

**Middlesex County Utilities Authority -
Wastewater Division**

Financial Statements and
Supplementary Information

December 31, 2014 and 2013



Candor. Insight. Results.

Middlesex County Utilities Authority - Wastewater Division

Table of Contents

December 31, 2014 and 2013

	<u>Page</u>
Independent Auditors' Report	1
Required Supplementary Information	
Management's Discussion and Analysis (MD&A)	3
Financial Statements	
Statement of Net Position	7
Statement of Revenues and Expenses	9
Statement of Changes in Net Position	10
Statement of Cash Flows	11
Notes to Financial Statements	13
Supplementary Information	
Schedule of Cash, Cash Equivalents and Investments	26
Schedule of Changes in Unrestricted Cash and Cash Equivalents	27
Schedule of Changes in Restricted Cash, Cash Equivalents and Investments	28
Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget	38
Schedule of Capital Assets	43
Schedule of Accumulated Depreciation	44
Schedule of Costs of Construction in Progress	45
Schedule of Costs - Land Based Sludge Management Facility - In Progress	46
Schedule of Costs - Primary Tank Rehab - In Progress	47
Schedule of Costs - Main Trunk Rehab I - In Progress	48
Schedule of Costs - Edison Force Main - In Progress	49
Schedule of Costs - Final Tank Rehab - In Progress	50
Schedule of Costs - Sayerville Pump Station Rehabilitation - In Progress	51
Schedule of Costs - Black Start - In Progress	52
Schedule of Costs - Switchgear - In Progress	53
Schedule of Costs - Standby Power - In Progress	54
Schedule of Costs - Main Sub-Station Rehabilitation - In Progress	55
Schedule of Costs - Water Reuse (CPV) - In Progress	56
Schedule of Costs - OCS Boiler Relocation	57
Schedule of Costs - Hypo Tank Replacement	58
Schedule of Costs - Storage Building	59
Schedule of Costs - Thickener Tank Overflow	60
Summary of Insurance Claims Reserve	61
Summary of Revenue Serial Bonds Payable	62
Schedule of Rates	63
Schedule of Loadings and Charges	64
Roster of Officials	65
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	 66



Baker Tilly Virchow Krause, LLP
100 Walnut Ave, Ste 200
Clark, NJ 07066-1255
tel 732 388 5210
tel 800 267 9405
fax 888 264 9617
bakertilly.com

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Middlesex County Utilities Authority - Wastewater Division (the "Authority"), which comprise the statement of net position as of December 31, 2014 and 2013, and the related statements of revenues and expenses, changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Middlesex County Utilities Authority - Wastewater Division as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during the 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.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information (other than the Management Discussion and Analysis) listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other 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, such supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2015 on our consideration of 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Baker Tilly Viechow Krause, LLP

Clark, New Jersey
April 28, 2015

Middlesex County Utilities Authority - Wastewater Division

Management's Discussion and Analysis
Year Ended December 31, 2014
(Unaudited)

This section presents management's discussion and analysis of the Wastewater Division's financial condition and activities for the year ended December 31, 2014. This information should be read in conjunction with the basic financial statements.

Financial Highlights

- Hurricane Sandy and the resulting flooding was the most significant event of 2012. This event resulted in severe damage to three of the Authority's pumping stations. It also caused a decrease in revenue and increased expenditures for emergency repairs due to storm damage in the entire service area, power outages and an extended State of Emergency. The financial impact continued into 2014. (see Notes to Financial Statements).
- The Authority's total net position increased by \$9.9 million due mainly to debt reduction and fixed asset additions.
- There was a new bond issue in 2014 which increased outstanding debt by \$5.6 million. This is to finance the first phase of the rehabilitation of the main trunk sewer.
- Bond principal payments of \$20.2 million were made in accordance with the loan amortization schedules. The overall net change in outstanding debt was a decrease of \$14.6 million (see Summary of Revenue Serial Bonds Payable for more detail).
- A one-year note in the amount of \$5,000,000 was renewed by Amboy Bank in December 2014. This is to cover short-term operating needs that arise from ongoing Hurricane Sandy repairs.
- Operating revenues increased by \$3.4 million. A rate increase took place to compensate for non-reimbursable Hurricane Sandy expenditures and other capital projects.
- Operating expenses (excluding depreciation) had a negligible increase in 2014.

Overview of the Financial Statements

The Authority is a body politic and corporate and an instrumentality of the State of New Jersey. The Wastewater Division is supported by user fees from its participants which consisted of 23 municipalities and 6 commercial industries during the year ended December 31, 2014. The Authority supplies secondary wastewater treatment to Middlesex County and parts of Union and Somerset Counties. The financial statements report information using full accrual accounting methods. The Authority has been subject to GAAP (generally accepting accounting principles) since 1986 as promulgated by GASB; hence the depreciation and amortization schedules are now and have been an integral part of the financial statements enumerated below.

The **Statement of Net Position** presents the financial position of the Authority on a full accrual historical cost basis. The statement of net position presents information on all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the Authority is improving or deteriorating.

Middlesex County Utilities Authority - Wastewater Division

Management's Discussion and Analysis
Year Ended December 31, 2014
(Unaudited)

The **Statement of Revenues and Expenses and the Statement of Changes in Net Position** present the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The **Statement of Cash Flows** presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The **Notes to the Basic Financial Statements** provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances, and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Supplementary Information comparing the budget to actual expenses, as well as important debt coverage data, is provided.

The basic financial statements were prepared by the Authority's staff from the detailed books and records of the Authority. The basic financial statements were audited and adjusted, if material, during the independent external audit process.

Financial Analysis of the Authority

The following comparative condensed analyses should be used in conjunction with the complete exhibits included in the basic financial statements.

Net Position

	December 31,	
	2014	2013
Current assets	\$ 57,720,061	\$ 61,268,292
Capital assets	460,496,868	457,753,159
Non-current assets	2,507,294	2,095,672
Total assets	520,724,223	521,117,123
Current liabilities	38,154,409	37,100,108
Long-term debt	170,530,485	187,339,734
Other liabilities	43,766,004	38,303,506
Total liabilities	252,450,898	262,743,348
Total net position	\$ 268,273,325	\$ 258,373,775

Middlesex County Utilities Authority - Wastewater Division

Management's Discussion and Analysis
Year Ended December 31, 2014
(Unaudited)

	December 31,	
	2014	2013
Land	\$ 8,401,828	\$ 8,401,828
Building and improvements	163,436,168	163,619,016
Improvements other than buildings	372,197,427	368,214,229
Machinery and equipment	28,056,232	25,880,132
Furniture and fixtures	24,711	60,450
Total capital assets	572,116,366	566,175,655
Less: accumulated depreciation and amortization	265,140,090	248,539,720
	306,976,276	317,635,935
Construction in progress	153,520,592	140,117,224
Net capital assets	\$ 460,496,868	\$ 457,753,159

Total capital assets include \$164,560,076 in 2014 and \$166,985,712 in 2013 which were acquired with contributed capital. Contributed capital received in 2014 was \$3,026,000.

Outstanding Bond Issues

	December 31,	
	2014	2013
2001 N.J. EIT bonds	\$ 14,053,110	\$ 15,857,386
2005 N.J. EIT bonds	8,714,861	9,406,006
Series 2005 refunding bonds	1,760,000	3,430,000
2006 N.J. EIT bonds	56,053,892	60,063,892
2007 bond issue	36,685,000	41,985,000
2008 refunding bonds	10,035,000	14,100,000
2009A N.J. EIT bonds	15,487,996	16,357,862
2009 D-1 N.J. EIT bonds	3,328,226	3,550,108
2009 C-1 N.J. EIT bonds	2,595,000	2,715,000
2009 D-2 N.J. EIT bonds	9,273,398	9,891,625
2009 C-2 N.J. EIT bonds	3,370,000	3,525,000
2010 N.J. EIT bonds	9,507,493	9,996,086
2014A N.J. EIT bonds	5,445,526	-
Total outstanding debt	\$ 176,309,502	\$ 190,877,965

Middlesex County Utilities Authority - Wastewater Division

Management's Discussion and Analysis
Year Ended December 31, 2014
(Unaudited)

Other Financial Information

- Modifications to the sludge drying process were completed in 2008; however, the contractor and the Authority are currently in litigation concerning certain aspects of the project.
- The purchase of the landfill gas-to-energy system has resulted in lower electric costs, natural gas costs and grid sales for any excess amounts generated. The purchase price of the system is on track to be recouped over the next decade.
- Funding from the NJEIT is being used for the rehabilitation of the original Sayreville Pump Station, which is nearing completion.
- Funding from the Federal Emergency Management Agency (FEMA) will help to offset the costs associated with clean-up, repairs and replacement of assets damaged or destroyed by Hurricane Sandy. Mitigation of incurred damage will likely be ongoing for several years.

Financial Contact

The Authority's financial statements are designed to present users (citizens, taxpayers, investors and creditors) with a general overview of the Authority's finances and to demonstrate the Authority's accountability for its resources. If you have questions about this report or need additional information, contact the Authority's Acting Treasurer/Comptroller at Middlesex County Utilities Authority, P.O. Box 159, 2571 Main Street, Sayreville, New Jersey 08872.

Middlesex County Utilities Authority - Wastewater Division

Statement of Net Position

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Unrestricted Current Assets		
Cash and cash equivalents	\$ 4,099,781	\$ 4,030,303
Interest receivable	88	175
Annual charges receivable	3,972,683	3,584,983
Grant receivable	13,049,346	20,189,491
Due from Solid Waste Division	196,173	-
Other charges receivable	500,265	501,790
Total unrestricted current assets	<u>21,818,336</u>	<u>28,306,742</u>
Restricted Assets		
Cash and cash equivalents	35,654,148	32,715,487
Trust accounts	243,709	243,469
Interest receivable	3,868	2,594
Due from NJEIT, bond proceeds receivable	2,507,294	2,095,672
Total restricted assets	<u>38,409,019</u>	<u>35,057,222</u>
Capital Assets		
Land and depreciable assets	572,116,366	566,175,655
Less: accumulated depreciation	<u>(265,140,090)</u>	<u>(248,539,720)</u>
	306,976,276	317,635,935
Construction projects in progress	<u>153,520,592</u>	<u>140,117,224</u>
Capital assets, net	<u>460,496,868</u>	<u>457,753,159</u>
Total assets	<u>\$ 520,724,223</u>	<u>\$ 521,117,123</u>

See notes to financial statements

Middlesex County Utilities Authority - Wastewater Division

Statement of Net Position

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Liabilities and Net Position		
Current Liabilities Payable from Unrestricted Assets		
Accounts payable - operations and payroll	\$ 3,654,617	\$ 4,316,824
Accrued expenses	208,917	700,645
Refunds due participants	5,174,065	4,227,770
Related party interest payable	33,255	210,229
Total current liabilities payable from unrestricted assets	<u>9,070,854</u>	<u>9,455,468</u>
Current Liabilities Payable from Restricted Assets		
Accounts payable - construction accounts	88,591	167,425
Contractors' retainages	1,202,764	1,035,594
Bonds payable - current portion	21,464,706	20,013,989
Note payable	5,000,000	5,000,000
Accrued interest payable on bonds	1,327,494	1,427,632
Total current liabilities payable from restricted assets	<u>29,083,555</u>	<u>27,644,640</u>
Long-Term Liabilities Payable from Restricted Assets		
Bonds payable, net of current portion	154,844,796	170,863,976
Note payable, Solid Waste Division	12,636,000	13,100,000
Unamortized gain on defeasance	184,000	199,333
Unamortized original issue premium	2,865,689	3,176,425
Liability for other post employment benefits	38,002,962	33,268,156
Funds held in escrow	1,437,478	673,434
Reserve for insurance claims	4,206,855	4,243,447
CPS/MCUA trust account	118,709	118,469
Total long-term liabilities payable from restricted assets	<u>214,296,489</u>	<u>225,643,240</u>
Total liabilities	<u>252,450,898</u>	<u>262,743,348</u>
Net Position		
Invested in capital assets, net of related debt	279,187,366	212,092,281
Restricted:		
Restricted for operations	200,000	200,000
Restricted for future reconstruction and replacement	1,072,768	571,436
Restricted for future debt service	13,734,859	14,138,440
Restricted for construction	974,280	35,644,473
Unrestricted	(26,895,948)	(4,272,855)
Total net position	<u>268,273,325</u>	<u>258,373,775</u>
Total liabilities and net position	<u>\$ 520,724,223</u>	<u>\$ 521,117,123</u>

See notes to financial statements

Middlesex County Utilities Authority - Wastewater Division

Statement of Revenues and Expenses

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Annual charges, net	\$ 78,208,932	\$ 75,086,171
Treatment of septic tank waste	258,725	164,803
Treatment of industrial hauled waste	962	11,318
Service fees, review of plans, etc.	1,350	3,600
Permit fees, industrial pretreatment	28,250	26,900
Miscellaneous income	171,535	395,838
Management fees	1,652,004	1,341,000
Sampling and lab fees	16,716	28,300
Analytical services	16,981	27,278
Groundwater discharge fees	949,031	833,242
Sale of synthetic soil	540,062	549,331
Penalty assessments	17,600	66,350
Praxair - sale of oxygen	991,326	897,586
Praxair - sale of nitrogen	1,231,654	1,216,555
Praxair - water usage	28,664	29,630
PSE&G - REC credit income	347,829	353,520
Sale of plans and specifications	1,525	9,175
	<u>84,463,146</u>	<u>81,040,597</u>
Total operating revenues		
Operating Expenses		
Salaries and wages	12,446,692	12,143,349
Administration	16,624,979	17,102,657
Central treatment plant	18,837,809	17,203,118
Sayreville pumping station	1,441,373	1,097,774
Edison pumping station	583,229	381,394
Bound Brook pumping station	27,608	35,842
Green Brook pumping station	74,130	86,322
South Amboy pumping station	118,209	119,307
Lines, meters and small pumping stations	373,502	592,978
WWT - administrative fee	255,855	263,280
DEP fees	152,349	149,273
Depreciation	18,491,721	16,199,567
	<u>69,427,456</u>	<u>65,374,861</u>
Total operating expenses		
Operating income	<u>15,035,690</u>	<u>15,665,736</u>
Non-Operating Revenues (Expenses)		
Interest on investments and deposits	39,865	36,169
Interest on investments (reconstruction and replacement)	1,332	406
Interest on investments (other restricted accounts)	29,920	35,029
Bond issuance costs	(16,075)	-
Amortization of gain on defeasance	15,333	15,333
Amortization of original issue premium	419,233	413,808
Gain on sale of land - Sayreville	-	2,039,750
FEMA proceeds	-	16,360,173
Hurricane loss	(4,151,678)	(16,065,569)
Interest on bonds	(4,091,182)	(4,042,244)
Other interest expense	(49,862)	-
Related party interest	(359,026)	(359,037)
	<u>(8,162,140)</u>	<u>(1,566,182)</u>
Total non-operating revenues (expenses)		
Change in net position	<u>\$ 6,873,550</u>	<u>\$ 14,099,554</u>

See notes to financial statements

Middlesex County Utilities Authority - Wastewater Division

Statement of Changes in Net Position
Years Ended December 31, 2014 and 2013

	Invested in Capital Assets, net of Related Debt	Restricted Net Position				Unrestricted	Total
		Restricted for Operations	Restricted for Future Reconst. and Replacement	Restricted for Future Debt Service	Restricted for Construction		
Balance, January 1, 2013	\$ 187,527,751	\$ 200,000	\$ 71,030	\$ 14,652,068	\$ 48,689,344	\$ (6,865,972)	\$ 244,274,221
Change in net position	(12,920,399)	-	406	32,955	2,074	26,984,518	14,099,554
Depreciation charged to contributed capital	(3,279,168)	-	-	-	-	3,279,168	-
Interfund transfers, net	40,764,097	-	500,000	(546,583)	(13,046,945)	(27,670,569)	-
Balance, December 31, 2013	212,092,281	200,000	571,436	14,138,440	35,644,473	(4,272,855)	258,373,775
Change in net position	(15,211,960)	-	1,332	27,845	2,075	22,054,258	6,873,550
Contributed capital	3,026,000	-	-	-	-	-	3,026,000
Depreciation charged to contributed capital	(3,279,761)	-	-	-	-	3,279,761	-
Interfund transfers, net	82,560,806	-	500,000	(431,426)	(34,672,268)	(47,957,112)	-
Balance, December 31, 2014	<u>\$ 279,187,366</u>	<u>\$ 200,000</u>	<u>\$ 1,072,768</u>	<u>\$ 13,734,859</u>	<u>\$ 974,280</u>	<u>\$ (26,895,948)</u>	<u>\$ 268,273,325</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

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 86,348,007	\$ 80,512,434
Cash payments for goods and services	(28,473,153)	(34,851,933)
Cash payments for goods and services- Hurricane	(4,151,678)	(16,065,569)
Cash payments to employees	(12,446,692)	(12,143,349)
	<u>41,276,484</u>	<u>17,451,583</u>
Net cash provided by operating activities		
Cash Flows from Capital and Related Financing Activities		
Acquisition of property, plant and equipment and construction in progress (including capitalized interest of \$1,614,069 in 2014 and \$2,310,915 in 2013)	(21,235,430)	(13,389,475)
Cash paid for interest on bonds and related party debt	(4,777,182)	(4,350,039)
Proceeds from issuance of bonds	5,588,527	-
Repayment of note payable - Solid Waste Division	(464,000)	-
Proceeds from Hurricane Sandy note payable	-	5,000,000
Proceeds from sale of land	-	2,211,250
Contributed capital	3,026,000	-
Bond issuance costs	(16,075)	-
Bond premiums	108,497	-
Payment of bonds payable	(20,156,990)	(18,987,622)
	<u>(37,926,653)</u>	<u>(29,515,886)</u>
Net cash used in capital and related financing activities		
Cash Flows from Investing Activities		
Cash received from interest	69,930	84,343
(Increase) decrease in due from NJ Wastewater Trust	(411,622)	2,471,971
	<u>(341,692)</u>	<u>2,556,314</u>
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	3,008,139	(9,507,989)
Cash and Cash Equivalents, Beginning of Year	<u>36,745,790</u>	<u>46,253,779</u>
Cash and Cash Equivalents, End of Year	<u>\$ 39,753,929</u>	<u>\$ 36,745,790</u>
Summary of Cash and Cash Equivalents at End of Year		
Unrestricted cash and cash equivalents	\$ 4,099,781	\$ 4,030,303
Restricted cash and cash equivalents	<u>35,654,148</u>	<u>32,715,487</u>
	<u>\$ 39,753,929</u>	<u>\$ 36,745,790</u>

See notes to financial statements

Middlesex County Utilities Authority - Wastewater Division

Statement of Cash Flows

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 15,035,690	\$ 15,665,736
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	18,491,721	16,199,567
Non-operating FEMA reimbursements	-	2,961,413
Non-operating expenses - Hurricane	(4,151,678)	(16,065,569)
Changes in operating assets and liabilities:		
(Increase) decrease in receivables and other assets:		
Unrestricted accounts	6,557,797	130,126
Restricted accounts	(240)	(254)
Increase (decrease) in current liabilities:		
Payable from unrestricted net assets	(207,640)	(6,195,044)
Payable from restricted net assets	88,336	(799,352)
Funds held in escrow	764,044	672,700
Other liabilities	4,698,454	4,882,260
Net cash provided by operating activities	<u>\$ 41,276,484</u>	<u>\$ 17,451,583</u>

See notes to financial statements

Middlesex County Utilities Authority - Wastewater Division

Notes to Financial Statements
December 31, 2014 and 2013

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 ("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

These financial statements include the operations of the Division's activities relative to the construction, maintenance and operations of the Division's sewage and sludge treatment facilities, but exclude the assets, liabilities, net position and operations of the Solid Waste Division.

General Statement

The accounting and reporting policies of the 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 the GASB.

Middlesex County Utilities Authority - Wastewater Division

Notes to Financial Statements
December 31, 2014 and 2013

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 April 28, 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>2014</u>	<u>2013</u>
Board enacted restrictions	\$ 35,658,016	\$ 32,718,081
Trust accounts	243,709	243,469
Bond proceeds receivable - NJEIT capital projects	<u>2,507,294</u>	<u>2,095,672</u>
	<u>\$ 38,409,019</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

Notes to Financial Statements
December 31, 2014 and 2013

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 December 31, 2014 or 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

Notes to Financial Statements
December 31, 2014 and 2013

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 December 31, 2014, the carrying amount of the Authority's deposits was \$39,753,929 and the bank balance was \$42,501,146, only \$250,000 of which was insured by the FDIC. Balances above the FDIC amount are insured through the GUDPA, N.J.S.A. 17:9-41 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 December 31, 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
December 31, 2014 and 2013

4. Capital Assets

Capital assets consist of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 8,401,828	\$ 8,401,828
Buildings and improvements	163,436,168	163,619,016
Improvements other than buildings	315,398,721	314,011,825
Machinery and equipment	23,037,059	22,057,531
Furniture and fixtures	24,711	60,450
Landfill gas collection facility	56,798,706	54,202,404
Landfill gas collection equipment	<u>5,019,173</u>	<u>3,822,601</u>
	572,116,366	566,175,655
Less: accumulated depreciation	<u>(265,140,090)</u>	<u>(248,539,720)</u>
	306,976,276	317,635,935
Construction in progress	<u>153,520,592</u>	<u>140,117,224</u>
	<u>\$ 460,496,868</u>	<u>\$ 457,753,159</u>

Depreciation expense for the years ended December 31, 2014 and 2013 was \$18,491,721 and \$16,199,567, respectively.

During the years ended December 31, 2014 and 2013, the following changes occurred in capital assets:

	<u>Balance January 1, 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance December 31, 2014</u>
Land	\$ 8,401,828	\$ -	\$ -	\$ 8,401,828
Buildings and improvements	163,619,016	15,017	197,865	163,436,168
Other improvements	314,011,825	2,170,198	783,302	315,398,721
Machinery and equipment	22,057,531	1,820,308	840,780	23,037,059
Furniture and fixtures	60,450	-	35,739	24,711
Landfill gas collection facility	54,202,404	2,596,302	-	56,798,706
Landfill gas collection equipment	<u>3,822,601</u>	<u>1,230,357</u>	<u>33,785</u>	<u>5,019,173</u>
Total	<u>\$ 566,175,655</u>	<u>\$ 7,832,182</u>	<u>\$ 1,891,471</u>	<u>\$ 572,116,366</u>

Middlesex County Utilities Authority - Wastewater Division

Notes to Financial Statements
December 31, 2014 and 2013

	Balance January 1, 2013	Increase	Decrease	Balance December 31, 2013
Land	\$ 8,573,328	\$ -	\$ 171,500	\$ 8,401,828
Buildings and improvements	163,595,780	29,300	6,064	163,619,016
Other improvements	261,861,725	55,854,407	3,704,307	314,011,825
Machinery and equipment	12,747,076	9,844,872	534,417	22,057,531
Furniture and fixtures	115,922	-	55,472	60,450
Landfill gas collection facility	53,836,571	365,833	-	54,202,404
Landfill gas collection equipment	3,288,850	533,751	-	3,822,601
Total	\$ 504,019,252	\$ 66,628,163	\$ 4,471,760	\$ 566,175,655

5. Bonds Payable

	2014	2013
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	3,859,861	4,211,006
State portion	4,855,000	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)	36,685,000	41,985,000
Sewer revenue refunding bonds series 2008 (f)	10,035,000	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	9,273,398	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>176,309,502</u>	<u>190,877,965</u>
Current portion	21,464,706	20,013,989
Long-term portion	<u>\$ 154,844,796</u>	<u>\$ 170,863,976</u>

Middlesex County Utilities Authority - Wastewater Division

Notes to Financial Statements
December 31, 2014 and 2013

- 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 approximately \$960,000 to \$1,285,000 through August 2021. Current portion as of December 31, 2014 is \$1,848,780.
- b. Bond payable in semi-annual installments of approximately \$880,000, final maturity in September 2015. The bond bears interest at rates ranging from 4.875% to 5.375% per annum.
- c. Bonds payable in two separate portions. The Federal portion is payable in semi-annual principal amounts totaling approximately \$353,000 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 approximately \$360,000 to \$540,000 through August 2025. Current portion as of December 31, 2014 is \$713,010.
- d. Bonds payable in two separate portions. The Federal portion is payable in semi-annual principal amounts totaling approximately \$2,025,000, 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 approximately \$2,085,000 to \$3,190,000 through August 2026. Current portion as of December 31, 2014 is \$4,109,847.
- e. Bond payable in annual principal amounts which range from a current amount of \$5,960,000 increasing each year to a final payment of \$11,675,000 on December 15, 2019. The interest rate on the bond ranges from 3.625% to 5.250% per annum. The current rate is 4.000%.
- f. Bond payable in annual installments ranging from a current principal amount of \$4,295,000 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 are payable in annual installments that range from the current amount of \$390,000, increasing annually to \$700,000 through August 2029. Current portion as of December 31, 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. Current portion as of December 31, 2014 is \$346,882.

Middlesex County Utilities Authority - Wastewater Division

Notes to Financial Statements
December 31, 2014 and 2013

- 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. Current portion as of December 31, 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 \$205,000 increasing annually to \$420,000 through August 2030. Current portion as of December 31, 2014 is \$498,593.
- 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 December 31, 2014 is \$264,501.

A portion of 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 statement of net position.

During the years ended December 31, 2014 and 2013, the following changes occurred in long-term debt obligations:

	<u>January 1, 2014</u>	<u>Additions</u>	<u>Retired</u>	<u>December 31, 2014</u>
Bonds payable	<u>\$ 190,877,965</u>	<u>\$ 5,588,527</u>	<u>\$ 20,156,990</u>	<u>\$ 176,309,502</u>
	<u>January 1, 2013</u>	<u>Additions</u>	<u>Retired</u>	<u>December 31, 2013</u>
Bonds payable	<u>\$ 209,865,587</u>	<u>\$ -</u>	<u>\$ 18,987,622</u>	<u>\$ 190,877,965</u>

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

Middlesex County Utilities Authority - Wastewater Division

Notes to Financial Statements
December 31, 2014 and 2013

Annual debt service on bonds payable is as follows:

Years Ending December 31,	Principal Sinking Fund Requirements	Interest	Total
2015	\$ 21,464,706	\$ 5,321,925	\$ 26,786,631
2016	22,058,293	4,520,188	26,578,481
2017	16,513,087	3,670,212	20,183,299
2018	15,837,212	3,110,225	18,947,437
2019	21,982,608	2,586,250	24,568,858
2020 - 2024	48,207,403	6,504,988	54,712,391
2025 - 2029	28,304,593	1,591,506	29,896,099
2030 - 2033	1,941,600	50,356	1,991,956
	<u>\$ 176,309,502</u>	<u>\$ 27,355,650</u>	<u>\$ 203,665,152</u>

6. Note Payable

On December 19, 2014, the Authority renewed 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 December 31, 2014, has borrowed \$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, 2015 by use of reimbursements to the Authority from the Federal Emergency Management Agency ("FEMA") and certain available Authority cash reserves.

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 are 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 \$190,900,000; 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.

Middlesex County Utilities Authority - Wastewater Division

Notes to Financial Statements
December 31, 2014 and 2013

7. Pension and Retirement Plans

Pension Plan

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. For the years ended December 31, 2014 and 2013, the Authority made contributions totaling \$1,304,048 and \$1,306,941, respectively.

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 No. 32"), for both the deferred compensation and 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").

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.

Middlesex County Utilities Authority - Wastewater Division

Notes to Financial Statements
December 31, 2014 and 2013

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 annual OPEB cost for the year ended December 31, 2014, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation:

	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 2,473,035	\$ 2,465,603
Interest on Net OPEB obligation	1,522,064	1,517,490
Amortization on Net OPEB obligation	<u>1,878,997</u>	<u>1,873,350</u>
Annual OPEB cost	5,874,096	5,856,443
Contributions made	<u>1,139,290</u>	<u>1,093,220</u>
Increase in Net OPEB obligation	4,734,806	4,763,223
Net OPEB obligation, beginning of year	<u>33,268,156</u>	<u>28,504,933</u>
Net OPEB obligation, end of year	<u><u>\$ 38,002,962</u></u>	<u><u>\$ 33,268,156</u></u>

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><u>\$ 64,239,548</u></u>
Funded ratio, actuarial value of plan assets/AAL	<u><u>0.00%</u></u>
Covered payroll	<u><u>\$ 12,446,692</u></u>
UAAL as a percentage of covered payroll	<u><u>516.12%</u></u>

Middlesex County Utilities Authority - Wastewater Division

Notes to Financial Statements
December 31, 2014 and 2013

8. Related Party Transactions

Management Fee

The operating revenues for the Wastewater Division include management fees from the Solid Waste Division, which amounted to \$1,652,004 and \$1,341,000 for years ended December 31, 2014 and 2013, respectively.

Note Payable

The Solid Waste Division advanced the Wastewater Division \$15,100,000 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 years ended December 31, 2014 and 2013 amounted to \$359,026 and \$359,037, respectively. The principal outstanding on this loan was \$12,636,000 and \$13,100,000 as of December 31, 2014 and 2013, 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 \$66,758, and \$565,634 at December 31, 2014 and 2013, respectively.

9. 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.

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 an amount that is in excess of the contractor's claim. 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 December 31, 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 \$2,507,000 at December 31, 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.

Middlesex County Utilities Authority - Wastewater Division

Notes to Financial Statements
December 31, 2014 and 2013

10. 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 with the expectation of recouping 90% of the sustained losses of the rebuild and repair of the facilities 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 \$29,584,000 since the date of the hurricane through December 31, 2014. Total replacement costs are estimated at \$125,000,000.

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.

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

December 31, 2014

	Cash and Cash Equivalents	Investments				Total Cash Cash Equivalents and Investments	
		Account	Purchase Date	Maturity Date	Face Value		Cost Basis
Revenue Fund - Unrestricted							
Cash accounts (1977)	\$ 2,081,781	Certificates of Deposit	Various	1/22/2015	\$ 2,018,000	\$ 2,018,000	\$ 4,099,781
Other Accounts - Restricted							
Unemployment claims reserve	118,431				-	-	118,431
General liability insurance reserve	3,548,259				-	-	3,548,259
Collision insurance reserve	279,850				-	-	279,850
Worker's compensation insurance reserve	260,317				-	-	260,317
Future plant, reconstr. or replacement reserve	1,072,768				-	-	1,072,768
Renewal and replacement (1985)	-	Certificate of Deposit	12/29/2014	6/29/2015	60,000	60,000	60,000
General fund (1985)	170	Certificate of Deposit	12/29/2014	6/29/2015	70,000	70,000	70,170
Tru-Val retainage	2,153				-	-	2,153
LBSM Construction Fund (1985)	54,472				-	-	54,472
Construction fund 1991 issue	134	Certificates of Deposit	Various	1/22/2015	5,362,000	5,362,000	5,362,134
Hurricane Sandy Repairs	5,010,256				-	-	5,010,256
Metra retainage	52,348				-	-	52,348
Construction fund (2006)	25,882	Certificate of Deposit	9/26/2014	3/27/2015	982,000	982,000	1,007,882
Bond service (1993A)	437				-	-	437
Bond reserve (2005A)	848	Certificate of Deposit	9/15/2014	3/16/2015	3,343,000	3,343,000	3,343,848
Spectraserve retainage	713,889				-	-	713,889
Solid Waste Division loan reserve	66,758				-	-	66,758
Bond reserve (2007)	-	Certificate of Deposit	12/29/2014	6/29/2015	6,000,000	6,000,000	6,000,000
Construction fund (2007)	731	Certificate of Deposit	9/24/2014	3/27/2015	1,856,000	1,856,000	1,856,731
Kenny Construction Retainage	101,162				-	-	101,162
Northeast Remsco Retainage	95,142				-	-	95,142
Allied Retainage	238,071				-	-	238,071
WWD Benefits Escrow	966				-	-	966
WWD FSA Escrow	7,832				-	-	7,832
CPV Escrow	1,428,678				-	-	1,428,678
WWD FEMA Escrow	512,656				-	-	512,656
Bond reserve (2008)	938	Certificates of Deposit	12/29/2014	6/29/2015	4,388,000	4,388,000	4,388,938
Total restricted accounts	13,593,148				22,061,000	22,061,000	35,654,148
Total - combined	\$ 15,674,929				\$ 24,079,000	\$ 24,079,000	\$ 39,753,929

Middlesex County Utilities Authority - Wastewater Division

Schedule of Changes in Unrestricted Cash and Cash Equivalents

Year Ended December 31, 2014

Sources:

Prior year deficiencies	\$ 1,506,872
2014 annual charges	76,551,712
2013 annual charges	2,078,109
Septage treatment/Hauled waste fees	259,687
Service fees, plan approvals, etc.	3,800
Industrial pretreatment fees	26,850
Interest on investments	13,614
Groundwater discharge fees	887,587
Expense reimbursements	1,520,734
Management fees	1,652,004
Lab and sampling fees	49,610
Sale of synthetic soil to Solid Waste Division	615,732
Sale of plans and specifications	575
Penalty assessments	17,600
PSE&G - REC credit income	344,833
Miscellaneous income	171,691
Grid sales	2,996
Sale of oxygen - Praxair	972,895
Sale of nitrogen - Praxair	1,221,097
Sale of water - Praxair	28,963
	<u>87,926,961</u>
Total sources	

Uses:

Budget expenses and payment of accounts payable	72,237,747
Refunds to participants	1,565,340
	<u>73,803,087</u>
Total uses	

Transfers to/from Restricted Funds:

Total debt service funds (net)	(26,314,334)
Interest on investments	28,205
Transfers to restricted funds	(589,000)
Transfers from restricted funds	12,820,733
	<u>(14,054,396)</u>
Total transfers	
Net increase	69,478

Balance, Beginning of Year 4,030,303

Balance, End of Year \$ 4,099,781

Balance Comprised of:

Cash	\$ 2,081,781
Cash equivalents	<u>2,018,000</u>
	<u><u>\$ 4,099,781</u></u>

Middlesex County Utilities Authority - Wastewater Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments

Year Ended December 31, 2014

	2009 NJEIT Debt Service	LBSM Construction Fund 1985 Issue	Renewal and Replacement 1985 Issue	General Fund 1985 Issue
Sources:				
Interest income	\$ -	\$ 31	\$ 122	\$ 143
Retainage deposits	-	-	-	-
Escrow deposits	-	-	-	-
Expense reimbursement	-	-	-	-
Transfers - unrestricted funds	1,276,573	589,000	-	-
Budget appropriation	-	-	-	-
Debt proceeds	-	-	-	-
Total sources	1,276,573	589,031	122	143
Uses:				
Bond principal paid	869,866	-	-	-
Bond interest paid	353,936	-	-	-
Vouchers paid	-	588,499	-	-
Claims paid	-	-	-	-
DEP fees	24,331	-	-	-
Escrow withdrawals	-	-	-	-
N.J. Wastewater admin. fees	28,440	-	-	-
Transfers - unrestricted funds	-	-	122	143
Total uses	1,276,573	588,499	122	143
Increase (Decrease)	-	532	-	-
Balance, Beginning of Year	-	53,940	60,000	70,170
Balance, End of Year	\$ -	\$ 54,472	\$ 60,000	\$ 70,170
Balance Comprised of:				
Cash	\$ -	\$ 54,472	\$ -	\$ 170
Investments:				
Certificates of deposit	-	-	60,000	70,000
Treasury notes	-	-	-	-
	\$ -	\$ 54,472	\$ 60,000	\$ 70,170

Middlesex County Utilities Authority - Wastewater Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments
Year Ended December 31, 2014

	1991 Construction Fund	2006 Construction Fund	Solid Waste Division Loan Reserve	Tru-Val Retainage
Sources:				
Interest income	\$ 4,352	\$ 1,592	\$ 1,124	\$ 4
Retainage deposits	-	-	-	-
Escrow deposits	-	-	-	-
Expense reimbursement	-	-	-	-
Transfers - unrestricted funds	-	-	-	-
Budget appropriation	-	-	500,000	-
Debt proceeds	5,213,080	-	-	-
Total sources	5,217,432	1,592	501,124	4
Uses:				
Bond principal paid	-	-	464,000	-
Bond interest paid	-	-	536,000	-
Vouchers paid	-	788	-	-
Claims paid	-	-	-	-
DEP fees	-	-	-	-
Escrow withdrawals	-	-	-	-
N.J. Wastewater admin. fees	-	-	-	-
Transfers - unrestricted funds	3,437,916	-	-	-
Total uses	3,437,916	788	1,000,000	-
Increase (Decrease)	1,779,516	804	(498,876)	4
Balance, Beginning of Year	3,582,618	1,007,078	565,634	2,149
Balance, End of Year	\$ 5,362,134	\$ 1,007,882	\$ 66,758	\$ 2,153
Balance Comprised of:				
Cash	\$ 134	\$ 25,882	\$ 66,758	\$ 2,153
Investments:				
Certificates of deposit	5,362,000	982,000	-	-
Treasury notes	-	-	-	-
	\$ 5,362,134	\$ 1,007,882	\$ 66,758	\$ 2,153

Middlesex County Utilities Authority - Wastewater Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments
Year Ended December 31, 2014

	Hurricane Sandy Repairs	Allied Retainage	WWD FEMA Escrow	Bond Service 1993A
Sources:				
Interest income	\$ 10,009	\$ 457	\$ 7,683	\$ -
Retainage deposits	-	17,591	-	-
Escrow deposits	-	-	7,140,145	-
Expense reimbursement	-	-	-	-
Transfers - unrestricted funds	-	-	-	-
Budget appropriation	-	-	-	-
Debt proceeds	-	-	-	-
Total sources	10,009	18,048	7,147,828	-
Uses:				
Bond principal paid	-	-	-	-
Bond interest paid	-	-	-	-
Vouchers paid	-	-	-	-
Claims paid	-	-	-	-
DEP fees	-	-	-	-
Escrow withdrawals	-	-	-	-
N.J. Wastewater admin. fees	-	-	-	-
Transfers - unrestricted funds	-	-	6,900,000	-
Total uses	-	-	6,900,000	-
Increase (Decrease)	10,009	18,048	247,828	-
Balance, Beginning of Year	5,000,247	220,023	264,828	437
Balance, End of Year	\$ 5,010,256	\$ 238,071	\$ 512,656	\$ 437
Balance Comprised of:				
Cash	\$ 5,010,256	\$ 238,071	\$ 512,656	\$ 437
Investments:				
Certificates of deposit	-	-	-	-
Treasury notes	-	-	-	-
	\$ 5,010,256	\$ 238,071	\$ 512,656	\$ 437

Middlesex County Utilities Authority - Wastewater Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments
Year Ended December 31, 2014

	<u>Metra Retainage</u>	<u>2010 ARRA Debt Service</u>	<u>Bond Service 2001 Issue</u>	<u>SpectraServ Retainage</u>
Sources:				
Interest income	\$ 28	\$ -	\$ -	\$ 1,426
Retainage deposits	52,320	-	-	-
Escrow deposits	-	-	-	-
Expense reimbursement	-	-	-	-
Transfers - unrestricted funds	-	480,595	2,196,593	-
Budget appropriation	-	-	-	-
Debt proceeds	-	-	-	-
	<u>52,348</u>	<u>480,595</u>	<u>2,196,593</u>	<u>1,426</u>
Total sources	<u>52,348</u>	<u>480,595</u>	<u>2,196,593</u>	<u>1,426</u>
Uses:				
Bond principal paid	-	341,882	1,804,276	-
Bond interest paid	-	113,972	343,702	-
Vouchers paid	-	-	-	-
Claims paid	-	-	-	-
DEP fees	-	15,606	-	-
Escrow withdrawals	-	-	-	-
N.J. Wastewater admin. fees	-	9,135	48,615	-
Transfers - unrestricted funds	-	-	-	-
	<u>-</u>	<u>480,595</u>	<u>2,196,593</u>	<u>-</u>
Total uses	<u>-</u>	<u>480,595</u>	<u>2,196,593</u>	<u>-</u>
Increase (Decrease)	52,348	-	-	1,426
Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>712,463</u>
Balance, End of Year	<u>\$ 52,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 713,889</u>
Balance Comprised of:				
Cash	\$ 52,348	\$ -	\$ -	\$ 713,889
Investments:				
Certificates of deposit	-	-	-	-
Treasury notes	-	-	-	-
	<u>\$ 52,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 713,889</u>

Middlesex County Utilities Authority - Wastewater Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments

Year Ended December 31, 2014

	Collision Insurance Reserve	Unemploy. Claims Reserve	Worker's Compensation Insurance Reserve	General Liability Insurance Reserve
Sources:				
Interest income	\$ 568	\$ 228	\$ 571	\$ 7,089
Retainage deposits	-	-	-	-
Escrow deposits	-	-	-	-
Expense reimbursement	5,000	23,998	-	-
Transfers - unrestricted funds	-	-	-	-
Budget appropriation	-	-	-	-
Debt proceeds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total sources	5,568	24,226	571	7,089
Uses:				
Bond principal paid	-	-	-	-
Bond interest paid	-	-	-	-
Vouchers paid	-	-	-	-
Claims paid	2,632	-	41,884	-
DEP fees	-	-	-	-
Escrow withdrawals	-	-	-	-
N.J. Wastewater admin. fees	-	-	-	-
Transfers - unrestricted funds	12,106	-	17,423	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total uses	14,738	-	59,307	-
Increase (Decrease)	(9,170)	24,226	(58,736)	7,089
Balance, Beginning of Year	289,020	94,205	319,053	3,541,170
Balance, End of Year	<u>\$ 279,850</u>	<u>\$ 118,431</u>	<u>\$ 260,317</u>	<u>\$ 3,548,259</u>
Balance Comprised of:				
Cash	\$ 279,850	\$ 118,431	\$ 260,317	\$ 3,548,259
Investments:				
Certificates of deposit	-	-	-	-
Treasury notes	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$ 279,850</u>	<u>\$ 118,431</u>	<u>\$ 260,317</u>	<u>\$ 3,548,259</u>

Middlesex County Utilities Authority - Wastewater Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments
Year Ended December 31, 2014

	Future Reconstruct. Replacement Reserve	2007 Bond Reserve	Bond Service 2005 Issue	Bond Reserve 2005 Issue
Sources:				
Interest income	\$ 1,332	\$ 12,234	\$ -	\$ 6,760
Retainage deposits	-	-	-	-
Escrow deposits	-	-	-	-
Expense reimbursement	-	-	-	-
Transfers - unrestricted funds	-	-	1,832,190	-
Budget appropriation	500,000	-	-	-
Debt proceeds	-	-	-	-
	<u>501,332</u>	<u>12,234</u>	<u>1,832,190</u>	<u>6,760</u>
Total sources	<u>501,332</u>	<u>12,234</u>	<u>1,832,190</u>	<u>6,760</u>
Uses:				
Bond principal paid	-	-	1,670,000	-
Bond interest paid	-	-	162,190	-
Vouchers paid	-	-	-	-
Claims paid	-	-	-	-
DEP fees	-	-	-	-
Escrow withdrawals	-	-	-	-
N.J. Wastewater admin. fees	-	-	-	-
Transfers - unrestricted funds	-	12,234	-	6,760
	<u>-</u>	<u>12,234</u>	<u>1,832,190</u>	<u>6,760</u>
Total uses	<u>-</u>	<u>12,234</u>	<u>1,832,190</u>	<u>6,760</u>
Increase (Decrease)	501,332	-	-	-
Balance, Beginning of Year	<u>571,436</u>	<u>6,000,000</u>	<u>-</u>	<u>3,343,848</u>
Balance, End of Year	<u>\$ 1,072,768</u>	<u>\$ 6,000,000</u>	<u>\$ -</u>	<u>\$ 3,343,848</u>
Balance Comprised of:				
Cash	\$ 1,072,768	\$ -	\$ -	\$ 848
Investments:				
Certificates of deposit	-	6,000,000	-	3,343,000
Treasury notes	-	-	-	-
	<u>\$ 1,072,768</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
Year Ended December 31, 2014

	2005 NJEIT Bond Service	2006 NJEIT Bond Service	2008 Bond Reserve	CPV Escrow
Sources:				
Interest income	\$ -	\$ -	\$ 8,947	\$ 2,953
Retainage deposits	-	-	-	-
Escrow deposits	-	-	-	3,050,000
Expense reimbursement	-	-	-	-
Transfers - unrestricted funds	906,634	5,471,047	-	-
Budget appropriation	-	-	-	-
Debt proceeds	-	-	-	-
Total sources	906,634	5,471,047	8,947	3,052,953
Uses:				
Bond principal paid	691,145	4,010,000	-	-
Bond interest paid	193,979	1,342,892	-	-
Vouchers paid	-	-	-	-
Claims paid	-	-	-	-
DEP fees	-	-	-	-
Escrow withdrawals	-	-	-	-
N.J. Wastewater admin. fees	21,510	118,155	-	-
Transfers - unrestricted funds	-	-	8,947	2,000,000
Total uses	906,634	5,471,047	8,947	2,000,000
Increase (Decrease)	-	-	-	1,052,953
Balance, Beginning of Year	-	-	4,388,938	375,725
Balance, End of Year	\$ -	\$ -	\$ 4,388,938	\$ 1,428,678
Balance Comprised of:				
Cash	\$ -	\$ -	\$ 938	\$ 1,428,678
Investments:				
Certificates of deposit	-	-	4,388,000	-
Treasury notes	-	-	-	-
	\$ -	\$ -	\$ 4,388,938	\$ 1,428,678

Middlesex County Utilities Authority - Wastewater Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments
Year Ended December 31, 2014

	2010 Traditional Debt Service	WWD Benefits Escrow	WWD FSA Escrow	Northeast Remsco Retainage
Sources:				
Interest income	\$ -	\$ 522	\$ 12	\$ 72
Retainage deposits	-	-	-	95,070
Escrow deposits	-	579,342	31,230	-
Expense reimbursement	-	-	-	-
Transfers - unrestricted funds	953,522	-	-	-
Budget appropriation	-	-	-	-
Debt proceeds	-	-	-	-
Total sources	<u>953,522</u>	<u>579,864</u>	<u>31,242</u>	<u>95,142</u>
Uses:				
Bond principal paid	773,227	-	-	-
Bond interest paid	148,181	-	-	-
Vouchers paid	-	-	-	-
Claims paid	-	-	15,614	-
DEP fees	20,264	-	-	-
Escrow withdrawals	-	417,626	13,490	-
N.J. Wastewater admin. fees	11,850	-	-	-
Transfers - unrestricted funds	-	453,287	-	-
Total uses	<u>953,522</u>	<u>870,913</u>	<u>29,104</u>	<u>-</u>
Increase (Decrease)	-	(291,049)	2,138	95,142
Balance, Beginning of Year	<u>-</u>	<u>292,015</u>	<u>5,694</u>	<u>-</u>
Balance, End of Year	<u>\$ -</u>	<u>\$ 966</u>	<u>\$ 7,832</u>	<u>\$ 95,142</u>
Balance Comprised of:				
Cash	\$ -	\$ 966	\$ 7,832	\$ 95,142
Investments:				
Certificates of deposit	-	-	-	-
Treasury notes	-	-	-	-
	<u>\$ -</u>	<u>\$ 966</u>	<u>\$ 7,832</u>	<u>\$ 95,142</u>

Middlesex County Utilities Authority - Wastewater Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments
Year Ended December 31, 2014

	<u>2008 Debt Service</u>	<u>2007 Debt Service</u>	<u>2007 Construction Fund</u>
Sources:			
Interest income	\$ -	\$ -	\$ 2,895
Retainage deposits	-	-	-
Escrow deposits	-	-	-
Expense reimbursement	-	-	-
Transfers - unrestricted funds	4,787,626	7,459,400	-
Budget appropriation	-	-	-
Debt proceeds	-	-	-
	<u>4,787,626</u>	<u>7,459,400</u>	<u>2,895</u>
Total sources	<u>4,787,626</u>	<u>7,459,400</u>	<u>2,895</u>
Uses:			
Bond principal paid	4,065,000	5,300,000	-
Bond interest paid	722,626	2,159,400	-
Vouchers paid	-	-	-
Claims paid	-	-	-
DEP fees	-	-	-
Escrow withdrawals	-	-	-
N.J. Wastewater admin. fees	-	-	-
Transfers - unrestricted funds	-	-	-
	<u>4,787,626</u>	<u>7,459,400</u>	<u>-</u>
Total uses	<u>4,787,626</u>	<u>7,459,400</u>	<u>-</u>
Increase (Decrease)	-	-	2,895
Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>1,853,836</u>
Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,856,731</u>
Balance Comprised of:			
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
Year Ended December 31, 2014

	<u>2014A Bond Service</u>	<u>Kenny Construction Retainage</u>	<u>2010B OSPS Debt Service</u>	<u>Total Restricted Accounts</u>
Sources:				
Interest income	\$ -	\$ 202	\$ -	\$ 71,356
Retainage deposits	-	-	-	164,981
Escrow deposits	-	-	-	10,800,717
Expense reimbursement	-	-	-	28,998
Transfers - unrestricted funds	166,352	-	783,802	26,903,334
Budget appropriation	-	-	-	1,000,000
Debt proceeds	-	-	-	5,213,080
	<u>166,352</u>	<u>202</u>	<u>783,802</u>	<u>44,182,466</u>
Total sources	<u>166,352</u>	<u>202</u>	<u>783,802</u>	<u>44,182,466</u>
Uses:				
Bond principal paid	143,001	-	488,593	20,620,990
Bond interest paid	14,265	-	250,244	6,341,387
Vouchers paid	-	-	-	589,287
Claims paid	-	-	-	60,130
DEP fees	7,031	-	28,870	96,102
Escrow withdrawals	-	-	-	431,116
N.J. Wastewater admin. fees	2,055	-	16,095	255,855
Transfers - unrestricted funds	-	-	-	12,848,938
	<u>166,352</u>	<u>-</u>	<u>783,802</u>	<u>41,243,805</u>
Total uses	<u>166,352</u>	<u>-</u>	<u>783,802</u>	<u>41,243,805</u>
Increase (Decrease)	-	202	-	2,938,661
Balance, Beginning of Year	<u>-</u>	<u>100,960</u>	<u>-</u>	<u>32,715,487</u>
Balance, End of Year	<u>\$ -</u>	<u>\$ 101,162</u>	<u>\$ -</u>	<u>\$ 35,654,148</u>
Balance Comprised of:				
Cash	\$ -	\$ 101,162	\$ -	\$ 13,593,148
Investments:				
Certificates of deposit	-	-	-	22,061,000
Treasury notes	-	-	-	-
	<u>\$ -</u>	<u>\$ 101,162</u>	<u>\$ -</u>	<u>\$ 35,654,148</u>

Middlesex County Utilities Authority - Wastewater Division

Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget
Year Ended December 31, 2014

Description	Annual Budget	Actual	Unrealized (Excess Over) Under Budget
Revenues:			
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	78,208,932	3,187,968
Treatment of septic tank waste	100,000	258,725	(158,725)
Treatment of industrial hauled waste	-	962	(962)
Service fees, review of plans, etc.	2,000	1,350	650
Industrial pretreatment program fees	21,000	28,250	(7,250)
Miscellaneous income	20,000	171,535	(151,535)
Sale of plans and specifications	3,000	1,525	1,475
Interest on investments and deposits	50,000	71,117 (2)	(21,117)
Management fees	1,652,000	1,652,004	(4)
Sampling and lab fees	10,000	16,716	(6,716)
Analytical services	15,000	16,981	(1,981)
Groundwater discharge fees	300,000	949,031	(649,031)
Penalty assessments	15,000	17,600	(2,600)
Sale of synthetic soil	650,000	540,062	109,938
Praxair - sale of oxygen	1,000,000	991,326	8,674
Praxair - sale of nitrogen	1,300,000	1,231,654	68,346
Praxair - water usage	30,000	28,664	1,336
Grants	10,980,000	-	10,980,000
Electric generation income	355,000	347,829	7,171
Total revenues	112,099,900	84,534,263	27,565,637
Operating Expenses:			
Salaries and Wages:			
Administration	2,364,000	2,164,490	199,510
Plant operation	4,192,000	4,390,959	(198,959)
Laboratory	1,277,000	1,235,857	41,143
Plant maintenance	3,523,000	3,289,011	233,989
Sayreville pump station	563,000	503,741	59,259
Lines, meters and small pump stations	1,052,000	841,173	210,827
Temporary help	50,000	21,461	28,539
Total salaries and wages	13,021,000	12,446,692	574,308

(1) Not a revenue for GAAP purposes.

(2) Includes non-budgeted interest earned on restricted funds of \$ 38,349

Middlesex County Utilities Authority - Wastewater Division

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

Year Ended December 31, 2014

Description	Annual Budget	Actual	Unrealized (Excess Over) Under Budget
Administration:			
Pension expense	1,428,000	1,304,048	123,952
Social security tax	996,000	907,918	88,082
Disability insurance	70,000	64,121	5,879
Hospitalization plan	2,280,000	1,931,742	348,258
Dental and vision plan	201,000	140,021	60,979
Retired employees/survivor benefits	1,380,000	6,050,391	(4,670,391)
Less: Nonbudgeted accrual for OPEB costs	-	(4,734,806)	4,734,806
Prescription plan	776,000	601,408	174,592
Paid sick leave	191,000	203,731	(12,731)
Excess worker's compensation	60,000	67,336	(7,336)
Insurance - other	661,000	665,360	(4,360)
Professional fees	2,643,500	2,155,643	487,857
Regulatory fees and permits	771,000	791,852	(20,852)
Host community benefits	1,230,000	1,230,000	-
General administrative expenses	451,000	393,752	57,248
Interest expense - related party	350,000	359,026	(9,026)
Environmental studies	365,000	117,656	247,344
Total administration	13,853,500	12,249,199	1,604,301
Central Treatment Plant:			
Chemicals	3,890,000	4,026,721	(136,721)
Power and light	750,500	370,477	380,023
Fuel oil	1,642,000	1,328,148	313,852
Water	130,000	131,086	(1,086)
Grit processing	210,000	173,746	36,254
Transportation of synthetic soil	1,187,000	2,385,492	(1,198,492)
Maintenance	3,096,000	3,864,056	(768,056)
Laboratory	490,500	464,602	25,898
Transportation	309,000	237,582	71,418
Electric generation plant	5,700,000	4,925,828	774,172
Operations	1,184,000	930,071	253,929
Total central treatment plant	18,589,000	18,837,809	(248,809)
Sayreville Pumping Station:			
Power and light	1,300,000	1,352,208	(52,208)
Water	85,000	7,073	77,927
Maintenance	96,000	82,092	13,908
Total Sayreville Pumping Station	1,481,000	1,441,373	39,627

Middlesex County Utilities Authority - Wastewater Division

Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget
Year Ended December 31, 2014

Description	Annual Budget	Actual	Unrealized (Excess Over) Under Budget
Edison Pumping Station:			
Power and light	342,000	530,807	(188,807)
Water	4,000	8,410	(4,410)
Maintenance	44,000	44,012	(12)
Total Edison Pumping Station	390,000	583,229	(193,229)
Bound Brook Pumping Station:			
Power and light	35,000	25,861	9,139
Water	1,000	578	422
Maintenance	6,000	1,169	4,831
Total Bound Brook Pumping Station	42,000	27,608	14,392
Green Brook Pumping Station:			
Power and light	60,000	56,917	3,083
Water	4,000	2,808	1,192
Maintenance	47,000	14,405	32,595
Total Green Brook Pumping Station	111,000	74,130	36,870
South Amboy Pumping Station:			
Power and light	100,000	98,473	1,527
Water	10,000	7,988	2,012
Maintenance	95,000	11,748	83,252
Total South Amboy Pumping Station	205,000	118,209	86,791
Lines, Meters and Small Pumping Stations			
Power and light	12,000	11,051	949
Rental of rights of way	11,000	10,267	733
Maintenance	746,000	352,184	393,816
Total lines, meters and small pumping stations	769,000	373,502	395,498
Total operating expense budget	48,461,500	46,151,751	2,309,749

Middlesex County Utilities Authority - Wastewater Division

Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget
Year Ended December 31, 2014

Description	Annual Budget	Actual	Unrealized (Excess Over) Under Budget
Capital Outlays:			
Administration - computer	26,000	-	26,000
Administration - machinery and equipment	-	-	-
Administration - furniture and fixtures	5,000	-	5,000
Administration - roof replacement	-	15,017	(15,017)
Pumping Stations:			
Sayreville Pumping Station	1,020,000	8,561	1,011,439
OSPS rehabilitation *	-	1,947,829	(1,947,829)
Edison Pumping Station	520,000	8,592	511,408
Green Brook Pumping Station	20,000	12,999	7,001
Bound Brook Pumping Station	305,000	-	305,000
South Amboy Pumping Station	1,040,000	338,554	701,446
Lines, Meters and Small Pumping Stations:			
Millbrook Siphon	500,000	-	500,000
Machinery and equipment	100,000	114,495	(14,495)
Pipeline Repair	1,600,000	1,532,324	67,676
Acoustic monitoring system	-	-	-
Meter chamber upgrade	950,000	-	950,000
Main trunk sewer *	7,900,000	3,084,396	4,815,604
Main trunk sewer II *	500,000	-	500,000
Central Treatment Plant:			
Furniture and fixtures	5,000	-	5,000
Machinery and equipment	370,000	67,784	302,216
Oxygen facility - machinery and equipment	30,000	-	30,000
Oxygen facility - spare parts	50,000	22,289	27,711
Electrical substation upgrade *	960,000	579,772	380,228
Unox mixers	568,000	636,298	(68,298)
Electrical equipment	50,000	275,517	(225,517)
Lab machinery and equipment	100,000	26,541	73,459
Plant instrumentation	25,000	26,252	(1,252)
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	4,142,672	2,040,328
Sidewalks and roads	25,000	-	25,000
Water re-use project **	-	5,257,495	(5,257,495)
Primary tanks	1,125,000	64,291	1,060,709
Final tanks	1,320,000	59,294	1,260,706
Hypo tank replacement	125,000	149,480	(24,480)
Effluent reuse	5,400,000	-	5,400,000
Thickener tank overflow screening	-	104,203	(104,203)
Storage building	500,000	119,035	380,965
Process water screens	600,000	-	600,000
DW building OCS	1,772,000	-	1,772,000
OCS boiler relocation	520,000	212,799	307,201
Duophase - machinery and equipment	20,000	97,003	(77,003)
Scada	-	26,939	(26,939)
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	39,069	146,931
Total capital outlays	35,560,000	19,050,711	16,509,289
Less: Bonded projects *	(9,360,000)	(5,623,795)	(3,736,205)
Less: Reimbursable projects **	-	(5,257,495)	5,257,495
Capital outlays funded by operating revenues	26,200,000	8,169,421	18,030,579

* 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
Year Ended December 31, 2014

Description	Annual Budget	Actual	Unrealized (Excess Over) Under Budget
Other Costs Funded by Operating Revenues:			
Future plant reconstruction and replacement	500,000	500,000	-
Transfer to Solid Waste reserve	500,000	500,000	-
	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Budget subtotal	75,661,500	55,321,172	20,340,328
DEP fees	-	152,349	(152,349)
NJ - wastewater treatment - administrative fee	-	255,855	(255,855)
	<u>75,661,500</u>	<u>55,729,376</u>	<u>19,932,124</u>
Principal Maturities:			
2001 A issue	1,804,300	1,804,276	24
2005 (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	773,227	10,073
2010A (ARRA)	342,000	341,882	118
2010 OSPS	489,000	488,593	407
2014A NJEIT - Main trunk sewer I	500,000	143,001	356,999
	<u>20,528,800</u>	<u>20,156,990</u>	<u>371,810</u>
Interest Paid:			
2001 A	430,800	343,702	87,098
2005 (1995 refunding)	162,200	162,190	10
2005	224,800	193,979	30,821
2006 EFM	1,483,000	1,342,892	140,108
2007 Landfill Gas Collection System	2,159,400	2,159,400	-
2008 (1997A refunding)	722,700	722,625	75
2009 EFM Supplemental Loan	354,000	353,936	64
2010A Traditional - Plant Upgrades	148,200	148,181	19
2010A ARRA - Switchgear	114,200	113,971	229
2010 OSPS	250,300	250,244	56
2014A NJEIT - Main Trunk Sewer I	250,000	14,266	235,734
Short-term FEMA note	250,000	49,862	200,138
	<u>6,549,600</u>	<u>5,855,248</u>	<u>694,352</u>
Total interest expense	6,549,600	5,855,248	694,352
Total actual costs funded by operating revenues	102,739,900	81,741,614	20,998,286
Excess in revenues	<u>9,360,000</u>	<u>2,792,649</u>	<u>6,567,351</u>
Total actual costs funded by operating revenues and excess in revenues	<u>\$ 112,099,900</u>	<u>\$ 84,534,263</u>	<u>\$ 27,565,637</u>

Middlesex County Utilities Authority - Wastewater Division

Schedule of Capital Assets

December 31, 2014

	Acquired with Contributed Capital	Acquired with Other than Contributed Capital	Combined Totals
Land	\$ -	\$ 8,401,828	\$ 8,401,828
Buildings and improvements	48,000,535	115,435,633	163,436,168
Improvements other than buildings	116,559,541	198,839,180	315,398,721
Machinery and equipment	-	23,037,059	23,037,059
Furniture and fixtures	-	24,711	24,711
Landfill gas collection facility	-	56,798,706	56,798,706
Landfill gas collection equipment	-	5,019,173	5,019,173
	<u>\$ 164,560,076</u>	<u>\$ 407,556,290</u>	<u>\$ 572,116,366</u>

Middlesex County Utilities Authority - Wastewater Division

Schedule of Accumulated Depreciation
Year Ended December 31, 2014

	Accumulated Depreciation January 1, 2014	2014 Depreciation Expense	Disposals	Accumulated Depreciation December 31, 2014
Buildings and improvements:				
Acquired with contributed capital	\$ 32,117,909	\$ 1,019,939	\$ -	\$ 33,137,848
Other	49,397,886	3,064,137	197,866	52,264,157
Improvements other than buildings:				
Acquired with contributed capital	69,181,268	2,259,822	-	71,441,090
Other	72,450,330	7,206,410	783,301	78,873,439
Machinery and equipment	7,593,798	1,734,385	840,660	8,487,523
Furniture and fixtures				
Other	43,930	3,327	35,739	11,518
Landfill gas collection facility	16,820,626	2,839,935	-	19,660,561
Landfill gas collection equipment	933,973	363,766	33,785	1,263,954
	<u>\$ 248,539,720</u>	<u>\$ 18,491,721</u>	<u>\$ 1,891,351</u>	<u>\$ 265,140,090</u>
Analysis:				
Depreciation attributable to assets acquired with contributed capital	\$ 101,299,177	\$ 3,279,761	\$ -	\$ 104,578,938
Depreciation attributable to assets acquired with other than contributed capital	147,240,543	15,211,960	1,891,351	160,561,152
	<u>\$ 248,539,720</u>	<u>\$ 18,491,721</u>	<u>\$ 1,891,351</u>	<u>\$ 265,140,090</u>

Middlesex County Utilities Authority - Wastewater Division

Schedule of Costs of Construction in Progress

Year Ended December 31, 2014

	Total Costs through January 1, 2014	Increases January - December 2014	Decreases January - December 2014	Total Costs through December 31, 2014
Land Based Sludge Management Facility	\$ 6,854,425	\$ 510,454	\$ -	\$ 7,364,879
Primary Tank Rehab	1,025,784	64,292	-	1,090,076
Main Trunk Rehab I	297	3,119,874	-	3,120,171
Edison Force Main	100,597,080	1,220,878	-	101,817,958
Final Tank Rehab	1,261,388	59,294	-	1,320,682
120" Primary Tank Influent Line	627,559	-	627,559	-
Sayreville Pump Station Rehabilitation	11,301,596	2,194,046	-	13,495,642
Black Start	1,589,424	316,012	-	1,905,436
Switchgear	14,187,795	123,292	-	14,311,087
Standby Power	956,063	-	-	956,063
Main Sub-Station Rehabilitation	1,424,422	579,773	-	2,004,195
Water Reuse (CPV)	291,391	5,257,495	-	5,548,886
OCS Boiler Relocation	-	212,799	-	212,799
Hypo Tank Replacement	-	149,480	-	149,480
Storage Building	-	119,035	-	119,035
Thickener Tank Overflow	-	104,203	-	104,203
	<u>\$ 140,117,224</u>	<u>\$ 14,030,927</u>	<u>\$ 627,559</u>	<u>\$ 153,520,592</u>

Middlesex County Utilities Authority - Wastewater Division

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

December 31, 2014

Legal and Administrative:

Legal fees and expenses

\$ 7,364,879

Middlesex County Utilities Authority - Wastewater Division

Schedule of Costs - Primary Tank Rehab - In Progress

December 31, 2014

Design and engineering fees	\$ 222,706
Construction costs	<u>867,370</u>
In Progress - December 31, 2014	<u><u>\$ 1,090,076</u></u>

Middlesex County Utilities Authority - Wastewater Division

Schedule of Costs - Main Trunk Rehab I - In Progress

December 31, 2014

Design and engineering fees	\$ 468,728
Construction costs	2,615,965
Capitalized bond interest	<u>35,478</u>
In Progress - December 31, 2014	<u>\$ 3,120,171</u>

Middlesex County Utilities Authority - Wastewater Division

Schedule of Costs - Edison Force Main - In Progress

December 31, 2014

Engineering fees	\$ 9,269,487
Pre-construction costs	344,445
Legal fees and expenses	13,465
Capitalized interest	14,814,207
Construction costs	<u>77,376,354</u>
In Progress - December 31, 2014	<u><u>\$ 101,817,958</u></u>

Middlesex County Utilities Authority - Wastewater Division

Schedule of Costs - Final Tank Rehab - In Progress

December 31, 2014

Design and engineering fees	\$ 156,535
Construction costs	<u>1,164,147</u>
In Progress - December 31, 2014	<u><u>\$ 1,320,682</u></u>

Middlesex County Utilities Authority - Wastewater Division

Schedule of Costs - Sayreville Pump Station Rehabilitation - In Progress

December 31, 2014

Design and engineering fees	\$ 2,792,118
Construction costs	9,625,753
Capitalized interest	<u>1,077,771</u>
In Progress - December 31, 2014	<u><u>\$ 13,495,642</u></u>

Middlesex County Utilities Authority - Wastewater Division

Schedule of Costs - Black Start - In Progress

December 31, 2014

Preliminary design and engineering fees

\$ 1,905,436

Middlesex County Utilities Authority - Wastewater Division

Schedule of Costs - Switchgear - In Progress

December 31, 2014

Preliminary design and engineering fees	\$ 3,042,628
Construction costs - base bid	10,673,357
Capitalized interest	<u>595,102</u>
In Progress - December 31, 2014	<u><u>\$ 14,311,087</u></u>

Middlesex County Utilities Authority - Wastewater Division

Schedule of Costs - Standby Power - In Progress

December 31, 2014

Engineering fees	\$ 83,719
Construction costs	<u>872,344</u>
In Progress - December 31, 2014	<u><u>\$ 956,063</u></u>

Middlesex County Utilities Authority - Wastewater Division

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

December 31, 2014

Design and engineering fees	\$ 711,342
Construction costs	<u>1,292,853</u>
In Progress - December 31, 2014	<u><u>\$ 2,004,195</u></u>

Middlesex County Utilities Authority - Wastewater Division

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

December 31, 2014

Design and engineering fees	\$ 664,111
Construction costs	<u>4,884,775</u>
In Progress - December 31, 2014	<u><u>\$ 5,548,886</u></u>

Middlesex County Utilities Authority - Wastewater Division

Schedule of Costs - OCS Boiler Relocation

December 31, 2014

Design and engineering fees

\$ 212,799

Middlesex County Utilities Authority - Wastewater Division

Schedule of Costs - Hypo Tank Replacement

December 31, 2014

Construction costs	<u>\$ 149,480</u>
--------------------	-------------------

Middlesex County Utilities Authority - Wastewater Division

Schedule of Costs - Storage Building

December 31, 2014

Design and engineering fees

\$ 119,035

Middlesex County Utilities Authority - Wastewater Division

Schedule of Costs - Thickener Tank Overflow

December 31, 2014

Design and engineering fees	\$ 91,945
Construction costs	<u>12,258</u>
In Progress - December 31, 2014	<u><u>\$ 104,203</u></u>

Middlesex County Utilities Authority - Wastewater Division

Summary of Insurance Claims Reserve

December 31, 2014

Unemployment claims reserve	118,431
Liability insurance reserve	3,548,257
Collision insurance reserve	279,850
Worker's compensation insurance reserve	<u>260,317</u>
	<u>\$ 4,206,855</u>

Middlesex County Utilities Authority - Wastewater Division

Summary of Revenue Serial Bonds Payable

Year Ended December 31, 2014

	Balance	Bonds Issued	Principal Reduction	Balance	Analysis of Balance	
	January 1, 2014	Current Period		December 31, 2014	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	-	351,145	3,859,861	353,010	3,506,851
Issue of 2005A - N.J. EIT (State)	5,195,000	-	340,000	4,855,000	360,000	4,495,000
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	-	5,300,000	36,685,000	5,960,000	30,725,000
Sewer revenue refunding bonds, series 2008	14,100,000	-	4,065,000	10,035,000	4,295,000	5,740,000
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 - NJEIT (Trust/State)	2,715,000	-	120,000	2,595,000	125,000	2,470,000
Issue of 2009 C-2 - NJEIT (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	-	618,227	9,273,398	618,227	8,655,171
Issue of 2010B - NJEIT (Trust/State)	5,005,000	-	195,000	4,810,000	205,000	4,605,000
Issue of 2010B - NJEIT Fed	4,991,086	-	293,593	4,697,493	293,593	4,403,900
Issue of 2014A - NJEIT (Trust/State)	-	1,370,000	-	1,370,000	50,000	1,320,000
Issue of 2014A - NJEIT Fed	-	4,218,527	143,001	4,075,526	214,501	3,861,025
	<u>\$ 190,877,965</u>	<u>\$ 5,588,527</u>	<u>\$ 20,156,990</u>	<u>\$ 176,309,502</u>	<u>\$ 21,464,706</u>	<u>\$ 154,844,796</u>

Middlesex County Utilities Authority - Wastewater Division

Schedule of Rates

Year Ended December 31, 2014

Calculations for participants are made quarterly:

Operations and Maintenance Rates:

Flow	Flat rate charge	\$	341.87
Biochemical Oxygen Demand	Flat rate charge		492.93
Suspended Solids	Flat rate charge		598.13
Chlorine Demand	Flat rate charge		33.26

Debt Service Rates:

	<u>Million Gallons Per Quarter</u>		<u>Charge Per Million Gallons</u>
Flow	First 5 at	\$	1,897.63
	Next 5 at		1,248.24
	Next 30 at		918.35
	Next 60 at		438.91
	Next 100 at		229.36
	Next 200 at		189.79
	Over 400 at		167.45
	<u>Tons Per Quarter</u>		<u>Charge Per Ton</u>
Biochemical Oxygen Demand	First 30 at	\$	202.89
	Next 70 at		190.17
	Next 100 at		171.37
	Next 200 at		151.35
	Next 400 at		121.46
	Over 800 at		100.88
Suspended Solids	First 10 at	\$	291.88
	Next 70 at		282.05
	Next 170 at		238.32
	Next 450 at		135.01
	Over 700 at		128.28
	<u>Short Hundredweights Per Quarter</u>		<u>Change Per Short Hundredweight</u>
Chlorine Demand	First 30 at	\$	138.85
	Next 60 at		127.01
	Next 180 at		122.11
	Next 540 at		115.98
	Over 810 at		109.04

Middlesex County Utilities Authority - Wastewater Division

Schedule of Loading and Charges
Year Ended December 31, 2014

	Total Annual Charges	Flow		Biochemical Oxygen Demand		Suspended Solids		Chlorine Demand	
		Million Gallons	Charges	Tons	Charges	Tons	Charges	CWT	Charges
Municipalities									
Bound Brook	\$ 989,691	443.939	\$ 439,393	306.383	\$ 210,817	373.096	\$ 326,463	75.637	\$ 13,018
Carteret	2,077,108	1,194.958	853,681	762.900	515,813	776.560	663,940	263.635	43,674
Cranbury	355,370	113.543	169,272	105.643	73,483	121.137	107,016	32.531	5,599
East Brunswick	3,449,658	1,301.195	910,163	1,382.279	915,637	1,984.639	1,572,715	310.504	51,143
Edison	9,524,701	5,628.225	3,120,682	3,216.956	2,047,825	5,605.478	4,208,416	930.640	147,778
Franklin Twp.	5,536,953	2,316.942	1,434,179	2,225.761	1,440,371	3,344.703	2,565,895	600.650	96,508
Highland Park	1,071,056	543.544	494,869	290.978	200,294	414.718	361,006	86.496	14,887
Metuchen	915,650	548.802	500,206	245.027	168,904	260.601	229,769	97.446	16,771
Middlesex	1,215,918	614.981	538,009	345.763	237,459	486.550	421,362	111.043	19,088
Monroe Twp.	3,393,213	1,317.960	919,077	1,341.057	889,079	1,932.614	1,534,573	306.271	50,484
New Brunswick	5,657,917	4,651.450	2,623,190	1,654.677	1,087,267	2,326.204	1,823,130	779.719	124,330
North Brunswick	2,716,371	1,813.447	1,176,516	836.161	563,442	1,107.419	929,590	283.286	46,823
Old Bridge	5,409,488	1,818.393	1,180,258	2,053.470	1,334,518	3,702.983	2,826,424	419.020	68,288
Perth Amboy	3,961,829	1,975.801	1,260,429	1,894.654	1,236,770	1,737.995	1,391,890	447.672	72,740
Piscataway	4,729,340	2,995.081	1,779,569	1,807.053	1,183,122	2,110.101	1,664,696	635.698	101,953
PARSA	7,991,271	4,461.052	2,526,217	3,868.772	2,436,058	3,746.737	2,858,208	1,079.832	170,788
Sayreville	3,977,358	1,385.801	955,145	1,407.059	931,603	2,614.727	2,033,295	349.230	57,315
South Amboy	745,117	267.003	311,364	206.720	142,737	319.367	280,347	61.988	10,669
South Bound Brook	385,580	166.390	225,687	94.037	65,433	100.742	89,064	31.350	5,396
South Brunswick	3,287,944	1,026.181	763,949	1,778.983	1,165,876	1,599.619	1,290,441	415.183	67,678
South River	1,192,783	597.424	527,980	383.417	263,318	435.464	377,760	139.166	23,725
Spotswood	655,511	250.734	298,662	189.919	131,260	242.505	213,841	68.256	11,748
Woodbridge	3,362,572	1,879.959	1,210,521	723.391	487,255	2,029.367	1,605,507	362.521	59,289
	<u>72,602,399</u>	<u>37,312.805</u>	<u>24,219,018</u>	<u>27,121.060</u>	<u>17,728,341</u>	<u>37,373.326</u>	<u>29,375,348</u>	<u>7,887.774</u>	<u>1,279,692</u>
Industries									
Chemtura	540,287	82.180	129,748	506.350	345,414	68.525	60,707	25.671	4,418
Ashland Aqualon	796,455	105.552	159,202	749.363	505,791	49.720	44,088	542.026	87,374
Schweitzer-Maudit	4,291,099	563.013	508,324	1,711.980	1,124,001	2,710.730	2,104,246	3,673.908	554,528
Equistar Chemicals	943,451	36.620	70,669	164.848	114,006	894.645	758,124	3.787	652
Union Carbide	97,388	50.724	89,436	2.520	1,754	5.608	4,992	7.006	1,206
	<u>6,668,680</u>	<u>838.089</u>	<u>957,379</u>	<u>3,135.061</u>	<u>2,090,966</u>	<u>3,729.228</u>	<u>2,972,157</u>	<u>4,252.398</u>	<u>648,178</u>
	<u>\$ 79,271,079</u>	<u>38,150.894</u>	<u>\$ 25,176,397</u>	<u>30,256.121</u>	<u>\$ 19,819,307</u>	<u>41,102.554</u>	<u>\$ 32,347,505</u>	<u>12,140.172</u>	<u>\$ 1,927,870</u>

Middlesex County Utilities Authority - Wastewater Division

Roster of Officials

As of December 31, 2014

<u>Authority Member</u>	<u>Position</u>	<u>Term</u>	<u>Amount of Surety</u>
Ted H. Light, P.E.	Chairman	1/31/2017	None
John F. Wiley, Esq.	Vice Chairman	1/31/2018	None
Edward Cohen	Commissioner	1/31/2016	None
Antonio L. Cruz, Esq.	Commissioner	1/31/2019	None
Robert Karabinchak	Commissioner	1/31/2019	None
Joseph Juliano	Commissioner	1/31/2015	None
James M. Zullo	Commissioner	1/31/2016	None
Wayne Hamilton	Commissioner	1/31/2018	None
Raymond Murray	Commissioner	6/30/2016	None
The Honorable Linda Carter	Commissioner	1/31/2015	None
Jerome Convery Esq.	Commissioner	1/31/2015	None

Other Officials

Richard L. Fitamant, P.E.	Executive Director	1/31/2015	*
Donato Tanzi, P.E.	Division Manager		*
Karen L. Sissick, CPA	Acting Treasurer/ Comptroller	1/31/2015	\$250,000
Judith McCabe	Secretary	1/31/2015	*
John A. Hoffman, Esq.	Construction Counsel	Annual	
R3M Engineering, Inc.	Consulting Engineers	Annual	

Surety Company

Fidelity and Deposit Co. of Maryland

* Employer blanket policy for a total of \$250,000 for all employees. Comptroller's coverage is separate from the blanket coverage.



Baker Tilly Virchow Krause, LLP
100 Walnut Ave, Ste 200
Clark, NJ 07066-1255
tel 732 388 5210
tel 800 267 9405
fax 888 264 9617
bakertilly.com

Independent Auditors' 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*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Middlesex County Utilities Authority - Wastewater Division (the "Authority"), which comprise the statement of net position as of December 31, 2014 and 2013, and the related statements of revenues and expenses, changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Middlesex County Utilities Authority - Wastewater Division's internal control.

A *deficiency in internal control* exists when the design or operation of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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, or material weaknesses. 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 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 purposes.

Baker Tilly Viechow Krause, LLP

Clark, New Jersey
April 28, 2015