

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
REPORT OF AUDIT
FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014

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

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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, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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

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

Opinion

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

Emphasis of Matter

Adoption of New Accounting Principles

As discussed in Note 2Q to the financial statement, during the fiscal year ended December 31, 2015, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pensions Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our Opinion is not modified with respect to this matter.

Prior Period Restatement

Because of the implementation of GASB Statements No. 68 and No. 71, beginning net position on the statement of revenues, expenses and changes in net position has been restated for fiscal year December 31, 2015, as discussed in Note 14 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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

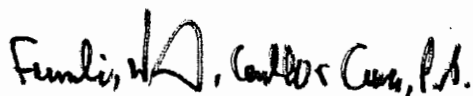
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprises the Secaucus Municipal Utilities Authority's financial statements. The schedule of revenues, expenses and changes in net position - restricted and unrestricted; schedule of cash receipts, 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 (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 26, 2016 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 26, 2016

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Required Supplementary Information - Part I

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SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

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, 2015 and 2014. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's assets and deferred outflows exceeded its liabilities and deferred inflows of resources by \$1,517,486 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities and deferred inflows of resources by \$1,486,450, as restated.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$2,621,319 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 \$132,006 are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted of \$(1,235,839) represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority increased by \$263,848 to \$6,955,844 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, 2015

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, 2015

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 \$1,517,486. This is a \$31,036 increase over last year's net position of \$1,486,450, as restated. A summary of the Authority's statement of net position is presented in the following table:

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>	(0.16)%
Total Assets	<u>7,784,423</u>	<u>8,317,172</u>	<u>(532,749)</u>	(6.41)%
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>	(5.20)%
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>	(38.61)%
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, 2015

Net Position (Continued)

The Authority's net position at the FY 2014 year end was \$4,725,026. This is a \$2,563,319 increase over FY 2013's net position of \$2,161,707. A summary of the Authority's statement of net position is presented in the following table. This comparison has not been restated to reflect the changes required by GASB No. 68.

Condensed Statement of Net Position at December 31, 2014
With Comparative Prior Year Balances

	<u>FY 2014</u>	<u>Restated FY 2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Non-current Assets	3,253,512	3,399,593	(146,081)	(4.30)%
Capital Assets	<u>5,063,660</u>	<u>4,783,938</u>	<u>279,722</u>	5.85%
Total Assets	<u>8,317,172</u>	<u>8,183,531</u>	<u>133,641</u>	1.63%
Long-term Debt Outstanding	2,403,681	3,009,453	(605,772)	(20.13)%
Other Liabilities	<u>1,151,739</u>	<u>2,973,141</u>	<u>(1,821,402)</u>	(61.26)%
Total Liabilities	<u>3,555,420</u>	<u>5,982,594</u>	<u>(2,427,174)</u>	(40.57)%
Deferred Inflows of Resources	<u>36,726</u>	<u>39,230</u>	<u>(2,504)</u>	(6.38)%
Net Investment in Capital Assets	2,017,481	1,144,492	872,989	76.28%
Restricted	170,327	531,445	(361,118)	(67.95)%
Unrestricted	<u>2,537,218</u>	<u>485,770</u>	<u>2,051,448</u>	422.31%
Total Net Position	<u>4,725,026</u>	<u>2,161,707</u>	<u>2,563,319</u>	118.58%

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2015

Net Position (Continued)

**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>	(90.10)%
Total Revenues	<u>4,152,847</u>	<u>6,246,069</u>	<u>(2,093,222)</u>	(33.51)%
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>	(12.02)%
Total Expenses	<u>4,121,811</u>	<u>3,672,088</u>	<u>449,723</u>	12.25%
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>(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>	2.09%

The Authority's operating revenues decreased by \$658,528 to \$3,995,262 in fiscal year 2015 from \$4,653,790 in 2014. This decrease is due to a decrease in revenue from the Town of Secaucus. The Authority's non-operating revenues decreased by \$1,434,694 in fiscal year 2015 primarily due to the deobligation of a \$1,431,688 OPEB liability in fiscal year 2014.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2015

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 not 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, 2014 with Comparative Prior Year Balances**

	<u>FY 2014</u>	<u>Restated FY 2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	4,653,790	4,664,468	(10,678)	(0.23)%
Non-operating Revenues	<u>1,592,279</u>	<u>73,988</u>	<u>1,518,291</u>	2052.08%
Total Revenues	<u>6,246,069</u>	<u>4,738,456</u>	<u>1,507,613</u>	31.82%
Depreciation	307,298	311,963	(4,665)	(1.50)%
Other Operating Expenses	3,288,625	3,365,144	(76,519)	(2.27)%
Other Non-operating Expense	<u>86,827</u>	<u>127,922</u>	<u>(41,095)</u>	(32.13)%
Total Expenses	<u>3,682,750</u>	<u>3,805,029</u>	<u>(122,279)</u>	(3.21)%
Change in Net Position	2,563,319	933,427	1,629,892	174.61%
Beginning Net Position	2,161,707	1,344,786	816,921	60.75%
Prior-Period Adjustment	<u> </u>	<u>(116,506)</u>	<u>116,506</u>	
Ending Net Position	<u>4,725,026</u>	<u>2,161,707</u>	<u>2,563,319</u>	118.58%

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, 2015

Budgetary Highlights (Continued)

The following table provides a 2015 budget comparison:

Budget vs. Actual FY 2015			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	<u>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>

Budget vs. Actual FY 2014			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	<u>4,412,401</u>	<u>4,911,877</u>	<u>499,476</u>
Expenses:			
Operating	3,715,500	3,288,625	426,875
Non-Operating	<u>696,901</u>	<u>693,340</u>	<u>3,561</u>
	<u>4,412,401</u>	<u>3,981,965</u>	<u>430,436</u>
Income before Depreciation	<u>0</u>	<u>929,912</u>	<u>929,912</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During fiscal year 2015, the Authority had an increase of \$305,475 in capital assets (before depreciation). The Authority's net property, plant and equipment at fiscal year end was \$5,055,342. This is a \$(8,318) decrease from last year's net property, plant and equipment of \$5,063,660. A summary of the Authority's capital assets is presented in the following table:

CAPITAL ASSETS

	<u>FY</u> <u>2015</u>	<u>FY</u> <u>2014</u>	<u>Dollar</u> <u>Change</u>
Land	659,377	659,377	0
Buildings and Interceptors	57,525,359	57,219,884	305,475
Machinery and Equipment	597,234	597,234	0
Construction in Progress	284,996	284,996	0
Less: Accumulated Depreciation	<u>(54,011,624)</u>	<u>(53,697,831)</u>	<u>(313,793)</u>
	<u>5,055,342</u>	<u>5,063,660</u>	<u>(8,318)</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2015

Debt Administration

At December 31, 2015, the Authority had outstanding Revenue Refunding bonds and New Jersey Environmental Infrastructure Fund bonds of \$2,399,801 (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

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	<u>2015</u>	<u>Restated 2014</u>
<u>ASSETS</u>		
Current Assets:		
<u>Unrestricted:</u>		
Cash and Cash equivalents	\$ 2,582,389	\$ 3,070,385
Accounts Receivable - Connection Fees	1,590	-
Total Unrestricted Assets	<u>2,583,979</u>	<u>3,070,385</u>
<u>Restricted:</u>		
Construction Account:		
Due From NJEIT Trust	52,193	105,968
Debt Service Account:		
Cash and Cash equivalents	27,226	27,226
Renewal and Replacement Account:		
Cash and Cash equivalents	46,351	30,601
Bond Redemption and Improvement Account:		
Cash and Cash equivalents	359	359
Rebate Account		
Cash and Cash equivalents	18,973	18,973
Total Restricted Assets	<u>145,102</u>	<u>183,127</u>
Non-Current Assets:		
<u>Capital Assets:</u>		
Land	659,377	659,377
Property, Plant and Equipment	57,525,359	57,219,884
Furniture, Fixtures and Equipment	597,234	597,234
Vehicles	284,996	284,996
Less: Accumulated Depreciation	<u>(54,011,624)</u>	<u>(53,697,831)</u>
Total Capital Assets	<u>5,055,342</u>	<u>5,063,660</u>
TOTAL ASSETS	\$ <u>7,784,423</u>	\$ <u>8,317,172</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows:

Pension-Related Deferred Outflows	<u>924,329</u>	<u>244,786</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>924,329</u>	<u>244,786</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 2 of 3

	2015	Restated 2014
<u>LIABILITIES</u>		
Current Liabilities:		
<u>Payable from Unrestricted Assets:</u>		
Accounts Payable	\$ 360,003	\$ 434,132
Payroll Related Payables	5,380	11,311
Compensated Absences Payable	70,667	87,724
Accounts Payable - Pension	165,000	150,970
	<hr/>	<hr/>
Total Payable from Unrestricted Assets	601,050	684,137
	<hr/>	<hr/>
<u>Payable from Restricted Assets:</u>		
Accrued Interest Payable	13,096	12,800
Bonds Payable - Current Portion	620,785	605,772
	<hr/>	<hr/>
Total Payable from Restricted Assets	633,881	618,572
	<hr/>	<hr/>
Non-Current Liabilities:		
Net Pension Obligation	3,941,897	2,985,606
Bonds Payable - Long-Term Portion	1,779,016	2,403,681
	<hr/>	<hr/>
Total Non-Current Liabilities	5,720,913	5,389,287
	<hr/>	<hr/>
TOTAL LIABILITIES	6,955,844	6,691,996
	<hr/>	<hr/>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows:		
Unamortized Bond Premium, Net of Amortization	34,222	36,726
Pension-Related Deferred Inflows	201,200	346,786
	<hr/>	<hr/>
TOTAL DEFERRED INFLOWS OF RESOURCES	235,422	383,512
	<hr/>	<hr/>

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

	2015	Restated 2014
	<hr/>	<hr/>
<u>NET POSITION:</u>		
Net Investment in Capital Assets	2,621,319	2,017,481
Restricted:		
Construction Fund	52,193	105,968
Debt Service Reserve Fund	14,130	14,426
Renewal and Replacement Fund	46,351	30,601
Bond Redemption and Improvement Fund:	359	359
Rebate Fund	18,973	18,973
Unrestricted:		
Undesignated	<u>(1,235,839)</u>	<u>(701,358)</u>
TOTAL NET POSITION	\$ <u>1,517,486</u>	\$ <u>1,486,450</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 REVENUES, EXPENSES
AND CHANGES IN NET POSITION
DECEMBER 31,**

EXHIBIT B

	<u>2015</u>	<u>Restated 2014</u>
Operating Revenue:		
Town of Secaucus	\$ 3,267,939	\$ 3,861,178
Sewer Connection / User Fees	<u>727,323</u>	<u>792,612</u>
Total Operating Revenue	<u>3,995,262</u>	<u>4,653,790</u>
Operating Expenses:		
Administrative and General	597,970	570,068
Cost of Providing Services	3,133,661	2,707,895
Depreciation Expense	<u>313,793</u>	<u>307,298</u>
Total Operating Expenses	<u>4,045,424</u>	<u>3,585,261</u>
Operating Income	<u>(50,162)</u>	<u>1,068,529</u>
Non-Operating Revenue (Expenses):		
Interest and Miscellaneous Income	155,081	158,087
Deobligation of OPEB Liability	-	1,431,688
Interest Expense	(76,387)	(86,827)
Amortization	<u>2,504</u>	<u>2,504</u>
Non-Operating Income (Loss)	<u>81,198</u>	<u>1,505,452</u>
Change In Net Position	31,036	2,573,981
Net Position - January 1	<u>1,486,450</u>	<u>2,161,707</u>
Prior-Period Adjustment:		
Cumulative Effect of Change in Accounting Principle (Implementation of GASB No. 68)	<u>-</u>	<u>(3,249,238)</u>
Net Position - December 31	<u>\$ 1,517,486</u>	<u>\$ 1,486,450</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>2015</u>	<u>Restated 2014</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 3,993,672	\$ 4,762,242
Cash Paid to Vendors	(2,338,267)	(2,333,991)
Cash Paid to Employees	(1,345,289)	(1,335,784)
Net Cash Provided by Operating Activities	<u>310,116</u>	<u>1,092,467</u>
Cash Flow from Investing Activities:		
Interest Received	2,610	2,738
Interest Paid on Bonds	(76,091)	(90,388)
Net Cash Provided by (used in) Investing Activities	<u>(73,481)</u>	<u>(87,650)</u>
Cash Flow from Financing Activities:		
Proceeds from NJEIT	53,775	43,629
Other Non-Operating Income	152,471	155,349
Other Non-Operating Expenses		
Capital Purchases and Construction	(305,475)	(587,020)
Escrow Refunds		(20,012)
Principal Payment on Bonds and Loans	(609,652)	(590,763)
Net Cash Used in Financing Activities	<u>(708,881)</u>	<u>(998,817)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(472,246)	6,000
Cash and Cash Equivalents at Beginning of Year	<u>3,147,544</u>	<u>3,141,544</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,675,298</u>	<u>\$ 3,147,544</u>
Analysis of Balance:		
Unrestricted	\$ 2,582,389	\$ 3,070,385
Restricted	<u>92,909</u>	<u>77,159</u>
	<u>\$ 2,675,298</u>	<u>\$ 3,147,544</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>2015</u>	<u>Restated 2014</u>
OPERATING INCOME (LOSS)	\$ (50,162)	\$ 1,068,529
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation Expense	313,793	307,298
Decrease (Increase) in Accounts Receivable	(1,590)	93,920
Decrease (Increase) in Other Receivable		14,532
Increase (Decrease) in Accounts Payable	(74,129)	(78,221)
Increase (Decrease) in Payroll Payable	(5,931)	(148,003)
Increase (Decrease) in Compensated Absences	(17,057)	(8,920)
Increase (Decrease) in Pension-Related Obligations/Deferrals	131,162	(10,662)
Increase (Decrease) in Deferred Credits	14,030	(146,006)
Total Adjustments	360,278	23,938
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 310,116	\$ 1,092,467

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, 2015 AND 2014

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, 2015 AND 2014

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, 2015 AND 2014

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

E. Grants

Contributions 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, 2015 AND 2014

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, 2015 is as follows:

	<u>Balance FY 2014</u>	<u>Net Additions</u>	<u>Disposals</u>	<u>Balance 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>

A summary of the changes in property, plant and equipment at December 31, 2014 is as follows:

	<u>Balance FY 2013</u>	<u>Net Additions</u>	<u>Disposals</u>	<u>Balance FY 2014</u>
Land	\$659,377	\$	\$	\$659,377
Property, Plant and Equipment	56,632,864	587,020		57,219,884
Furniture, Fixtures and Equipment	597,234			597,234
Vehicles	<u>284,996</u>	<u> </u>	<u> </u>	<u>284,996</u>
	58,174,471	587,020		58,761,491
Accumulated Depreciation	<u>(53,390,533)</u>	<u>(307,298)</u>	<u> </u>	<u>(53,697,831)</u>
Property, Plant and Equipment, Net	<u>\$4,783,938</u>	<u>\$279,722</u>	<u>\$ </u>	<u>\$5,063,660</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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, 2015 AND 2014

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, 2015 AND 2014

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, 2015 AND 2014

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. Unamortized Premium on Bonds

Premiums paid in connection with the Series 2010 bond issues is being amortized over the life of the issue.

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 \$70,667 and \$87,724 at December 31, 2015 and 2014, respectively.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

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. 72, Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement also provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement is effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This Statement applies to OPEB plans and basically parallels GASB Statement 67 and replaces GASB Statement 43 and is effective for fiscal years beginning after June 15, 2016. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

O. Recent Accounting Pronouncements, (continued)

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.

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.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

O. Recent Accounting Pronouncements, (continued)

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.

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.

P. Reclassifications

Certain reclassifications have been made to the 2014 amounts to conform to the 2015 financial statement presentation. With the exception to the adjustments mentioned in Note 14, these reclassifications had no effect on the previously reported results of operations for 2014.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Q. Recently Issued and Adopted Accounting Pronouncements

For the fiscal year ended December 31, 2015, the Authority adopted GASB 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. As a result of adopting such Statements, the Authority was required to measure and recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their defined benefit pensions. The cumulative effect of adopting GASB Statements No. 68 and No. 71 totaled \$3,249,238, and was recognized as a restatement of the Authority's December 31, 2014 net position on the statements of net position (see Note 14).

R. 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.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
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NOTE 3. CASH AND CASH EQUIVALENTS, (continued)

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

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

As of December 31, 2015, the Authority's cash and cash equivalents are summarized as follows:

	Money Market/ Checking <u>Accounts</u>	<u>Total</u>
Unrestricted	\$2,582,389	\$2,582,389
Restricted	<u>92,909</u>	<u>92,909</u>
	<u>\$2,675,298</u>	<u>\$2,675,298</u>

The carrying amount of the Authority's cash and cash equivalents at December 31, 2015 was \$2,675,298 and the bank balance was \$2,696,538. 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, 2015, \$-0- of the Authority's bank balance of \$2,696,538 was exposed to custodial risk.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
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NOTES TO FINANCIAL STATEMENTS, CONTINUED
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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, 2015.

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 the remaining amount of funds to be received by the Trust:

	Balance	Less Credits	Balance
	<u>Dec.31,2014</u>	<u>Received</u>	<u>Dec.31, 2015</u>
NJEIT - Fund Portion	<u>\$105,968</u>	<u>\$53,775</u>	<u>\$52,193</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
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NOTES TO FINANCIAL STATEMENTS, CONTINUED
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NOTE 5. NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST, (continued)

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

NOTE 6. LONG-TERM DEBT

The Authority has issued and has outstanding the following bonds as of December 31, 2015 and 2014.

	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Redeemed</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
Series 2010 NJ Environmental Infrastructure Trust and Fund Bonds	\$1,093,633	\$64,909	\$1,028,724
Series 2010 Refunding Bonds	1,620,000	525,000	1,095,000
Series 2013 NJ Environmental Infrastructure Trust and Fund Bonds	<u>295,820</u>	<u>19,743</u>	<u>276,077</u>
Net Carrying Amount of Debt	<u>3,009,453</u>	<u>609,652</u>	<u>2,399,801</u>
Current Portion	605,772		620,785
Long-Term Portion	<u>2,403,681</u>		<u>1,779,016</u>
	<u>\$3,009,453</u>		<u>\$2,399,801</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$620,785	\$61,131	\$681,916
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
2021-2025	450,843	66,258	517,101
2026-2030	408,838	22,605	431,443
2031-2032	<u>30,883</u>	<u>529</u>	<u>31,412</u>
	<u>\$2,399,801</u>	<u>\$250,974</u>	<u>\$2,650,775</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
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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>
2016	\$30,000	\$22,275	\$34,909	\$87,184
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>\$540,000</u>	<u>\$174,377</u>	<u>\$488,724</u>	<u>\$1,203,101</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>
2016	\$540,000	\$37,086	\$577,086
2017	<u>555,000</u>	<u>19,480</u>	<u>574,480</u>
	<u>\$1,095,000</u>	<u>\$56,566</u>	<u>\$1,151,566</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
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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>NJEIT SERIES 2013</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>
2016	\$3,804	\$1,770	\$12,072	\$17,646
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	<u>4,425</u>	<u>178</u>	<u>9,163</u>	<u>13,766</u>
	<u>\$73,762</u>	<u>\$20,032</u>	<u>\$202,315</u>	<u>\$296,109</u>

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

Description of Plan - All required employees of the Authority are covered by the Public Employees' Retirement System which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate.

Public Employees' Retirement System (PERS) - Established in January 1955, under provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the state or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Defined Contribution Retirement Program (DCRP) - Established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

Other Pension Funds

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

The cost of living increase for PERS is funded directly by the respective system and are considered in the annual actuarial calculation of the required State contribution for the system.

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

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

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
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NOTES TO FINANCIAL STATEMENTS, CONTINUED
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NOTE 7. PENSION PLAN, (continued)

Basis of Accounting

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

Investment Valuation

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

Funding Status and Funding Progress

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

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

Actuarial Methods and Assumptions

In the July 1, 2010 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate or return for the retirement systems and (2) 5.45 percent for projected salary increased for the PERS.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
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NOTES TO FINANCIAL STATEMENTS, CONTINUED
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NOTE 7. PENSION PLAN, (continued)

Employer and Employee Pension Contributions

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 the provisions of Chapter 78, P.L. 2011, this amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning in the first year. For fiscal year 2012, the member rate will increase in October 2011. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. 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. Employee contributions for DCRP are based on 5.50% of employee's annual compensation and are matched by a 3% employer contribution.

During the year ended June 30, 2012 for PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997. PERS employer contributions are made annually by the Authority to the pension system in accordance with Chapter 114, P.L. 1997.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012 for PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. PERS employer contributions are made annually by the Authority to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

Three Year Trend Information for PERS

<u>Year</u>	<u>Annual</u>	<u>Percentage</u>
<u>Funding</u>	<u>Pension</u>	<u>of APC</u>
	<u>Cost (APC)</u>	<u>Contributed</u>
12/31/15	\$131,460	100%
12/31/14	128,034	100%
12/31/13	129,310	100%

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
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NOTES TO FINANCIAL STATEMENTS, CONTINUED
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NOTE 7. PENSION PLAN, (continued)

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

Public Employees Retirement System (PERS)

At December 31, 2015, the Authority reported a liability of \$3,941,897 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2015, the Authority's proportion was 0.0175601274 percent, which was an increase of 0.0016137058 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Authority recognized pension expense of \$281,854. At December 31, 2015, 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	\$423,328	\$
Net difference between projected and actual earnings on pension plan investments	94,040	63,378
Changes in proportion and differences between Authority contributions and proportionate share of contributions	256,327	137,822
Other deferred pension adjustments	(14,366)	
Authority contributions subsequent to the measurement date	<u>165,000</u>	<u> </u>
Total	<u>\$924,329</u>	<u>\$201,200</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
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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)

The \$165,000 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, 2015, the plan measurement date is June 30, 2015) 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:	
2016	\$82,649
2017	82,649
2018	82,649
2019	131,632
2020	74,411

Additional Information

Local Group Collective balances at December 31, 2015 and 2014 are as follows:

	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2014</u>
Collective deferred outflows of resources	\$3,578,755,666	\$952,194,675
Collective deferred inflows of resources	993,410,455	1,479,224,662
Collective net pension liability	22,447,996,119	18,722,735,003
Authority's Proportion	0.0175601274%	0.0159464216%

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
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NOTES TO FINANCIAL STATEMENTS, CONTINUED
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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)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which rolled forward to June 30, 2015. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Mortality Rates

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

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
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NOTES TO FINANCIAL STATEMENTS, CONTINUED
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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)

Long-Term Rate of Return

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

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

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
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NOTES TO FINANCIAL STATEMENTS, CONTINUED
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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)

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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, 2015 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, 2015</u>		
	<u>1%</u>	<u>At Current</u>	<u>1%</u>
	<u>Decrease</u>	<u>Discount Rate</u>	<u>Increase</u>
	<u>3.90%</u>	<u>4.90%</u>	<u>5.90%</u>
Authority's proportionate share of the pension liability	\$4,899,295	\$3,941,897	\$3,139,221

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).

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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 1st day of July, 2010.

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.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 8. OTHER POST EMPLOYMENT BENEFITS, (continued)

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>

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.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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 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 2015, the shared services also included purchasing.

NOTE 13. SUBSEQUENT EVENTS

The Secaucus Municipal Utilities Authority has evaluated subsequent events through April 26, 2016, the date which the financial statements were available to be issued. No additional items were noted for disclosure or adjustment.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 14. PRIOR PERIOD ADJUSTMENTS

On January 1, 2015, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. This statement requires, among other things, the recognition of unfunded net pension obligations and related deferred outflows and inflows in the financial statements of an entity. As a result, the following prior period adjustments have been made on the 2014 financial statements.

	Balance 12/31/14 as Previously <u>Reported</u>	Retroactive <u>Adjustments</u>	Balance 12/31/14 as <u>Restated</u>
Deferred Outflows of Resources:			
Deferred Pension-Related Costs	\$ -	\$244,786	\$244,786
Liabilities:			
Net Pension Liability	-	2,985,606	2,985,606
Accounts Payable - Pension Related	-	150,970	150,970
Deferred Inflows of Resources:			
Deferred Pension-Related Inflows	-	346,786	346,786
Net Position:			
Unrestricted: Undesignated	2,537,218	(3,238,576)	(701,358)

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Required Supplementary Information - Part 2

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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 Two Fiscal Years**

	<u>Measurement Date Ending June 30,</u>	
	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability	0.0175601274%	0.0159464216%
Authority's Proportionate Share of the Net Pension Liability	\$3,941,897	\$2,985,606
Authority's Covered-Employee Payroll	\$1,227,489	\$1,193,374
Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	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 Two Fiscal Years**

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

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, 2015

	Net Investment in Capital Assets	Construction Fund	Debt Service Reserve Fund	Restricted Renewal and Replacement Fund	Bond Redemption and Improvement Fund	Rebate Fund	Unrestricted Undesignated	Total
Operating Revenue:								
Town of Secaucus							3,267,939	3,267,939
Sewer Connection / User Fees							727,323	727,323
Total Operating Revenue	-	-	-	-	-	-	3,995,262	3,995,262
Operating Expense:								
Administrative and General							597,970	597,970
Cost of Providing Services							3,133,661	3,133,661
Depreciation	313,793							313,793
Total Operating Expense	313,793	-	-	-	-	-	3,731,631	4,045,424
Operating Income	(313,793)	-	-	-	-	-	263,631	(50,162)
Non-Operating Revenue (Expense):								
Interest and Miscellaneous Income							155,081	155,081
Interest Expense			(76,387)					(76,387)
Amortization	2,504							2,504
	2,504	-	(76,387)	-	-	-	155,081	81,198
Net Income (Loss) Before Transfers	(311,289)	-	(76,387)	-	-	-	418,712	31,036
Transfers:								
Budget Appropriation				215,750			(215,750)	-
Debt Service Payments	609,652		76,091				(685,743)	-
Capital Expenditures	305,475	(53,775)		(200,000)	-	-	(51,700)	-
Increase/(Decrease) in Net Position	603,838	(53,775)	(296)	15,750	-	-	(534,481)	31,036
Net Position - Jan. 1, 2015, Restated	2,017,481	105,968	14,426	30,601	359	18,973	(701,358)	1,486,450
Net Position - December 31, 2015	2,621,319	52,193	14,130	46,351	359	18,973	(1,235,839)	1,517,486

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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, 2015

	Operating Accounts	Debt Service Accounts	Renewal and Replacement Accounts	Bond Redemption and Improvement Account
Cash, Cash Equivalents and Investments - January 1, 2015	3,070,385	27,226	30,601	359
Cash Receipts:				
Town of Secaucus	3,267,939			
Sewer Connection / User Fees	725,733			
Interest and Miscellaneous Income	155,081			
Proceeds from NJEIT	53,775			
Transfers	-		15,750	
Total Cash Receipts	<u>4,202,528</u>	<u>-</u>	<u>15,750</u>	<u>-</u>
Cash and Investments Available	<u>7,272,913</u>	<u>27,226</u>	<u>46,351</u>	<u>359</u>
Cash Disbursements:				
Bond Principal Payments	609,652			
Interest Payments	76,091			
Operations	3,683,556			
Capital and Other Expenses	305,475			
Transfers	15,750		-	
Total Cash Disbursements	<u>4,690,524</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, Cash Equivalents and Investments - December 31, 2015	<u>2,582,389</u>	<u>27,226</u>	<u>46,351</u>	<u>359</u>
Analysis of Balance:				
Cash and Cash Equivalents	2,582,389	27,226	46,351	359
Investments	-	-	-	-
	<u>2,582,389</u>	<u>27,226</u>	<u>46,351</u>	<u>359</u>
Unrestricted	2,582,389	-	-	-
Restricted	-	27,226	46,351	359
	<u>2,582,389</u>	<u>27,226</u>	<u>46,351</u>	<u>359</u>

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, 2015

	Rebate Account	Total
Cash, Cash Equivalents and Investments - January 1, 2015	18,973	3,147,544
Cash Receipts:		
Interest on Investments		3,267,939
Service Agreements		725,733
Miscellaneous		155,081
Proceeds from Bonds		53,775
Transfers		15,750
Total Cash Receipts	-	4,218,278
Cash and Investments Available	18,973	7,365,822
Cash Disbursements:		
Bond Principal Payments		609,652
Interest Payments		76,091
Operations		3,683,556
Capital and Other Expenses		305,475
Transfers		15,750
Total Cash Disbursements	-	4,690,524
Cash, Cash Equivalents and Investments - December 31, 2015	18,973	2,675,298
Analysis of Balance:		
Cash and Cash Equivalents	18,973	2,675,298
Investments	-	-
	18,973	2,675,298
Unrestricted	-	2,582,389
Restricted	18,973	92,909
	18,973	2,675,298

**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, 2015**

	<u>FY 2014 Adopted Budget</u>	<u>FY 2015 Budget as Amended</u>	<u>Paid or Charged</u>	<u>Excess / (Deficit)</u>	<u>Prior Year Actual</u>
Revenues:					
Town of Secaucus	3,267,939	3,267,939	3,267,939	-	3,861,178
Connection and User Fees	146,006	146,006	727,323	581,317	792,612
Interest Income	15,000	15,000	2,610	(12,390)	2,738
Other Income	61,500	61,500	152,471	90,971	155,349
Net Position Appropriated	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>-</u>	<u>100,000</u>
Total Operating Revenues	<u>4,690,445</u>	<u>4,690,445</u>	<u>5,350,343</u>	<u>659,898</u>	<u>4,911,877</u>
Expenses:					
Operating Appropriations:					
Administration:					
Salaries and Wages	214,419	214,419	229,959	(15,540)	256,471
Fringe Benefits	117,720	117,720	107,301	10,419	127,221
Telephone	7,000	7,000	5,491	1,509	5,233
Trustee Fees	12,000	12,000	4,125	7,875	7,996
Legal Fees	100,000	100,000	47,736	52,264	53,628
Accounting and Auditing	43,000	43,000	41,500	1,500	42,711
Office, Stationary, Postage and Miscellaneous	54,000	54,000	79,365	(25,365)	72,625
Seminars, Conventions and Travel	<u>20,000</u>	<u>20,000</u>	<u>9,897</u>	<u>10,103</u>	<u>9,514</u>
Sub-total Administrative	<u>568,139</u>	<u>568,139</u>	<u>525,374</u>	<u>42,765</u>	<u>575,399</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, 2015**

	FY 2014 Adopted Budget	FY 2015 Budget as Amended	Paid or Charged	Excess / (Deficit)	Prior Year Actual
Expenses (continued):					
Operating Appropriations (continued):					
Cost of Providing Services:					
Salaries and Wages	1,060,581	1,060,581	1,115,330	(54,749)	1,079,313
Fringe Benefits	582,280	582,280	520,423	61,857	508,884
Electricity and Gas	325,000	325,000	278,313	46,687	300,367
Water	15,000	15,000	18,009	(3,009)	12,267
Treatment Chemicals	90,000	90,000	57,197	32,803	42,211
Supplies and Equipment	85,000	85,000	71,587	13,413	37,982
Engineering	125,000	125,000	82,736	42,264	135,890
Repairs and Maintenance	200,000	200,000	72,696	127,304	90,972
Sludge Disposal	285,000	285,000	250,758	34,242	229,454
Testing Fees	50,000	50,000	20,532	29,468	26,794
Insurance	105,000	105,000	109,243	(4,243)	115,046
Laboratory Expenses	20,000	20,000	14,284	5,716	14,034
Permits	50,000	50,000	34,593	15,407	2,155
Garbage Disposal	41,000	41,000	41,280	(280)	41,280
Uniforms	25,000	25,000	19,782	5,218	320
Sanitary Sewer Repairs	165,000	165,000	354,302	(189,302)	76,257
Sub-total Cost of Providing Services	3,223,861	3,223,861	3,061,065	162,796	2,713,226
Sub-total Operating	3,792,000	3,792,000	3,586,439	205,561	3,288,625

**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, 2015**

	<u>FY 2014 Adopted Budget</u>	<u>FY 2015 Budget as Amended</u>	<u>Paid or Charged</u>	<u>Excess / (Deficit)</u>	<u>Prior Year Actual</u>
Other Costs Funded by Operating Revenues:					
Debt Service:					
Bond Principal	592,307	605,772	605,772	-	590,763
Interest Expense	90,388	76,923	76,387	536	86,827
Reserves:					
Renewal and Replacement	215,750	215,750	215,750	-	15,750
Sub-total Other Costs	<u>898,445</u>	<u>898,445</u>	<u>897,909</u>	<u>536</u>	<u>693,340</u>
Total Costs Funded by Operating Revenues	<u>4,690,445</u>	<u>4,690,445</u>	<u>4,484,348</u>	<u>206,097</u>	<u>3,981,965</u>
Add: Excess / (Deficit)	<u>-</u>	<u>-</u>	<u>865,995</u>	<u>865,995</u>	<u>929,912</u>
	<u>4,690,445</u>	<u>4,690,445</u>	<u>5,350,343</u>	<u>(659,898)</u>	<u>4,911,877</u>
Excess of Revenues Over Expenses:			865,995		929,912
Reconciliation of Budgetary Basis to GAAP:					
Net Position Appropriated			(1,200,000)		(100,000)
Depreciation Expense			(313,793)		(307,298)
Amortization			2,504		2,504
Net Pension Adjustment			(145,192)		10,662
Deobligation of OPEB Liability			-		1,431,688
Reserves			215,750		15,750
Bond Principal			605,772		590,763
Total Adjustments			<u>(834,959)</u>		<u>1,644,069</u>
Change in Net Position			<u>31,036</u>		<u>2,573,981</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, 2015**

	<u>FY 2015 Adopted Budget</u>	<u>FY 2015 Budget as Amended</u>	<u>Paid or Charged</u>	<u>Excess / (Deficit)</u>
Financing Sources:				
Unrestricted Net Position	300,000	300,000	305,475	(5,475)
	<u>300,000</u>	<u>300,000</u>	<u>305,475</u>	<u>(5,475)</u>
Capital Outlays:				
CCTV Truck Purchase	200,000	200,000	183,612	16,388
Plant / Pump Replacements	100,000	100,000	121,863	(21,863)
Total Capital Outlays	<u>300,000</u>	<u>300,000</u>	<u>305,475</u>	<u>(5,475)</u>
Total Costs Funded by Capital Revenue	300,000	300,000	305,475	(5,475)
Add: Excess	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>300,000</u>	<u>300,000</u>	<u>305,475</u>	<u>(5,475)</u>

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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 December 31, 2015		Balance Jan. 1, 2015	Issued	2015 Redeemed	Balance Dec. 31, 2015
			Date	Amount				
NJEIT Bonds (Series 2010A) Trust Portion	3/10/2010	5.00%	2016	30,000.00				
		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				
					570,000		30,000	540,000

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, 2015	Issued	2015 Redeemed	Balance Dec. 31, 2015
			Date	Amount				
NJFIT Bonds (Series 2010A) Fund Portion	3/10/2010	n/a	2016	34,908.85				
		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				
					523,633		34,909	488,724

**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, 2015	Issued	2015 Redeemed	Balance Dec. 31, 2015
			Date	Amount				
Refunding Bonds (Series 2010)	11/23/2010							
		3.26%	2016	540,000.00				
		3.51%	2017	555,000.00				
					1,620,000		525,000	1,095,000

**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 December 31, 2015		Balance Jan. 1, 2015	Issued	2015 Redeemed	Balance Dec. 31, 2015
			Date	Amount				
NJEIT Bonds (Series 2013) Trust Portion	5/30/2013	0.56%	2016	3,804.00				
		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				
					78,523		4,761	73,762

**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, 2015	Issued	2015 Redeemed	Balance Dec. 31, 2015
			Date	Amount				
NJGIT Bonds (Series 2013) Fund Portion	5/30/2013	n/a	2016	12,072.04				
		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				
					217,297		14,982	202,315
					3,009,453		609,652	2,399,801
Current Portion					605,772			620,785
Noncurrent Portion					2,403,681			1,779,016
					3,009,453			2,399,801

SCHEDULE 6

ROSTER OF OFFICIALS

The following officials were in office at December 31, 2015:

<u>Name</u>	<u>Office</u>
<u>Authority Members</u>	
Fred Vogel	Chairman
Guy Pascarello	Vice Chairman
George Schoenrock	Secretary
Jorge Cardenas	Treasurer
Mark Moloughney	Assistant Secretary
Amanda Nesheiwat	1 st Alternate
Jennifer Modi	2 nd Alternate
<u>Other Officials</u>	
Brian Bigler	Executive Director
Beckmeyer Engineering	Consulting Engineers
Cleary, Giacobbe, Alfieri, Jacobs, LLC	General Counsel
Ferraioli, Wielkotz, Cerullo & Cuva, P.A.	Auditor

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
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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, 2015, and the related notes to the financial statements, and have issued our report thereon dated April 26, 2016.

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 26, 2016

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.

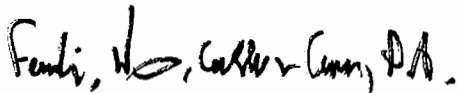
SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)

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.
Certified Public Accountants
Pompton Lakes, New Jersey