

SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)  
REPORT OF AUDIT  
FOR THE YEARS ENDED  
DECEMBER 31, 2016 AND 2015

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**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**

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# **Ferraioli, Wielkottz, Cerullo & Cuva, P.A.**

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

Certified Public Accountants  
401 Wanaque Avenue  
Pompton Lakes, New Jersey 07442  
973-835-7900  
Fax 973-835-6631

Newton Office  
100B Main Street  
Newton, N.J. 07860  
973-579-3212  
Fax 973-579-7128

## **INDEPENDENT AUDITOR'S REPORT**

Honorable Chairman and Members of the  
Secaucus Municipal Utilities Authority  
1100 Koelle Boulevard  
Secaucus, New Jersey 07094

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

We have audited the accompanying statements of net position of the Secaucus Municipal Utilities Authority (A Component Unit of the Town of Secaucus) as of December 31, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal



control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Secaucus Municipal Utilities Authority as of December 31, 2016 and 2015, 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.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and schedule of the Authority's proportionate share of net pension liability 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

Honorable Chairperson and Members of the  
Secaucus Municipal Utilities Authority  
Page 3.

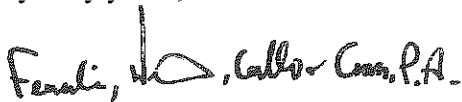
(collectively referred to as the "Supplementary Schedules") are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis and is not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2017 on our consideration of the Secaucus Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Secaucus Municipal Utilities Authority's internal control over financial reporting and compliance.

Very truly yours,



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

April 19, 2017



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**Required Supplementary Information - Part I**

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## **Management Discussion and Analysis**

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**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2016**

*As management of the Secaucus Municipal Utilities Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal year ended December 31, 2016 and 2015. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.*

**Financial Highlights**

- The Authority's assets and deferred outflows exceeded its liabilities and deferred inflows of resources by \$3,368,509 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities and deferred inflows of resources by \$1,517,486.
- Total net position is comprised of the following:
  - (1) Net investment in capital assets of \$3,081,080 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt and unexpended funds related to the purchase or construction of capital assets.
  - (2) Restricted of \$97,664 are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
  - (3) Unrestricted of \$189,765 represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority increased by \$784,372 to \$7,740,216 during the fiscal year.

**Overview of the Financial Statements**

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

**Required Financial Statements**

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

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**DECEMBER 31, 2016**

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

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

*Notes to the Financial Statements*

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

*Other Information*

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

**Financial Analysis of the Authority**

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

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**DECEMBER 31, 2016**

**Net Position**

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

The Authority's net position at fiscal year-end are \$3,368,509. This is a \$1,851,023 increase over last year's net position of \$1,517,486. A summary of the Authority's statement of net position is presented in the following table:

**Condensed Statement of Net Position at December 31, 2016**  
**With Comparative Prior Year Balances**

	<u>FY 2016</u>	<u>FY 2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Non-current Assets	4,561,811	2,729,081	1,832,730	67.16%
Capital Assets	<u>4,891,814</u>	<u>5,055,342</u>	<u>(163,528)</u>	(3.23)%
Total Assets	<u>9,453,625</u>	<u>7,784,423</u>	<u>1,669,202</u>	21.44%
Deferred Outflows of Resources	<u>1,793,599</u>	<u>924,329</u>	<u>869,270</u>	94.04%
Long-term Liabilities	6,418,504	5,720,913	697,591	12.19%
Other Liabilities	<u>1,321,712</u>	<u>1,234,931</u>	<u>86,781</u>	7.03%
Total Liabilities	<u>7,740,216</u>	<u>6,955,844</u>	<u>784,372</u>	11.28%
Deferred Inflows of Resources	<u>138,499</u>	<u>235,422</u>	<u>(96,923)</u>	(41.17)%
Net Investment in Capital Assets	3,081,080	2,621,319	459,761	17.54%
Restricted	97,664	132,006	(34,342)	(26.02)%
Unrestricted	<u>189,765</u>	<u>(1,235,839)</u>	<u>1,425,604</u>	(115.36)%
Total Net Position	<u>3,368,509</u>	<u>1,517,486</u>	<u>1,851,023</u>	121.98%

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**DECEMBER 31, 2016**

**Net Position (Continued)**

The Authority's net position at the FY 2015 year end was \$1,517,486. This is a \$31,036 increase over FY 2014's restated net position of \$1,486,450. A summary of the Authority's statement of net position is presented in the following table. This comparison has been restated to reflect the changes required by GASB No. 68.

**Condensed Statement of Net Position at December 31, 2015**  
**With Comparative Prior Year Balances**

	<u>FY 2015</u>	<u>Restated FY 2014</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Non-current Assets	2,729,081	3,253,512	(524,431)	(16.12)%
Capital Assets	<u>5,055,342</u>	<u>5,063,660</u>	<u>(8,318)</u>	<u>(0.16)%</u>
Total Assets	<u>7,784,423</u>	<u>8,317,172</u>	<u>(532,749)</u>	<u>(6.41)%</u>
Deferred Outflows of Resources	<u>924,329</u>	<u>244,786</u>	<u>679,543</u>	277.61%
Long-term Liabilities	5,720,913	5,389,287	331,626	6.15%
Other Liabilities	<u>1,234,931</u>	<u>1,302,709</u>	<u>(67,778)</u>	<u>(5.20)%</u>
Total Liabilities	<u>6,955,844</u>	<u>6,691,996</u>	<u>263,848</u>	3.94%
Deferred Inflows of Resources	<u>235,422</u>	<u>383,512</u>	<u>(148,090)</u>	<u>(38.61)%</u>
Net Investment in Capital Assets	2,621,319	2,017,481	603,838	29.93%
Restricted	132,006	170,327	(38,321)	(22.50)%
Unrestricted	<u>(1,235,839)</u>	<u>(701,358)</u>	<u>(534,481)</u>	76.21%
Total Net Position	<u>1,517,486</u>	<u>1,486,450</u>	<u>31,036</u>	2.09%



**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**DECEMBER 31, 2016**

**Net Position (Continued)**

**Condensed Statement of Revenues, Expenses  
And Changes in Net Position for the Year Ending  
December 31, 2016 with Comparative Prior Year Balances**

	<u>FY 2016</u>	<u>FY 2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	6,050,570	3,995,262	2,055,308	51.44%
Non-operating Revenues	<u>99,211</u>	<u>157,585</u>	<u>(58,374)</u>	(37.04)%
Total Revenues	<u>6,149,781</u>	<u>4,152,847</u>	<u>1,996,934</u>	48.09%
Depreciation	341,737	313,793	27,944	8.91%
Other Operating Expenses	3,895,060	3,731,631	163,429	4.38%
Other Non-operating Expense	<u>61,961</u>	<u>76,387</u>	<u>(14,426)</u>	(18.89)%
Total Expenses	<u>4,298,758</u>	<u>4,121,811</u>	<u>176,947</u>	4.29%
Change in Net Position	1,851,023	31,036	1,819,987	5,864.12%
Beginning Net Position	<u>1,517,486</u>	<u>1,486,450</u>	<u>31,036</u>	2.09%
Ending Net Position	<u>3,368,509</u>	<u>1,517,486</u>	<u>1,851,023</u>	121.98%

The Authority's operating revenues increased by \$2,055,262 to \$6,050,570 in fiscal year 2016 from \$3,995,262 in 2015. This increase is due to more connections in the 2016 fiscal year. The Authority's non-operating revenues decreased by \$58,374 in fiscal year 2016 primarily due to the collection of a \$75,720 grant in fiscal year 2015.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**DECEMBER 31, 2016**

**Net Position (Continued)**

A summary of the Authority's prior year statement of revenues, expenses and changes in net position is presented with comparative fiscal year figures in the following table. This comparison has been restated to reflect the changes required by GASB No. 68.

**Condensed Statement of Revenues, Expenses**  
**And Changes in Net Position for the Year Ending**  
**December 31, 2015 with Comparative Prior Year Balances**

	<u>FY 2015</u>	<u>Restated FY 2014</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	3,995,262	4,653,790	(658,528)	(14.15)%
Non-operating Revenues	<u>157,585</u>	<u>1,592,279</u>	<u>(1,434,694)</u>	<u>(90.10)%</u>
Total Revenues	<u>4,152,847</u>	<u>6,246,069</u>	<u>(2,093,222)</u>	<u>(33.51)%</u>
Depreciation	313,793	307,298	6,495	2.11%
Other Operating Expenses	3,731,631	3,277,963	453,668	13.84%
Other Non-operating Expense	<u>76,387</u>	<u>86,827</u>	<u>(10,440)</u>	<u>(12.02)%</u>
Total Expenses	<u>4,121,811</u>	<u>3,672,088</u>	<u>449,723</u>	<u>12.25%</u>
Change in Net Position	31,036	2,573,981	(2,542,945)	(98.79)%
Beginning Net Position	1,486,450	2,161,707	(675,257)	(31.24)%
Prior-Period Adjustment	<u>          </u>	<u>(3,249,238)</u>	<u>3,249,238</u>	
Ending Net Position	<u>1,517,486</u>	<u>1,486,450</u>	<u>31,036</u>	<u>2.09%</u>

**Budgetary Highlights**

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

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**DECEMBER 31, 2016**

**Budgetary Highlights (Continued)**

The following table provides a 2016 budget comparison:

<b>Budget vs. Actual FY 2016</b>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	<u>4,846,166</u>	<u>6,497,277</u>	<u>1,651,111</u>
Expenses:			
Operating	4,148,500	3,510,151	638,349
Non-Operating	<u>697,666</u>	<u>698,496</u>	<u>(830)</u>
	<u>4,846,166</u>	<u>4,208,647</u>	<u>637,519</u>
Income before Depreciation	<u>0</u>	<u>2,288,630</u>	<u>2,288,630</u>

<b>Budget vs. Actual FY 2015</b>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	<u>4,690,445</u>	<u>5,350,343</u>	<u>659,898</u>
Expenses:			
Operating	3,792,000	3,586,439	205,561
Non-Operating	<u>898,445</u>	<u>897,909</u>	<u>536</u>
	<u>4,690,445</u>	<u>4,484,348</u>	<u>206,097</u>
Income before Depreciation	<u>0</u>	<u>865,995</u>	<u>865,995</u>

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**DECEMBER 31, 2016**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

During fiscal year 2016, the Authority had an increase of \$178,209 in capital assets (before depreciation). The Authority's net property, plant and equipment at fiscal year end was \$4,891,814. This is a \$163,528 decrease from last year's net property, plant and equipment of \$5,055,342. A summary of the Authority's capital assets is presented in the following table:

**CAPITAL ASSETS**

	<u>FY</u> <u>2016</u>	<u>FY</u> <u>2015</u>	<u>Dollar</u> <u>Change</u>
Land	659,377	659,377	0
Buildings and Interceptors	57,669,472	57,525,359	144,113
Machinery and Equipment	602,555	597,234	5,321
Vehicles	313,771	284,996	28,775
Less: Accumulated Depreciation	<u>(54,353,361)</u>	<u>(54,011,624)</u>	<u>(341,737)</u>
	<u>4,891,814</u>	<u>5,055,342</u>	<u>(163,528)</u>

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**DECEMBER 31, 2016**

**Debt Administration**

At December 31, 2016, the Authority had outstanding Revenue Refunding bonds and New Jersey Environmental Infrastructure Fund bonds of \$1,779,016 (gross). The debt service schedule has a final maturity in 2027. Full details of the specific bond issues outstanding are found in Note 6 to the financial statements and the supplementary schedules.

**Economic Factors, Future Years' Budgets and Rates**

The Commissioners and management of the Authority consider many factors when preparing each year's budget and annual charges. Two of the main factors are growth in the Authority's system and new regulations issued by the State and Federal governments.

**Contacting the Authority**

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Secaucus Municipal Utilities Authority, 1100 Koelle Boulevard, Secaucus, New Jersey 07094.

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## Financial Statements

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**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)  
COMPARATIVE STATEMENT OF NET POSITION  
DECEMBER 31,**

**EXHIBIT A**  
Page 1 of 3

	<u>2016</u>	<u>2015</u>
<b><u>ASSETS</u></b>		
<b>Current Assets:</b>		
<u>Unrestricted:</u>		
Cash and Cash equivalents	\$ 4,453,152	\$ 2,582,389
Accounts Receivable - Connection Fees	-	1,590
	<u>4,453,152</u>	<u>2,583,979</u>
Total Unrestricted Assets		
<u>Restricted:</u>		
Construction Account:		
Due From NJEIT Trust	-	52,193
Debt Service Account:		
Cash and Cash equivalents	27,226	27,226
Renewal and Replacement Account:		
Cash and Cash equivalents	62,101	46,351
Bond Redemption and Improvement Account:		
Cash and Cash equivalents	359	359
Rebate Account		
Cash and Cash equivalents	18,973	18,973
	<u>108,659</u>	<u>145,102</u>
Total Restricted Assets		
<b>Non-Current Assets:</b>		
<u>Capital Assets:</u>		
Land	659,377	659,377
Property, Plant and Equipment	57,669,472	57,525,359
Furniture, Fixtures and Equipment	602,555	597,234
Vehicles	313,771	284,996
Less: Accumulated Depreciation	<u>(54,353,361)</u>	<u>(54,011,624)</u>
Total Capital Assets	<u>4,891,814</u>	<u>5,055,342</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>9,453,625</u></b>	<b>\$ <u>7,784,423</u></b>

**DEFERRED OUTFLOWS OF RESOURCES**

**Deferred Outflows:**

Pension-Related Deferred Outflows	<u>1,793,599</u>	<u>924,329</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>1,793,599</u></b>	<b><u>924,329</u></b>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)  
COMPARATIVE STATEMENT OF NET POSITION  
DECEMBER 31,**

**EXHIBIT A**

Page 2 of 3

	<u>2016</u>	<u>2015</u>
<b><u>LIABILITIES</u></b>		
<b>Current Liabilities:</b>		
<u>Payable from Unrestricted Assets:</u>		
Accounts Payable	\$ 375,509	\$ 360,003
Payroll Related Payables	48,019	5,380
Compensated Absences Payable	71,182	70,667
Accounts Payable - Pension	180,200	165,000
	<u>674,910</u>	<u>601,050</u>
Total Payable from Unrestricted Assets	<u>674,910</u>	<u>601,050</u>
<u>Payable from Restricted Assets:</u>		
Accrued Interest Payable	10,995	13,096
Bonds Payable - Current Portion	635,807	620,772
	<u>646,802</u>	<u>633,868</u>
Total Payable from Restricted Assets	<u>646,802</u>	<u>633,868</u>
<b>Non-Current Liabilities:</b>		
Net Pension Obligation	5,275,295	3,941,897
Bonds Payable - Long-Term Portion	1,143,209	1,779,029
	<u>6,418,504</u>	<u>5,720,926</u>
Total Non-Current Liabilities	<u>6,418,504</u>	<u>5,720,926</u>
<b>TOTAL LIABILITIES</b>	<u>7,740,216</u>	<u>6,955,844</u>
 <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
<b>Deferred Inflows:</b>		
Unamortized Bond Premium, Net of Amortization	31,718	34,222
Pension-Related Deferred Inflows	106,781	201,200
	<u>138,499</u>	<u>235,422</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>138,499</u>	<u>235,422</u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)  
COMPARATIVE STATEMENT OF NET POSITION  
DECEMBER 31,

EXHIBIT A

Page 3 of 3

	<u>2016</u>	<u>2015</u>
<b><u>NET POSITION:</u></b>		
Net Investment in Capital Assets	3,081,080	2,621,319
Restricted:		
Construction Fund	-	52,193
Debt Service Reserve Fund	16,231	14,130
Renewal and Replacement Fund	62,101	46,351
Bond Redemption and Improvement Fund:	359	359
Rebate Fund	18,973	18,973
Unrestricted:		
Designated	1,000,000	-
Undesignated	<u>(810,235)</u>	<u>(1,235,839)</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>3,368,509</u></b>	<b>\$ <u>1,517,486</u></b>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

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**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
DECEMBER 31,**

**EXHIBIT B**

	<u>2016</u>	<u>2015</u>
<b>Operating Revenue:</b>		
Town of Secaucus	\$ 3,933,166	\$ 3,267,939
Sewer Connection / User Fees	<u>2,117,404</u>	<u>727,323</u>
Total Operating Revenue	<u>6,050,570</u>	<u>3,995,262</u>
<b>Operating Expenses:</b>		
Administrative and General	643,917	597,970
Cost of Providing Services	3,251,143	3,133,661
Depreciation Expense	<u>341,737</u>	<u>313,793</u>
Total Operating Expenses	<u>4,236,797</u>	<u>4,045,424</u>
Operating Income	<u>1,813,773</u>	<u>(50,162)</u>
<b>Non-Operating Revenue (Expenses):</b>		
Interest and Miscellaneous Income	96,707	79,361
Grant Income	-	75,720
Interest Expense	(61,961)	(76,387)
Amortization	<u>2,504</u>	<u>2,504</u>
Non-Operating Income (Loss)	<u>37,250</u>	<u>81,198</u>
Change In Net Position	1,851,023	31,036
Net Position - January 1	<u>1,517,486</u>	<u>1,486,450</u>
Net Position - December 31	<u><u>\$ 3,368,509</u></u>	<u><u>\$ 1,517,486</u></u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

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**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 6,052,160	\$ 3,993,672
Cash Paid to Vendors	(2,031,350)	(2,338,267)
Cash Paid to Employees	(1,420,141)	(1,345,289)
<b>Net Cash Provided by Operating Activities</b>	<u>2,600,669</u>	<u>310,116</u>
<b>Cash Flow from Investing Activities:</b>		
Interest Received	5,094	2,610
Interest Paid on Bonds	(64,062)	(76,091)
<b>Net Cash Provided by (used in) Investing Activities</b>	<u>(58,968)</u>	<u>(73,481)</u>
<b>Cash Flow from Financing Activities:</b>		
Proceeds from NJEIT	52,193	53,775
Other Non-Operating Income	91,613	152,471
Capital Purchases and Construction	(178,209)	(305,475)
Principal Payment on Bonds and Loans	(620,785)	(609,652)
<b>Net Cash Used in Financing Activities</b>	<u>(655,188)</u>	<u>(708,881)</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	1,886,513	(472,246)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>2,675,298</u>	<u>3,147,544</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 4,561,811</u>	<u>\$ 2,675,298</u>
<b>Analysis of Balance:</b>		
Unrestricted	\$ 4,453,152	\$ 2,582,389
Restricted	108,659	92,909
	<u>\$ 4,561,811</u>	<u>\$ 2,675,298</u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2016</u>	<u>2015</u>
<b>OPERATING INCOME (LOSS)</b>	\$ <u>1,813,773</u>	\$ <u>(50,162)</u>
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</b>		
Depreciation Expense	341,737	313,793
Decrease (Increase) in Accounts Receivable	1,590	(1,590)
Increase (Decrease) in Accounts Payable	15,506	(74,129)
Increase (Decrease) in Payroll Payable	42,639	(5,931)
Increase (Decrease) in Compensated Absences	515	(17,057)
Increase (Decrease) in Pension-Related Obligations/Deferrals	384,909	131,162
Increase (Decrease) in Deferred Credits	<u>                    </u>	<u>14,030</u>
<b>Total Adjustments</b>	<u>786,896</u>	<u>360,278</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ <u><u>2,600,669</u></u>	\$ <u><u>310,116</u></u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.



## **Notes to Financial Statements**

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**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 1. GENERAL**

The Secaucus Municipal Utilities Authority ("the Authority") was created by an ordinance of the Council of the Town of Secaucus on March 14, 1978. The Authority was created as a Municipal Utilities Authority under Chapter 183 of the laws of 1957. Under the bond indenture of the Sewer Revenue Bonds, Series of 1979, certain funds and distribution of revenue were established funds were modified by the Sewer Revenue Refunding Bonds of 1984, the Series A and B Bonds of 1987, the Series C Bonds of 1988, the Series D Bonds of 1991, the Series A and B Bonds of 1994, the Series A and B Bonds of 2003 and the Series 2010 Bonds. The Authority services the Town of Secaucus. The Board of Commissioners is comprised of five members chosen by the Mayor and Council of the Town of Secaucus.

The Authority is a component unit of the Town of Secaucus under Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB No. 39.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

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

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**A. Basis of Presentation, (continued)**

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

**B. Basis of Accounting**

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

**C. Reporting Entity**

The Authority's financial statements include the accounts of all Authority operations. The primary criterion for including activities within the Authority's reporting entity, is set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Based on this criteria, the Authority is a legally separate organization and has no component units.

**D. Risks of Loss**

The Authority purchases commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers compensation, flood damage, and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductibles associated with the policies and an event, which may exceed policy coverage limits.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**E. Grants**

Contributions, if any, received from the U.S. Environmental Protection Agency and N.J. Department of Environmental Protection are recorded in the period in which they are awarded.

Grants receivable, if any, represent the total grant awards less amounts collected to date. Grants, if any, not internally restricted and utilized to finance operations are identified as non-operating revenue. Grants externally restricted for non-operating purposes are recorded as contributed capital and identified as grants-in-aid.

**F. Inventories of Materials and Supplies**

The cost of inventories, primarily chemicals for the treatment of sewerage and sludge, are recorded as expenditures at the time individual items are purchased, since they are not material to the results of operations and financial position.

**G. Unearned Revenue**

Unearned revenue arise when assets are recognized before revenue recognition criteria has been satisfied.

**H. Property, Plant and Equipment**

Property, Plant and Equipment is stated at cost which includes direct construction costs and other expenditures related to construction. Land is stated at approximate fair market value as of the date it was donated to the Authority or at the purchase price if purchased by the Authority.

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

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation is provided over the following estimated useful lives:

Building and Improvements	20-50 Years
Sewer Mains and Interceptors	50 Years
Machinery and Equipment	10-20 Years
Furniture and Fixtures	5 Years
Vehicles	3-10 Years

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**H. Property, Plant and Equipment, (continued)**

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

A summary of the changes in property, plant and equipment at December 31, 2016 is as follows:

	<u>Balance</u> <u>FY 2015</u>	<u>Net</u> <u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>FY 2016</u>
Land	\$659,377	\$	\$	\$659,377
Property, Plant and Equipment	57,525,359	144,113		57,669,472
Furniture, Fixtures and Equipment	597,234	5,321		602,555
Vehicles	<u>284,996</u>	<u>28,775</u>	<u>          </u>	<u>313,771</u>
	59,066,966	178,209		59,245,175
Accumulated Depreciation	<u>(54,011,624)</u>	<u>(341,737)</u>	<u>          </u>	<u>(54,353,361)</u>
Property, Plant and Equipment, Net	<u>\$5,055,342</u>	<u>(\$163,528)</u>	<u>\$          </u>	<u>\$4,891,814</u>

A summary of the changes in property, plant and equipment at December 31, 2015 is as follows:

	<u>Balance</u> <u>FY 2014</u>	<u>Net</u> <u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>FY 2015</u>
Land	\$659,377	\$	\$	\$659,377
Property, Plant and Equipment	57,219,884	305,475		57,525,359
Furniture, Fixtures and Equipment	597,234			597,234
Vehicles	<u>284,996</u>	<u>          </u>	<u>          </u>	<u>284,996</u>
	58,761,491	305,475		59,066,966
Accumulated Depreciation	<u>(53,697,831)</u>	<u>(313,793)</u>	<u>          </u>	<u>(54,011,624)</u>
Property, Plant and Equipment, Net	<u>\$5,063,660</u>	<u>(\$8,318)</u>	<u>\$          </u>	<u>\$5,055,342</u>

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**I. Restricted Accounts**

Construction Fund

The Trustee shall establish a Construction Fund for the payment of the costs of each Project involving construction or acquisition. Grants-in-aid of construction are required to be deposited in the Construction Fund, unless the terms of such grants-in-aid provide otherwise. Upon completion of any Project and delivery of the Authority's certificate approved by the Consulting Engineer, showing the date of such completion and certifying that all required insurance has been obtained and that all costs of such Project have been paid or stating the amounts to be reserved for the payment of unpaid costs, the Trustee is required to transfer the balance in the Construction Account and amounts not reserved for the payment of unpaid costs to the Bond Redemption and Improvement Fund.

Other Funds and Accounts

In addition to the Construction Account, the following funds and accounts will be established under the Trust Agreement:

- (1) Revenue Fund
- (2) Operating Fund
- (3) Debt Service Fund
- (4) Sinking Fund
- (5) Debt Service Reserve Fund
- (6) Renewal and Replacement Fund
- (7) Bond Redemption and Improvement Fund
- (8) Rebate Fund

The Authority will hold the Operating Fund and all other funds will be held by the Trustee.

Flow of funds

All Pledged Revenues with the exception of funding for ordinary operating expenses are required to be paid over to the Trustee forthwith upon receipt for deposit into:

- (1) Revenue Fund – Transfers from the Revenue Fund shall be made to all other required funds.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

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

- (2) Operating Fund – monthly, the amount necessary to equal the Authority's operating expenses plus a reasonable reserve (if required) therefore until the date of the next Town Payment.
- (3) Debt Service Fund – semi-annually, an amount sufficient to make the amount therein equal to interest on the next interest payment date, plus (ii) the greater of 100% of the principal amount of Bonds falling due on or before the date of the next transfer into such Fund and 50% of the principal or face amount of Bonds falling due on or before the date of the second succeeding transfer into such Fund.
- (4) Sinking Fund – semi-annually, an amount sufficient to make the amount therein equal to the greater of 100% of the redemption price of Bonds falling due on or before the date of the next transfer into such Fund and 50% of the redemption price of Bonds falling due on or before the date of the second succeeding transfer into such Fund.
- (5) Debt Service Reserve Fund – semi-annually, such amount as may be required with respect to additional issues of parity Bonds (there is no Debt Service Reserve Fund for the 2010 Bonds).
- (6) Renewal and Replacement Fund – semi-annually, up to \$15,750 per year until the amount therein equals \$200,000.
- (7) Bond Redemption and Improvement Fund – semi-annually, the balance remaining after the foregoing transfers.
- (8) Rebate Fund – at the direction of the Authority, from the Revenue Fund or the Bond Redemption and Improvement Fund, amounts subject to rebate to the United States under the Code.

**Operating Fund**

Monies from the Operating Fund will be applied by the Authority to pay all costs of operating, maintaining and repairing the Sewer System.

**Debt Service Fund**

The monies in the Debt Service Fund will be used to pay principal and interest on the Bonds. When Bonds are purchased or redeemed, the amount, if any, in the Debt Service Fund representing interest thereon will be applied to the payment of accrued interest in connection with any such redemption or purchase, and any excess, together with any amount representing principal, shall be transferred to the Bond Redemption and Improvement Fund.



**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

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

Sinking Fund

Amounts in the Sinking Fund shall be used for the purchase or redemption of the Bonds for which the Sinking Fund was established. The Trustee, at the request of the Authority, may use monies in the Bond Sinking Fund (but not within the period from October 15 through the following December 2, in any year) to purchase additional Bonds at the lowest prices reasonably obtainable; provided that the purchase price, exclusive of accrued interest, does not exceed the mandatory redemption price of such Bonds.

Debt Service Reserve Fund

If required in connection with an issue of additional parity Bonds, the Trustee shall establish a Debt Service Reserve Fund for such issue of Bonds, to make up deficiencies in the Debt Service Fund or Sinking Fund for such Bonds. No Debt Service Reserve Fund has been established for the 2010 Bonds.

Any excess in any Debt Service Reserve Fund may, at the option of the Authority, be transferred to the Revenue Fund or the Bond Redemption and Improvement Fund.

Renewal and Replacement Fund

The Renewal and Replacement Fund will be used to pay costs of extraordinary repairs, renewals and replacements to the Sewer System to the extent that, in the opinion of the Consulting Engineer, such costs cannot be paid out of the budget provision made for such costs. The amount currently required to be deposited annually is \$15,750. The Consulting Engineer may specify an increase in the amount of the Renewal and Replacement Fund for extraordinary repairs to the Sewer System.

Bond Redemption and Improvement Fund

The Trustee shall use the Bond Redemption and Improvement Fund at any time to make up deficiencies in the Debt Service Fund and the Sinking Fund and to restore any withdrawals from the Debt Service Reserve Fund or the Renewal and Replacement Fund. If there is no deficiency in any of the aforesaid Funds and no Event of Default has occurred and is continuing, the Trustee, at the request of the Authority, may apply amounts in the Bond Redemption and Improvement Fund to any lawful corporate purpose of the Authority.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

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

**Rebate Fund**

The Trustee shall establish a Rebate Fund into which it shall, upon the direction of the Authority, from time to time deposit from the Revenue Fund or the Bond Redemption and Improvement Fund such amounts as may be subject to rebate to the United States pursuant to the Code and shall use the monies therein to make such rebates when and as required.

**J. Deferred Outflows and Deferred Inflows of Resources**

The Statement 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.

**Deferred Loss on Refunding of Bonds** - Deferred loss on refunding arising from the issuance of revenue refunding bonds, is recorded as a deferred outflow of resources. The deferred loss is amortized in a systematic and rational method as a component of interest expense.

**Bond Premiums** - Bond premiums arising from the issuance of long-term debt (bonds) are amortized over the life of the bonds, in a systematic and rational method, from the issue date to maturity as a component of interest expense.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**K. Operating Fund Budget**

The budget amounts included in the statement of budget revenues and statement of budget expenditures were approved in accordance with the requirements of the "Local Finance Board" of the State of New Jersey, and were adopted by the Commissioners after legal advertisement and public hearing.

**L. Use of Estimates**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Authority estimates the useful life of assets in determining depreciation figures. Actual results could differ from those estimates.

**M. Sick and Vacation Leave**

Authority employees are granted varying amounts of sick leave in accordance with the Authority's personnel policy and union agreements. Compensated absences payable was \$71,182 and \$70,667 at December 31, 2016 and 2015, respectively.

**N. Net Position**

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**O. Recent Accounting Pronouncements**

The Government Accounting Standards Board issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for fiscal years beginning after June 15, 2017. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Town of Secaucus)  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

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

The Government Accounting Standards Board issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 77, *Tax Abatement Disclosures*, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The Authority believes this Statement will have no impact on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which establishes the criteria for identifying the applicable pension plans and addresses measurement and recognition for pension liabilities, expense and expenditures; note disclosures of descriptive information about the plan, benefit terms, and contributions items; and required supplementary information presenting required contribution amounts for the past 10 fiscal years. The Authority is currently reviewing what effect this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participation*, which permits qualifying external investment pools to measure pool investments at amortized cost for financial reporting purposes. The Authority is currently reviewing what effect this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which provides clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The Authority does not believe this Statement will have any effect on future financial statements.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

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

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Authority does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Authority believes this Statement may have an effect on the presentation of future financial statements.

In November 2016, the Government Accounting Standards Board issued GASB Statement No. 83, Certain Asset Retirement Obligations. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for asset retirement obligations (AROs). The Authority does not believe this Statement will have any effect on future financial statements.

In January 2017, the Government Accounting Standards Board issued GASB Statement No. 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities. The Authority is currently evaluating the effects, if any, this Statement may have on future financial statements.

In March 2017, the Government Accounting Standards Board issued GASB Statement No. 85, Omnibus 2017, which addresses practice issues that have been identified during the implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**P. Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for services. Operating expenses include the cost of operations and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses. State and federal grants for the operation of the Authority are considered operating revenues. Transactions or other events that are both unusual in nature and infrequent in occurrence are reported as extraordinary items.

**NOTE 3. CASH AND CASH EQUIVALENTS**

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 and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent 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.

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

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

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**NOTE 3. CASH AND CASH EQUIVALENTS, (continued)**

As of December 31, 2016, the Authority's cash and cash equivalents are summarized as follows:

	Money Market/ Checking <u>Accounts</u>	<u>Total</u>
Unrestricted	\$4,453,152	\$4,453,152
Restricted	<u>108,659</u>	<u>108,659</u>
	<u>\$4,561,811</u>	<u>\$4,561,811</u>

The carrying amount of the Authority's cash and cash equivalents at December 31, 2016 was \$4,561,811 and the bank balance was \$4,586,637. This entire amount was covered by federal depository insurance and the collateral pool maintained by the banks as required by New Jersey Statutes.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Authority's policy is based on New Jersey statutes requiring cash be deposited only in New Jersey based on banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in a qualified investment established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2016, \$0- of the Authority's bank balance of \$4,586,637 was exposed to custodial risk.

**NOTE 4. INVESTMENTS**

Investments are stated at fair value, which is determined using selected bases. The Authority classifies certificates of deposit that have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

The Authority had no investments at December 31, 2016.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
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**NOTE 4. INVESTMENTS, (continued)**

**Interest Rate Risk**

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

**Credit Risk**

New Jersey Statutes 40A:5-15.1(a) limits municipal investment maturities to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America or the local unit or school districts of which the local unit is part of; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk**

The Authority places no limit on the amount it may invest in any one issuer.

**NOTE 5. NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**

The Authority issued bonds in 2010 and 2013 through the Trust to finance the improvement to the treatment facilities. The proceeds of the Bonds are held by the Trust until the Authority expends funds on the project. The Authority then submits for reimbursement of these expenditures from the Trust. The following is a summary of the remaining amount of funds received by the Trust in 2016:

	Balance	Less	Balance
	<u>Dec.31,2015</u>	Credits <u>Received</u>	<u>Dec.31, 2016</u>
NJEIT - Fund Portion	<u>\$52,193</u>	<u>\$52,193</u>	<u>\$0</u>

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



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**NOTE 6. LONG-TERM DEBT**

The Authority has issued and has outstanding the following bonds as of December 31, 2016 and 2015.

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Redeemed</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Series 2010 NJ Environmental Infrastructure Trust and Fund Bonds	\$1,028,724	\$64,909	\$963,815
Series 2010 Refunding Bonds	1,095,000	540,000	555,000
Series 2013 NJ Environmental Infrastructure Trust and Fund Bonds	<u>276,077</u>	<u>15,876</u>	<u>260,201</u>
Net Carrying Amount of Debt	<u>2,399,801</u>	<u>620,785</u>	<u>1,779,016</u>
Current Portion	620,785		635,807
Long-Term Portion	<u>1,779,016</u>		<u>1,143,209</u>
	<u>\$2,399,801</u>		<u>\$1,779,016</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$635,807	\$42,004	\$677,811
2018	80,837	20,994	101,831
2019	85,877	19,453	105,330
2020	85,931	18,000	103,931
2021	85,996	16,184	102,180
2022	91,072	15,058	106,130
2023	91,159	13,371	104,530
2024	91,256	11,675	102,931
2025	91,360	9,970	101,330
2026-2030	408,838	22,605	431,443
2031-2032	<u>30,883</u>	<u>529</u>	<u>31,412</u>
	<u>\$1,779,016</u>	<u>\$189,843</u>	<u>\$1,968,859</u>

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
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**NOTE 6. LONG-TERM DEBT, (continued)**

**Series 2010 NJ Environmental Infrastructure Trust Bonds**

On March 10, 2010, the Authority issued \$1,356,541 Series 2010 Subordinate Bonds through the New Jersey Environmental Infrastructure Trust Program. These bonds are being used for improvements to the treatment facilities.

Principal and interest due on outstanding 2010 bonds to maturity is as follows:

<u>NJEIT SERIES 2010</u>				
<u>Year</u>	<u>Trust Portion</u>		<u>Fund Portion</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Debt Service</u>
2017	\$30,000	\$20,775	\$34,909	\$85,684
2018	30,000	19,275	34,909	84,184
2019	35,000	17,775	34,909	87,684
2020	35,000	16,375	34,909	86,284
2021	35,000	14,625	34,909	84,534
2022	40,000	13,576	34,908	88,484
2023	40,000	11,975	34,909	86,884
2024	40,000	10,375	34,909	85,284
2025	40,000	8,775	34,909	83,684
2026	45,000	7,176	34,908	87,084
2027	45,000	5,600	34,909	85,509
2028	45,000	3,800	34,909	83,709
2029	<u>50,000</u>	<u>2,000</u>	<u>34,909</u>	<u>86,909</u>
	<u>\$510,000</u>	<u>\$152,102</u>	<u>\$453,815</u>	<u>\$1,115,917</u>

**Series 2010 Refunding Bonds**

On November 23, 2010, the Authority issued \$3,135,000 Series 2010 Refunding Bonds.

Principal and interest due on outstanding 2010 bonds to maturity is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	<u>\$555,000</u>	<u>\$19,480</u>	<u>\$574,480</u>

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
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**NOTE 6. LONG-TERM DEBT, (continued)**

**Series 2013 NJ Environmental Infrastructure Trust Bonds**

On May 30, 2013, the Authority issued \$318,752 Series 2013 Subordinate Bonds through the New Jersey Environmental Infrastructure Trust Program.

Principal and interest due on outstanding 2013 bonds to maturity is as follows:

<u>Year</u>	<u>NJEIT SERIES 2013</u>			
	<u>Trust Portion</u>		<u>Fund Portion</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Debt Service</u>
2017	\$3,826	\$1,749	\$12,072	\$17,647
2018	3,856	1,719	12,072	17,647
2019	3,896	1,678	12,072	17,646
2020	3,950	1,625	12,072	17,647
2021	4,015	1,559	12,072	17,646
2022	4,092	1,483	12,072	17,647
2023	4,178	1,396	12,072	17,646
2024	4,275	1,300	12,072	17,647
2025	4,379	1,195	12,072	17,646
2026	4,490	1,084	12,072	17,646
2027	4,622	953	12,072	17,647
2028	4,761	814	12,072	17,647
2029	4,907	667	12,072	17,646
2030	5,062	512	12,072	17,646
2031	5,224	350	12,072	17,646
2032	4,425	178	9,163	13,766
	<u>\$69,958</u>	<u>\$18,262</u>	<u>\$190,243</u>	<u>\$278,463</u>

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
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**NOTE 7. PENSION PLANS**

Description of Plans:

Authority employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

*Public Employees' Retirement System (PERS)*

Plan Description

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

Benefits Provided

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

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

Service retirement benefits of 1/55<sup>th</sup> 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 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
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**NOTE 7. PENSION PLANS, (continued)**

*Public Employees' Retirement System (PERS), (continued)*

Benefits Provided, (continued)

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 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 of the employee's annual compensation, as defined by law. Employers are

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**NOTE 7. PENSION PLANS, (continued)**

*Public Employees' Retirement System (PERS), (continued)*

**Contribution Requirements, (continued)**

required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

The Authority's contribution to the various plans, equal to the required contributions for each year, were as follows:

**Three Year Trend Information for PERS**

<b><u>Year</u></b>	<b><u>Annual</u></b>	<b><u>Percentage</u></b>
<b><u>Funding</u></b>	<b><u>Pension</u></b>	<b><u>of APC</u></b>
	<b><u>Cost (APC)</u></b>	<b><u>Contributed</u></b>
12/31/16	\$150,970	100%
12/31/15	131,460	100%
12/31/14	128,034	100%

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68**

**Public Employees Retirement System (PERS)**

At December 31, 2016 and 2015, the Authority reported a liability of \$5,275,295 and \$3,941,897 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2016, the Authority's proportion was 0.0178116326 percent, which was an increase of 0.0002515052 percent from its proportion measured as of June 30, 2015.

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**NOTE 7. PENSION PLAN, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

For the year ended December 31, 2016, the Authority recognized pension expense of \$535,879. At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$1,092,759	\$
Net difference between projected and actual earnings on pension plan investments	299,256	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	243,007	106,781
Other deferred pension adjustments	(21,623)	
Authority contributions subsequent to the measurement date	<u>180,200</u>	<u>          </u>
Total	<u>\$1,793,599</u>	<u>\$106,781</u>

The \$180,200 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date (i.e. for the fiscal year ending December 31, 2016, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension 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 ended December 31:	
2017	\$313,400
2018	313,400
2019	363,084
2020	305,044
2021	97,088

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**NOTE 7. PENSION PLAN, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Changes in Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.58, 5.53 and 6.17 years for 2016, 2015 and 2014 amounts, respectively.

**Additional Information**

Local Group Collective balances at December 31, 2016 and 2015 are as follows:

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
Collective deferred outflows of resources	\$8,685,338,380	\$3,578,755,666
Collective deferred inflows of resources	870,133,595	993,410,455
Collective net pension liability	29,617,131,759	22,447,996,119
Authority's Proportion	0.0178116326%	0.0175601274%

**Actuarial Assumptions**

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.08 Percent
Salary Increases:	
Through 2026	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.65 Percent



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**NOTE 7. PENSION PLAN, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Mortality Rates**

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plans actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

**Long-Term Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 7. PENSION PLAN, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Returns	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

**Discount Rate**

The discount rate used to measure the total pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, 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 recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 7. PENSION PLAN, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, 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 collective net pension liability of the participating employers as of June 30, 2016 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	<u>June 30, 2016</u>		
	<u>1%</u>	<u>At Current</u>	<u>1%</u>
	<u>Decrease</u>	<u>Discount Rate</u>	<u>Increase</u>
	<u>2.98%</u>	<u>3.98%</u>	<u>4.98%</u>
Authority's proportionate share of the pension liability	\$6,464,258	\$5,275,295	\$4,293,702

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS).

**NOTE 8. OTHER POST EMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note 7, the Authority provides post employment health care benefits in accordance with the provisions of Ch. 88, P.L. 1974 as amended by Chapter 436, P.L. 1981, at its cost. On May 13, 2010, the Authority adopted the provisions of N.J.S.A. 52:14-17.38 and adhered to the rules and regulations promulgated by the State Health Benefits Commission to implement the provisions of that law. This resolution affects employees as shown in Chapter 48, P.L. 1999. It is effective on the 1<sup>st</sup> day of July, 2010.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 8. OTHER POST EMPLOYMENT BENEFITS, (continued)**

Chapter 48, P.L. 1999, provides eligible participating local employers considerable flexibility in managing their postretirement medical costs. It also brings State Health Benefits Program (SHBP) and School Employees' Health Benefits Program (SEHBP) eligibility standards for employer-paid coverage into alignment with local government laws.

Adoption of this Resolution does not free SMUA of the obligation to pay for postretirement medical benefits of retirees or employees who qualified for those payments under any Chapter 88 or Chapter 48 Resolution previously adopted by the governing body.

The Resolution will remain in effect until properly amended or revoked with the State Health Benefits Program. SMUA recognizes that, while it remains in the State Health Benefits Program, it is responsible for providing the payment for postretirement medical coverage as listed in the Chapter 48 Resolution Addendum for all employees who qualify for this coverage while this Resolution is in force.

**Plan Description**

The Secaucus Municipal Utilities Authority contributes to the State Health Benefits Program (SHBP) a cost-sharing, multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. The SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the 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 State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf>

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 8. OTHER POST EMPLOYMENT BENEFITS, (continued)**

**Plan Coverage**

Any employee who retires after twenty-five (25) years or more of service within the Authority shall be entitled to be continued in the above health insurance coverage on a family-plan basis, with the cost thereof to be paid by the Authority. This includes dental benefits and the full cost of Medicare charges.

**Funding Policy**

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

Contributions to pay for the health premiums of participating employees in the SHBP are billed to the Authority on a monthly basis.

**NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES**

The Authority's attorneys have informed management of no commitments or contingent liabilities.

**NOTE 10. RISK MANAGEMENT**

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

**Property and Liability Insurance**

The Authority is currently a member of the New Jersey Utility Authorities Joint Insurance Fund, a public entity risk pool currently composed of 46 member authorities. The Fund provides members with Property, Liability and Worker's Compensation Insurance. The Authority continues to carry Public Officials Liability and Public Employee Dishonesty insurance through outside policies.

**NOTE 11. DEFERRED COMPENSATION PLAN**

Employees of the Secaucus Municipal Utilities Authority may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Government). The deferred compensation plan is available to all employees of the Authority. Under the plan, employees may elect to defer a portion of their salaries and

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 11. DEFERRED COMPENSATION PLAN, (continued)**

avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation plan is administered by an unrelated financial institution. The employees' contributions to the Plan and all income attributable to those amounts have been transferred to the exclusive benefit of the participating employees and their beneficiaries.

**NOTE 12. JOINT SERVICE AGREEMENT**

The Authority entered into an Inter-local Agreement with the Town of Secaucus. The shared services included plumbing, carpentry and painting. In 2016, the shared services also included purchasing.

**NOTE 13. SUBSEQUENT EVENTS**

The Secaucus Municipal Utilities Authority has evaluated subsequent events through April 19, 2017, the date which the financial statements were available to be issued. No additional items were noted for disclosure or adjustment.

**NOTE 14. DESIGNATION OF UNRESTRICTED NET POSITION**

The Authority maintains funds that, although may be spent for any lawful purpose by the Authority, have been designated by the Board as follows

	<u>2016</u>
Capital Improvements	<u>\$1,000,000</u>

At December 31, 2016, the Authority reported a total amount of \$1,000,000 of Unrestricted Net Position - Designated for the purposes described above.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 14. DESIGNATION OF UNRESTRICTED NET POSITION, (continued)**

The remaining, undesignated portion of the Authority's net position was comprised of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Pension Related	\$(3,768,677)	(\$3,383,768)
Available for Use in Future Budgets	<u>2,958,442</u>	<u>2,147,929</u>
	<u>(\$810,235)</u>	<u>(\$1,235,839)</u>

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**Required Supplementary Information - Part II**

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**SCHEDULE RSI-1**

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
Required Supplementary Information  
Schedule of the Authority's Proportionate Share of the Net Pension Liability  
Public Employees' Retirement System (PERS)  
Last Three Fiscal Years**

	<b><u>Measurement Date Ending June 30,</u></b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Authority's Proportion of the Net Pension Liability	0.0178116326%	0.0175601274%	0.0159464216%
Authority's Proportionate Share of the Net Pension Liability	\$5,275,295	\$3,941,897	\$2,985,606
Authority's Covered-Employee Payroll	\$1,234,514	\$1,227,489	\$1,193,374
Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	427.32%	321.14%	250.18%

Note: This schedule is 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.

**SCHEDULE RSI-2**

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
Required Supplementary Information  
Schedule of the Authority's Contributions  
Public Employees' Retirement System (PERS)  
Last Three Fiscal Years**

	<b><u>Fiscal Year Ended December 31,</u></b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Contractually Required Contribution	\$150,970	\$131,460	\$128,034
Contributions in Relation to the Contractually Required Contribution	<u>(150,970)</u>	<u>(131,460)</u>	<u>(128,034)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered-Employee Payroll	\$1,234,514	\$1,227,489	\$1,193,374
Contributions as a Percentage of Authority's Covered-Employee Payroll	12.23%	10.71%	10.73%

Note: This schedule is 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.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Required Supplementary Information**  
**For the Year ended December 31, 2016**

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

Changes in Benefit Terms - None

Changes in Assumptions - The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016, in accordance with Paragraph 44 of GASB Statement No. 67.

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## **Supplementary Schedules**

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SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2016

	Net Investment in Capital Assets	Construction Fund	Debt Service Reserve Fund	Restricted Renewal and Replacement Fund	Bond Redemption and Improvement Fund	Rebate Fund	Unrestricted Designated: Capital Improvements	Undesignated	Total
<b>Operating Revenue:</b>									
Town of Secaucus								3,933,166	3,933,166
Sewer Connection / User Fees								2,117,404	2,117,404
<b>Total Operating Revenue</b>	-	-	-	-	-	-	-	6,050,570	6,050,570
<b>Operating Expense:</b>									
Administrative and General								643,917	643,917
Cost of Providing Services								3,251,143	3,251,143
Depreciation	341,737								341,737
<b>Total Operating Expense</b>	341,737	-	-	-	-	-	-	3,895,060	4,236,797
<b>Operating Income</b>	(341,737)	-	-	-	-	-	-	2,155,510	1,813,773
<b>Non-Operating Revenue (Expense):</b>									
Interest and Miscellaneous Income								96,707	96,707
Interest Expense			(61,961)						(61,961)
Amortization	2,504								2,504
	2,504	-	(61,961)	-	-	-	-	96,707	37,250
<b>Net Income (Loss) Before Transfers</b>	(339,233)	-	(61,961)	-	-	-	-	2,252,217	1,851,023
<b>Transfers:</b>									
NJEIT Credits Received		(52,193)						52,193	-
Budget Appropriation				15,750				(15,750)	-
Debt Service Payments	620,785		64,062					(684,847)	-
Capital Expenditures	178,209							(178,209)	-
Transfers							1,000,000	(1,000,000)	-
<b>Increase/(Decrease) in Net Position</b>	459,761	(52,193)	2,101	15,750	-	-	1,000,000	425,604	1,851,023
<b>Net Position - Jan. 1, 2016</b>	2,621,319	52,193	14,130	46,351	359	18,973	-	(1,235,839)	1,517,486
<b>Net Position - December 31, 2016</b>	3,081,080	-	16,231	62,101	359	18,973	1,000,000	(810,235)	3,368,509

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SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
 (A COMPONENT UNIT OF THE TOWN OF SECAUCUS)  
 SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
 CHANGES IN CASH AND INVESTMENTS  
 UNRESTRICTED AND RESTRICTED ACCOUNTS  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Operating Accounts	Debt Service Accounts	Renewal and Replacement Accounts	Bond Redemption and Improvement Account
<b>Cash, Cash Equivalents and Investments -</b>				
<b>January 1, 2016</b>	2,582,389	27,226	46,351	359
<b>Cash Receipts:</b>				
Town of Secaucus	3,933,166			
Sewer Connection / User Fees	2,118,994			
Interest and Miscellaneous Income	96,707			
Proceeds from NJEIT	52,193			
Transfers	-		15,750	
<b>Total Cash Receipts</b>	6,201,060	-	15,750	-
<b>Cash and Investments Available</b>	8,783,449	27,226	62,101	359
<b>Cash Disbursements:</b>				
Bond Principal Payments	620,785			
Interest Payments	64,062			
Operations	3,451,491			
Capital and Other Expenses	178,209			
Transfers	15,750		-	
<b>Total Cash Disbursements</b>	4,330,297	-	-	
<b>Cash, Cash Equivalents and Investments -</b>				
<b>December 31, 2016</b>	4,453,152	27,226	62,101	359
<b>Analysis of Balance:</b>				
Cash and Cash Equivalents	4,453,152	27,226	62,101	359
Investments	-	-	-	-
	4,453,152	27,226	62,101	359
Unrestricted	4,453,152	-	-	-
Restricted	-	27,226	62,101	359
	4,453,152	27,226	62,101	359

SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
 (A COMPONENT UNIT OF THE TOWN OF SECAUCUS)  
 SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
 CHANGES IN CASH AND INVESTMENTS  
 UNRESTRICTED AND RESTRICTED ACCOUNTS  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Rebate Account	Total
Cash, Cash Equivalents and Investments - January 1, 2016	18,973	2,675,298
Cash Receipts:		
Interest on Investments		3,933,166
Service Agreements		2,118,994
Miscellaneous		96,707
Proceeds from Bonds		52,193
Transfers		15,750
Total Cash Receipts	-	6,216,810
Cash and Investments Available	18,973	8,892,108
Cash Disbursements:		
Bond Principal Payments		620,785
Interest Payments		64,062
Operations		3,451,491
Capital and Other Expenses		178,209
Transfers		15,750
Total Cash Disbursements	-	4,330,297
Cash, Cash Equivalents and Investments - December 31, 2016	18,973	4,561,811
Analysis of Balance:		
Cash and Cash Equivalents	18,973	4,561,811
Investments	-	-
	18,973	4,561,811
Unrestricted	-	4,453,152
Restricted	18,973	108,659
	18,973	4,561,811

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)  
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED  
BY OPERATING REVENUE COMPARED TO BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>FY 2016 Adopted Budget</b>	<b>FY 2016 Budget as Amended</b>	<b>Paid or Charged</b>	<b>Excess / (Deficit)</b>	<b>Prior Year Actual</b>
<b>Revenues:</b>					
Town of Secaucus	4,333,166	3,933,166	3,933,166	-	3,267,939
Connection and User Fees	200,000	500,000	2,117,404	1,617,404	727,323
Interest Income	1,500	1,500	5,094	3,594	2,610
Other Income	61,500	61,500	91,613	30,113	76,751
Grant Income	-	-	-	-	75,720
Net Position Appropriated	350,000	350,000	350,000	-	1,200,000
<b>Total Operating Revenues</b>	<b>4,946,166</b>	<b>4,846,166</b>	<b>6,497,277</b>	<b>1,651,111</b>	<b>5,350,343</b>
<b>Expenses:</b>					
<b>Operating Appropriations:</b>					
<b>Administration:</b>					
Salaries and Wages	217,707	217,707	230,727	(13,020)	229,959
Fringe Benefits	119,880	119,880	107,118	12,762	107,301
Telephone	11,000	11,000	5,556	5,444	5,491
Trustee Fees	12,000	12,000	7,250	4,750	4,125
NJEIT Fees	6,000	6,000	-	6,000	-
Legal Fees	100,000	100,000	42,723	57,277	47,736
Accounting and Auditing	43,000	43,000	36,250	6,750	41,500
Office, Stationary, Postage and Miscellaneous	48,000	48,000	39,533	8,467	79,365
Seminars, Conventions and Travel	20,000	20,000	8,938	11,062	9,897
<b>Sub-total Administrative</b>	<b>577,587</b>	<b>577,587</b>	<b>478,095</b>	<b>99,492</b>	<b>525,374</b>

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)  
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED  
BY OPERATING REVENUE COMPARED TO BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>FY 2016 Adopted Budget</u>	<u>FY 2016 Budget as Amended</u>	<u>Paid or Charged</u>	<u>Excess / (Deficit)</u>	<u>Prior Year Actual</u>
<b>Expenses (continued):</b>					
<b>Operating Appropriations (continued):</b>					
<b>Cost of Providing Services:</b>					
Salaries and Wages	1,122,293	1,122,293	1,189,414	(67,121)	1,115,330
Fringe Benefits	620,120	620,120	554,105	66,015	520,423
Electricity and Gas	325,000	325,000	231,384	93,616	278,313
Water	18,000	18,000	16,632	1,368	18,009
Treatment Chemicals	90,000	90,000	64,967	25,033	57,197
Supplies and Equipment	85,000	85,000	66,122	18,878	71,587
Engineering	130,000	130,000	97,322	32,678	82,736
Repairs and Maintenance	200,000	200,000	166,009	33,991	72,696
Sludge Disposal	285,000	285,000	300,085	(15,085)	250,758
Testing Fees	50,000	50,000	23,811	26,189	20,532
Insurance	128,000	128,000	113,091	14,909	109,243
Laboratory Expenses	25,000	25,000	14,914	10,086	14,284
Permits	50,000	50,000	39,142	10,858	34,593
Garbage Disposal	45,000	45,000	40,085	4,915	41,280
Uniforms	27,500	27,500	23,099	4,401	19,782
Sanitary Sewer Repairs	370,000	370,000	91,874	278,126	354,302
<b>Sub-total Cost of Providing Services</b>	<u>3,570,913</u>	<u>3,570,913</u>	<u>3,032,056</u>	<u>538,857</u>	<u>3,061,065</u>
<b>Sub-total Operating</b>	<u>4,148,500</u>	<u>4,148,500</u>	<u>3,510,151</u>	<u>638,349</u>	<u>3,586,439</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)  
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED  
BY OPERATING REVENUE COMPARED TO BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2016

	FY 2016 Adopted Budget	FY 2016 Budget as Amended	Paid or Charged	Excess / (Deficit)	Prior Year Actual
<b>Other Costs Funded by Operating Revenues:</b>					
Debt Service:					
Bond Principal	620,785	620,785	620,785	-	605,772
Interest Expense	61,131	61,131	61,961	(830)	76,387
Reserves:					
Renewal and Replacement	115,750	15,750	15,750	-	215,750
<b>Sub-total Other Costs</b>	<u>797,666</u>	<u>697,666</u>	<u>698,496</u>	<u>(830)</u>	<u>897,909</u>
<b>Total Costs Funded by Operating Revenues</b>	<u>4,946,166</u>	<u>4,846,166</u>	<u>4,208,647</u>	<u>637,519</u>	<u>4,484,348</u>
<b>Add: Excess / (Deficit)</b>	<u>-</u>	<u>-</u>	<u>2,288,630</u>	<u>2,288,630</u>	<u>865,995</u>
	<u>4,946,166</u>	<u>4,846,166</u>	<u>6,497,277</u>	<u>(1,651,111)</u>	<u>5,350,343</u>
<b>Excess of Revenues Over Expenses:</b>			2,288,630		865,995
<b>Reconciliation of Budgetary Basis to GAAP:</b>					
Net Position Appropriated			(350,000)		(1,200,000)
Depreciation Expense			(341,737)		(313,793)
Amortization			2,504		2,504
Net Pension Adjustment			(384,909)		(145,192)
Reserves			15,750		215,750
Bond Principal			620,785		605,772
<b>Total Adjustments</b>			<u>(437,607)</u>		<u>(834,959)</u>
<b>Change in Net Position</b>			<u>1,851,023</u>		<u>31,036</u>

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SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
 (A COMPONENT UNIT OF THE TOWN OF SECAUCUS)  
 SCHEDULE OF CAPITAL BUDGET PROGRAM  
 FUNDED BY FINANCING SOURCES  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	FY 2016 Adopted Budget	FY 2016 Budget as Amended	Paid or Charged	Excess / (Deficit)
<b>Financing Sources:</b>				
Unrestricted Net Position	650,000	650,000	178,209	471,791
	650,000	650,000	178,209	471,791
<b>Capital Outlays:</b>				
Generator Upgrades	180,000	180,000	17,536	162,464
Homeland Security Upgrades	150,000	150,000	-	150,000
Variable Speed Drives	175,000	175,000	-	175,000
Misc. Improvements/Upgrades	145,000	145,000	160,673	(15,673)
<b>Total Capital Outlays</b>	650,000	650,000	178,209	471,791
<b>Total Costs Funded by Capital Revenue</b>	650,000	650,000	178,209	471,791
<b>Add: Excess</b>	-	-	-	-
	650,000	650,000	178,209	471,791

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**SCHEDULE 5**

Page 1 of 5

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)  
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS**

Description	Date of Issue	Interest Rate	Outstanding Maturities December 31, 2016		Balance Jan. 1, 2016	Issued	2016 Redeemed	Balance Dec. 31, 2016
			Date	Amount				
NJGIT Bonds (Series 2010A) Trust Portion	3/10/2010							
		5.00%	2017	30,000.00				
		5.00%	2018	30,000.00				
		4.00%	2019	35,000.00				
		5.00%	2020	35,000.00				
		3.00%	2021	35,000.00				
		4.00%	2022	40,000.00				
		4.00%	2023	40,000.00				
		4.00%	2024	40,000.00				
		4.00%	2025	40,000.00				
		3.50%	2026	45,000.00				
		4.00%	2027	45,000.00				
		4.00%	2028	45,000.00				
		4.00%	2029	50,000.00				
					540,000		30,000	510,000

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)  
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS**

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2016	Issued	2016 Redeemed	Balance Dec. 31, 2016
			Date	Amount				
NJEIT Bonds (Series 2010A) Fund Portion	3/10/2010							
		n/a	2017	34,908.85				
		n/a	2018	34,908.85				
		n/a	2019	34,908.85				
		n/a	2020	34,908.85				
		n/a	2021	34,908.85				
		n/a	2022	34,908.85				
		n/a	2023	34,908.85				
		n/a	2024	34,908.85				
		n/a	2025	34,908.85				
		n/a	2026	34,908.85				
		n/a	2027	34,908.85				
		n/a	2028	34,908.85				
		n/a	2029	34,909.13				
					488,724		34,909	453,815

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)  
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS**

Description	Date of Issue	Interest Rate	Outstanding Maturities December 31, 2016		Balance Jan. 1, 2016	Issued	2016 Redeemed	Balance Dec. 31, 2016
			Date	Amount				
Refunding Bonds (Series 2010)	11/23/2010							
		3.51%	2017	555,000.00	1,095,000		540,000	555,000

**SCHEDULE 5**

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**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)  
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS**

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2016	Issued	2016 Redeemed	Balance Dec. 31, 2016
			Date	Amount				
NJFIT Bonds (Series 2013) Trust Portion	5/30/2013	0.79%	2017	3,826.00				
		1.04%	2018	3,856.00				
		1.38%	2019	3,896.00				
		1.66%	2020	3,950.00				
		1.90%	2021	4,015.00				
		2.12%	2022	4,092.00				
		2.31%	2023	4,178.00				
		2.44%	2024	4,275.00				
		2.54%	2025	4,379.00				
		2.92%	2026	4,490.00				
		3.01%	2027	4,622.00				
		3.08%	2028	4,761.00				
		3.15%	2029	4,907.00				
		3.21%	2030	5,062.00				
		3.27%	2031	5,224.00				
		3.32%	2032	4,425.00				
					73,762		3,804	69,958

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY  
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)  
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS**

Description	Date of Issue	Interest Rate	Outstanding Maturities December 31, 2016		Balance Jan. 1, 2016	Issued	2016 Redeemed	Balance Dec. 31, 2016
			Date	Amount				
NJEIT Bonds (Series 2013) Fund Portion	5/30/2013	n/a	2017	12,072.04				
		n/a	2018	12,072.04				
		n/a	2019	12,072.04				
		n/a	2020	12,072.04				
		n/a	2021	12,072.04				
		n/a	2022	12,072.04				
		n/a	2023	12,072.04				
		n/a	2024	12,072.04				
		n/a	2025	12,072.04				
		n/a	2026	12,072.04				
		n/a	2027	12,072.04				
		n/a	2028	12,072.04				
		n/a	2029	12,072.04				
		n/a	2030	12,072.04				
		n/a	2031	12,072.04				
		n/a	2032	9,162.25				
					202,315		12,072	190,243
					2,399,801		620,785	1,779,016
Current Portion					620,772			635,807
Noncurrent Portion					1,779,029			1,143,209
					2,399,801			1,779,016

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## SCHEDULE 6

### ROSTER OF OFFICIALS

The following officials were in office at December 31, 2016:

<u>Name</u>	<u>Office</u>
<b><u>Authority Members</u></b>	
Fred Vogel	Chairman
Jorge Cardenas	Vice Chairman
George Schoenrock	Secretary
Mark Moloughney	Treasurer
<b><u>Other Officials</u></b>	
Brian Bigler	Executive Director
Beckmeyer Engineering	Consulting Engineers
Cleary, Giacobbe, Alfieri, Jacobs, LLC	General Counsel
Ferraioli, Wielkotz, Cerullo & Cuva, P.A.	Auditor

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

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

Certified Public Accountants  
401 Wanaque Avenue  
Pompton Lakes, New Jersey 07442  
973-835-7900  
Fax 973-835-6631

Newton Office  
100B Main Street  
Newton, N.J. 07860  
973-579-3212  
Fax 973-579-7128

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

Honorable Chairman and Members of the  
Secaucus Municipal Utilities Authority  
1100 Koelle Boulevard  
Secaucus, New Jersey 07094

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Secaucus Municipal Utilities Authority, as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated April 19, 2017.

### ***Internal Control Over Financial Reporting***

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

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



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

### *Compliance and Other Matters*

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

### *Purpose of this Report*

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



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

April 19, 2017

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

NONE

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**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**

**GENERAL COMMENTS**

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

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

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the sum of \$40,000, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations."

N.J.S.A. 40A:11-15 was amended with P.L. 1999, c.440 to extend the base contract period. "Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months.

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

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

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

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

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Town of Secaucus)**

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

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

We wish to thank Secaucus Municipal Utilities Authority for their cooperation during the performance of our audit.

Respectfully submitted,

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

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