wages	\$ 496,094	\$ 481,074	\$ 484,285
Employee Benefits	346,000	294,995	296,404
Office Supplies and Expense	35,400	30,884	23,853
Professional Services	195,800	148,804	168,935
Insurance	71,720	70,495	68,448
Conferences and Education	16,000	11,628	10,222
Utilities	42,000	41,368	52,415
Dues and Subscriptions	8,000	7,741	7,455
Maintenance of General Property	40,000	31,667	33,262
Permits and Fees	79,000	68,909	62,370
Provision for Bad Debts	7,200	7,108	
Other Administrative Fees	7,000	4,329	4,016
	<u>1,344,214</u>	<u>1,199,002</u>	<u>1,211,665</u>
Interest Expense	<u>197,498</u>	<u>193,480</u>	<u>229,655</u>
<b>OTHER COSTS FUNDED BY REVENUES:</b>			
Principal Maturities	1,099,842	1,099,841	1,061,628
Capital Outlays	440,000	268,150	89,575
Plant Reconstruction & Replacement	50,000	50,000	50,000
User Revenue Reserve Fund	50,000	50,000	50,000
	<u>1,639,842</u>	<u>1,467,991</u>	<u>1,251,203</u>
<b>TOTAL COSTS FUNDED BY REVENUES</b>	<u>6,676,881</u>	<u>6,169,900</u>	<u>5,839,619</u>
<b>REVENUES OVER COSTS FUNDED BY REVENUES</b>	<u>\$ (172,440)</u>	929,470	928,773
<b>Reconciliation of Budgetary Basis to Change in Net Position:</b>			
Adjustments to Budgetary Basis:			
Interest Income not used for Operations		70,661	58,643
Capital Outlays		268,150	89,575
Plant Reconstruction & Replacement Funds		50,000	50,000
User Revenue Reserve Fund		50,000	50,000
Principal Maturities		1,099,841	1,061,628
Increase (Decrease) in Fair Value of Investments		(82,396)	(62,103)
Gain on Disposal of Capital Assets		18,050	224
Pension Expense - Difference of GAAP vs. Budgetary Basis		(216,791)	(74,878)
Amortization Charged to Interest Expense		(21,667)	(11,228)
Depreciation Expense		<u>(990,135)</u>	<u>(990,666)</u>
<b>CHANGE IN NET POSITION PER EXHIBIT B</b>		<u>\$ 1,175,183</u>	<u>\$ 1,099,968</u>

SCHEDULE 3

CUMBERLAND COUNTY UTILITIES AUTHORITY  
 SCHEDULE OF SEWER REVENUE BONDS PAYABLE  
 DECEMBER 31, 2015

	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE JANUARY 1, 2015	ISSUED 2015	PAID 2015	BALANCE DECEMBER 31, 2015
	DATE	AMOUNT		DATE	AMOUNT				
Issue of 2006A	3/28/2006	\$ 6,055,000	4.00%	3/1/2016	690,000	\$ 2,360,000	\$ -	\$ 650,000	\$ 1,710,000
			4.00%	3/1/2017	710,000				
			4.00%	3/1/2018	70,000				
			4.00%	3/1/2019	75,000				
			4.00%	3/1/2020	80,000				
			4.00%	3/1/2021	85,000				
Issue of 2006B	4/18/2006	2,430,000	4.00%	3/1/2016	175,000	1,315,000	-	165,000	1,150,000
			4.10%	3/1/2017	180,000				
			4.10%	3/1/2018	185,000				
			4.20%	3/1/2019	195,000				
			4.20%	3/1/2020	205,000				
			4.20%	3/1/2021	210,000				
						<u>\$ 3,675,000</u>	<u>\$ -</u>	<u>\$ 815,000</u>	<u>\$ 2,860,000</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
SCHEDULE OF LOANS PAYABLE  
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST  
DECEMBER 31, 2015**

	<u>ORIGINAL</u>		<u>INTEREST RATE</u>	<u>MATURITIES</u>		<u>BALANCE JANUARY 1, 2015</u>	<u>ISSUED 2015</u>	<u>PAID 2015</u>	<u>BALANCE DECEMBER 31, 2015</u>
	<u>DATE</u>	<u>AMOUNT</u>		<u>DATE</u>	<u>AMOUNT</u>				
2001 Trust Loan Agreement	10/15/2001	\$ 950,000	5.00%	8/1/2016	60,000	\$ 455,000	\$ -	\$ 55,000	\$ 400,000
			5.00%	8/1/2017	60,000				
			5.00%	8/1/2018	65,000				
			5.00%	8/1/2019	70,000				
			4.75%	8/1/2020	70,000				
			4.75%	8/1/2021	75,000				
2001 Fund Loan Agreement	10/15/2001	1,000,000	N/A	2016	51,724	356,013	-	50,263	305,750
				2017	49,776				
				2018	51,075				
				2019	52,211				
				2020	49,938				
				2021	51,026				
2010 Trust Loan Agreement	12/2/2010	875,000	5.00%	8/1/2016	35,000	785,000	-	35,000	750,000
			5.00%	8/1/2017	35,000				
			5.00%	8/1/2018	40,000				
			5.00%	8/1/2019	40,000				
			5.00%	8/1/2020	45,000				
			5.00%	8/1/2021	45,000				
			5.00%	8/1/2022	45,000				
			5.00%	8/1/2023	50,000				
			5.00%	8/1/2024	50,000				
			5.00%	8/1/2025	55,000				
			5.00%	8/1/2026	55,000				
			5.00%	8/1/2027	60,000				
			5.00%	8/1/2028	60,000				
			5.00%	8/1/2029	65,000				
			5.00%	8/1/2030	70,000				

(continued)

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
SCHEDULE OF LOANS PAYABLE  
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST  
DECEMBER 31, 2015**

	<u>ORIGINAL</u>		<u>INTEREST RATE</u>	<u>MATURITIES</u>		<u>BALANCE JANUARY 1, 2015</u>	<u>ISSUED 2015</u>	<u>PAID 2015</u>	<u>BALANCE DECEMBER 31, 2015</u>
	<u>DATE</u>	<u>AMOUNT</u>		<u>DATE</u>	<u>AMOUNT</u>				
2010 Fund Loan Agreement	12/2/2010	\$ 938,785	N/A	2016	47,735	\$ 531,614	\$ -	\$ 47,735	\$ 483,879
				2017	47,735				
				2018	47,735				
				2019	47,735				
				2020	47,735				
				2021	47,735				
				2022	47,735				
				2023	47,735				
				2024	47,735				
				2025	47,735				
				2026	6,529				
2013 Trust Loan Agreement	5/22/2013	485,000	4.00%	8/1/2016	20,000	465,000		20,000	445,000
			4.00%	8/1/2017	20,000				
			4.00%	8/1/2018	20,000				
			4.00%	8/1/2019	20,000				
			4.00%	8/1/2020	20,000				
			4.00%	8/1/2021	25,000				
			4.00%	8/1/2022	25,000				
			5.00%	8/1/2023	25,000				
			5.00%	8/1/2024	25,000				
			3.00%	8/1/2025	25,000				
			3.00%	8/1/2026	30,000				
			3.00%	8/1/2027	30,000				
			3.00%	8/1/2028	30,000				
			3.00%	8/1/2029	30,000				
			3.00%	8/1/2030	30,000				
			3.00%	8/1/2031	35,000				
			3.00%	8/1/2032	35,000				

(continued)

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
SCHEDULE OF LOANS PAYABLE  
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST  
DECEMBER 31, 2015**

	<u>ORIGINAL</u>		<u>INTEREST RATE</u>	<u>MATURITIES</u>		<u>BALANCE JANUARY 1, 2015</u>	<u>ISSUED 2015</u>	<u>PAID 2015</u>	<u>BALANCE DECEMBER 31, 2015</u>
	<u>DATE</u>	<u>AMOUNT</u>		<u>DATE</u>	<u>AMOUNT</u>				
2013 Fund Loan Agreement	5/22/2013	\$ 1,511,250	N/A	2016	76,843	\$ 1,383,177	\$ -	\$ 76,843	\$ 1,306,334
				2017	76,843				
				2018	76,843				
				2019	76,843				
				2020	76,843				
				2021	76,843				
				2022	76,843				
				2023	76,843				
				2024	76,843				
				2025	76,843				
				2026	76,843				
				2027	76,843				
				2028	76,843				
				2029	76,843				
				2030	76,843				
				2031	76,843				
				2032	76,846				
						<u>\$ 3,975,804</u>	<u>\$ -</u>	<u>\$ 284,841</u>	<u>\$ 3,690,963</u>

## ROSTER OF OFFICIALS

<u>Authority Members</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Albert Jones	Chairperson	
Keith I. Wasserman	Vice Chairman	
Edward Bethea	Commissioner	
Angelia L. Edwards	Commissioner	
Harvey L. Friedman	Commissioner	
Zarko Rajacich	Commissioner	
Douglas VanSant	Commissioner	
 <u>Other Officials</u>		
C. Kenneth Hill	Secretary	
James F. Quinn	Treasurer	\$ 75,000
Robert J. O'Donnell	General Counsel	
G. Steven Errickson	Director	
Michael Fernandez	Deputy Director	
Patti McAllister	Assistant Secretary/Treasurer	
 <u>Surety Company</u>		
ITT Hartford Insurance Group		

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
FINDINGS AND RECOMMENDATIONS  
YEAR ENDED DECEMBER 31, 2015**

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

**None Noted**

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
YEAR ENDED DECEMBER 31, 2015**

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* or with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**None Noted**