

Annual Financial Report

of the

**Lambertville Municipal
Utilities Authority**

For the Years Ended June 30, 2014 and 2013

Prepared By

Lambertville Municipal Utilities Authority

Finance Department

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

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FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Lambertville Municipal Utilities Authority
Lambertville, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the Lambertville Municipal Utilities Authority, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from 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.

SUPLEE, CLOONEY & COMPANY

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Lambertville Municipal Utilities Authority, as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lambertville Municipal Utilities Authority's basic financial statements. The supplemental data schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

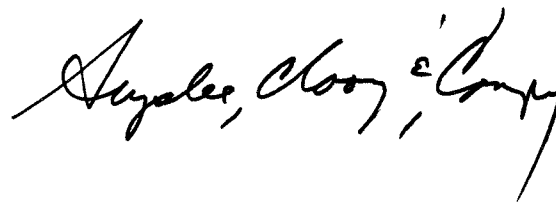
The supplemental data schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic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

SUPLEE, CLOONEY & COMPANY

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015 on our consideration of the Lambertville Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lambertville Municipal Utilities Authority's internal control over financial reporting and compliance.

January 12, 2015

A handwritten signature in black ink that reads "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.



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

The Board of Commissioners
Lambertville Municipal Utilities Authority
Lambertville, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lambertville Municipal Utilities Authority as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Lambertville Municipal Utilities Authority' financial statements, and have issued our report thereon dated January 12, 2015.

Internal Control Over Financial Reporting

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

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

SUPLEE, CLOONEY & COMPANY

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

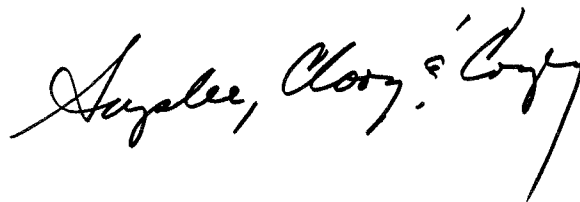
Compliance and Other Matters

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

Purpose of This Report

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

January 12, 2015

A handwritten signature in black ink that reads "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)
(UNAUDITED)

In this section of the annual report, management of the Lambertville Municipal Utilities Authority (the “Authority”) presents a narrative discussion and analysis of the Authority’s financial activities for the years ended June 30, 2014 and 2013. This section of the report should be read in conjunction with the Authority’s audited financial statements and supplementary information for the years ended June 30, 2014 and 2013. The Authority’s audited financial statements are presented in conformity with generally accepted accounting principles.

Audit Assurance

The unmodified opinion of our independent auditors, Suplee, Clooney & Company, is included in this report.

Financial Highlights

Discussion of Condensed Statement of Net Position

Unrestricted assets at June 30, 2014 and 2013, consisting of Cash and Cash Equivalents, Accounts Receivable and Other Assets totals \$1.0 million and \$1.2 million, respectively. This decrease is largely attributable to a capital asset reclassification made during the year.

Net Capital Assets decreased \$673 thousand as a result of additions of \$498 thousand and depreciation of \$924 thousand.

Cash and Cash Equivalents increased \$368 thousand in total. The increase is due to Operating Activities of \$912 thousand reduced by \$98 thousand in net capital asset purchases and \$446 thousand in debt service payments.

Bonds Payable decreased \$376 thousand due to scheduled principal payments of \$338 thousand and adjustments of \$38 thousand.

Discussion of Condensed Statement of Revenue, Expenses, and Changes in Net Position

Operating revenues increased \$85 thousand or 4.3% due to increases in User Charges and Service Agreement revenues. User Charges represents 99% of the operating revenues.

Total operating expenses before depreciation for the year ended June 30, 2014 decreased \$25 thousand or 2.0% from the year ended June 30, 2013. Reduced expenses were realized in Chemicals, Heating Oil, Pumping Station Maintenance, Equipment Replacement and Repair, and Outside Lab Work. These expense reductions were offset with increases in Salaries and Wages, Plant Maintenance, Sewer System Maintenance, Professional Service Fees, and Permits.

Total operating revenues were above budget by \$252 thousand with increases in User Charges revenues. Operating Expenses were \$105 thousand below budget with reductions in Chemicals, Electricity, Heating Oil, Truck Maintenance, Pumping Station Maintenance, Outside Lab Work, Plant Office Expenses, Salaries and Wages, Benefits, Professional Service Fees, Engineering Services, and Dues, Subscriptions and Training. These reductions were offset with increases in Equipment Replacement and Repair and Computer Expenses.

For the year ended June 30, 2014, the resulting Operating Loss amounted to \$104 thousand compared to the Operating Loss of \$180 thousand for the year ended June 30, 2013. An \$85 thousand increase in Operating Revenues offset with increased Operating Expenses of \$9 thousand contributed to the decrease in the Operating Loss for 2014.

MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)
(UNAUDITED)

Overview of Annual Financial Report

Management’s Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents management’s examination and analysis of the Authority’s financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority’s budget, and bond resolutions and other management tools were used for this analysis.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes to Net Position; a Statement of Cash Flows; and notes to the financial statements.

The Statement of Net Position presents the financial position of the Authority on a full accrual historical cost basis. This statement 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 is one indicator of whether the financial position of the Authority is improving or deteriorating.

While the Statement of Net Position provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses and Changes to Net Position presents 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 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.

Financial Analysis

The following comparative condensed financial statements and other selected information serve as key financial data and indicators for management, monitoring and planning.

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")
(UNAUDITED)

Condensed Financial Statements

Condensed Statements of Net Position

| | June 30, | | |
|--|----------------------|----------------------|----------------------|
| <u>Assets</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
| Unrestricted Assets: | | | |
| Cash and Cash Equivalents | \$ 486,739 | \$ 410,610 | \$ 495,510 |
| Accounts Receivable | 472,788 | 555,532 | 551,608 |
| Other Assets | <u>233,282</u> | <u>233,282</u> | <u>233,282</u> |
| Total Unrestricted Assets | <u>\$ 959,527</u> | <u>\$ 1,199,424</u> | <u>\$ 1,280,400</u> |
| Restricted Assets: | | | |
| Cash and Cash Equivalents | \$ 1,500,142 | \$ 1,208,135 | \$ 1,006,488 |
| Due from NJEIT | 30,760 | 330,538 | 330,538 |
| Capital Assets, at Cost | 23,081,861 | 22,583,553 | 22,379,978 |
| Accumulated Depreciation | <u>(12,961,365)</u> | <u>(12,037,412)</u> | <u>(11,212,414)</u> |
| Total Assets | <u>\$ 12,610,925</u> | <u>\$ 13,284,238</u> | <u>\$ 13,784,990</u> |
| | | | |
| <u>Liabilities</u> | | | |
| Liabilities Payable from Unrestricted Assets: | | | |
| Accounts Payable and Accrued Expenses | \$ 90,542 | \$ 84,329 | \$ 55,214 |
| Accrued Sick Pay | <u>30,233</u> | <u>27,503</u> | <u>25,634</u> |
| Total Liabilities Payable from Unrestricted Assets | <u>\$ 120,775</u> | <u>\$ 111,832</u> | <u>\$ 80,848</u> |
| Liabilities Payable from Restricted Assets: | | | |
| Accounts Payable | \$ 10,000 | \$ 10,000 | \$ 35,799 |
| Other | <u>-</u> | <u>-</u> | <u>490</u> |
| Total Liabilities Payable from Restricted Assets | <u>\$ 10,000</u> | <u>\$ 10,000</u> | <u>\$ 36,289</u> |
| Bonds Payable | <u>5,038,545</u> | <u>5,414,484</u> | <u>5,724,899</u> |
| Total Liabilities | <u>\$ 5,169,320</u> | <u>\$ 5,536,316</u> | <u>\$ 5,842,036</u> |
| | | | |
| <u>Net Position</u> | | | |
| Invested in Capital Assets | \$ 5,112,711 | \$ 5,462,195 | \$ 5,773,203 |
| Restricted Reserves | 1,484,629 | 1,202,552 | 1,000,415 |
| Unrestricted | <u>844,265</u> | <u>1,083,175</u> | <u>1,169,336</u> |
| Total Net Position | <u>\$ 7,441,605</u> | <u>\$ 7,747,922</u> | <u>\$ 7,942,954</u> |
| Total Liabilities and Net Position | <u>\$ 12,610,925</u> | <u>\$ 13,284,238</u> | <u>\$ 13,784,990</u> |

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")
(UNAUDITED)

Condensed Statement of Revenue, Expenses, and Changes in Net Position

| | June 30, | | |
|--|----------------------------|----------------------------|----------------------------|
| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
| Operating Revenues | \$ 2,073,213 | \$ 1,987,945 | \$ 2,080,826 |
| Operating Expenses: | | | |
| Costs of Providing Services | 671,278 | 707,407 | 721,295 |
| General and Administrative | <u>581,607</u> | <u>570,388</u> | <u>592,889</u> |
| Total Operating Expenses Before Depreciation | \$ 1,252,885 | \$ 1,277,795 | \$ 1,314,184 |
| Depreciation | <u>923,953</u> | <u>889,719</u> | <u>882,200</u> |
| Total operating expenses | \$ <u>2,176,838</u> | \$ <u>2,167,514</u> | \$ <u>2,196,384</u> |
| Operating Loss | \$ (103,625) | \$ (179,569) | \$ (115,558) |
| Nonoperating Revenues (Expenses) | <u>(202,692)</u> | <u>(15,463)</u> | <u>(147,548)</u> |
| Net Income (Loss) | \$ (306,317) | \$ (195,032) | \$ (263,106) |
| Net Position, Beginning of Year | \$ <u>7,747,922</u> | \$ <u>7,942,954</u> | \$ <u>8,206,060</u> |
| Net Position, End of Year | \$ <u><u>7,441,605</u></u> | \$ <u><u>7,747,922</u></u> | \$ <u><u>7,942,954</u></u> |

Flow Data (Gallons)

| <u>Year</u> | <u>Total Flow</u> | <u>Bucks County Authority Flow</u> | <u>Borough of Stockton Flow</u> | <u>Lambertville Flow</u> |
|-------------|-------------------|------------------------------------|---------------------------------|--------------------------|
| 2013-2014 | 376,152,000 | 169,022,000 | 24,096,290 | 183,033,710 |
| 2012-2013 | 352,956,160 | 163,026,638 | 16,679,576 | 173,249,946 |
| 2011-2012 | 390,068,300 | 168,588,590 | 23,472,445 | 198,007,265 |
| 2010-2011 | 327,854,832 | 163,921,978 | 19,958,360 | 143,974,494 |
| 2009-2010 | 332,478,000 | 146,929,573 | 28,856,247 | 156,692,180 |
| 2008-2009 | 326,897,000 | 159,688,230 | 18,813,610 | 148,395,160 |
| 2007-2008 | 317,009,000 | 167,545,000 | 19,082,780 | 130,381,220 |
| 2006-2007 | 347,453,000 | 181,460,000 | 24,298,630 | 141,694,370 |
| 2005-2006 | 343,263,400 | 177,647,067 | 21,110,966 | 144,505,367 |
| 2004-2005 | 320,494,959 | 169,898,427 | 55,247,549 | 95,348,983 |
| 2003-2004 | 300,782,800 | 168,297,911 | 30,682,870 | 101,802,019 |

MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)
(UNAUDITED)

Bonds Payable

The Authority issues bonds to finance its major projects and improvements. A summary of the Bonds Payable activity for the year is as follows:

| | |
|--------------------------------|------------------------|
| Bonds Payable at 6/30/2013 | \$5,414,485 |
| Adjustments | (37,665) |
| Scheduled Bond Retirements | <u>(338,275)</u> |
| Bonds Payable at 6/30/2014 | <u>\$5,038,545</u> |

AUTHORITY OVERVIEW

General

The Lambertville Municipal Utilities Authority was created for the acquisition of real property, rights of way and easements, and in connection therewith to construct, operate and maintain a sewerage treatment plant and collection system to serve the City of Lambertville. The Authority was organized under the Sewerage Authorities Law of 1946, as amended and supplemented, of the State of New Jersey and pursuant to an ordinance of the City of Lambertville adopted by its governing body on May 10, 1954.

The Authority has entered into contracts with the Bucks County Water and Sewer Authority and the Borough of Stockton to provide service outside the City of Lambertville. These Customer Agreements provide for the treatment and the disposal of sewage originating from the collection system of each party, constructed and owned by them, and provides for the costs of such treatment and disposal as well as operating and billing procedures.

The Authority charges and collects fees for the use of its facilities from the individual users in the City of Lambertville and from Bucks County Water and Sewer Authority, and the Borough of Stockton. Customers of the Authority are billed quarterly for services provided. Revenues for services provided but not yet billed are accrued for in the financial statement presentation.

The powers of the Authority are exercised by a Board of five members and two alternates who are appointed to five-year terms by the Mayor of the City of Lambertville.

The Authority had 8 employees as of June 30, 2014.

The original collection system was constructed in 1955 and is comprised primarily of vitrified clay pipe and cast iron pipe in diameters of 2”, 4”, 6”, 8”, 10”, 12” and 15”. The total length of pipe in Lambertville sewerage system is approximately 13 miles. The rated design capacity of the Authority’s wastewater treatment plant is 1.5 MGD with peak flow of 3.0 MGD. The Authority prepares an annual capital budget with a five-year planning cycle.

Contacting the Authority’s Management

Any questions about the Authority’s report or if additional information is needed, please contact the Executive Director of the Lambertville Municipal Utilities Authority, P.O. Box 300, Lambertville, New Jersey 08530.

BASIC FINANCIAL STATEMENTS

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

| | <u>2014</u> | <u>2013</u> |
|--|----------------------|----------------------|
| <u>ASSETS</u> | | |
| Unrestricted Assets: | | |
| Cash and Cash Equivalents | \$ 486,739 | \$ 410,610 |
| Accounts Receivable | 472,788 | 555,532 |
| Other Assets | | <u>233,282</u> |
| <u>Total Unrestricted Assets</u> | <u>\$ 959,527</u> | <u>\$ 1,199,424</u> |
| Restricted Assets: | | |
| Cash and Cash Equivalents: | | |
| Debt Service Account | \$ 325,538 | \$ 297,412 |
| Debt Service Reserve Account | 474,214 | 450,608 |
| Renewal and Replacement Account | 100,000 | 100,000 |
| Improvement Reserve Account | 584,877 | 354,532 |
| Trust Loan Project Account | 15,513 | 5,583 |
| Due from New Jersey Environmental Infrastructure Trust | <u>30,760</u> | <u>330,538</u> |
| <u>Total Restricted Assets</u> | <u>\$ 1,530,902</u> | <u>\$ 1,538,673</u> |
| Property, Plant and Equipment, at Cost | \$ 23,081,861 | \$ 22,583,553 |
| Less: Accumulated Depreciation | <u>12,961,365</u> | <u>12,037,412</u> |
| <u>Net Property, Plant and Equipment</u> | <u>\$ 10,120,496</u> | <u>\$ 10,546,141</u> |
| <u>TOTAL ASSETS</u> | <u>\$ 12,610,925</u> | <u>\$ 13,284,238</u> |

See accompanying notes to financial statements.

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|---------------------|
| <u>LIABILITIES AND NET POSITION</u> | | |
| Current Liabilities Payable From Unrestricted Assets: | | |
| Accounts Payable and Accrued Expenses | \$ 84,152 | \$ 72,557 |
| Accrued Sick Pay | 30,233 | 27,503 |
| Payroll Liabilities | <u>6,390</u> | <u>11,772</u> |
| Total Current Liabilities Payable From Unrestricted Assets | <u>\$ 120,775</u> | <u>\$ 111,832</u> |
| Current Liabilities Payable From Restricted Assets: | | |
| Accounts Payable | \$ 10,000 | \$ 10,000 |
| Current Portion of Bonds Payable | <u>341,275</u> | <u>338,999</u> |
| Total Current Liabilities Payable From Restricted Assets | <u>\$ 351,275</u> | <u>\$ 348,999</u> |
| Long-Term Portion of Bonds Payable | <u>\$ 4,697,270</u> | <u>\$ 5,075,485</u> |
| <u>Total Liabilities</u> | <u>\$ 5,169,320</u> | <u>\$ 5,536,316</u> |
| Net Position: | | |
| Net Investment in Capital Assets | \$ 5,112,711 | \$ 5,462,195 |
| Restricted Reserves for: | | |
| Current Debt Service | 325,538 | 297,412 |
| Debt Service Reserve | 474,214 | 450,608 |
| Renewal and Replacement | 100,000 | 100,000 |
| Improvement Reserve | 584,877 | 354,532 |
| Unrestricted | <u>844,265</u> | <u>1,083,175</u> |
| <u>TOTAL NET POSITION</u> | <u>\$ 7,441,605</u> | <u>\$ 7,747,922</u> |

See accompanying notes to financial statements.

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

| | <u>2014</u> | <u>2013</u> |
|--|----------------------------|----------------------------|
| Operating Revenues: | | |
| User Charges | \$ 2,053,365 | \$ 1,961,614 |
| Connection Fees | 5,070 | 14,310 |
| Interest on User's Accounts Receivable | <u>14,778</u> | <u>12,021</u> |
| Total Operating Revenues | \$ <u>2,073,213</u> | \$ <u>1,987,945</u> |
| Operating Expenses: | | |
| Costs of Providing Services | \$ 671,278 | \$ 707,407 |
| General and Administrative | 581,607 | 570,388 |
| Depreciation | <u>923,953</u> | <u>889,719</u> |
| Total Operating Expenses | \$ <u>2,176,838</u> | \$ <u>2,167,514</u> |
| Operating Income (Loss) | \$ (103,625) | \$ (179,569) |
| Nonoperating Revenues (Expenses): | | |
| Interest Income - Unrestricted | \$ 260 | \$ 145 |
| Interest Income - Restricted | 2,144 | 660 |
| Interest Expense | (117,338) | (129,313) |
| Other Income | 1,650 | 185,045 |
| Other Expense | <u>(89,408)</u> | <u>(72,000)</u> |
| Net Income (Loss) | \$ (306,317) | \$ (195,032) |
| Net Position, Beginning of Year | <u>7,747,922</u> | <u>7,942,954</u> |
| Net Position, End of Year | \$ <u><u>7,441,605</u></u> | \$ <u><u>7,747,922</u></u> |

See accompanying notes to financial statements.

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Receipts for User Charges | \$ 2,136,109 | \$ 1,957,690 |
| Receipts for Connection Fees | 5,070 | 14,310 |
| Receipts for Interest on User Charges | 14,778 | 12,021 |
| Receipts (Payments) for Customer Deposits | - | (490) |
| Payments to Suppliers | (790,634) | (842,090) |
| Payments to Employees | (453,308) | (430,520) |
| | <u>912,015</u> | <u>710,921</u> |
| Net Cash Provided by Operating Activities | \$ <u>912,015</u> | \$ <u>710,921</u> |
| Cash Flows from Investing Activities: | | |
| Purchase of Fixed Assets | \$ (265,026) | \$ (268,296) |
| Proceeds from the NJ Environmental Infrastructure Trust Loan Program | 252,212 | |
| Interest Received | 2,404 | 805 |
| Other Expenses | (89,408) | (72,000) |
| Other Income | 1,650 | 185,045 |
| | <u>(98,168)</u> | <u>(154,446)</u> |
| Net Cash Used in Investing Activities | \$ <u>(98,168)</u> | \$ <u>(154,446)</u> |
| Cash Flows from Financing Activities: | | |
| Payments on Long-Term Debt | \$ (328,373) | \$ (310,415) |
| Interest Paid on Bonds | (117,338) | (129,313) |
| | <u>(445,711)</u> | <u>(439,728)</u> |
| Net Cash Used in Financing Activities | \$ <u>(445,711)</u> | \$ <u>(439,728)</u> |
| Increase/(Decrease) in Cash and Cash Equivalents | \$ 368,136 | \$ 116,747 |
| Cash and Cash Equivalents, Beginning of Year | <u>1,618,745</u> | <u>1,501,998</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 1,986,881</u> | <u>\$ 1,618,745</u> |
| Cash Flows from Operating Activities: | | |
| Operating Loss | \$ (103,625) | \$ (179,569) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | |
| Depreciation | 923,953 | 889,719 |
| (Increase)/Decrease in Accounts Receivable | 82,744 | (3,924) |
| Increase/(Decrease) in Accounts Payable | 11,595 | 1,308 |
| Increase/(Decrease) in Accrued Sick Pay | 2,730 | 1,869 |
| Increase/(Decrease) in Payroll Liabilities | (5,382) | 2,008 |
| Increase/(Decrease) in Customer Deposits | - | (490) |
| | <u>912,015</u> | <u>710,921</u> |
| Net Cash Provided by Operating Activities | \$ <u>912,015</u> | \$ <u>710,921</u> |
| Supplemental Disclosures of Cash Flow Information: | | |
| Cash Paid for Interest | <u>\$ 117,338</u> | <u>\$ 129,313</u> |

See accompanying notes to financial statements.

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(1) ORGANIZATION

The Lambertville Municipal Utilities Authority (the "Authority") was created for the acquisition of real property, rights of way and easements, and in connection therewith to construct, operate and maintain a sewerage treatment plant and collection system to serve the City of Lambertville. The Authority was organized under the Sewerage Authorities Law of 1946, as amended and supplemented, of the State of New Jersey and pursuant to an ordinance of the City of Lambertville adopted by its governing body on May 10, 1954. In April 2009, the Authority changed its name from the Lambertville Sewerage Authority to the Lambertville Municipal Utilities Authority.

The Authority has entered into contracts with the Bucks County Water and Sewer Authority and the Borough of Stockton (the "Customer Agreements") to provide service outside the City of Lambertville. The Customer Agreements provide for the treatment and the disposal of sewage originating from the collection system of each party, constructed and owned by them, and provides for the costs of such treatment and disposal as well as operating and billing procedures.

The Authority charges and collects fees for the use of its facilities from the individual users in the City of Lambertville and from Bucks County Water and Sewer Authority, and in the Borough of Stockton. Customers of the Authority are billed quarterly for services provided. Revenues for services provided but not yet billed are accrued for in the financial statement presentation.

The powers of the Authority are exercised by a Board of five members, who are appointed to five year terms by the Mayor of the City of Lambertville.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the GASB's accounting policies are described below.

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis and in accordance with generally accepted accounting principles applicable to enterprise funds of state and local governments. An Enterprise Fund is used to account for operations: (i) that are financed primarily through user charges, or (ii) where the governing body has decided that determination of net income is appropriate.

The accounting and financial reporting applied by the Authority is determined by its measurement focus. The financial statements are reported using the economic measurement focus and the accrual basis of accounting. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included in the Statements of Net Position. Net Position (totals assets and deferred outflows net of total liabilities and deferred inflows) are segregated into invested in capital assets, restricted and unrestricted components.

Reporting Entity

The Authority's financial statements include the operations of the sewer system and wastewater treatment plant for which the Board of Commissioners of the Authority exercises financial accountability. Board members are appointed to five-year terms by the municipality. The Authority is a component unit of the City of Lambertville. There are no additional entities required to be included in the reporting entity and the Authority is not included in any other reporting entity.

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - Fund Accounting

In accordance with the Authority's 1982 and 1988 Bond Resolutions as amended in 1996, the Authority has established the following funds to account for the deposit of all revenues received by the Authority:

| <u>FUND</u> | <u>AMOUNT</u> | <u>USE FOR WHICH RESTRICTED</u> |
|--|--|---|
| Revenue/ Operating | All Revenues received by the Authority | Authorized operating expenses and transfers to the various accounts described below |
| Debt Service (Current) | Amount needed to pay matured principal and interest plus principal and interest on or before the following January 1 or July 1 | Debt obligations including Principal and Interest |
| Debt Service Reserve (Future Debt Service) | Amount equal to 10% of the Bond proceeds to increase the balance in the Debt Service Reserve (as defined in the bond resolution) | Maintain minimum required levels |
| Renewal and Replacement | Amount needed to increase the balance to equal the \$100,000 renewal and replacement requirement | Capital asset costs associated with the system |
| General | To the extent that any funds are available | Unrestricted use |

All Funds are held by the Trustee with disbursements authorized upon requisition of the Authority.

In addition to the foregoing, the Authority established the following Restricted Accounts:

1. Customer Deposits for monies required from customers to assure payment or performance.
2. Investments designated for future plant improvement and replacement.
3. Investments designated for special sewer and plant projects.

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purposes of the statement of cash flow, the Authority considers cash in banks, deposits and short-term investments with original maturities of three months or less as cash and cash equivalents.

Property, Plant and Equipment

Property, plant and equipment is stated at cost which includes direct construction costs and other expenditures related to construction.

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

| | |
|----------------------------|---------------|
| Buildings and Improvements | 20 - 75 years |
| Pumping Station | 20 years |
| Sewer Mains | 75 years |
| Machinery and Equipment | 10 - 20 years |
| Vehicles | 5 - 10 years |
| Other Projects | 10 years |

Details of property, plant and equipment as of June 30, 2014 and 2013 are as follows:

| | <u>2014</u> | <u>2013</u> |
|----------------------------|---------------------|---------------------|
| Land | \$ 18,044 | \$ 18,044 |
| Buildings and Improvements | 12,954,044 | 12,954,044 |
| Pumping Station | 2,251,489 | 2,249,605 |
| Sewer Mains | 1,245,149 | 1,245,149 |
| Machinery and Equipment | 6,078,198 | 5,842,635 |
| Vehicles | 432,292 | 171,104 |
| Office Equipment | 102,645 | 100,802 |
| Construction in Progress | --- | 2,170 |
| | <u>\$23,081,861</u> | <u>\$22,583,553</u> |
| Accumulated Depreciation | <u>12,961,365</u> | <u>12,037,412</u> |
| | <u>\$10,120,496</u> | <u>\$10,546,141</u> |

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The Authority considers all accounts receivables to be fully collectible; no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Net Position

Equity is classified as net position and displayed in three components:

- 1) Invested in Capital Assets - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted - when constraints placed on net position are either a) externally imposed by creditors (such as the bond resolution), grantors, or laws or regulations of other governments or b) imposed by law.
- 3) Unrestricted - any other net position that does not meet the definition of "restricted" or "invested in capital assets."

Inventory

Inventory of spare parts and supplies is recorded as an expense when purchased and accordingly, is not included in the statements of net position.

Compensated Absences

Authority employees earn certain sick leave time that can accumulate. In the event of retirement or termination, employees are eligible for the reimbursement of accumulated sick leave on a percentage basis not to exceed \$5,000. Accumulated unpaid sick leave is accrued when incurred. Accumulated unpaid sick leave at June 30, 2014 and 2013 is \$30,233 and \$27,503, respectively.

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Income Taxes

No provision for income taxes has been made as the Authority is exempt from Federal and State income taxes.

Risk Management

In September 1991, the Authority joined the New Jersey Utility Authorities Joint Insurance Fund (JIF). The Authority pays an annual premium to JIF for its worker's compensation, employer liability, public employees dishonesty liability, public officials liability, general liability, property damage, and motor vehicle insurance coverage. The Trust Agreement of the JIF provides that JIF will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits for each type of insurance coverage.

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(3) BUDGETARY PROCEDURES

The Authority follows these procedures in establishing the Operating Fund budget:

The annual budget for each fiscal year of the Authority is introduced by resolution passed by not less than a majority of the governing body. Copies are submitted to the Director of the Division of Local Government Services Director prior to the beginning of the Authority's fiscal year for approval prior to its adoption.

The budget must comply with the terms and provisions of any security agreements, and is to be in such form and detail as to items of revenue, expenses and other contents as required by law or by rules and regulations of the Local Finance Board.

No authority budget can be finally adopted until the Director has approved the budget.

Public hearings are conducted to obtain citizen comments on the proposed budget.

Operating expense appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

The level at which expenditures cannot exceed the budget is at the total budget level.

The budget may be increased after adoption when an item of revenue has been made available after the adoption date.

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(4) CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are summarized as follows:

| | <u>Unrestricted</u> | <u>Restricted</u> |
|---------------------------|---------------------|--------------------|
| June 30, 2014: | | |
| Cash and Cash Equivalents | <u>\$486,739</u> | <u>\$1,500,142</u> |
| June 30, 2013 | | |
| Cash and Cash Equivalents | <u>\$410,610</u> | <u>\$1,208,135</u> |

The cash on deposit of the Authority is partially insured by the Federal Deposit Insurance Corporation in the amount of \$250,000 in each bank depository. Balances above the federal depository insurance amount are insured by the State of New Jersey Governmental Unit Deposit Protection Act (GUDPA). The Authority does not have a policy for either credit risk or custodial credit risk. However, it is the Authority's policy only to invest with banks that are approved by the board. The Authority does not have a policy to limit interest rate risk.

(5) INVESTMENTS

The Authority's investment policy principally permits the investing of funds in the following types of investments:

Bonds, debentures, notes or other evidences of indebtedness issued by any agency or instrumentality of the United States or by any corporation chartered by the United States to the extent that such obligations are guaranteed by the United States or by another such agency and Defeasance Securities.

Negotiable or nonnegotiable certificates of deposit issued by any bank, trust company, or national banking associations which certificates of deposits shall be continuously secured by obligations described in the first paragraph above.

Deposits in the NJ Cash Management Fund and other deposits defined in the Authority's Bond Resolution.

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(6) PROPERTY PLANT AND EQUIPMENT

Property, Plant and Equipment is summarized as follows:

| | <u>Balance</u> <u>June 30, 2013</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance</u> <u>June 30, 2014</u> |
|--------------------------|--|--------------------|-----------------|--|
| Land | \$ 18,044 | | | \$ 18,044 |
| Buildings & Improvements | 12,954,044 | | | 12,954,044 |
| Pumping Station | 2,249,605 | \$ 1,884 | | 2,251,489 |
| Sewer Mains | 1,132,080 | | | 1,132,080 |
| Machinery & Equipment | 5,943,437 | 237,406 | | 6,180,843 |
| Vehicles | 171,104 | 261,188 | | 432,292 |
| Odor Control Project | 28,089 | | | 28,089 |
| Wastewater Mgt Project | 84,980 | | | 84,980 |
| Construction in Progress | <u>2,170</u> | <u>---</u> | <u>\$2,170</u> | <u>---</u> |
| Total Fixed Assets | \$22,583,553 | \$ 500,478 | \$2,170 | \$23,081,861 |
| Accumulated Depreciation | <u>12,037,412</u> | <u>923,953</u> | <u>---</u> | <u>12,961,365</u> |
| | <u>\$10,546,141</u> | <u>\$(423,475)</u> | <u>\$2,170</u> | <u>\$10,120,496</u> |

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(7) LONG-TERM DEBT

- A. On June 19, 1996, the Authority issued \$2,335,000 in Sewer Revenue Refunding Bonds (Series 1996) with interest rates ranging from 3.8% to 5.15% to advance refund \$2,310,000 of outstanding bonds with interest rates ranging from 6.7% to 7.75%. This debt matured on July 1, 2007.

The Authority used a portion of the proceeds of the 1996 Bonds to purchase United States Government obligations which were deposited into an escrow account which, together with the interest earnings thereon, was sufficient to pay the principal and interest on the 1988 Refunded Bonds through and including July 1, 1998, and on July 1, 1998, the call date, to pay the redemption price of all 1988 Refunded Bonds then outstanding. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the accompanying statements of net position.

In an agreement dated June 19, 1996, Lehman Brothers, Inc. paid the Authority \$110,000 for the right to receive all of the earnings from investments made from the required escrow balance of \$232,515 deposited and required as part of the bond series 1996 covenant. These funds are held in the Debt Service Reserve fund with The Bank of New York.

New Jersey Environmental Infrastructure Trust (NJEIT)

Total obligations payable to the NJEIT at June 30, 2014 and 2013 amounted to \$5,038,545 and \$5,414,484 respectively. A summary of the NJEIT obligations follow:

- B. In November 2002, the Authority issued New Jersey Environmental Infrastructure Trust (NJEIT) Series 2002A obligations. Principal and interest payments due on these obligations commenced in the year 2004. The annual interest rate on the principal amount of \$575,000 of such obligations ranges between 4.75% and 5.25% over the term of the obligations. No interest is due on the remaining principal amount of \$450,926. This debt matures in 2022.
- C. In October 2003, the Authority issued New Jersey Environmental Infrastructure Trust (NJEIT) Series 2003A obligations. Principal and interest payments due on these obligations commenced in the year 2005. The annual interest rate on the principal amount of \$435,000 of such obligations will range between 3% and 6% over the term of the obligations. No interest is due on the remaining principal amount of \$330,411. This debt matures in 2023.

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(7) LONG-TERM DEBT (CONTINUED)

New Jersey Environmental Infrastructure Trust (NJEIT) (Continued)

- D. In March 2010, the Authority issued New Jersey Environmental Infrastructure Trust (NJEIT) Series 2010A obligations. Principal and interest payments due on these obligations commenced August 1, 2011. The annual interest rate on the principal amount of \$1,555,000 of such obligations will range between 3% and 5% over the term of the obligations. No interest is due on the remaining principal amount of \$1,417,968. This debt matures in 2029.
- E. In September 2010, the Authority issued New Jersey Environmental Infrastructure Trust (NJEIT) Series 2010B obligations. Principal and interest payments due on these obligations commenced September 1, 2011. The annual interest rate on the principal amount of \$155,000 of such obligations is 5% over the term of the obligations. No interest is due on the remaining principal amount of \$119,240. This debt matures in 2030.

A summary of long-term debt follows:

| | <u>2014</u> | <u>2013</u> |
|--|--------------------|--------------------|
| NJ Environmental Infrastructure Trust - Series 2002A | \$1,025,926 | \$1,114,534 |
| NJ Environmental Infrastructure Trust - Series 2003A | 765,411 | 834,243 |
| NJ Environmental Infrastructure Trust - Series 2010A | 2,972,968 | 3,134,707 |
| NJ Environmental Infrastructure Trust - Series 2010B | <u>274,240</u> | <u>331,000</u> |
| | \$5,038,545 | \$5,414,484 |
| Less Current Maturities | <u>341,275</u> | <u>338,999</u> |
| Total Long-Term Debt | <u>\$4,697,270</u> | <u>\$5,075,485</u> |

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(7) LONG-TERM DEBT (CONTINUED)

New Jersey Environmental Infrastructure Trust (NJEIT) (Continued)

The principal payment requirements for the next five years are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------------|
| 2015 | \$ 341,275 |
| 2016 | 346,784 |
| 2017 | 365,254 |
| 2018 | 367,359 |
| 2019 | 377,521 |
| Thereafter | <u>3,240,352</u> |
| | <u>\$ 5,038,545</u> |

(8) AMOUNTS REQUIRED BY BOND RESOLUTION

The following cash and investment accounts are required by the bond resolution:

| | <u>2014</u> | <u>2013</u> |
|-----------------------------------|----------------|----------------|
| Debt Service | \$325,538 | \$297,412 |
| Cash and Cash Equivalents on Hand | <u>325,538</u> | <u>297,412</u> |
| Excess | <u>\$ ---</u> | <u>\$ ---</u> |
| Renewal and Replacement | \$100,000 | \$100,000 |
| Cash and Cash Equivalents on Hand | <u>100,000</u> | <u>100,000</u> |
| Excess | <u>\$ ---</u> | <u>\$ ---</u> |
| Debt Service Reserve | \$474,214 | \$450,608 |
| Cash and Cash Equivalents on Hand | <u>474,214</u> | <u>450,608</u> |
| Excess | <u>\$ ---</u> | <u>\$ ---</u> |

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(9) NET POSITION

The components of net position are as follows:

| | <u>2014</u> | <u>2013</u> |
|--|--------------------|--------------------|
| Net Position: | | |
| Capital Assets, Net of Related Liabilities | \$5,112,711 | \$5,462,195 |
| Restricted: | | |
| Current Debt Service | 325,538 | 297,412 |
| Debt Service Reserve | 474,214 | 450,608 |
| Renewal and Replacement | 100,000 | 100,000 |
| Improvement Reserve | <u>584,877</u> | <u>354,532</u> |
| Total Restricted | \$1,484,629 | \$1,202,552 |
| Unrestricted | <u>844,265</u> | <u>1,083,175</u> |
| | <u>\$7,441,605</u> | <u>\$7,747,922</u> |

(10) PENSION PLAN

Authority employees participate in the Public Employees Retirement System (PERS), of New Jersey, a multi-employer cost sharing plan. The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the plan. The plan does not maintain separate records for each member in the state and, therefore, the actuarial data for the Authority is not available.

Participating employees are required by State statute to contribute a certain percentage (6.78% in 2014 and 6.64% in 2013) of their salary to the plan. In addition, the PERS generally bills the Authority annually for its required contribution. For the years ending June 30, 2014 and 2013, this contribution was \$43,572 and \$46,618, respectively.

(11) LEASES

The Authority leases the land on which the treatment plant is located from the State of New Jersey. The original lease dated July 1, 1954 was amended August 26, 1980 for a term of 60 years. No rent is paid on this lease.

A separate agreement with the NJ Water Supply Authority allows Lambertville Municipal Utilities Authority to use a right-of-way for a sewer line. Rent of \$48 is paid annually under this agreement.

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(12) SUBSEQUENT EVENTS

The Authority has evaluated subsequent events occurring after the financial statement date through January 12, 2015, which is the date the financial statements were available to be issued. Based on this evaluation, the Authority has determined that no subsequent events have occurred which require disclosure in the financial statements.

(13) COMMITMENTS AND CONTINGENCIES

In the ordinary conduct of its business, the Authority may be a party to litigation. At June 30, 2014, in the opinion of management based upon consultation with legal counsel, there were no matters pending or threatened which would have a material adverse effect on the financial position of the Authority.

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SUPPLEMENTARY INFORMATION

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF OPERATING REVENUES
AND COSTS FUNDED BY OPERATING
REVENUES COMPARED TO BUDGET
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

| | 2014 <u>BUDGET</u> | 2014 <u>ACTUAL</u> | 2013 <u>ACTUAL</u> |
|--|-----------------------|-----------------------|-----------------------|
| Revenues: | | | |
| User Charges and Fees - Lambertville | \$ 1,027,067 | \$ 1,352,331 | \$ 1,236,096 |
| Service Agreements | 780,150 | 701,034 | 725,518 |
| Delinquent Penalties | 10,000 | 14,778 | 12,021 |
| Interest Income | 1,000 | 2,405 | 805 |
| Miscellaneous Income | - | 1,651 | 39,645 |
| Connection Fees | 7,000 | 5,070 | 14,310 |
| Unrestricted Net Position Utilized | <u>72,000</u> | | |
| Total Revenues | <u>\$ 1,897,217</u> | <u>\$ 2,077,269</u> | <u>\$ 2,028,395</u> |
| Expenses: | | | |
| Costs of Providing Services: | | | |
| Labor | \$ 262,000 | \$ 260,069 | \$ 242,171 |
| Chemicals: | | | |
| Chlorine | 20,000 | 16,169 | 19,173 |
| Dechlor | 12,000 | 9,189 | 11,417 |
| Polymer | 25,000 | 16,523 | 19,196 |
| Digester and Other | 34,000 | 22,599 | 34,367 |
| Lab | 2,000 | 1,512 | 1,598 |
| Electricity | 132,000 | 129,406 | 128,371 |
| Heating Oil | 12,000 | 10,149 | 24,388 |
| Water | 4,000 | 2,131 | 2,288 |
| Maintenance: | | | |
| Trucks | 17,000 | 10,845 | 9,486 |
| Plant | 25,000 | 25,351 | 15,636 |
| Pumping Station | 8,000 | 641 | 16,015 |
| Sewer System | 7,000 | 5,264 | 1,275 |
| Equipment Replacement and Repair | 20,000 | 25,889 | 39,949 |
| Service Contracts | 12,000 | 11,960 | 11,249 |
| Outside Lab Work | 20,000 | 11,106 | 16,544 |
| Protective Clothing and Uniforms | 10,000 | 9,751 | 9,427 |
| Plant Office Expenses | 5,000 | 634 | 810 |
| Plant Telephone | 4,600 | 5,971 | 6,080 |
| Land Rental | 300 | 48 | |
| Sludge Removal | <u>95,000</u> | <u>96,071</u> | <u>97,967</u> |
| Total Costs of Providing Services | <u>\$ 726,900</u> | <u>\$ 671,278</u> | <u>\$ 707,407</u> |
| General and Administrative Expenses: | | | |
| Salaries and Wages | \$ 203,400 | \$ 195,969 | \$ 190,218 |
| Payroll Taxes | 37,500 | 37,436 | 35,726 |
| Employee Benefits | 165,000 | 147,827 | 149,029 |
| Authority Member Fees | 6,400 | 5,500 | 6,175 |
| General Insurance | 50,000 | 50,344 | 49,006 |
| Professional Services | 51,400 | 48,635 | 43,799 |
| Engineering Services | 17,500 | 2,476 | 4,836 |
| Auditing and Accounting | 25,000 | 21,506 | 21,194 |
| Office Supplies and Expenses | 3,500 | 4,530 | 4,022 |
| Postage | 4,500 | 5,146 | 4,703 |
| Telephone | 5,000 | 5,343 | 5,332 |
| Contributions to Civic Organizations | 2,000 | 1,325 | 1,325 |
| Dues, Subscriptions and Training | 10,000 | 6,375 | 6,090 |
| Permits | 30,000 | 30,017 | 25,477 |
| Computer Expenses | 15,500 | 16,611 | 16,791 |
| Other | <u>4,000</u> | <u>2,567</u> | <u>6,665</u> |
| Total General and Administrative Expenses | <u>\$ 630,700</u> | <u>\$ 581,607</u> | <u>\$ 570,388</u> |
| Other Costs Funded by Revenues: | 1,357,600 | 1,252,885 | 1,277,795 |
| Interest Expense | \$ 128,618 | \$ 117,338 | \$ 129,313 |
| Principal | 338,999 | 328,374 | 310,415 |
| Municipal Appropriation | <u>72,000</u> | <u>72,000</u> | <u>72,000</u> |
| Total Other Costs | <u>\$ 539,617</u> | <u>\$ 517,712</u> | <u>\$ 511,728</u> |
| TOTAL COSTS FUNDED BY OPERATING REVENUES | <u>\$ 1,897,217</u> | <u>\$ 1,770,597</u> | <u>\$ 1,789,523</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER COSTS | <u>\$</u> | <u>\$ 306,672</u> | <u>\$ 238,872</u> |

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF BONDS PAYABLE - JUNE 30, 2014

NJ ENVIRONMENTAL INFRASTRUCTURE TRUST
 SERIES 2002A
MATURITY DATE, JULY 1

| <u>YEAR OF MATURITY</u> | <u>TOTAL</u> | <u>INTEREST RATE</u> | <u>PRINCIPAL</u> | <u>NO INTEREST PRINCIPAL</u> |
|-------------------------|---------------------|----------------------|-------------------|------------------------------|
| 2014 | \$ 98,997 | 5.25% | \$ 50,000 | \$ 48,997 |
| 2015 | 105,461 | 5.00% | 55,000 | 50,461 |
| 2016 | 111,807 | 5.00% | 60,000 | 51,807 |
| 2017 | 109,907 | 5.00% | 60,000 | 49,907 |
| 2018 | 116,095 | 5.00% | 65,000 | 51,095 |
| 2019 | 114,036 | 5.00% | 65,000 | 49,036 |
| 2020 | 120,066 | 5.00% | 70,000 | 50,066 |
| 2021 | 125,936 | 5.00% | 75,000 | 50,936 |
| 2022 | <u>123,621</u> | 4.75% | <u>75,000</u> | <u>48,621</u> |
| | \$ <u>1,025,926</u> | | \$ <u>575,000</u> | \$ <u>450,926</u> |

Payments on NJ Environmental Infrastructure Trust 2002A - January 1 and July 1

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF BONDS PAYABLE - JUNE 30, 2014

NJ ENVIRONMENTAL INFRASTRUCTURE TRUST
 SERIES 2003A
MATURITY DATE, JULY 1

| <u>YEAR OF MATURITY</u> | <u>TOTAL</u> | <u>PRINCIPAL</u> | <u>NO INTEREST PRINCIPAL</u> |
|-------------------------|-------------------|-------------------|------------------------------|
| 2014 | \$ 67,770 | \$ 35,000 | \$ 32,770 |
| 2015 | 66,814 | 35,000 | 31,814 |
| 2016 | 73,939 | 40,000 | 33,939 |
| 2017 | 72,943 | 40,000 | 32,943 |
| 2018 | 71,918 | 40,000 | 31,918 |
| 2019 | 78,754 | 45,000 | 33,754 |
| 2020 | 77,388 | 45,000 | 32,388 |
| 2021 | 84,057 | 50,000 | 34,057 |
| 2022 | 82,653 | 50,000 | 32,653 |
| 2023 | 89,175 | 55,000 | 34,175 |
| | <u>\$ 765,411</u> | <u>\$ 435,000</u> | <u>\$ 330,411</u> |

Payments on NJ Environmental Infrastructure Trust 2003A - February 1 and August 1

SCHEDULE 4

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF BONDS PAYABLE - JUNE 30, 2014

NJ ENVIRONMENTAL INFRASTRUCTURE TRUST
SERIES 2010A
MATURITY DATE, AUGUST 1

| <u>YEAR OF MATURITY</u> | | <u>TOTAL</u> | <u>INTEREST RATE</u> | | <u>PRINCIPAL</u> | | <u>NO INTEREST PRINCIPAL</u> |
|-------------------------|----|------------------|----------------------|----|------------------|----|------------------------------|
| 2014 | \$ | 160,508 | 5.00% | \$ | 70,000 | \$ | 90,508 |
| 2015 | | 160,508 | 5.00% | | 70,000 | | 90,508 |
| 2016 | | 165,508 | 5.00% | | 75,000 | | 90,508 |
| 2017 | | 170,508 | 5.00% | | 80,000 | | 90,508 |
| 2018 | | 175,508 | 5.00% | | 85,000 | | 90,508 |
| 2019 | | 175,508 | 4.00% | | 85,000 | | 90,508 |
| 2020 | | 180,508 | 5.00% | | 90,000 | | 90,508 |
| 2021 | | 185,508 | 3.00% | | 95,000 | | 90,508 |
| 2022 | | 190,508 | 4.00% | | 100,000 | | 90,508 |
| 2023 | | 190,508 | 4.00% | | 100,000 | | 90,508 |
| 2024 | | 195,508 | 4.00% | | 105,000 | | 90,508 |
| 2025 | | 200,508 | 4.00% | | 110,000 | | 90,508 |
| 2026 | | 205,508 | 3.50% | | 115,000 | | 90,508 |
| 2027 | | 210,508 | 4.00% | | 120,000 | | 90,508 |
| 2028 | | 215,508 | 4.00% | | 125,000 | | 90,508 |
| 2029 | | <u>190,348</u> | 4.00% | | <u>130,000</u> | | <u>60,348</u> |
| | \$ | <u>2,972,968</u> | | \$ | <u>1,555,000</u> | \$ | <u>1,417,968</u> |

Payments on NJ Environmental Infrastructure Trust 2010A - February 1 and August 1

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF BONDS PAYABLE - JUNE 30, 2014

NJ ENVIRONMENTAL INFRASTRUCTURE TRUST
 SERIES 2010B
MATURITY DATE, AUGUST 1

| <u>YEAR OF MATURITY</u> | | <u>TOTAL</u> | <u>INTEREST RATE</u> | | <u>PRINCIPAL</u> | | <u>NO INTEREST PRINCIPAL</u> |
|-------------------------|----|----------------|----------------------|----|------------------|----|------------------------------|
| 2014 | \$ | 11,000 | 5.00% | \$ | 5,000 | \$ | 6,000 |
| 2015 | | 14,000 | 5.00% | | 5,000 | | 9,000 |
| 2016 | | 14,000 | 5.00% | | 5,000 | | 9,000 |
| 2017 | | 14,000 | 5.00% | | 5,000 | | 9,000 |
| 2018 | | 14,000 | 5.00% | | 5,000 | | 9,000 |
| 2019 | | 19,000 | 5.00% | | 10,000 | | 9,000 |
| 2020 | | 19,000 | 5.00% | | 10,000 | | 9,000 |
| 2021 | | 19,000 | 5.00% | | 10,000 | | 9,000 |
| 2022 | | 19,000 | 5.00% | | 10,000 | | 9,000 |
| 2023 | | 19,000 | 5.00% | | 10,000 | | 9,000 |
| 2024 | | 19,000 | 5.00% | | 10,000 | | 9,000 |
| 2025 | | 19,000 | 5.00% | | 10,000 | | 9,000 |
| 2026 | | 19,000 | 5.00% | | 10,000 | | 9,000 |
| 2027 | | 15,240 | 5.00% | | 10,000 | | 5,240 |
| 2028 | | 10,000 | 5.00% | | 10,000 | | - |
| 2029 | | 15,000 | 5.00% | | 15,000 | | - |
| 2030 | | 15,000 | 5.00% | | 15,000 | | - |
| | \$ | <u>274,240</u> | | \$ | <u>155,000</u> | \$ | <u>119,240</u> |

Payments on NJ Environmental Infrastructure Trust 2010B - February 1 and August 1

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

ROSTER OF OFFICIALS

JUNE 30, 2014

| <u>Name</u> | <u>Title</u> |
|----------------------|--------------------|
| Eric Richard | Chairman |
| Janine MacGregor | Vice Chairman |
| Frank L. Kramer, Jr. | Secretary |
| Robert Hayes, Jr. | Treasurer |
| Vincent Uhl | Member |
| Paul Rotondi | Alternate One |
| Vacant | Alternate Two |
| Thomas F. Horn, P.E. | Executive Director |

LAMBERTVILLE MUNICIPAL UTILITIES AUTHORITY

JUNE 30, 2014

GENERAL COMMENTS AND RECOMMENDATIONS

NONE

