

**Middlesex County Utilities Authority -  
Wastewater Division**

Financial Statements and  
Supplementary Information

September 30, 2014



**BAKER TILLY**

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# Middlesex County Utilities Authority - Wastewater Division

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September 30, 2014

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## Accountants' Compilation Report

The Board of Commissioners of  
Middlesex County Utilities Authority - Wastewater Division  
Sayreville, New Jersey

We have compiled the accompanying statement of net position of the Middlesex County Utilities Authority - Wastewater Division as of September 30, 2014 and the related statements of revenues and expenses, changes in net position and cash flows for the nine months then ended and the accompanying supplementary information listed in the table of contents, which is presented only for purposes of additional analysis. We have not audited or reviewed the accompanying financial statements and supplementary information and, accordingly, do not express an opinion or provide any assurance about whether the financial statements and supplementary information are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements and supplementary information in accordance with accounting principles generally accepted in the United States of America, and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements and supplemental information.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements and supplementary information without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements and supplementary information.

Management of The Middlesex County Utilities Authority - Wastewater Division has omitted Management's Discussion and Analysis (MD&A) and schedule of funding progress for other post employment benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our compilation report on the basic financial statements is not affected by this missing information.

The statement of net position as of December 31, 2013 was audited by us and we expressed an unmodified opinion thereon in our report dated April 29, 2014; however, we have not performed any auditing procedures since that date.

*Baker Tilly Virchow Krause, LLP*

Clark, New Jersey  
January 14, 2015



## Middlesex County Utilities Authority - Wastewater Division

Statement of Net Position

September 30, 2014 and December 31, 2013

(See Accountants' Compilation Report)

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
<b>Unrestricted Current Assets</b>		
Cash and cash equivalents	\$ 8,840,780	\$ 4,030,303
Interest receivable	217	175
Annual charges receivable	2,302,936	3,584,983
Grant receivable	13,049,346	20,189,491
Other charges receivable	271,333	501,790
	<u>24,464,612</u>	<u>28,306,742</u>
<b>Restricted Assets</b>		
Cash and cash equivalents	35,682,005	32,715,487
Trust accounts	243,648	243,469
Interest receivable	5,880	2,594
Due from NJEIT, bond proceeds receivable	4,688,819	2,095,672
	<u>40,620,352</u>	<u>35,057,222</u>
<b>Capital Assets</b>		
Land and depreciable assets	566,019,913	566,175,655
Less: accumulated depreciation	<u>(261,377,548)</u>	<u>(248,539,720)</u>
	304,642,365	317,635,935
Construction projects in progress	<u>155,312,878</u>	<u>140,117,224</u>
	<u>459,955,243</u>	<u>457,753,159</u>
Capital assets, net		
	<u>459,955,243</u>	<u>457,753,159</u>
Total assets	<u>\$ 525,040,207</u>	<u>\$ 521,117,123</u>

See notes to financial statements

## Middlesex County Utilities Authority - Wastewater Division

Statement of Net Position

September 30, 2014 and December 31, 2013

(See Accountants' Compilation Report)

	<u>2014</u>	<u>2013</u>
<b>Liabilities and Net Position</b>		
<b>Current Liabilities Payable from Unrestricted Assets</b>		
Accounts payable - operations and payroll	\$ 6,055,489	\$ 4,316,824
Accrued expenses	15,264	700,645
Refunds due participants	796,612	4,227,770
Related party interest payable	479,675	210,229
	<u>7,347,040</u>	<u>9,455,468</u>
<b>Current Liabilities Payable from Restricted Assets</b>		
Accounts payable - construction accounts	51,314	167,425
Contractors' retainages	1,127,057	1,035,594
Bonds payable - current portion	20,574,706	20,013,989
Note payable	5,000,000	5,000,000
Accrued interest payable on bonds	1,337,492	1,427,632
	<u>28,090,569</u>	<u>27,644,640</u>
<b>Long-Term Liabilities</b>		
Bonds payable, net of current portion	165,099,797	170,863,976
Note payable, Solid Waste Division	13,100,000	13,100,000
Unamortized gain on defeasance	187,833	199,333
Unamortized original issue premium	2,970,498	3,176,425
Liability for other post employment benefits	36,840,556	33,268,156
Funds held in escrow	3,713,298	673,434
Reserve for insurance claims	4,221,615	4,243,447
CPS/MCUA trust account	118,648	118,469
	<u>226,252,245</u>	<u>225,643,240</u>
Total long-term liabilities	<u>226,252,245</u>	<u>225,643,240</u>
Total liabilities	<u>261,689,854</u>	<u>262,743,348</u>
<b>Net Position</b>		
Net investment in capital assets	269,280,740	212,092,281
Restricted:		
Restricted for operations	200,000	200,000
Restricted for future reconstruction and replacement	572,291	571,436
Restricted for future debt service	13,735,088	14,138,440
Restricted for construction	1,062,258	35,644,473
Unrestricted	<u>(21,500,024)</u>	<u>(4,272,855)</u>
Total net position	<u>263,350,353</u>	<u>258,373,775</u>
Total liabilities and net position	<u>\$ 525,040,207</u>	<u>\$ 521,117,123</u>

See notes to financial statements

## Middlesex County Utilities Authority - Wastewater Division

Statement of Revenues and Expenses  
Nine Months Ended September 30, 2014  
(See Accountants' Compilation Report)

### Operating Revenues

Annual charges	\$ 59,986,111
Treatment of septic tank waste	187,627
Treatment of industrial hauled waste	962
Service fees, review of plans, etc.	1,050
Permit fees, industrial pretreatment	18,450
Miscellaneous income	9,074
Management fees	1,239,003
Sampling and lab fees	8,644
Analytical services	10,764
Groundwater discharge fees	562,350
Sale of synthetic soil	338,794
Penalty assessments	8,000
Praxair - sale of oxygen	744,864
Praxair - sale of nitrogen	909,531
Praxair - water usage	22,868
PSE&G - REC credit income	256,978
Sale of plans and specifications	1,075
	<hr/>
Total operating revenues	64,306,145

### Operating Expenses

Salaries and wages	9,088,384
Administration	13,343,225
Central treatment plant	14,838,730
Sayreville pumping station	1,152,768
Edison pumping station	504,652
Bound Brook pumping station	24,553
Green Brook pumping station	59,412
South Amboy pumping station	103,420
Lines, meters and small pumping stations	301,055
WWT - administrative fee	255,855
DEP fees	152,349
Depreciation	13,621,129
	<hr/>
Total operating expenses	53,445,532
	<hr/>
Operating income	10,860,613

### Nonoperating Revenues (Expenses)

Interest on investments and deposits	30,893
Interest on investments (reconstruction and replacement)	855
Interest on investments (other restricted accounts)	22,334
Bond issuance costs	(16,075)
Amortization of gain on defeasance	11,500
Amortization of original issue premium	314,424
Hurricane loss	(3,218,350)
Interest on bonds	(2,760,169)
Related party interest	(269,447)
	<hr/>
Total nonoperating expenses, net	(5,884,035)
	<hr/>
Change in net position	\$ 4,976,578

See notes to financial statements

**Middlesex County Utilities Authority - Wastewater Division**

Statement of Changes in Net Position  
 Nine Months Ended September 30, 2014  
 (See Accountants' Compilation Report)

	Net Investment in Capital Assets	Restricted Net Position				Unrestricted	Total Net Position
		Restricted for Operations	Restricted for Future Reconst. and Replacement	Restricted for Future Debt Service	Restricted for Construction		
<b>Balance, Beginning of Period</b>	\$ 212,092,281	\$ 200,000	\$ 571,436	\$ 14,138,440	\$ 35,644,473	\$ (4,272,855)	\$ 258,373,775
Change in net position	(11,161,871)	-	855	20,776	1,558	16,115,260	4,976,578
Depreciation charged to contributed capital	(2,459,258)	-	-	-	-	2,459,258	-
Interfund transfers, net	70,809,588	-	-	(424,128)	(34,583,773)	(35,801,687)	-
<b>Balance, End of Period</b>	<u>\$ 269,280,740</u>	<u>\$ 200,000</u>	<u>\$ 572,291</u>	<u>\$ 13,735,088</u>	<u>\$ 1,062,258</u>	<u>\$ (21,500,024)</u>	<u>\$ 263,350,353</u>

Interfund transfers include amounts for completed projects that were released from restrictions and a reclassification of the future restricted debt service accounts which had previously offset against the net investment in capital assets.

## **Middlesex County Utilities Authority - Wastewater Division**

### Statement of Cash Flows

Nine Months Ended September 30, 2014

(See Accountants' Compilation Report)

#### **Cash Flows from Operating Activities**

Cash received from customers	\$ 62,878,636
Cash payments for goods and services	(16,467,951)
Cash payments for goods and services - Hurricane	(3,218,350)
Cash payments to employees	<u>(9,088,384)</u>
Net cash provided by operating activities	<u>34,103,951</u>

#### **Cash Flows from Capital and Related Financing Activities**

Acquisition of property, plant and equipment and construction in progress (including capitalized interest of \$1,514,068)	(15,823,214)
Cash paid for interest on bonds and related party debt	(2,850,310)
Proceeds from issuance of bonds	5,588,527
Repayment of note payable, Solid Waste Division	-
Bond issuance costs	(16,075)
Bond premiums	108,498
Payment of bonds payable	<u>(10,791,989)</u>
Net cash used in capital and related financing activities	<u>(23,784,563)</u>

#### **Cash Flows from Investing Activities**

Cash received from interest	50,754
Decrease in due from NJ Wastewater Trust	<u>(2,593,147)</u>
Net cash used in investing activities	<u>(2,542,393)</u>
Net increase in cash and cash equivalents	7,776,995

#### **Cash and Cash Equivalents, Beginning of Period**

36,745,790

#### **Cash and Cash Equivalents, End of Period**

\$ 44,522,785

#### **Summary of Cash and Cash Equivalents at End of Period**

Unrestricted cash and cash equivalents	\$ 8,840,780
Restricted cash and cash equivalents	<u>35,682,005</u>
	<u>\$ 44,522,785</u>

See notes to financial statements



## Middlesex County Utilities Authority - Wastewater Division

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### Statement of Cash Flows

Nine Months Ended September 30, 2014

(See Accountants' Compilation Report)

#### Reconciliation of Operating Income to Net Cash

##### Provided by Operating Activities

Operating income	\$ 10,860,613
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	13,621,129
Nonoperating expenses - Hurricane	(3,218,350)
Changes in operating assets and liabilities:	
(Increase) decrease in receivables and other assets:	
Unrestricted accounts	8,652,649
Restricted accounts	(179)
Increase (decrease) in liabilities:	
Payable from unrestricted net assets	(2,377,874)
Payable from restricted net assets	(24,648)
Funds held in escrow	3,039,864
Other liabilities	<u>3,550,747</u>
 Net cash provided by operating activities	 <u><u>\$ 34,103,951</u></u>

See notes to financial statements

# **Middlesex County Utilities Authority - Wastewater Division**

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Notes to Financial Statements

September 30, 2014

(See Accountants' Compilation Report)

## **1. Organization**

The Middlesex County Utilities Authority (the "Authority") is a public body, politic and corporate of the State of New Jersey. As a public body under existing statute, the Authority is exempt from both federal and state income taxes.

The Authority has two divisions: The Solid Waste Division and the Wastewater Division. The two divisions are operated as separate enterprises with the assets, liabilities, net assets, revenues and expenses of each segregated from the other. Certain common expenses are allocated between the divisions. Each division prepares separate sets of financial statements.

### **The Solid Waste Division**

The Solid Waste Division commenced landfill operations on January 1, 1988, and is responsible for the implementation of the principal elements of the County's Solid Waste Management Plan.

### **The Wastewater Division**

The Wastewater Division is authorized and empowered to construct, maintain and operate sewage and sludge treatment facilities and to issue revenue bonds payable from the annual charges collected from the Authority's participants. Such sewer revenue bonds are collateralized solely by revenues derived from the operation of the Wastewater Division and have no lien or claim upon any of the assets or revenues of the Solid Waste Division.

## **2. Summary of Significant Accounting Policies**

### **General Statement**

The accounting and reporting policies of the Wastewater Division included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America as applicable to local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (the "GASB") and by the Financial Accounting Standards Board (the "FASB"), where applicable, in accordance with GASB Statement No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

### **Basis of Presentation**

The financial statements of the Authority have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America applicable to proprietary funds as defined by GASB.

# Middlesex County Utilities Authority - Wastewater Division

Notes to Financial Statements

September 30, 2014

(See Accountants' Compilation Report)

## Operating Revenues and Expenses

Operating revenues result from providing wastewater treatment services, which are principally derived from receipts of funds from customers. Operating expenses for these operations include all costs related to providing the services. All other revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

## Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Subsequent Events

The Authority has evaluated subsequent events through January 14, 2015, which is the date the financial statements were available to be issued.

## Cash Equivalents

Cash equivalents include certificates of deposit and a cash management fund. The Wastewater Division considers investments with original maturities of three months or less at the date of purchase to be cash equivalents. For purposes of the statement of cash flows, the Authority considers all currency demand deposits and money market accounts with banks or other financial institutions to be cash equivalents.

## Restricted Assets

Restricted assets consist of funds provided from issuance of bonds and/or revenues and are restricted for specific purposes under the resolution authorizing the issuance of the bonds or the Authority budget. A breakdown of the specified purposes of the restricted assets is as follows:

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Board enacted restrictions	\$ 35,687,885	\$ 32,718,081
Trust accounts	243,648	243,469
Bond proceeds receivable - NJEIT capital projects	<u>4,688,819</u>	<u>2,095,672</u>
	<u>\$ 40,620,352</u>	<u>\$ 35,057,222</u>

## Investments

Investments are purchased with the intent to hold to maturity. Investments consist of certificates of deposit and U.S. Government obligations, which are stated at cost (less accumulated amortization/accretion of any premium or discounts) which approximates fair value.

## Middlesex County Utilities Authority - Wastewater Division

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Notes to Financial Statements

September 30, 2014

(See Accountants' Compilation Report)

### Charges Receivable

The Authority carries its charges receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Authority evaluates its charges receivable and establishes an allowance for doubtful accounts based on history of past write-offs, collections and current credit conditions. Charges are written off as uncollectible when management determines that a sufficient period of time has elapsed without receiving payment and the customers do not exhibit the ability to meet their obligations. There was no allowance established as of September 30, 2014 or December 31, 2013.

### Bond Premiums and Defeasance

Bond costs are amortized by use of the straight-line method over the lives of the related bond issues.

### Insurance Reserves

The Authority self insures for a portion of the losses that could arise during the normal course of its operations, such as losses from general liability, collision losses and workers compensation claims. The Authority's policy is to set up funded reserves for claims that may arise and to purchase commercial insurance to cover the liability for claims in excess of self-insured amounts.

### Capital Assets

Property, plant and equipment is stated at cost, which includes direct construction costs and other expenditures related to construction. System construction costs are charged to construction in progress until such time that the specific segments of the system are completed and put into operation.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	75
Improvements other than buildings:	
Sewer mains and interceptors	75
Pump stations	40
Other improvements	15 - 40
Landfill gas collection facility	20
Machinery and equipment	10 - 20
Vehicles	5
Furniture and fixtures	3 - 20

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

## Middlesex County Utilities Authority - Wastewater Division

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Notes to Financial Statements

September 30, 2014

(See Accountants' Compilation Report)

### 3. Cash, Cash Equivalents and Investments

New Jersey statutes and the Authority's General Bond Resolution permit the deposit of public funds only in banks that meet the requirements of the Governmental Unit Deposit Protection Act ("GUDPA") or the State of New Jersey Cash Management Fund. GUDPA requires that banks which accept public funds be a public depository. A "public depository" is defined as a state bank, a national bank, or a savings bank or association, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation ("FDIC"). A local unit may make deposits in, or purchase certificates of deposit from, banks which are located in New Jersey and which meet the requirements of GUDPA.

All bank deposits as of the statement of net position dates are held in the Authority's name by commercial banking institutions. At September 30, 2014, the carrying amount of the Authority's deposits was \$44,766,433 and the bank balance was \$46,470,340 only \$250,000 of which was insured by the FDIC. Balances above the FDIC amount were insured through the GUDPA, N.J.S.A. 17:9-14 et seq., which insures all New Jersey governmental units' deposits in excess of Federal deposit insurance maximums.

Pursuant to Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures ("GASB 40")*, the Authority's accounts are profiled in order to determine exposure, if any, to custodial credit risk (risk that in the event of a failure of the counterparty the Authority would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent, but not in the government's name. At September 30, 2014, all of the Authority's deposits were collateralized by securities held by the GUDPA collateral pool and, accordingly, are not exposed to custodial credit risk.

*Credit Risk:* The Authority does not have an investment policy regarding the management of credit risk, because it is the Authority's policy, pursuant to its bond resolutions, to only invest in securities that are obligations of the U.S. Government or securities guaranteed by the U.S. Government. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. Government or investments guaranteed by the U.S. Government.

*Interest Rate Risk:* The Authority only invests in securities of or guaranteed by the U.S. Government, which it generally holds until maturity. As such, management believes that they do not have significant exposure to interest rate risk, and therefore, the Authority does not have a policy to limit interest rate risk.

## Middlesex County Utilities Authority - Wastewater Division

Notes to Financial Statements

September 30, 2014

(See Accountants' Compilation Report)

### 4. Capital Assets

Capital assets consist of the following:

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Land	\$ 8,401,828	\$ 8,401,828
Buildings and improvements	163,619,016	163,619,016
Improvements other than buildings	313,856,083	314,011,825
Machinery and equipment	22,057,531	22,057,531
Furniture and fixtures	60,450	60,450
Landfill gas collection facility	54,202,404	54,202,404
Landfill gas collection equipment	<u>3,822,601</u>	<u>3,822,601</u>
	566,019,913	566,175,655
Less: accumulated depreciation	<u>261,377,548</u>	<u>248,539,720</u>
	304,642,365	317,635,935
Construction in progress	<u>155,312,878</u>	<u>140,117,224</u>
	<u>\$ 459,955,243</u>	<u>\$ 457,753,159</u>

Depreciation expense for the nine months ended September 30, 2014 was \$13,621,129.

	<u>Balance January 1, 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance September 30, 2014</u>
Land	\$ 8,401,828	\$ -	\$ -	\$ 8,401,828
Buildings and improvements	163,619,016	-	-	163,619,016
Other improvements	314,011,825	627,560	(783,302)	313,856,083
Machinery and equipment	22,057,531	-	-	22,057,531
Furniture and fixtures	60,450	-	-	60,450
Landfill gas collection facility	54,202,404	-	-	54,202,404
Landfill gas collection equipment	<u>3,822,601</u>	<u>-</u>	<u>-</u>	<u>3,822,601</u>
Total	<u>\$ 566,175,655</u>	<u>\$ 627,560</u>	<u>\$ (783,302)</u>	<u>\$ 566,019,913</u>

## Middlesex County Utilities Authority - Wastewater Division

Notes to Financial Statements

September 30, 2014

(See Accountants' Compilation Report)

### 5. Bonds Payable

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Issue of 2001A, N.J. EIT bonds (a):		
Federal portion	\$ 6,228,110	\$ 7,117,386
State portion	7,825,000	8,740,000
Issue of 2005A (1995 refunded bonds) (b)	1,760,000	3,430,000
Issue of 2005A, N.J. EIT bonds (c)		
Federal portion	3,871,006	4,211,006
State portion	4,843,855	5,195,000
Issue of 2006, N.J. EIT bonds (d):		
Federal portion	24,288,892	26,313,892
State portion	31,765,000	33,750,000
Issue of 2007(e)	41,985,000	41,985,000
Sewer revenue refunding bonds series 2008 (f)	14,100,000	14,100,000
Issue of 2009A, N.J. EIT bonds (g)		
Federal portion	7,422,996	7,917,862
State portion	8,065,000	8,440,000
Issue of 2009 N.J. EIT Bonds (h)		
Federal portion - D-1	3,328,226	3,550,108
State portion - C-1	2,595,000	2,715,000
Issue of 2009 N.J. EIT Bonds (i)		
Federal portion - D-2	9,273,399	9,891,625
State portion - C-2	3,370,000	3,525,000
Issue of 2010 N.J. EIT Bonds (j)		
Federal portion	4,697,493	4,991,086
State portion	4,810,000	5,005,000
Issue of 2014A N.J. EIT Bonds (k)		
Federal portion	4,075,526	-
State portion	1,370,000	-
	<u>185,674,503</u>	<u>190,877,965</u>
Current portion	<u>20,574,706</u>	<u>20,013,989</u>
Long-term portion	<u>\$ 165,099,797</u>	<u>\$ 170,863,976</u>

a. Bonds payable in two separate portions. The federal portion is payable in semi-annual principal amounts totaling approximately \$890,000, and does not bear interest. The state portion bears interest at rates ranging from 4.75% to 5.50% per annum and is payable in annual installments that range from a current amount of \$915,000 to \$1,285,000 through August 2021. The current portion as of September 30, 2014 is \$1,848,780.

b. Bonds payable in semi-annual installments of principal of approximately \$880,000, final maturity in September 2015. The bonds bear interest at rates ranging from 4.875% to 5.375% per annum.

## Middlesex County Utilities Authority - Wastewater Division

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### Notes to Financial Statements

September 30, 2014

(See Accountants' Compilation Report)

- c. Bonds payable in two separate portions. The federal portion is payable in semi-annual principal amounts totaling approximately \$350,000 and does not bear interest. The state portion bears interest at rates ranging from 4.0% to 5.0% per annum and is payable in annual installments that range from a current amount of \$340,000 to \$540,000 through August 2025. The current portion as of September 30, 2014 is \$713,010.
- d. Bonds payable in two separate portions. The federal portion is payable in semi-annual principal amounts totaling approximately \$2,000,000 and does not bear interest. The state portion bears interest at rates ranging from 4.0% to 5.0% per annum and is payable in annual installments that range from a current amount of \$2,085,000 to \$3,190,000 through August 2026. The current portion as of September 30, 2014 is \$4,109,847.
- e. Bonds payable in annual principal amounts which range from a current amount of \$5,300,000 increasing each year to a final payment of \$11,675,000 on December 15, 2019. The interest rate on the bonds ranges from 3.625% to 5.250% per annum. The current rate is 4.00%.
- f. Bonds payable in annual installments ranging from a current principal amount of \$4,065,000 to a final principal payment of \$5,740,000 in December 2016. Interest is payable semi-annually at rates ranging from 4.6% to 5.125% per annum.
- g. Bonds payable in two separate portions. The federal portion is payable in semi-annual principal amounts totaling approximately \$495,000 and does not bear interest. The state portion bears interest at rates ranging from 2.0% to 5.0% per annum. The state portion of the bonds is payable in annual installments that range from the current amount of \$390,000, increasing annually to \$700,000 through August 2029. The current portion as of September 30, 2014 is \$884,866.
- h. Bonds payable in two separate portions. The federal portion (D-1) is payable in semi-annual installments of \$221,882 per annum and does not bear interest. The state portion (C-1) of the bonds bears interest at rates ranging from 3.0% to 5.0% and is payable in annual installments that range from a current amount of \$125,000, increasing annually to \$225,000 through August 2029. The current portion as of September 30, 2014 is \$346,882.
- i. Bonds payable in two separate portions. The federal portion (D-2) is payable in semi-annual installments of \$618,227 per annum and does not bear interest. The state portion (C-2) of the bonds bears interest at rates ranging from 3.0% to 5.0% and is payable in annual installments that range from a current amount of \$165,000, increasing annually to \$290,000 through August 2029. The current portion as of September 30, 2014 is \$783,227.
- j. Bonds payable in two separate portions. The federal portion is payable in semi-annual installments of \$293,593 per annum and does not bear interest. The state portion of the bonds bears interest 5.0% per annum and is payable in annual installments that range from the current amount of \$205,000, increasing annually to \$420,000 through August 2030. The current portion as of September 30, 2014 is \$498,593.



## Middlesex County Utilities Authority - Wastewater Division

Notes to Financial Statements

September 30, 2014

(See Accountants' Compilation Report)

- k. Bonds payable in two separate portions. The federal portion is payable in semi-annual installments that aggregate to \$214,501 per annum and does not bear interest. The state portion of the bonds bears interest ranging from a current amount of 3.0% to 5.0% per annum and is payable in annual installments that range from the current amount of \$50,000, increasing annually to \$95,000 through August 2033. The current portion as of September 30, 2014 is \$264,501.

A portion of the proceeds from certain bonds are yet to be disbursed to the Authority pursuant to its agreement with the New Jersey Environmental Infrastructure Trust. These funds are shown as a receivable from the trust in the accompanying statements of net position.

During the nine months ended September 30, 2014, the following changes occurred in long-term debt obligations:

	<u>January 1, 2014</u>	<u>Additions</u>	<u>Retired</u>	<u>September 30, 2014</u>
Bonds payable	<u>\$ 190,877,965</u>	<u>\$ 5,588,527</u>	<u>\$ 10,791,989</u>	<u>\$ 185,674,503</u>

The current period retirements include revised earnings credits passed through to the Authority by the State of New Jersey.

Annual debt service on bonds payable is as follows:

<u>Years Ending September 30,</u>	<u>Principal Sinking Fund Requirements</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 20,574,706	\$ 5,558,591	\$ 26,133,297
2016	19,908,293	4,779,247	24,687,540
2017	22,283,087	3,983,925	26,267,012
2018	16,722,212	3,284,394	20,006,606
2019	16,057,608	2,737,188	18,794,796
2020 - 2024	59,882,403	6,811,456	66,693,859
2025 - 2029	28,304,593	1,591,506	29,896,099
2030 - 2034	1,941,601	50,356	1,991,957
	<u>\$ 185,674,503</u>	<u>\$ 28,796,663</u>	<u>\$ 214,471,166</u>

### 6. Note Payable

On December 20, 2013, the Authority entered into a one year \$5,000,000 Series 2013 Subordinated Project Note with Amboy National Bank. The Authority has been approved for \$10,000,000 in total project notes and, at September 30, 2014, has only used \$5,000,000 of this availability. Additional borrowings, if any, will be established as separate notes and not added to the current obligation. The note provided the funds to the Authority to continue repairs associated with damage incurred during Hurricane Sandy. The note bears interest at 1% per annum and is due to be repaid by December 19, 2014 by use of reimbursements to the Authority from the Federal Emergency Management Agency ("FEMA") and certain available Authority cash reserves.

## **Middlesex County Utilities Authority - Wastewater Division**

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Notes to Financial Statements

September 30, 2014

(See Accountants' Compilation Report)

### **7. Disclosures about Fair Value of Financial Instruments**

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

*Short-term investments:* The carrying amount approximates fair value because of the short maturity of those instruments.

*Long-term investments:* The fair value of long-term investments is estimated based on quoted market prices for those or similar investments. Additional information pertinent to the value of these investments is provided in Note 3.

*Long-term debt:* The Authority's long-term debt is stated at face value. Management believes the fair value based on current rates for similar borrowings approximates \$185,675,000; however, Wastewater Infrastructure Trust (the "Trust") credits, if any, are not taken into consideration in determining fair value because there is no objective criteria to compute the amount of the credits the Trust would be able to pass through to the Authority.

### **8. Pension and Retirement Plans**

#### **Pension**

The Authority participates in the Public Employees' Retirement System of New Jersey, which is administered by the Division of Pensions in the Department of Treasury, State of New Jersey. This multiple-employer defined benefit pension plan is funded annually based on the projected benefit method with aggregate level normal cost and frozen initial unfunded accrued liability. The plan, which covers public employees throughout the state, does not maintain separate records for each reporting unit and, accordingly, the actuarial data for the employees of the Authority who are members of the plan is not available. There were \$1,304,048 in contributions for the nine months ended September 30, 2014.

The Authority has adopted the provisions of the revision to Governmental Accounting Standards Board Statement No. 32, "Accounting for Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" ("GASB 32"), for both the deferred compensation and the discretionary supplemental retirement plans mentioned below, and has complied with the provisions of the Small Business Job Protection Act of 1996 (the "Act"). The Act requires that amounts deferred under this plan are to be held for the exclusive benefit of participating employees and are not accessible by the Authority or its creditors.

#### **Deferred Compensation**

The Authority's deferred compensation program is offered to all Authority employees. The program was created in accordance with Sections 403(b) and 457 of the Internal Revenue Code. The program is offered by the Authority through a program administrator, The Variable Annuity Life Insurance Company ("VALIC").

## Middlesex County Utilities Authority - Wastewater Division

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Notes to Financial Statements

September 30, 2014

(See Accountants' Compilation Report)

### Discretionary Supplemental Retirement Plan

The Authority's discretionary supplemental retirement plan is offered to all Authority employees who have accrued the number of sick leave days as determined by the Authority, provided such employee is a permanent employee who is credited with at least 1,000 hours of service during the plan period. The program was created in accordance with Sections 401(a) and 403(a) of the Internal Revenue Code. The program is offered by the Authority through a program administrator, VALIC, that acts as its agent.

### Other Post Employment Benefits ("OPEB") - Retiree Welfare Plan

The Authority maintains a Retiree Welfare Plan which provides post retirement medical benefits to eligible retirees as described under the plan. The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 45 ("GASB 45") which requires that the Authority record an actuarially calculated liability and record its annual OPEB cost. The major actuarial assumptions, among others, were the use of a 4.5% discount rate and a computed Health Care Trend Rate ("HCTR") which ranged from 5% to 12% depending on the type of coverage. Tables were used for mortality, morbidity and disability variables in computing the HCTR. The Authority does not fund the actuarial cost of the plan and only contributes the amount necessary to pay for benefits of current retirees.

The Authority's annual OPEB cost is calculated based on the Annual Required Contribution ("ARC"), which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of time not to exceed thirty years. Also, the Authority elected to compute the Net OPEB Obligation ("NOO") at transition on a prospective rather than retroactive basis. The following table shows the components of the Authority's OPEB cost for the nine months ended September 30, 2014, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation:

Required contribution	\$ 1,885,090
Interest on Net OPEB obligation	1,160,205
Amortization on Net OPEB obligation	<u>1,432,281</u>
OPEB cost	4,477,576
Contributions made	<u>905,176</u>
Increase in Net OPEB obligation	3,572,400
Net OPEB obligation, beginning of period	<u>33,268,156</u>
Net OPEB obligation, end of period	<u>\$ 36,840,556</u>

## Middlesex County Utilities Authority - Wastewater Division

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Notes to Financial Statements

September 30, 2014

(See Accountants' Compilation Report)

### Funded Status and Funding Progress

The funded status of the plan as of January 1, 2013, the date of the most recent actuarial valuation was made, is as follows:

Actuarial accrued liability ("AAL")	\$ 64,239,548
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability ("UAAL")	<u>\$ 64,239,548</u>
Funded ratio, actuarial value of plan assets/AAL	<u>0.00%</u>
Covered payroll (2013)	<u>\$ 12,109,936</u>
UAAL as a percentage of covered payroll	<u>530.47%</u>

### 9. Related Party Transactions

#### Management Fee

The operating revenues for the Wastewater Division include management fees from the Solid Waste Division which, for the nine months ended September 30, 2014, amounted to \$1,239,003.

#### Note Payable

The Solid Waste Division advanced the Wastewater Division \$13,100,000 which bears interest at the rate of 2.75% per annum. The note calls for principal repayments at the discretion of the Board of Commissioners and annual interest payments. There is no stated maturity date for the loan. Interest expense for the nine months ended September 30, 2014 amounted to \$269,447. At September 30, 2014 and December 31, 2013, the accumulated related party interest payable was \$479,675 and \$210,229, respectively. In conjunction with this loan, the Board has also established a restricted cash fund and a reservation of unrestricted net assets for repayment of this loan. The reserve account has a balance of \$566,481 and \$565,634 at September 30, 2014 and December 31, 2013, respectively.

### 10. Commitments and Contingencies

#### Litigation

The Authority is a defendant in a number of legal proceedings. If these cases are decided against the Authority, the Authority will pay such amounts from future user fees. The Authority expects that such amounts, if any, would not have a material adverse effect on the Authority's financial statements.

## **Middlesex County Utilities Authority - Wastewater Division**

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Notes to Financial Statements

September 30, 2014

(See Accountants' Compilation Report)

The Authority is currently a defendant in a legal proceeding with a contractor who has asserted breach of contract and is requesting approximately \$12.6 million dollars in cost reimbursement. The Authority has countered this claim and is seeking liquidated damages of approximately \$28.7 million dollars. This matter is presently being litigated, the outcome of which cannot be determined at this time.

### **Long-Term Contracts**

The Authority has entered into several contracts for construction of facilities, some of which extend beyond September 30, 2014. Funding for these projects has been substantially secured through the New Jersey Environmental Infrastructure Trust and amounts receivable from the Trust for contracts in progress is approximately \$4,690,000 at September 30, 2014.

### **Environmental Regulations**

The Authority operates its facility subject to extensive federal and state environmental regulations. Accordingly, the Authority is subject to the administrative directives, rules and regulations of the federal and state regulatory agencies. Such administrative directives, rules and regulations are subject to change by acts of the federal and state legislatures. Such changes may occur with little or no notice or inadequate funding to pay for the related costs, including the additional administrative burden, to comply with the change. The Authority's management is not aware of any violations or administrative changes that may have a material effect on the financial statements.

## **11. Natural Disaster**

On October 29, 2012, the New Jersey coast suffered significant damage when Hurricane Sandy struck the area. The Middlesex County Utilities Authority sustained significant damage to their pump stations in South Amboy, Edison and Sayreville due to a storm surge and the subsequent flooding.

No insurance proceeds are expected to be recovered due to the pump stations being in an excluded flood zone, however, the Authority is working with FEMA (Federal Emergency Management Agency) with the expectation of recouping up to 90% of the sustained losses and the rebuilding/repairs necessary to bring the Authority back to pre-disaster conditions.

Emergency restoration costs are expected to aggregate to \$32,000,000 and the Authority has expensed approximately \$28,253,000 since the date of the hurricane through September 30, 2014. Total replacement costs are estimated at \$200,000,000.

As costs are accumulated and bills paid, Project Worksheets are being submitted to FEMA for future reimbursement. Management believes that future amounts to be received from FEMA will be in excess of the remaining estimated unexpended emergency restoration costs of approximately \$14,500,000.

Costs for asset replacement and expenses and related reimbursements from FEMA will be accounted for on a net basis with reimbursements being offset directly against costs and expenses.

## Middlesex County Utilities Authority - Wastewater Division

Schedule of Cash, Cash Equivalents and Investments

September 30, 2014

(See Accountants' Compilation Report)

	Cash and Cash Equivalents	Account	Investments				Total Cash Cash Equivalents and Investments
			Purchase Date	Maturity Date	Face Value	Cost Basis	
<b>Revenue Fund - Unrestricted</b>							
Cash accounts (1977)	\$ 933,780	Certificates of Deposit	9/25/2014	10/23/2014	\$ 7,907,000	\$ 7,907,000	\$ 8,840,780
<b>Other Accounts - Restricted</b>							
Unemployment claims reserve	118,372				-	-	118,372
General liability insurance reserve	3,546,471				-	-	3,546,471
Collision insurance reserve	279,707				-	-	279,707
Worker's compensation insurance reserve	277,064				-	-	277,064
Future plant, reconstr. or replacement reserve	572,291				-	-	572,291
Allied retainage	230,011				-	-	230,011
Renewal and replacement (1985)	-	Certificates of Deposit	6/27/2014	12/29/2014	60,000	60,000	60,000
General fund (1985)	170	Certificates of Deposit	6/27/2014	12/29/2014	70,000	70,000	70,170
Tru-Val retainage	2,152				-	-	2,152
LBSM Construction Fund (1985)	54,369				-	-	54,369
Construction fund 1991 issue	774	Certificates of Deposit	9/26/2014	10/23/2014	3,178,000	3,178,000	3,178,774
Hurricane Sandy Repairs	5,007,731				-	-	5,007,731
Construction fund (2006)	25,867	Certificates of Deposit	9/26/2014	3/27/2015	982,000	982,000	1,007,867
Bond service (1993A)	437				-	-	437
Bond reserve (2005A)	848	Certificates of Deposit	9/15/2014	3/16/2015	3,343,000	3,343,000	3,343,848
SpectraServ retainage	713,529				-	-	713,529
Solid Waste Division loan reserve	566,481				-	-	566,481
WWD Benefits Escrow	274,035				-	-	274,035
WWD FSA Escrow	11,941				-	-	11,941
Bond reserve (2007)	-	Certificates of Deposit	6/27/2014	12/29/2014	6,000,000	6,000,000	6,000,000
Construction fund (2007)	731	Certificates of Deposit	9/26/2014	3/27/2015	1,856,000	1,856,000	1,856,731
Kenny Construction retainage	101,111				-	-	101,111
Metra retainage	17,350				-	-	17,350
WWD FEMA Escrow	512,398				-	-	512,398
CPV Escrow	3,427,322				-	-	3,427,322
Northeast Remsco Retainage	62,905				-	-	62,905
Bond reserve (2008)	938	Certificates of Deposit	6/27/2014	12/29/2014	4,388,000	4,388,000	4,388,938
Total restricted accounts	15,805,005				19,877,000	19,877,000	35,682,005
Total - combined	\$ 16,738,785				\$ 27,784,000	\$ 27,784,000	\$ 44,522,785

## Middlesex County Utilities Authority - Wastewater Division

### Schedule of Changes in Unrestricted Cash and Cash Equivalents

Nine Months Ended September 30, 2014

(See Accountants' Compilation Report)

#### Sources

Prior year deficiencies	\$ 1,506,872
2014 annual charges	55,817,359
2013 annual charges	2,078,109
Septage treatment/Hauled waste fees	188,589
Service fees, plan approvals, etc.	2,100
Industrial pretreatment fees	18,450
Interest on investments	9,736
Groundwater discharge fees	576,374
Expense reimbursements	490,966
Management fees	1,239,003
Lab and sampling fees	38,946
Sale of synthetic soil	561,817
Sale of plans and specifications	125
Penalty assessments	8,000
PSE&G - REC credit income	255,464
Grid sales	1,515
Miscellaneous income	9,253
Sale of oxygen - Praxair	726,432
Sale of nitrogen - Praxair	903,517
Sale of water - Praxair	21,085

Total sources 64,453,712

#### Uses

Budget expenses and payment of accounts payable	52,436,531
Refunds to participants	1,565,340

Total uses 54,001,871

#### Transfers to/from Restricted Funds

Total debt service funds (net)	(15,508,322)
Interest on investments	17,395
Transfers to restricted funds	(501,000)
Transfers from restricted funds	10,350,563

Net transfers (5,641,364)

Net increase 4,810,477

**Balance, Beginning of Period** 4,030,303

**Balance, End of Period** \$ 8,840,780

#### Balance Comprised of

Cash	\$ 933,780
Cash equivalents	7,907,000

\$ 8,840,780

## Middlesex County Utilities Authority - Wastewater Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments

Nine Months Ended September 30, 2014

(See Accountants' Compilation Report)

	<b>2009 NJEIT Debt Service</b>	<b>LBSM Construction Fund 1985 Issue</b>	<b>Renewal and Replacement 1985 Issue</b>	<b>General Fund 1985 Issue</b>
<b>Sources</b>				
Interest income	\$ -	\$ 24	\$ 60	\$ 71
Retainage deposits	-	-	-	-
Expense reimbursement	-	-	-	-
Escrow deposits	-	-	-	-
Transfers - unrestricted funds	1,276,573	501,000	-	-
Debt proceeds	-	-	-	-
<b>Total sources</b>	<b>1,276,573</b>	<b>501,024</b>	<b>60</b>	<b>71</b>
<b>Uses</b>				
Bond principal paid	869,866	-	-	-
Bond interest paid	353,936	-	-	-
Vouchers paid	-	500,595	-	-
Claims paid	-	-	-	-
Escrow withdrawals	-	-	-	-
DEP fees	24,331	-	-	-
N.J. Wastewater admin. fees	28,440	-	-	-
Transfers - unrestricted funds	-	-	60	71
<b>Total uses</b>	<b>1,276,573</b>	<b>500,595</b>	<b>60</b>	<b>71</b>
<b>Increase (Decrease)</b>	<b>-</b>	<b>429</b>	<b>-</b>	<b>-</b>
<b>Balance, Beginning of Period</b>	<b>-</b>	<b>53,940</b>	<b>60,000</b>	<b>70,170</b>
<b>Balance, End of Period</b>	<b>\$ -</b>	<b>\$ 54,369</b>	<b>\$ 60,000</b>	<b>\$ 70,170</b>
<b>Balance Comprised of</b>				
Cash	\$ -	\$ 54,369	\$ -	\$ 170
Investments:				
Certificates of deposit	-	-	60,000	70,000
Treasury notes	-	-	-	-
	<b>\$ -</b>	<b>\$ 54,369</b>	<b>\$ 60,000</b>	<b>\$ 70,170</b>



## Middlesex County Utilities Authority - Wastewater Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments

Nine Months Ended September 30, 2014

(See Accountants' Compilation Report)

	<b>1991 Construction Fund</b>	<b>2006 Construction Fund</b>	<b>Solid Waste Division Loan Reserve</b>	<b>Tru-Val Retainage</b>
<b>Sources</b>				
Interest income	\$ 2,517	\$ 1,577	\$ 847	\$ 3
Retainage deposits	-	-	-	-
Expense reimbursement	-	-	-	-
Escrow deposits	-	-	-	-
Transfers - unrestricted funds	-	-	-	-
Debt proceeds	3,031,555	-	-	-
	<u>3,034,072</u>	<u>1,577</u>	<u>847</u>	<u>3</u>
Total sources	<u>3,034,072</u>	<u>1,577</u>	<u>847</u>	<u>3</u>
<b>Uses</b>				
Bond principal paid	-	-	-	-
Bond interest paid	-	-	-	-
Vouchers paid	-	788	-	-
Claims paid	-	-	-	-
Escrow withdrawals	-	-	-	-
DEP fees	-	-	-	-
N.J. Wastewater admin. fees	-	-	-	-
Transfers - unrestricted funds	3,437,916	-	-	-
	<u>3,437,916</u>	<u>788</u>	<u>-</u>	<u>-</u>
Total uses	<u>3,437,916</u>	<u>788</u>	<u>-</u>	<u>-</u>
<b>Increase (Decrease)</b>	(403,844)	789	847	3
<b>Balance, Beginning of Period</b>	<u>3,582,618</u>	<u>1,007,078</u>	<u>565,634</u>	<u>2,149</u>
<b>Balance, End of Period</b>	<u>\$ 3,178,774</u>	<u>\$ 1,007,867</u>	<u>\$ 566,481</u>	<u>\$ 2,152</u>
<b>Balance Comprised of</b>				
Cash	\$ 774	\$ 25,867	\$ 566,481	\$ 2,152
Investments:				
Certificates of deposit	3,178,000	982,000	-	-
Treasury notes	-	-	-	-
	<u>\$ 3,178,774</u>	<u>\$ 1,007,867</u>	<u>\$ 566,481</u>	<u>\$ 2,152</u>

## Middlesex County Utilities Authority - Wastewater Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments

Nine Months Ended September 30, 2014

(See Accountants' Compilation Report)

	<b>Hurricane Sandy Repairs</b>	<b>Allied Retainage</b>	<b>WWD FEMA Escrow</b>	<b>Bond Service 1993A</b>
<b>Sources</b>				
Interest income	\$ 7,484	\$ 338	\$ 7,424	\$ -
Retainage deposits	-	9,650	-	-
Expense reimbursement	-	-	-	-
Escrow deposits	-	-	7,140,145	-
Transfers - unrestricted funds	-	-	-	-
Debt proceeds	-	-	-	-
<b>Total sources</b>	<b>7,484</b>	<b>9,988</b>	<b>7,147,569</b>	<b>-</b>
<b>Uses</b>				
Bond principal paid	-	-	-	-
Bond interest paid	-	-	-	-
Vouchers paid	-	-	-	-
Claims paid	-	-	-	-
Escrow withdrawals	-	-	-	-
DEP fees	-	-	-	-
N.J. Wastewater admin. fees	-	-	-	-
Transfers - unrestricted funds	-	-	6,900,000	-
<b>Total uses</b>	<b>-</b>	<b>-</b>	<b>6,900,000</b>	<b>-</b>
<b>Increase (Decrease)</b>	<b>7,484</b>	<b>9,988</b>	<b>247,569</b>	<b>-</b>
<b>Balance, Beginning of Period</b>	<b>5,000,247</b>	<b>220,023</b>	<b>264,829</b>	<b>437</b>
<b>Balance, End of Period</b>	<b>\$ 5,007,731</b>	<b>\$ 230,011</b>	<b>\$ 512,398</b>	<b>\$ 437</b>
<b>Balance Comprised of</b>				
Cash	\$ 5,007,731	\$ 230,011	\$ 512,398	\$ 437
Investments:				
Certificates of deposit	-	-	-	-
Treasury notes	-	-	-	-
	<b>\$ 5,007,731</b>	<b>\$ 230,011</b>	<b>\$ 512,398</b>	<b>\$ 437</b>

## Middlesex County Utilities Authority - Wastewater Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments

Nine Months Ended September 30, 2014

(See Accountants' Compilation Report)

	<b>Metra Retainage</b>	<b>2010 ARRA Debt Service</b>	<b>Bond Service 2001 Issue</b>	<b>SpectraServ Retainage</b>
<b>Sources</b>				
Interest income	\$ 9	\$ -	\$ -	\$ 1,066
Retainage deposits	17,341	-	-	-
Expense reimbursement	-	-	-	-
Escrow deposits	-	-	-	-
Transfers - unrestricted funds	-	480,595	2,196,593	-
Debt proceeds	-	-	-	-
<b>Total sources</b>	<b>17,350</b>	<b>480,595</b>	<b>2,196,593</b>	<b>1,066</b>
<b>Uses</b>				
Bond principal paid	-	341,882	1,804,276	-
Bond interest paid	-	113,972	343,702	-
Vouchers paid	-	-	-	-
Claims paid	-	-	-	-
Escrow withdrawals	-	-	-	-
DEP fees	-	15,606	-	-
N.J. Wastewater admin. fees	-	9,135	48,615	-
Transfers - unrestricted funds	-	-	-	-
<b>Total uses</b>	<b>-</b>	<b>480,595</b>	<b>2,196,593</b>	<b>-</b>
<b>Increase (Decrease)</b>	<b>17,350</b>	<b>-</b>	<b>-</b>	<b>1,066</b>
<b>Balance, Beginning of Period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>712,463</b>
<b>Balance, End of Period</b>	<b>\$ 17,350</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 713,529</b>
<b>Balance Comprised of</b>				
Cash	17,350	\$ -	\$ -	\$ 713,529
Investments:				
Certificates of deposit	-	-	-	-
Treasury notes	-	-	-	-
	<b>\$ 17,350</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 713,529</b>

## Middlesex County Utilities Authority - Wastewater Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments

Nine Months Ended September 30, 2014

(See Accountants' Compilation Report)

	<b>Collision Insurance Reserve</b>	<b>Unemploy. Claims Reserve</b>	<b>Worker's Compensation Insurance Reserve</b>	<b>General Liability Insurance Reserve</b>
<b>Sources</b>				
Interest income	\$ 425	\$ 169	\$ 436	\$ 5,301
Retainage deposits	-	-	-	-
Expense reimbursement	5,000	23,998	-	-
Escrow deposits	-	-	-	-
Transfers - unrestricted funds	-	-	-	-
Debt proceeds	-	-	-	-
Total sources	<u>5,425</u>	<u>24,167</u>	<u>436</u>	<u>5,301</u>
<b>Uses</b>				
Bond principal paid	-	-	-	-
Bond interest paid	-	-	-	-
Vouchers paid	-	-	-	-
Claims paid	2,632	-	41,884	-
Escrow withdrawals	-	-	-	-
DEP fees	-	-	-	-
N.J. Wastewater admin. fees	-	-	-	-
Transfers - unrestricted funds	12,106	-	541	-
Total uses	<u>14,738</u>	<u>-</u>	<u>42,425</u>	<u>-</u>
<b>Increase (Decrease)</b>	(9,313)	24,167	(41,989)	5,301
<b>Balance, Beginning of Period</b>	<u>289,020</u>	<u>94,205</u>	<u>319,053</u>	<u>3,541,170</u>
<b>Balance, End of Period</b>	<u><u>\$ 279,707</u></u>	<u><u>\$ 118,372</u></u>	<u><u>\$ 277,064</u></u>	<u><u>\$ 3,546,471</u></u>
<b>Balance Comprised of</b>				
Cash	279,707	\$ 118,372	277,064	3,546,471
Investments:				
Certificates of deposit	-	-	-	-
Treasury notes	-	-	-	-
	<u><u>\$ 279,707</u></u>	<u><u>\$ 118,372</u></u>	<u><u>\$ 277,064</u></u>	<u><u>\$ 3,546,471</u></u>

## Middlesex County Utilities Authority - Wastewater Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments

Nine Months Ended September 30, 2014

(See Accountants' Compilation Report)

	<b>Future Reconstruct. Replacement Reserve</b>	<b>2007 Bond Reserve</b>	<b>Bond Service 2005 Issue</b>	<b>Bond Reserve 2005 Issue</b>
<b>Sources</b>				
Interest income	\$ 855	\$ 6,067	\$ -	\$ 6,760
Retainage deposits	-	-	-	-
Expense reimbursement	-	-	-	-
Escrow deposits	-	-	-	-
Transfers - unrestricted funds	-	-	1,832,190	-
Debt proceeds	-	-	-	-
Total sources	<u>855</u>	<u>6,067</u>	<u>1,832,190</u>	<u>6,760</u>
<b>Uses</b>				
Bond principal paid	-	-	1,670,000	-
Bond interest paid	-	-	162,190	-
Vouchers paid	-	-	-	-
Claims paid	-	-	-	-
Escrow withdrawals	-	-	-	-
DEP fees	-	-	-	-
N.J. Wastewater admin. fees	-	-	-	-
Transfers - unrestricted funds	-	6,067	-	6,760
Total uses	<u>-</u>	<u>6,067</u>	<u>1,832,190</u>	<u>6,760</u>
<b>Increase (Decrease)</b>	855	-	-	-
<b>Balance, Beginning of Period</b>	<u>571,436</u>	<u>6,000,000</u>	<u>-</u>	<u>3,343,848</u>
<b>Balance, End of Period</b>	<u>\$ 572,291</u>	<u>\$ 6,000,000</u>	<u>\$ -</u>	<u>\$ 3,343,848</u>
<b>Balance Comprised of</b>				
Cash	\$ 572,291	\$ -	\$ -	\$ 848
Investments:				
Certificates of deposit	-	6,000,000	-	3,343,000
Treasury notes	-	-	-	-
	<u>\$ 572,291</u>	<u>\$ 6,000,000</u>	<u>\$ -</u>	<u>\$ 3,343,848</u>

## Middlesex County Utilities Authority - Wastewater Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments

Nine Months Ended September 30, 2014

(See Accountants' Compilation Report)

	<b>2005 NJEIT Bond Service</b>	<b>2006 NJEIT Bond Service</b>	<b>2008 Bond Reserve</b>	<b>CPV Escrow</b>
<b>Sources</b>				
Interest income	\$ -	\$ -	\$ 4,437	\$ 1,597
Retainage deposits	-	-	-	-
Expense reimbursement	-	-	-	-
Escrow deposits	-	-	-	3,050,000
Transfers - unrestricted funds	906,634	5,471,047	-	-
Debt proceeds	-	-	-	-
<b>Total sources</b>	<b>906,634</b>	<b>5,471,047</b>	<b>4,437</b>	<b>3,051,597</b>
<b>Uses</b>				
Bond principal paid	691,145	4,010,000	-	-
Bond interest paid	193,979	1,342,892	-	-
Vouchers paid	-	-	-	-
Claims paid	-	-	-	-
Escrow withdrawals	-	-	-	-
DEP fees	-	-	-	-
N.J. Wastewater admin. fees	21,510	118,155	-	-
Transfers - unrestricted funds	-	-	4,437	-
<b>Total uses</b>	<b>906,634</b>	<b>5,471,047</b>	<b>4,437</b>	<b>-</b>
<b>Increase (Decrease)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,051,597</b>
<b>Balance, Beginning of Period</b>	<b>-</b>	<b>-</b>	<b>4,388,938</b>	<b>375,725</b>
<b>Balance, End of Period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,388,938</b>	<b>\$ 3,427,322</b>
<b>Balance Comprised of</b>				
Cash	\$ -	\$ -	\$ 938	\$ 3,427,322
Investments:				
Certificates of deposit	-	-	4,388,000	-
Treasury notes	-	-	-	-
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,388,938</b>	<b>\$ 3,427,322</b>

## Middlesex County Utilities Authority - Wastewater Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments

Nine Months Ended September 30, 2014

(See Accountants' Compilation Report)

	<b>2010A Traditional Debt Service</b>	<b>WWD Benefits Escrow</b>	<b>WWD FSA Escrow</b>	<b>Northeast Remsco Retainage</b>
<b>Sources</b>				
Interest income	\$ -	\$ 407	\$ 7	\$ 33
Retainage deposits	-	-	-	62,872
Expense reimbursement	-	-	-	-
Escrow deposits	-	399,239	31,230	-
Transfers - unrestricted funds	953,522	-	-	-
Debt proceeds	-	-	-	-
<b>Total sources</b>	<b>953,522</b>	<b>399,646</b>	<b>31,237</b>	<b>62,905</b>
<b>Uses</b>				
Bond principal paid	773,227	-	-	-
Bond interest paid	148,181	-	-	-
Vouchers paid	-	-	-	-
Claims paid	-	-	11,500	-
Escrow withdrawals	-	417,626	13,490	-
DEP fees	20,264	-	-	-
N.J. Wastewater admin. fees	11,850	-	-	-
Transfers - unrestricted funds	-	-	-	-
<b>Total uses</b>	<b>953,522</b>	<b>417,626</b>	<b>24,990</b>	<b>-</b>
<b>Increase (Decrease)</b>	<b>-</b>	<b>(17,980)</b>	<b>6,247</b>	<b>62,905</b>
<b>Balance, Beginning of Period</b>	<b>-</b>	<b>292,015</b>	<b>5,694</b>	<b>-</b>
<b>Balance, End of Period</b>	<b>\$ -</b>	<b>\$ 274,035</b>	<b>\$ 11,941</b>	<b>\$ 62,905</b>
<b>Balance Comprised of</b>				
Cash	\$ -	\$ 274,035	\$ 11,941	\$ 62,905
Investments:				
Certificates of deposit	-	-	-	-
Treasury notes	-	-	-	-
	<b>\$ -</b>	<b>\$ 274,035</b>	<b>\$ 11,941</b>	<b>\$ 62,905</b>

## Middlesex County Utilities Authority - Wastewater Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments

Nine Months Ended September 30, 2014

(See Accountants' Compilation Report)

	<u>2008 Debt Service</u>	<u>2007 Debt Service</u>	<u>2007 Construction Fund</u>
<b>Sources</b>			
Interest income	\$ -	\$ -	\$ 2,895
Retainage deposits	-	-	-
Expense reimbursement	-	-	-
Escrow deposits	-	-	-
Transfers - unrestricted funds	361,313	1,079,700	-
Debt proceeds	-	-	-
	<u>361,313</u>	<u>1,079,700</u>	<u>2,895</u>
Total sources	<u>361,313</u>	<u>1,079,700</u>	<u>2,895</u>
<b>Uses</b>			
Bond principal paid	-	-	-
Bond interest paid	361,313	1,079,700	-
Vouchers paid	-	-	-
Claims paid	-	-	-
Escrow withdrawals	-	-	-
DEP fees	-	-	-
N.J. Wastewater admin. fees	-	-	-
Transfers - unrestricted funds	-	-	-
	<u>361,313</u>	<u>1,079,700</u>	<u>-</u>
Total uses	<u>361,313</u>	<u>1,079,700</u>	<u>-</u>
<b>Increase (Decrease)</b>	-	-	2,895
<b>Balance, Beginning of Period</b>	-	-	1,853,836
<b>Balance, End of Period</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,856,731</u>
<b>Balance Comprised of</b>			
Cash	\$ -	\$ -	\$ 731
Investments:			
Certificates of deposit	-	-	1,856,000
Treasury notes	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,856,731</u>



## Middlesex County Utilities Authority - Wastewater Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments

Nine Months Ended September 30, 2014

(See Accountants' Compilation Report)

	<b>2014A Bond Service</b>	<b>Kenny Construction Retainage</b>	<b>2010B OSPS Debt Service</b>	<b>Total Restricted Accounts</b>
<b>Sources</b>				
Interest income	\$ -	\$ 151	\$ -	\$ 50,960
Retainage deposits	-	-	-	89,863
Expense reimbursement	-	-	-	28,998
Escrow deposits	-	-	-	10,620,614
Transfers - unrestricted funds	166,352	-	783,802	16,009,321
Debt proceeds	-	-	-	3,031,555
	<u>166,352</u>	<u>151</u>	<u>783,802</u>	<u>29,831,311</u>
<b>Uses</b>				
Bond principal paid	143,001	-	488,593	10,791,990
Bond interest paid	14,265	-	250,244	4,364,374
Vouchers paid	-	-	-	501,383
Claims paid	-	-	-	56,016
Escrow withdrawals	-	-	-	431,116
DEP fees	7,031	-	28,870	96,102
N.J. Wastewater admin. fees	2,055	-	16,095	255,855
Transfers - unrestricted funds	-	-	-	10,367,958
	<u>166,352</u>	<u>-</u>	<u>783,802</u>	<u>26,864,794</u>
<b>Increase (Decrease)</b>	-	151	-	2,966,517
<b>Balance, Beginning of Period</b>	-	100,960	-	32,715,488
<b>Balance, End of Period</b>	<u>\$ -</u>	<u>\$ 101,111</u>	<u>\$ -</u>	<u>\$ 35,682,005</u>
<b>Balance Comprised of</b>				
Cash	\$ -	\$ 101,111	\$ -	\$ 15,805,005
Investments:				
Certificates of deposit	-	-	-	19,877,000
Treasury notes	-	-	-	-
	<u>\$ -</u>	<u>\$ 101,111</u>	<u>\$ -</u>	<u>\$ 35,682,005</u>

## Middlesex County Utilities Authority - Wastewater Division

Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget

Nine Months Ended September 30, 2014

(See Accountants' Compilation Report)

Description	Annual Budget	Actual	Unrealized (Excess Over) Under Budget
<b>Revenues</b>			
Reconstruction/replacement reserve fund	\$ 500,000	\$ - (1)	\$ 500,000
Appropriated retained earnings	6,500,000	- (1)	6,500,000
Capital reserve fund	7,200,000	- (1)	7,200,000
Annual charges	81,396,900	59,986,111	21,410,789
Treatment of septic tank waste	100,000	187,627	(87,627)
Treatment of industrial hauled waste	-	962	(962)
Service fees, review of plans, etc.	2,000	1,050	950
Industrial pretreatment program fees	21,000	18,450	2,550
Miscellaneous income	20,000	9,074	10,926
Sale of plans and specifications	3,000	1,075	1,925
Interest on investments and deposits	50,000	75,569 (2)	(25,569)
Management fees	1,652,000	1,239,003	412,997
Sampling and lab fees	10,000	8,644	1,356
Analytical services	15,000	10,764	4,236
Groundwater discharge fees	300,000	562,350	(262,350)
Penalty assessments	15,000	8,000	7,000
Sale of synthetic soil	650,000	338,794	311,206
Praxair - sale of oxygen	1,000,000	744,864	255,136
Praxair - sale of nitrogen	1,300,000	909,531	390,469
Praxair - water usage	30,000	22,868	7,132
Grants	10,980,000	-	10,980,000
Electric generation income	355,000	256,978	98,022
Total revenues	<u>112,099,900</u>	<u>64,381,714</u>	<u>47,718,186</u>
<b>Operating Expenses</b>			
Salaries and wages:			
Administration	2,364,000	1,590,557	773,443
Plant operation	4,192,000	3,196,666	995,334
Laboratory	1,277,000	902,886	374,114
Plant maintenance	3,523,000	2,396,779	1,126,221
Sayreville pump station	563,000	367,263	195,737
Lines, meters and small pump stations	1,052,000	613,919	438,081
Temporary help	50,000	20,314	29,686
Total salaries and wages	<u>13,021,000</u>	<u>9,088,384</u>	<u>3,932,616</u>

(1) Not a revenue for GAAP purposes.

(2) Includes non-budgeted interest earned on restricted funds of \$ 49,180

## Middlesex County Utilities Authority - Wastewater Division

Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget

Nine Months Ended September 30, 2014

(See Accountants' Compilation Report)

Description	Annual Budget	Actual	Unrealized (Excess Over) Under Budget
<b>Administration</b>			
Pension expense	\$ 1,428,000	\$ 1,304,048	\$ 123,952
Social security tax	996,000	664,691	331,309
Disability insurance	70,000	40,979	29,021
Hospitalization plan	2,280,000	1,590,807	689,193
Dental and vision plan	201,000	122,366	78,634
Retired employees/survivor benefits	1,380,000	4,544,457	(3,164,457)
Less: Nonbudgeted accrual for OPEB costs	-	(3,572,400)	3,572,400
Prescription plan	776,000	511,022	264,978
Paid sick leave	191,000	-	191,000
Excess worker's compensation	60,000	67,336	(7,336)
Insurance - other	661,000	665,360	(4,360)
Professional fees	2,643,500	1,765,725	877,775
Regulatory fees and permits	771,000	784,331	(13,331)
Host community benefits	1,230,000	902,250	327,750
General administrative expenses	451,000	292,070	158,930
Interest expense - related party	350,000	269,447	80,553
Environmental studies	365,000	87,783	277,217
Total administration	<u>13,853,500</u>	<u>10,040,272</u>	<u>3,813,228</u>
<b>Central Treatment Plant</b>			
Chemicals	3,890,000	2,937,613	952,387
Power and light	750,500	289,002	461,498
Fuel oil	1,642,000	1,066,452	575,548
Water	130,000	99,052	30,948
Grit processing	210,000	128,090	81,910
Transportation of synthetic soil	1,187,000	1,860,671	(673,671)
Maintenance	3,096,000	2,776,901	319,099
Laboratory	490,500	314,653	175,847
Transportation	309,000	184,887	124,113
Electric generation plant	5,700,000	4,491,109	1,208,891
Operations	1,184,000	690,300	493,700
Total central treatment plant	<u>18,589,000</u>	<u>14,838,730</u>	<u>3,750,270</u>
<b>Sayreville Pumping Station</b>			
Power and light	1,300,000	1,108,890	191,110
Water	85,000	4,342	80,658
Maintenance	96,000	39,536	56,464
Total Sayreville Pumping Station	<u>1,481,000</u>	<u>1,152,768</u>	<u>328,232</u>

## Middlesex County Utilities Authority - Wastewater Division

Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget

Nine Months Ended September 30, 2014

(See Accountants' Compilation Report)

Description	Annual Budget	Actual	Unrealized (Excess Over) Under Budget
<b>Edison Pumping Station</b>			
Power and light	\$ 342,000	\$ 461,376	\$ (119,376)
Water	4,000	6,456	(2,456)
Maintenance	44,000	36,820	7,180
Total Edison Pumping Station	<u>390,000</u>	<u>504,652</u>	<u>(114,652)</u>
<b>Bound Brook Pumping Station</b>			
Power and light	35,000	23,623	11,377
Water	1,000	449	551
Maintenance	6,000	481	5,519
Total Bound Brook Pumping Station	<u>42,000</u>	<u>24,553</u>	<u>17,447</u>
<b>Green Brook Pumping Station</b>			
Power and light	60,000	53,338	6,662
Water	4,000	1,905	2,095
Maintenance	47,000	4,169	42,831
Total Green Brook Pumping Station	<u>111,000</u>	<u>59,412</u>	<u>51,588</u>
<b>South Amboy Pumping Station</b>			
Power and light	100,000	86,047	13,953
Water	10,000	6,443	3,557
Maintenance	95,000	10,930	84,070
Total South Amboy Pumping Station	<u>205,000</u>	<u>103,420</u>	<u>101,580</u>
<b>Lines, Meters and Small Pumping Stations</b>			
Power and light	12,000	8,730	3,270
Rental of rights of way	11,000	7,569	3,431
Maintenance	746,000	284,756	461,244
Total lines, meters and small pumping stations	<u>769,000</u>	<u>301,055</u>	<u>467,945</u>
Total operating expense budget	<u>48,461,500</u>	<u>36,113,246</u>	<u>12,348,254</u>

## Middlesex County Utilities Authority - Wastewater Division

Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget

Nine Months Ended September 30, 2014

(See Accountants' Compilation Report)

Description	Annual Budget	Actual	Unrealized (Excess Over) Under Budget
<b>Capital Outlays</b>			
Administration - computer	\$ 26,000	\$ -	\$ 26,000
Administration - machinery and equipment	-	1,282	(1,282)
Administration - furniture and fixtures	5,000	-	5,000
Administration - roof replacement	-	15,017	(15,017)
Pumping stations:			
Sayreville Pumping Station	1,020,000	-	1,020,000
OSPS rehabilitation *	-	1,576,238	(1,576,238)
Edison Pumping Station	520,000	8,592	511,408
Green Brook Pumping Station	20,000	-	20,000
Bound Brook Pumping Station	305,000	-	305,000
South Amboy Pumping Station	1,040,000	313,392	726,608
Lines, meters and small pumping stations:			
Millbrook Siphon	500,000	-	500,000
Machinery and equipment	100,000	-	100,000
Pipeline repair	1,600,000	1,266,858	333,142
Acoustic monitoring system	-	4,031	(4,031)
Meter chamber upgrade	950,000	-	950,000
Main trunk sewer *	7,900,000	2,090,421	5,809,579
Main trunk sewer II *	500,000	-	500,000
Central treatment plant:			
Furniture and fixtures	5,000	-	5,000
Machinery and equipment	370,000	59,542	310,458
Oxygen facility - machinery and equipment	30,000	-	30,000
Oxygen facility - spare parts	50,000	10,875	39,125
Electrical substation upgrade *	960,000	250,918	709,082
Unox mixers	568,000	385,358	182,642
Electrical equipment	50,000	275,517	(225,517)
Lab machinery and equipment	100,000	6,661	93,339
Plant instrumentation	25,000	13,771	11,229
Pumps and motors	40,000	-	40,000
Roof reconstruction	25,000	-	25,000
Switchgear *	-	11,798	(11,798)
Landfill gas collection facility - electric generation	6,183,000	3,094,539	3,088,461
Sidewalks and roads	25,000	-	25,000
Water re-use project **	-	4,144,482	(4,144,482)
Primary tanks	1,125,000	-	1,125,000
Final tanks	1,320,000	56,690	1,263,310
Hypo tank replacement	125,000	14,912	110,088
Effluent reuse	5,400,000	-	5,400,000
Thickener tank overflow screening	-	40,810	(40,810)
Storage building	500,000	48,812	451,188
Process water screens	600,000	-	600,000
DW building OCS	1,772,000	-	1,772,000
OCS boiler relocation	520,000	66,822	453,178
Duophase - machinery and equipment	20,000	97,003	(77,003)
Maintenance annex rehab	200,000	-	200,000
Gravity thickener rehab	825,000	-	825,000
Muffin Monsters	50,000	69,413	(19,413)
Vehicles	186,000	120	185,880
<b>Total capital outlays</b>	<b>35,560,000</b>	<b>13,923,874</b>	<b>21,636,126</b>
Less: Bonded projects *	(9,360,000)	(3,929,375)	(5,430,625)
Reimbursable projects **	-	(4,144,482)	4,144,482
<b>Capital outlays funded by operating revenues</b>	<b>26,200,000</b>	<b>5,850,017</b>	<b>20,349,983</b>

\* Bonded projects - Expenditures not paid from operating revenues.

\*\* Reimbursable projects - Expenditures to be reimbursed by third parties and not funded by operating revenue.

## Middlesex County Utilities Authority - Wastewater Division

Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget

Nine Months Ended September 30, 2014

(See Accountants' Compilation Report)

Description	Annual Budget	Actual	Unrealized (Excess Over) Under Budget
<b>Other Costs Funded by Operating Revenues</b>			
Future plant reconstruction and replacement	\$ 500,000	\$ -	\$ 500,000
Solid Waste Division loan reserve	500,000	-	500,000
	1,000,000	-	1,000,000
Budget subtotal	75,661,500	41,963,263	33,698,237
DEP fees	-	152,349	(152,349)
NJ - wastewater treatment - administrative fee	-	255,855	(255,855)
Total before debt service and amortization	75,661,500	42,371,467	33,290,033
<b>Principal Maturities</b>			
2001A issue	1,804,300	1,804,276	24
2005 issue (1995 refunding)	1,670,000	1,670,000	-
2005 - wastewater treatment	691,200	691,145	55
2006 - EPS wastewater treatment	4,010,000	4,010,000	-
2007 gas system revenue bonds	5,300,000	-	5,300,000
2008 issue (1997A refunding)	4,065,000	-	4,065,000
2009 - EPS wastewater treatment	874,000	869,866	4,134
2010A (Traditional) - Plant upgrades	783,300	773,226	10,074
2010A (ARRA)	342,000	341,882	118
2010B - OSPS	489,000	488,593	407
2014A NJEIT - Main trunk sewer I	500,000	143,001	356,999
Total principal maturities	20,528,800	10,791,989	9,736,811
<b>Interest Expense</b>			
2001A issue	430,800	343,702	87,098
2005 issue (1995 refunding)	162,200	162,190	10
2005 - wastewater treatment	224,800	193,979	30,821
2006 - EPS wastewater treatment	1,483,000	1,342,892	140,108
2007 gas system revenue bonds	2,159,400	1,079,700	1,079,700
2008 issue (1997A refunding)	722,700	361,313	361,387
2009 - EPS wastewater treatment	354,000	353,936	64
2010A (Traditional) - Plant upgrades	148,200	148,181	19
2010A (ARRA)	114,200	113,972	228
2010B - OSPS	250,300	250,244	56
2014A NJEIT - Main trunk sewer I	250,000	14,265	235,735
Short-term FEMA loan	250,000	-	250,000
Total interest expense	6,549,600	4,364,374	2,185,226
Total actual costs funded by operating revenues	102,739,900	57,527,830	45,212,070
Excess (deficit) in revenues	9,360,000	6,853,884	2,506,116
Total actual costs funded by operating revenues and excess in revenues	\$ 112,099,900	\$ 64,381,714	\$ 47,718,186

## **Middlesex County Utilities Authority - Wastewater Division**

Schedule of Capital Assets

September 30, 2014

(See Accountants' Compilation Report)

	<b>Acquired with Contributed Capital</b>	<b>Acquired with Other than Contributed Capital</b>	<b>Combined Totals</b>
Land	\$ -	\$ 8,401,828	\$ 8,401,828
Buildings and improvements	48,000,535	115,618,481	163,619,016
Improvements other than buildings	116,559,541	197,296,542	313,856,083
Machinery and equipment	-	22,057,531	22,057,531
Furniture and fixtures	-	60,450	60,450
Landfill gas collection facility	-	54,202,404	54,202,404
Landfill gas collection equipment	-	3,822,601	3,822,601
	<u>\$ 164,560,076</u>	<u>\$ 401,459,837</u>	<u>\$ 566,019,913</u>

## Middlesex County Utilities Authority - Wastewater Division

Schedule of Accumulated Depreciation  
 Nine Months Ended September 30, 2014  
 (See Accountants' Compilation Report)

	<b>Accumulated Depreciation January 1, 2014</b>	<b>Depreciation Expense</b>	<b>Disposals</b>	<b>Accumulated Depreciation September 30, 2014</b>
Buildings and improvements:				
Acquired with contributed capital	\$ 32,117,909	\$ 764,391	\$ -	\$ 32,882,300
Other	49,397,886	2,300,472	-	51,698,358
Improvements other than buildings:				
Acquired with contributed capital	69,181,268	2,478,168	783,302	70,876,134
Other	72,450,330	4,598,201	-	77,048,531
Machinery and equipment	7,593,798	1,216,099	-	8,809,897
Furniture and fixtures				
Other	43,930	2,496	-	46,426
Landfill gas collection facility	16,820,626	2,032,590	-	18,853,216
Landfill gas collection equipment	933,973	228,713	-	1,162,686
	<u>\$ 248,539,720</u>	<u>\$ 13,621,130</u>	<u>\$ 783,302</u>	<u>\$ 261,377,548</u>
<b>Analysis</b>				
Depreciation attributable to assets acquired with contributed capital	\$ 101,299,177	\$ 3,242,559	\$ 783,302	\$ 103,758,434
Depreciation attributable to assets acquired with other than contributed capital	<u>147,240,543</u>	<u>10,378,571</u>	<u>-</u>	<u>157,619,114</u>
	<u>\$ 248,539,720</u>	<u>\$ 13,621,130</u>	<u>\$ 783,302</u>	<u>\$ 261,377,548</u>



## Middlesex County Utilities Authority - Wastewater Division

Schedule of Costs of Construction in Progress

Nine Months Ended September 30, 2014

(See Accountants' Compilation Report)

	<u>Total Costs through January 1, 2014</u>	<u>Increases January - September 2014</u>	<u>Decreases January - September 2014</u>	<u>Total Costs through September 30, 2014</u>
Land Based Sludge Management Facility	\$ 6,854,425	\$ 385,272	\$ -	\$ 7,239,697
Primary Tank Rehab	1,025,784	-	-	1,025,784
Main Trunk Rehab I	297	22,639	-	22,936
Edison Force Main	100,597,080	1,220,879	-	101,817,959
Final Tank Rehab	1,261,388	-	-	1,261,388
120" Primary Tank Influent Line	627,559	-	627,559	-
Sayreville Pump Station Rehabilitation	11,301,596	186,091	-	11,487,687
Black Start	1,589,424	-	-	1,589,424
Switchgear	14,187,795	84,457	-	14,272,252
Standby Power	956,063	-	-	956,063
Main Sub-Station Rehabilitation	1,424,422	-	-	1,424,422
Water Reuse (CPV)	291,391	-	-	291,391
Unallocated additions to plant and equipment	-	13,923,875	-	13,923,875
	<u>\$ 140,117,224</u>	<u>\$ 15,823,213</u>	<u>\$ 627,559</u>	<u>\$ 155,312,878</u>

**Middlesex County Utilities Authority - Wastewater Division**

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Schedule of Costs - Land Based Sludge Management Facility - In Progress

September 30, 2014

(See Accountants' Compilation Report)

**Legal and Administrative**

Legal fees and expenses

\$ 7,239,697

## Middlesex County Utilities Authority - Wastewater Division

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Schedule of Costs - Primary Tank Rehab - In Progress

September 30, 2014

(See Accountants' Compilation Report)

Design and engineering fees	\$ 222,706
Construction costs	<u>803,078</u>
In Progress - September 30, 2014	<u><u>\$ 1,025,784</u></u>

## Middlesex County Utilities Authority - Wastewater Division

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Schedule of Costs - Main Trunk Rehab I - In Progress

September 30, 2014

(See Accountants' Compilation Report)

Design and engineering fees	\$	297
Capitalized bond interest		<u>22,639</u>
In Progress - September 30, 2014	\$	<u><u>22,936</u></u>

## **Middlesex County Utilities Authority - Wastewater Division**

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Schedule of Costs - Edison Force Main - In Progress

September 30, 2014

(See Accountants' Compilation Report)

Engineering fees	\$ 9,269,487
Pre-construction costs	344,445
Legal fees and expenses	13,465
Capitalized interest	14,814,207
Construction costs	<u>77,376,355</u>
In Progress - September 30, 2014	<u><u>\$ 101,817,959</u></u>

## Middlesex County Utilities Authority - Wastewater Division

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Schedule of Costs - Final Tank Rehab - In Progress

September 30, 2014

(See Accountants' Compilation Report)

Design and engineering fees	\$ 123,015
Construction costs	<u>1,138,373</u>
In Progress - September 30, 2014	<u><u>\$ 1,261,388</u></u>

## Middlesex County Utilities Authority - Wastewater Division

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Schedule of Costs - Sayreville Pump Station Rehabilitation - In Progress

September 30, 2014

(See Accountants' Compilation Report)

Preliminary design and engineering fees	\$ 2,408,002
Construction costs	8,062,039
Capitalized interest	<u>1,017,646</u>
In Progress - September 30, 2014	<u><u>\$ 11,487,687</u></u>

## **Middlesex County Utilities Authority - Wastewater Division**

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Schedule of Costs - Black Start - In Progress

September 30, 2014

(See Accountants' Compilation Report)

Preliminary design and engineering fees

\$ 1,589,424



## **Middlesex County Utilities Authority - Wastewater Division**

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Schedule of Costs - Switchgear - In Progress

September 30, 2014

(See Accountants' Compilation Report)

Preliminary design and engineering fees	\$ 3,030,830
Construction costs - base bid	10,673,357
Capitalized interest	<u>568,065</u>
In Progress - September 30, 2014	<u><u>\$ 14,272,252</u></u>

## Middlesex County Utilities Authority - Wastewater Division

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Schedule of Costs - Standby Power - In Progress

September 30, 2014

(See Accountants' Compilation Report)

Engineering fees	\$ 83,719
Construction costs	<u>872,344</u>
In Progress - September 30, 2014	<u><u>\$ 956,063</u></u>

## **Middlesex County Utilities Authority - Wastewater Division**

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Schedule of Costs - Main Sub-Station Rehabilitation - In Progress

September 30, 2014

(See Accountants' Compilation Report)

Preliminary design and engineering fees	\$ 162,817
Construction costs	<u>1,261,605</u>
In Progress - September 30, 2014	<u><u>\$ 1,424,422</u></u>

## **Middlesex County Utilities Authority - Wastewater Division**

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Schedule of Costs - Water Reuse (CPV) - In Progress

September 30, 2014

(See Accountants' Compilation Report)

Design and engineering fees

\$ 291,391

## Middlesex County Utilities Authority - Wastewater Division

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Summary of Insurance Claims Reserve

September 30, 2014

(See Accountants' Compilation Report)

Unemployment claims reserve	\$	118,372
Liability insurance reserve		3,546,469
Collision insurance reserve		279,709
Worker's compensation insurance reserve		<u>277,065</u>
	\$	<u>4,221,615</u>

## Middlesex County Utilities Authority - Wastewater Division

Summary of Revenue Serial Bonds Payable  
 Nine Months Ended September 30, 2014  
 (See Accountants' Compilation Report)

	Balance January 1, 2014	Bonds Issued Current Period	Principal Reduction	Balance September 30, 2014	Analysis of Balance	
					Current Portion	Due Long-Term
Issue of 2001A - N.J. EIT (Federal)	\$ 7,117,386	\$ -	\$ 889,276	\$ 6,228,110	\$ 888,780	\$ 5,339,330
Issue of 2001A - N.J. EIT (State)	8,740,000	-	915,000	7,825,000	960,000	6,865,000
Issue of 2005A	3,430,000	-	1,670,000	1,760,000	1,760,000	-
Issue of 2005A - N.J. EIT (Federal)	4,211,006	-	340,000	3,871,006	353,010	3,517,996
Issue of 2005A - N.J. EIT (State)	5,195,000	-	351,145	4,843,855	360,000	4,483,855
Issue of 2006 - N.J. EIT (Federal)	26,313,892	-	2,025,000	24,288,892	2,024,847	22,264,045
Issue of 2006 - N.J. EIT (State)	33,750,000	-	1,985,000	31,765,000	2,085,000	29,680,000
Issue of 2007	41,985,000	-	-	41,985,000	5,300,000	36,685,000
Sewer revenue refunding bonds, series 2008	14,100,000	-	-	14,100,000	4,065,000	10,035,000
Issue of 2009A - N.J. EIT (Federal)	7,917,862	-	494,866	7,422,996	494,866	6,928,130
Issue of 2009A - N.J. EIT (State)	8,440,000	-	375,000	8,065,000	390,000	7,675,000
Issue of 2009 C-1 - N.J. EIT (Trust/State)	2,715,000	-	120,000	2,595,000	125,000	2,470,000
Issue of 2009 C-2 - N. J. EIT (Trust/State)	3,525,000	-	155,000	3,370,000	165,000	3,205,000
Issue of 2009 D-1 - N.J. EIT (Federal)	3,550,108	-	221,882	3,328,226	221,882	3,106,344
Issue of 2009 D-2 - N.J. EIT (Federal)	9,891,625	-	618,226	9,273,399	618,227	8,655,172
Issue of 2010B - N.J. EIT (Trust/State)	5,005,000	-	195,000	4,810,000	205,000	4,605,000
Issue of 2010B - N.J. EIT (Federal)	4,991,086	-	293,593	4,697,493	293,593	4,403,900
Issue of 2014A - N.J. EIT (Trust/State)	-	1,370,000	-	1,370,000	50,000	1,320,000
Issue of 2014A - N.J. EIT (Federal)	-	4,218,527	143,001	4,075,526	214,501	3,861,025
	<u>\$ 190,877,965</u>	<u>\$ 5,588,527</u>	<u>\$ 10,791,989</u>	<u>\$ 185,674,503</u>	<u>\$ 20,574,706</u>	<u>\$ 165,099,797</u>