

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Old Bridge,
County of Middlesex, State of New Jersey)

Comprehensive Annual Financial Report

For the years ended May 31, 2015 and 2014

(With Independent Auditor's Report thereon)

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INTRODUCTORY SECTION

Old Bridge Municipal Utilities Authority

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September 25, 2015

Members of the Old Bridge Municipal Utilities Authority
Middlesex County, New Jersey

The Comprehensive Annual Financial Report of the Old Bridge Municipal Utilities Authority (the Authority) for the period ended May 31, 2015, is submitted herewith pursuant to the Service Agreement with the Township of Old Bridge, the Indenture of Trust on outstanding Revenue Bonds, and the provisions of Chapter 5A of Title 40A of the New Jersey Statutes Annotated, entitled "Local Authorities Fiscal Control Law". Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. This Comprehensive Annual Financial Report was prepared by the staff of the Authority's Department of Finance. We believe the data, as presented, is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Authority and that all disclosures necessary to enable the readers to gain the maximum understanding of the Authority's financial activity have been included.

The Authority's financial statements have been audited by Holman, Frenia & Allison, P.C., a firm of licensed certified public accountants and registered municipal accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the period ended May 31, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements for the period ended May 31, 2015, are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the report of the independent auditors.

The Authority implemented the Government Accounting Standards Board (GASB) Statement 34, with the May 31, 2003 financial statements. GASB 34 is a dramatic change in governmental financial reporting. We believe this new presentation will provide better information to the users of the Comprehensive Annual Financial Report.

THE REPORTING UNIT

CREATION, POWERS AND RESPONSIBILITIES

The Authority was created on November 4, 1985, by an ordinance of the Township of Old Bridge. The Authority resulted from consolidation of The Old Bridge Township Sewerage Authority ("OBTSA") and the former Old Bridge Municipal Utilities Authority ("OBMUA"), which was responsible for wastewater treatment and collection and water treatment and distribution, respectively. The combining of these operations has resulted in improved efficiency and cost-effectiveness of their operations under the Act, specifically N.J.S.A. 40:14-20, The Authority has certain powers, including but not limited to the ability:

To sue and to be sued;

To acquire, rent, uses and dispose of its service charges and other revenues and other monies;

To acquire, rent, hold, lease as lessor, use and dispose of personal property for the purpose of the Authority;

To acquire by purchase, gift, condemnation or otherwise, or lease as lessee, real property and easements therein, necessary or useful and convenient for the purposes of the authority;

To produce, develop, purchase, accumulate, distribute and sell water and water services, facilities and products within or without the Authority service area, provided that no water shall be sold at retail in any municipality outside the service area unless the governing body of such municipality shall have adopted a resolution requesting the authority to sell water at retail in such municipality, and the State Board of Public Utilities shall have approved such resolutions as necessary and proper for the public convenience;

To provide for and secure the payment of any bonds and the rights of the holders thereof, and to purchase, hold and dispose of any bonds;

To make and enforce by-laws or rules and regulations for the management and regulation of its business and affairs; and

To do and perform any acts and things authorized by the Act under, through or by means of its own officers, agents and employees, or by contract with any person.

COMPONENT UNIT STATUS

The Authority is considered to be a “Component Unit” of the Township of Old Bridge under GAAP, based upon the oversight responsibilities of the Township, which include:

- Appointment of the Members of the Authority
- Approval of projects requiring the issuance of debt by the Authority, and
- Service Agreement provisions, which require the Township to finance any deficits of the Authority, effectively providing a guarantee of the Authority’s debt service requirements.

The Township of Old Bridge follows a regulatory basis of accounting for financial statement preparation, which differs, significantly from GAAP. Of particular interest is the absence of reporting on component units based upon the separate legal status of these units. As such, the Township does not include the Authority as a component unit in its financial statements.

THE SYSTEM

The Water System Overview

The Authority is the only purveyor of water in the Township and provides, as of June 2, 2015, approximately 27,664 equivalent domestic consumer units in the Township with water service representing approximately 98% of users in the Township. The remainder of the residents of the Township obtains water from private wells. The Authority’s water facilities (collectively, the “Water System”) were principally constructed during the years 1955 through 1965 and 1983 through 2015. The overall condition of the facilities may be classified as good, and the Authority has an ongoing capital program for those of its facilities that are currently in need of rehabilitation.

Although the Authority has jurisdiction for supply of potable water to the residents of the Township, on June 17, 1988, the Authority also entered into an agreement with the Township of Aberdeen to sell that municipality up to 3.0 million gallons per day (“mgd”) of finished water. The agreement provides for a minimum purchase of 0.7 mgd on a take-or-pay basis.

Water System Facilities

The Authority's present Water System facilities consist of eight wells, two water treatment plants (Browntown and Old Bridge), eight available storage tanks and three pressure booster stations. All water supply service areas, which cover approximately three-quarters of the area available for development in the Township, are interconnected via an extensive distribution system consisting primarily of six inch to twenty-inch water mains.

The rated capacities of the Authority's two water treatment plants are 5.0 mgd for the Browntown plant and 3.0 mgd for the Old Bridge plant. However, due to backwashing requirements, the maximum usable production from the two plants is approximately 7.5 mgd. On November 17, 1986, the Authority entered into an agreement with the Middlesex Water Company ("MWC") for the purchase of up to 9.0 mgd of finished water. Additionally, the Authority has emergency interconnections with Perth Amboy, Monroe, Aberdeen and the Marlboro Municipal Utilities. On June 17, 1988, the Authority entered into an agreement with the Township of Aberdeen to purchase finished water from time to time through the interconnection.

The treatment plants treat raw water withdrawn from the Authority's eight wells. The Authority's New Jersey Department of Environmental Protection ("NJDEP") permit allows it to withdraw up to 1,542.06 million gallons ("mg") per year, which corresponds to an average rate of 4.22 mgd. The maximum monthly allocation is limited to 222.5 mg, or an average rate of 7.3 mgd. In addition, the Authority currently purchases between 2.0 and 8.0 mgd from MWC.

Peak demands are met by the utilization of storage facilities. The Authority has 20.75 mg of storage capacity in eight elevated and/or ground storage tanks.

Water consumption in 2014 was 2.299 billion gallons, or an average of 6.169 mgd. Maximum water use occurs during the summer months as a result of increased demand for lawn watering, filling pools and other outdoor uses. The maximum daily use in 2014 was 10.074 mgd on July 11, 2014 with the monthly average being 8.328 mgd. Withdrawals from storage are required during periods of maximum use.

In 2001 the Authority commenced installation of a radio read meter reading system to replace the time consuming practice of physically reading consumer water meters. Since the inception of this program to completion, the Authority connected all customer accounts to radio read meters using Authority force account employees. This completes our meter installation program where all 27,664 EDCU's are now radio reads.

A comparison of water use during calendar years, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013 and, 2014 is presented below:

<u>Year</u>	<u>Yearly Average Flow, mgd</u>	<u>Maximum Monthly Flow, mgd</u>
2005	7.04	Aug (9.50)
2006	6.91	Aug (9.42)
2007	7.13	July (9.02)
2008	6.91	July (9.75)
2009	6.35	Aug (8.64)
2010	7.29	July (10.06)
2011	6.63	July (11.85)
2012	6.67	July (10.93)
2013	6.32	July (8.06)
2014	6.17	July (10.07)

Browntown Water Treatment Plant

The Browntown Water Treatment Plant is located at the intersection of Route 9 South and Throckmorton Lane. The plant has a rated capacity of 5.0 mgd. The plant is serviced by four wells, which pump groundwater to the two forced draft aerators. The aerators are used for iron conversion and hydrogen sulfide removal. Flow from the aerators enters a 78-foot diameter clarifier rated at 5.0-mgd capacity. Coagulating chemicals are added to the clarifier for removal of iron and turbidity via settling of the treated water. After clarification, the water is pumped to five pressure filters, which remove turbidity and small floc containing residual iron. A backwash holding tank is used to recover backwash water from the filters and also to remove the solids from the recycled backwash water. Iron sludge from the clarifier and backwash detention tank is discharged into the Authority's sanitary sewer system.

Five service pumps are used to distribute water to the distribution system. Prior to the filtration, the treated water is disinfected with chlorine and pumped to either the 0.5 million gallon clear well or directly to the distribution system.

Old Bridge Water Treatment Plant

The Old Bridge Water Treatment Plant has a rated capacity of 3.0 mgd and is served by four wells. The original plant pumped the water from the filters directly to the distribution system. In April 1996 the plant configuration was changed to encompass Oak Street Station as part of the Old Bridge Plant. The filters now pump the water to the two million-gallon tank on Oak Street, which water is then

pumped out through the Oak Street Booster Station. A 2.5-mgd pump was also added to the Oak Street Station to give the station a total capacity of 6.0 mgd.

The reason for the plant improvement was to prevent the pressure from the pumps at the Old Bridge Plant from working against the pressures from the pumps in the Oak Street Station, and also to maintain a more consistent pressure in the South Old Bridge area.

Raw water is treated via forced draft aeration, clarification, filtration and disinfection prior to entering the 2.0 million-gallon tank on Oak Street. Two pressurized filters, each rated at 1.5 mgd, are installed at the plant.

Pressure Booster Stations

The Oak Street Booster Station contains four pumps, two each rated at 1,800 gallons per minute ("gpm"), one at 1,500 gpm and one at 900 gpm. The station is used in conjunction with the Oak Street Water Storage Tank to pump water into the Water System during periods of low pressure.

The Cheesequake Booster Station has four pumps that are capable of pumping 3,500 gpm to the Cheesequake area of the Township. Three pressure reducing valves, installed in early 1986, are used in conjunction with the Booster Station to provide adequate water pressure to the Cheesequake Section of the Township.

The Perrine Road Booster Station contains five pumps rated at 1,800 gpm, 1,600 gpm 1,600 gpm 1,500 gpm and 1,200 gpm. The station is used in conjunction with the Perrine Road Water Tank and the Sayrewoods Elevated Water Storage Tank to supply water into the system to supplement the Authority's groundwater supplies.

Water Tanks

The Authority has eight available water tanks with a total capacity of 20.75 mg.

<u>Location</u>	<u>Capacity, (million gallons)</u>	<u>Type</u>
Perrine Road	10.00	Ground
Higgins Road	3.00	Ground
Oak Street	2.00	Ground
Browntown Plant	0.50	Ground
Route 516	2.00	Ground
Sayrewoods	1.00	Elevated
Marlboro Road	2.00	Elevated
Route 35 (Laurence Harbor)	0.25	Elevated

Interconnection with Middlesex Water Company

In accordance with the conditions of the Authority's Water Supply Allocation Permit No. 5340 dated November 26, 2001, and the authority granted to NJDEP under the Water Supply Management Act of 1981 (N.J.S.A. 58:1A-1 et seq.), the Authority is under ongoing regulatory mandate to reduce its dependence on groundwater supplies.

The Old Bridge wells are in the State's Critical Area No. 1 and as such, must reduce withdrawals of groundwater by 40-50 percent based on actual use in 1983. In order to accomplish these groundwater supply reductions, the Authority entered into an agreement (the "MWC Agreement") for a term of twenty years with the MWC to supply up to 9.0 mgd of surface water. The MWC Agreement was signed on November 17, 1986, as amended April 21, 1999 and May 7, 2003. The Township began taking water under such MWC Agreement in May 1988. A new MWC Agreement was entered into on July 27, 2011. The term of this Agreement is twelve years, with the option to renew for an additional twenty years from the date of expiration.

In accordance with the Authority's NJDEP Permit (W.S. Permit No. 5340), the Authority was permitted to divert 222.5 million gallons per month (an average of 7.3 mgd) of groundwater from their supply wells at a maximum rate of 6,000 gallons per minute. Beginning in May 1988, the effective date of use of water from the MWC, the Authority's allocation was reduced to 1,428.58 million gallons annually or an average of 3.9 mgd.

These cutbacks, which were in accordance with the requirements for reduction of groundwater withdrawals imposed by NJDEP, required that groundwater withdrawals from all wells in Critical Area No. 1 (which includes the Township) be reduced by 40 to 50 percent of 1983 use.

In 1995 the Authority purchased Diversion Rights from South Amboy increasing the groundwater withdrawal amount up to the current 1,542.06 million gallons or an average of .42 mgd.

In accordance with the MWC Agreement, the Authority is obligated to take-or-pay a minimum of 2.0 mgd. This minimum commitment will increase as the average and peak use of MWC water by the Township increases.

Based upon its current water usage projections, the Authority anticipates that based on the conjunctive use of the Authority wells and MWC water, sufficient supply is available through the year 2025. The present rate of water purchased from MWC is \$2,878.01 per million gallons.

The Authority's 2014 average daily water supply demand was 6.17 mgd, and such demand is currently projected to be 8.8 mgd in 2016, increasing up to 11.1 mgd by 2027. In order to meet these projected demands, the Authority must increase its dependence on surface water supplies or supplies from non-critical

areas. At the present time, it is contemplated that these supplies will be provided by MWC. The contract with MWC provides for up to 9.0 mgd of supply.

The Sewer System Overview

The Authority serves, as of June 2, 2015, was 26,793 equivalent domestic consumer units with sewage disposal services and provides such services throughout the Township. The majority of the pumping stations as well as much of the piping conveyance facilities (collectively, the "Sewer System") were constructed by private developers and subsequently accepted by the Authority. The Authority conducts an ongoing maintenance program on the Sewer System, including inspections, testing, flushing, repairs and replacements.

The Authority's Sewer Division has the responsibility for accomplishing, by all reasonable and economic means, the relief of the waters in and bordering the State from pollution arising from causes within the Township and the consequent improvement of conditions affecting the public health. The Authority has exclusive responsibility for sewage disposal development within the Township, and the establishment of competitive sewerage facilities is prohibited by the Act.

Sewage Disposal Facilities

The Sewer System consists of two major components: the piping conveyance facilities and pumping stations. The Sewer System serves the seven main drainage areas of the Township. The Iresick, Tennents Brook, Deep Run, Pricketts Brook and Matchaponix drainage areas represent approximately eighty percent (80%) of the area of the Township and are sewered by Authority trunk sewers tributary to the South River Interceptor of the Middlesex County Utilities Authority ("MCUA"). This sewage flow is metered by two metering/sampling chambers and is treated at the MCUA's secondary treatment plant.

The Lake Lefferts and Raritan Bay drainage areas represent approximately the remaining twenty- percent (20%) of the Township and are sewered by Authority trunk sewers tributary to the South Bay Interceptor. This sewage flow is metered by a metering/sampling chamber located in Cliffwood Beach and is treated at the MCUA's secondary treatment plant.

MCUA Treatment

Under an ongoing agreement between the Authority and MCUA ("MCUA Agreement"), the MCUA is responsible to treat sewage collected within the Township and discharged by the Authority to the MCUA. The MCUA imposes charges therefore at the same rates as for other customers for treatment services. Under the MCUA Agreement, the Authority discontinued treatment and conveys all sewage collected by it to the MCUA for treatment.

The Sewage Collection System

The Authority owns and maintains an extensive system of collector and trunk sewers comprising approximately 210 miles of pipe, which serves all seven drainage areas of the Township. The Authority has four major trunk sewers, which are fed by many smaller collector systems. Gravity sewers range in size from 6 to 42 inches in diameter and force mains range between 3 and 20 inches in diameter.

Four major trunk sewers, the Iresick, the Deep Run, the Runyon and the Laurence Harbor trunk sewers, serve the seven drainage basins. The Laurence Harbor trunk sewer line through the swamps by Margarets Creek was replaced in 2009 and is saving additional sums due to the reduction on inflow from the swamps.

The Authority owns, operates and maintains thirty-seven sewage pumping stations which includes one ejector station.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when considered from the broader perspective of the environment within which the Authority provides service.

Local Economy

With over 66,000 people and a land area of approximately 40 sq. miles, Old Bridge is the third largest community in Middlesex County. When you think Old Bridge Township, your thoughts can be as diverse as the community itself. From the tranquility of the 1,569 acre Cheesequake State Park to the quaint bay front communities of Laurence Harbor and Cliffwood Beach; from rural farmlands to modern suburban neighborhoods; from lazy winding country roads to the lively activity of the Route 9 shopping corridor; Old Bridge continues to be a place where people can live, work and play in a manner suitable to their own unique needs. Nestled in the southeast corner of Middlesex County, Old Bridge has experienced steady growth while maintaining its commitment to preserve open space. State, County and Municipal parks and recreation areas conveniently dot the community offering a respite from the everyday hustle and bustle of modern day life. Whether you prefer a stroll on a sandy beach, a lakeside picnic, boating or a jog on a nature trail, Old Bridge continues to provide the perfect destination for enjoying nature's many gifts.

The Township's location makes it one of Central New Jersey's premier economic growth areas and economic development is a priority in Old Bridge. Traversed by the Garden State Parkway, Route 18, 9, 34 and 35, Old Bridge is fast becoming a place to grow a business or an industry. Whether your business or

industry is local, state, national or international, Old Bridge offers easy access to major markets, a diverse workforce and a built in consumer base. Its proximity to Newark International Airport, Port Elizabeth and the New Jersey Turnpike make getting your product to and from Old Bridge a "snap". Available sites zoned to welcome commercial, office and industrial uses together with a "business friendly" atmosphere make Old Bridge the right destination to develop, relocate or expand your business. Whether it's hi-tech, biotech, light industrial, pharmaceutical or professional office, you'll feel at home in Old Bridge.

New Business

The Authority continues to be customer and market driven. The FY 2015/16 budget includes funds and programs to focus on customer service and the upgrading and improvement of both our Water & Sewer Division's infrastructure, to accommodate an ever growing community.

Strategic Management Planning

The Authority's Strategic Plan continues to promote interdepartmental communication and cooperation, and encourages increased employee involvement in achieving company goals that support the Authority's Mission Statement. Staff updated the Board concerning key issues in a meeting in early March 2014 to determine future direction of the utility. That discussion is ongoing at this time.

The Authority's Key Result Areas as presented in the FY 2015 Strategic Plan are as follows:

Priority No. 1 - Customer Satisfaction and Expansion:

Customer Satisfaction, Ease of Acquiring Service, New or Rejuvenated Revenue Sources, Economic Development, Market Share, and New Opportunities.

Priority No. 2 - Corporate Culture:

Values, Performance Based Organization, Goals and Accountability, Training, Communications, and Safety Performance.

Priority No. 3 - Corporate Planning:

Facilities Master Planning and Long-Range Planning.

Priority No. 4 - Economic Decision Making:

Spending (Capital, Operations and Maintenance).

Priority No. 5 - Financial Performance:

Cost of Service

Long Term Capital Planning

The Authority's capital renewal, expansion, and improvements continue. The multiplicity of requirements by regulatory agencies also demands much capital. Renewals and replacements are necessary due to the aging infrastructure currently under way. Most replacements are the result of redevelopment efforts, which increase our costs and provide no additional revenue. In an effort to strategically expend the Authority's limited resources, Department Heads meet approximately twice annually to discuss and update capital plans. This allows for coordination between the numerous agencies the Authority's staff interacts with to accomplish its plans.

Major Ongoing and Upcoming Projects Include:

- Higgins Rd Water Tank interconnection (\$5,500,000)
- Route 516 Water Main replacement (\$1,000,000)
- Emergency Fuel Depot (\$1,200,000)
- Laurence Harbor Bulkhead (\$2,000,000)
- Perrine Rd Tank Rehabilitation (\$1,850,000)
- SCADA System Water Division (\$1,300,000)
- Central Park Relining (\$500,000)
- Pump Station Communitor Upgrades (\$900,000)
- Vehicles/TV Truck etc. (\$130,000)
- Perrine Rd Carbon Filter Facility(\$1,200,000)

Since many of the projects rehabilitate deteriorating lines in the older sections of town, the impact on operating and maintenance expenses related to that rehabilitation is expected to be favorable. Due to the increased usage of low flow devices there has been drop in the overall discharge of effluent to MCUA thereby saving the Authority additional fees in the treatment of our sewerage flow. The ongoing relining project has also had a huge impact on the reduction of infiltration and inflow to the Authority's lines, reducing operating costs on an ongoing basis. This has saved the authority approximately \$1.5 million per year in reduced processing fees. Current and future planned projects will increase this calculated savings.

Budgets

The Department of Finance prepares estimates for departmental review. Department Heads review and revise them where necessary and respective Directors sign off on these revised budgets.

The Budget Review Committee, consisting of the Executive Director, Chief Financial Officer and Internal Auditor, discusses the budgets with the respective

Department Heads and revise as needed. The Authority's Board of Commissioners reviews and approves each of the two prefatory budgets (Operations Budget – Personnel and O&M combined, and Capital Budget).

With the implementation of SCADA (supervisory control and data acquisition) system, automating plant operations through consolidating control to the Browntown Plant, the upgrade of our meter reading system to radio reads, resulting in the elimination of meter reading positions, and the reassignment of responsibilities of the existing staff to cover the duties of employees who have resigned or retired to eliminate the need for replacement, there has been a reduction of 25 employees within the last 11 years.

The budget is prepared on the accrual basis, with modifications where required to comply with the governing regulations; accordingly, revenues and expenses are budgeted for specific periods of time and are recorded as incurred, along with acquired assets, without regard to the date of receipts or payment of cash.

The Authority is required by N.J.A.C. 5:31-2.1(j) and 5:31-2.3 to prepare, adopt, and provide an annual budget no later than 60 days prior to the beginning of its fiscal year. The annual budget and any amendments thereto shall not be in effect until approved by the Authority, and the Director of the Division of Local Government Services. Once approved, the Annual Budget becomes the basis for operating and for capital expenditures during the ensuing fiscal year. Budgetary control is provided by monthly revenue and expense reports. Monthly financial statements are provided to the Board of Commissioners for review in advance of a verbal presentation of financial activity at regularly scheduled Board meetings.

The statutory budget and the financial reporting thereon differ in certain respects from GAAP. A reconciliation of the reported results on the budgetary basis to GAAP is included as part of the other supplementary information schedules.

As part of the Fiscal Year Budget that started June 1, 2015, no rate increases were adopted in either the Water or Wastewater Divisions.

Internal Controls

The Authority operates within a system of internal accounting controls established and continually reviewed by management to provide reasonable assurance that assets are adequately safeguarded and transactions are recorded in accordance with Authority policies and procedures. When establishing and reviewing controls, management must consider the cost of the control and the value of the benefit derived from its utilization.

Management normally maintains or implements only those controls for which its value adequately exceeds its costs. Recent audits have not noted any weaknesses in internal controls.

Debt Management

At May 31, 2015, the Authority had outstanding insured revenue bonds in the amount of \$45,519,618, less an unamortized bond discount and deferred amount on refunding totaling \$321.948. Debt service schedules go out to 2034. Interest rates range from 0.0% on Bonds issued as part of the state sponsored New Jersey Wastewater Treatment Trust Fund and New Jersey Environmental Infrastructure Trust Fund (NJEITF) to 5.70% on the bonds. Use of the NJEITF as the financing vehicle for OBMUA capital projects results in both lower over-all interest costs and a reduction in the costs associated with the issuance of debt. All outstanding bonds are insured and rated AAA. Principal payments are due November 1 of each year. The principal for the bonds due November 1, 2015, is \$4,894,110. Management and the Authority's Financial Advisor constantly monitor market conditions to determine if interest rate declines present opportunities for savings through the refunding of outstanding debt. The Authority has taken comprehensive actions to limit the costs in the current debt service maturity schedule. Utilization of the NJEITF financing program for eligible capital projects over an eighteen-year period from 1993 through 2013 has resulted in interest savings to the Authority in excess of \$5.42 million. Current and advance refundings of existing debt in 2002, 2004, 2006, 2009, 2012 and 2014 based upon improving market conditions, resulted in additional aggregate savings to the Authority of \$5.19 million. Such refundings require the approval of the New Jersey Local Finance Board and generally must yield a net present value savings of at least 3% of debt service cash flows. Full details of the specific Bond Issues outstanding may be found in Note 5 and on Schedule 1 of the statistical section.

Service Agreement

SUMMARY OF CERTAIN PROVISIONS OF THE SERVICE AGREEMENT WITH THE TOWNSHIP OF OLD BRIDGE

The Agreement establishes conditions under which the Authority shall operate the System and from time to time enlarge, alter, renew and replace the same. The following is an outline of certain provisions of the Agreement, with various comments thereon, and does not purport to be a full and complete statement of the provisions of the Agreement, which should be read in full for a complete understanding thereof.

Establishment of Rates

The Agreement provides that the Authority will charge Service Charges in accordance with the Act at least to the extent required by the Agreement and at the rates established in accordance with the Agreement. In order to finance deficits, as described below, the Authority will charge the Township Annual Charges computed in accordance with the Agreement. The Annual Charges

made by the Authority to be paid by the Township for or with respect to any Fiscal Year shall include and make provisions for all of the amounts (not actually paid from Service Charges, bond proceeds, insurance proceeds, interest income, contributions received by or for account of the Authority until after the payment in full of all other obligations of the Authority including its bonds, original or refunding or both, or reserves available at the beginning of such year) necessary (1) to pay or provide for the expenses of operation and maintenance of the System, including (without limitation) sewerage treatment charges, water purchases, water charges, insurance, renewals, replacements, extensions, enlargements, alterations and betterments, but excluding depreciation, (2) to pay or provide for principal or redemption price of and interest on outstanding bonds, notes or other evidences of indebtedness of the Authority becoming due during such Fiscal Year, (3) to pay or provide for any deficits of the Authority resulting from failure to receive sums payable to the Authority by the Township, any other municipality, any county or any person, or from any other cause, and (4) to maintain such reserve or sinking fund to provide for expenses of operation and maintenance of the System or for any interest on or principal or redemption price of bonds, notes or other evidences of indebtedness of the Authority or for any such deficits as may be required by the terms of any contract, indenture or bond resolution of the Authority or be deemed necessary or desirable by the Authority.

Payment of Annual Charges by Township

For or in connection with the sale and supplying of water and the treatment and disposal of sewage or other wastes in the Township by means of the System during each Fiscal Year, the Township shall pay to the Authority Annual Charges made and charged by the Authority to and payable by the Township for such Fiscal Year computed by the Authority as provided in this Article. Within thirty (30) days after the end of each Fiscal Year, the Authority shall notify the Township of the estimated Annual Charges for the preceding Fiscal Year. Within sixty (60) days after the end of each Fiscal Year, the Authority will make and deliver to the Township its certificate stating the amount of the Annual Charges (if any) for such preceding Fiscal Year (the "Prior Annual Charges Deficiency Notice") computed in accordance with this Agreement accompanied by the written approval, signed by an Accountant, of the statements in such certificate. The Annual Charges for each Fiscal Year, to the extent that any part thereof shall not have been theretofore paid, shall in all events be due and payable within forty-five (45) days of receipt by the Township of the Prior Annual Charges Deficiency Notice, but current provision for and payment of part of such Annual Charges on an annualized basis shall be made by the Township in accordance with the following paragraphs of this Section.

By the first business day of each Fiscal Year, the Authority will make an estimate of the amount of the Annual Charges which will become payable by the Township for such Fiscal Year and thereafter within thirty (30) days of the commencement of such Fiscal Year. In the event that any part of any Annual Charges theretofore becoming payable by the Township shall not have been

paid, the Authority will include in such certificate an additional provision separately stating the amount of such unpaid part (hereinafter called the "Prior Annual Charges Deficiency).

The Township will in each year make all budgetary and other provisions or appropriations necessary to provide for and authorize the payment by the Township to the Authority during each Fiscal Year of the estimated amount of the Annual Charges Deficiency (if any) stated in the certificate delivered in such Fiscal Year to it by the Authority as aforesaid.

Within forty-five (45) days of receipt of any Prior Annual Charges Deficiency Notice, the Township will pay to the Authority the amount of the Prior Annual Charges Deficiency stated in the certificate delivered in such Fiscal Year to it by the Authority as aforesaid. The Township will pay to the Authority that part of the estimated amount of the Annual Charges stated in the certificate delivered in such Fiscal Year to it by the Authority as aforesaid in three equal installments on the first day of August, November and February of each Fiscal Year (in a Fiscal Year ending May 31) or the equivalent of the first day of the month sixty (60) days, one hundred fifty (150) days and two hundred forty (240) days following the receipt of any Prior Annual Charges Deficiency Notice.

In the event that the amount of the Annual Charges made and charged by the Authority to and payable by the Township for any Fiscal Year computed as provided in this Article shall be less than the estimated amount of such Annual Charges (as aforesaid) stated in the certificate delivered in such Fiscal Year to it by the Authority, the Authority will credit the difference between said amounts to the Township against the amount of the next payment becoming due to the Authority from the Township.

The Authority has agreed to repay to the Township all moneys paid to the Authority under the Agreement, except for Service Charges on property owned by the Township itself, within five years after such payment by the Township, without interest only from Surplus Revenues of the Authority.

Rates of Service Charges

The Service Charges to be prescribed, fixed and charged by the Authority pursuant to the Agreement shall be computed in accordance with and at the rates shown on the schedule of such charges annexed to the Agreement, which is the Authority's rate schedule as presently in effect. The Authority shall not without the written consent of the Township adopt or make any amendment to said schedule if (a) with respect to any Fiscal Year after the end of the second Fiscal Year after the date of the Agreement, there has been an Annual Charge payable in either of the two Fiscal Years next preceding the adoption of such amendment, (b) with respect to any Fiscal Year, the Authority anticipates that an Annual Charge will be payable or (c) at the time of the adoption of such an amendment there remains any Annual Charges that have not been repaid to the

Township by the Authority. However, the Authority may adopt or make any amendment to said schedule if such amendment (a) imposes or affects only a connection charge to be made to the Authority for or with respect to each making or discontinuing of a service connection to the System, or (b) is required by the terms of any final judgment or decree of a court of competent jurisdiction or (c) is required by any of the terms or provisions of, or any of the covenants made for the benefit of holders of Bonds.

Miscellaneous Provisions

In the Agreement the Township agrees not to construct or permit the construction of any water supply, distribution system, sewage disposal plant or sewers or other facilities for distribution of water within, or the collection, treatment or disposal of sewage originating in, the Township unless the Authority shall have given its written consent to such construction. The Agreement provides that Authority shall not construct or acquire any extension of any water main as an extension of the Water System or any extension of any sewer as an extension of the Sewerage System without a certificate of a consulting engineer stating the opinion that the estimated Service Charges to be collected with respect to the System, together with other available funds and revenues, other than Annual Charges, exceed the estimated operating expenses with respect to the System for a period of not less than three years after the time of placing in operation of such extension.

Notwithstanding anything to the contrary, the Authority shall not enlarge, alter or improve the Water System or the Sewer System or renew or replace any part thereof which requires the issuance of debt by the Authority, unless the Township first receives a written notice of the Authority's intent to issue debt and estimated total debt to be issued from the Authority's Executive Director at least thirty (30) days prior to the issuance of debt.

In the Agreement the Authority may assign or pledge for the benefit and security of the holders of Bonds all of its rights under the provisions of the Agreement to receive payments from the Township and thereafter the Agreement may not be terminated, modified or changed by either the Authority or the Township except in the manner (if any) and subject to the conditions (if any) permitted by the terms and provisions of such assignment or pledge. The Agreement may be terminated by either party after such time that Bonds are no longer outstanding, but only upon two years' prior written notice to the other party.

AWARDS and ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended May 31, 2014. The Certificate of Achievement is a prestigious national award recognizing

conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, the Authority published an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and legal requirements. The Authority has received a Certificate of Achievement from the GFOA for the last eleven (11) consecutive fiscal years (fiscal years ended 2004-2014).

A Certificate of achievement is valid for one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Authority's Department of Finance. The Authority's Finance Department was honored to receive the "Award of Excellence in Financial Reporting" for the 2014 Comprehensive Annual Financial Report. I would like to express my appreciation to all members of the Department who assisted and contributed to its preparation. I would also like to express my thanks to the to the Board of Commissioners, the Executive Director, our in house Engineer and the entire Authority staff for their interest and support in planning and conducting the financial operations in a responsible and progressive manner. The staff especially appreciates the invaluable guidance and encouragement of the Authority's external auditor, Holman, Frenia & Allison, P.C.

Respectfully submitted,

Michelle Smith

Michelle Smith, Chief Financial Officer



Government Finance Officers Association

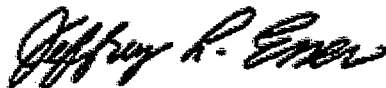
**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Old Bridge Municipal Utilities Authority
New Jersey**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

May 31, 2014



Executive Director/CEO

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY

**Directory
May 31, 2015**

Board Members

Arthur M. Haney, Chairman
Richard Green, Vice Chairman
Edward Testino, Secretary
Dr. Anita Greenberg, Treasurer
Frank Weber, Commissioner
Brian Cahill, First Alternate Commissioner
Paul Carlock, Second Alternate Commissioner

Management Team

Guy Donatelli, Executive Director/Superintendent Water Division
Michelle Smith, C.P.A., Comptroller
Michael Roy, P.E.
Al Lunkenheimer, Superintendent Sewer Collection
Robin Brooksbank, Office Manager
Jessica Sangiorgio, Internal Audit

General Counsel

James J. Cleary, Esquire
Matawan, New Jersey

Independent Certified Public Accountants/ Registered Municipal Accountants

Holman, Frenia, Allison, P.C.
Freehold, New Jersey

Bond Counsel

Gibbons P.C.
Newark, New Jersey

Gluck Walrath, LLP
Trenton, New Jersey

Financial Advisor

ACACIA Financial Group, Inc.
Montclair, New Jersey

Consulting Engineers – Sewer Division

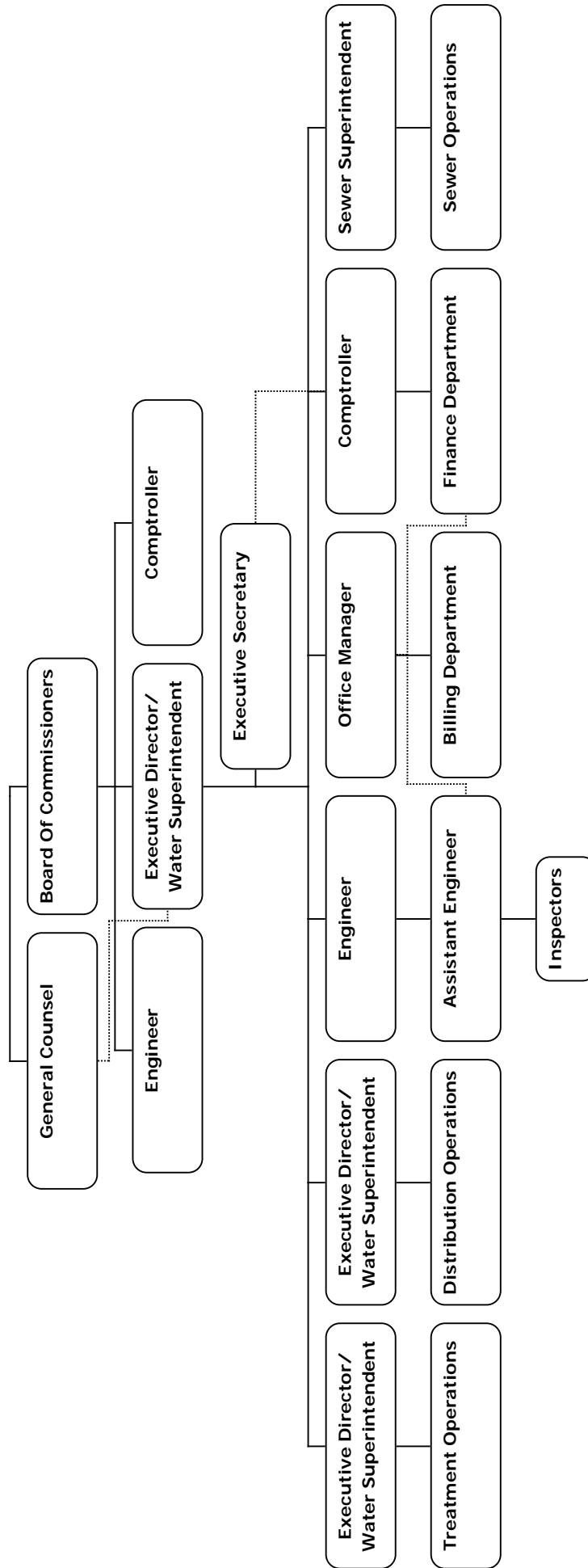
Alaimo Group Consulting Engineers
Mount Holly, New Jersey

Consulting Engineers – Water Division

C.M.E. Associates
Parlin, New Jersey

Old Bridge Municipal Utilities Authority

Authority Overview



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Old Bridge Municipal
Utilities Authority
County of Middlesex
Laurence Harbor, New Jersey 08879

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Old Bridge Municipal Utilities Authority, County of Middlesex, State of New Jersey, as of and for the fiscal year ended May 31, 2015, 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; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 Authority'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 Authority'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Old Bridge Municipal Utilities Authority, County of Middlesex, State of New Jersey, as of May 31, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Old Bridge Municipal Utilities Authority as of May 31, 2014, were audited by other auditors whose report dated September 13, 2014, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress – postemployment health benefits and schedule of revenues and expenses compared to budget as listed in the table of contents on pages 26-34, 65 and 66-71 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 Old Bridge Municipal Utilities Authority's basic financial statements. The introductory section and other supplementary information such the statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular(s) 04-04 and/or 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and is also not a required part of the basic financial statements.

The accompanying Schedule of State Financial Assistance is the responsibility of management and was derived from and relates 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 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 accompanying Schedule of State Financial Assistance is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2015 on our consideration of the Old Bridge 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 Old Bridge Municipal Utilities Authority's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Robert Allison
Certified Public Accountant

Freehold, New Jersey
September 25, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Old Bridge Municipal Utilities Authority's (the Authority) annual financial report presents the analysis of the Authority's financial performance during the fiscal year that ended on May 31, 2015. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Authority's Gross Capital Assets increased by \$7.03 million or 4% since last year.
- The Authority's Net Position increased by \$4.52 million or 4% since last year.
- Total Liabilities decreased by \$4.03 million or 5.9% versus 2014.
- Overall increase in customer base over the last eleven years by 8.4% or 2,113 EDCU's in conjunction with a decrease of 25 employee's or 29.1%, helps to maintain and preserve our current rates.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority is a single enterprise fund even though it provides various utility services. The Comprehensive Annual Financial Report is presented in five sections: Introductory, Financial, Statistical, Single Audit and General Comments and Recommendations. The Introductory section includes a letter of transmittal, the Authority's Organizational Chart, and a System Overview. The Financial section includes Management's Discussion and Analysis, Financial Statements with accompanying notes, Supplementary Information, and the Independent Auditor's Report. The Statistical section includes selected financial, operational, and demographic information, generally presented on a multi-year basis. The Single Audit section includes additional financial information and Independent Auditor reporting required by New Jersey OMB Circular 04-04. The General Comments and Recommendations section presents required additional auditor reporting on New Jersey statutory compliance. The Authority adopted Governmental Accounting Standards Board (GASB) Statement 34 for the fiscal period ending May 31, 2003, Other Post Employment Benefits GASB Statement 45 starting in fiscal year ended May 31, 2009, and GASB Statement 65 starting in fiscal year ended May 31, 2014.

REQUIRED FINANCIAL STATEMENTS

The financial statements report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities.

The ***Statement of Net Position*** includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

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

The other required financial statement is the ***Statement of Cash Flows***. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities, and provides answers to such questions as "where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period?"

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

One of the most important questions asked about the Authority's finances is "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Net Position report information about the Authority's activities in a way that will help answer this question. These two statements report the net position of the Authority, and changes in them. You can think of the Authority's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

Net Position

The Authority's total net position increased from last year by \$4.52 million or 4%. The analysis which follows focuses on the Authority's net position (Table 1) and changes in net position (Table 2) during the year.

Table 1
Net Position
(Dollars in Thousands)

	<u>May 31,</u> <u>2015</u>	<u>May 31,</u> <u>2014</u>	<u>May 31,</u> <u>2013</u>	<u>2015-2014</u> <u>Increase/(Decrease)</u>		<u>2014-2013</u> <u>Increase/(Decrease)</u>	
				<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Current and Other Assets	\$48,317	\$52,042	\$48,351	\$(3,725)	-7.2%	\$3,691	7.6%
Capital Assets	133,678	129,379	125,766	4,299	3.3%	3,613	2.9%
Total Assets	<u>\$181,995</u>	<u>\$181,421</u>	<u>\$174,117</u>	<u>\$574</u>	.32%	<u>\$7,304</u>	4.2%
Long-Term Liabilities	\$49,986	\$54,833	\$52,964	\$(4,847)	-8.8%	\$1,869	3.5%
Other Liabilities	13,529	12,624	12,465	905	7.2%	159	1.3%
Total Liabilities	<u>\$63,515</u>	<u>\$67,457</u>	<u>\$65,429</u>	<u>\$(4,024)</u>	-6.0%	<u>\$2,028</u>	3.1%
Invested in Capital Assets, Net of Debt	\$87,249	\$78,108	\$76,286	\$9,141	11.7%	\$1,822	2.4%
Restricted	18,841	23,683	23,582	(4,842)	-20.4%	101	.4%
Unrestricted	12,390	12,173	8,820	217	1.8%	3,353	38.0%
Total Net Position	<u>\$118,480</u>	<u>\$113,964</u>	<u>\$108,688</u>	<u>\$4,516</u>	4.0%	<u>\$5,276</u>	4.9%

Changes in the Authority's net position can be determined by reviewing the following condensed Statement of Revenues, Expenses, and Changes in Net Position for the year.

Table 2
Statement of Revenues, Expenses, and Changes in Net Position
(Dollars in Thousands)

				2015-2014		2014-2013	
	FY 2015	FY 2014	FY 2013	<u>Increase(Decrease)</u>		<u>Increase (Decrease)</u>	
				\$	%	\$	%
<u>Operating Revenues</u>							
Water Charges	\$13,545	\$13,139	\$13,806	\$406	3.1%	\$(667)	-4.8%
Sewer Charges	15,935	15,195	14,611	740	4.9%	584	4.0%
Connection Fees	320	379	489	(59)	-15.6%	(110)	-22.5%
Other	655	973	764	(318)	-32.7%	209	27.4%
<u>Non-Operating Revenues</u>							
Interest Income	62	59	78	3	5.1%	(19)	-24.4%
Miscellaneous	13	4	12	9	225%	(8)	-66.7%
Total Revenues	30,530	29,749	29,760	781	2.6%	(11)	-0.0%
<u>Operating Expenses</u>							
Personnel Costs	9,023	8,778	9,045	245	2.8%	(267)	-3%
Administrative & Office	2,209	1,688	1,546	521	30.9%	142	9.2%
Engineering	34	38	41	(4)	-10.5%	(3)	-7.3%
Operations & Maintenance	2,546	2,385	3,067	161	6.8%	(682)	-22.2%
Contractual Services & Charges	8,163	7,187	7,064	976	13.6%	123	1.7%
Depreciation	2,787	2,700	2,720	87	3.2%	(20)	-0.7%
Interest/Issuance/Amortization	1,514	1,718	1,673	(204)	-11.9%	45	2.7%
Total Expenses	26,276	24,494	25,156	1,782	7.3%	(662)	-2.6%
Income (Loss) Before Contributions & Transfers And Extraordinary Items	4,254	5,255	4,604	(1,001)	-19.0%	651	14.1%
Extraordinary Income (Expenses)	-	-	-	-	-	-	-
Capital Contributions	262	21	4,081	241	1148%	-4,060	-99.5%
Change in Net Position	4,516	5,276	8,685	(760)	-14.4%	-3,409	-39.3%
Beginning Net Position	113,964	108,688	100,003	5,276	4.9%	8,685	8.7%
Ending Net Position	\$118,480	\$113,964	\$108,688	\$4,516	4.0%	\$5,276	4.9%

While the Balance Sheets show the change in financial position of net position, the Statements of Revenues, Expenses and Changes in Net Position, provide answers as to the nature and source of these changes. As can be seen in Table 2 above, the “**Income Before Contribution**” of \$4.25 million was the sources of change in net position of \$4.52 million in Fiscal 2015. A closer examination of the individual categories affecting the source of changes in net position is discussed below.

Revenues:

Table 2 shows that “**Total Revenues**” increased by \$.78 million or 2.6% in Fiscal Year 2015 vs. Fiscal Year 2014.

Expenses:

A further review of Table 2 reveals that “**Total Expenses**” increased by \$1.78 million or 7.3% in Fiscal 2015 vs. expense decreases of \$.66 million or 2.6% in 2014 vs. 2013. The increase in expenses was do largely to administrative & office of \$.52 million and contractual services & charges of \$.98 million.

Operating Expenses:

In Reviewing “**Total Expenses**” in detail you notice that these expenses were \$26.3 million in Fiscal 2015 compared to \$24.5 million in Fiscal Year 2014. Contractual services of the authority increased by \$.98 million over last Fiscal Year due to increased costs from water purchased from Middlesex Water Co. of \$.13 million and the increased costs of the sewer treatment & disposal provided by Middlesex County Utilities Authority of \$.85 million. The increase in administrative & office expense of \$.52 million was due mostly to increase legal fees for the current year.

Income:

In reviewing “**Income (Loss) before contributions and transfers**” you will notice that income decreased to \$4.3 million for Fiscal 2015 vs. \$5.3 million for Fiscal 2014. This represents a decrease in income of \$1 million or 19% from Fiscal 2014.

Capital Contributions:

Capital Contributions increased by \$.24 million in Fiscal 2015 from .21 million in Fiscal Year 2014. This means that the developers turned over more assets that have been built within the last year than the year before; however the increase is still minimal due to the continued economic slowdown.

STATUTORY OPERATING RESULTS

The State of New Jersey requires local authorities to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute and codified as N.J.A.C. 5:31-1 et seq. The statutory budget was designed to demonstrate to the Bureau of Authority Regulation of the Division of Local Government Services that the cash flows of the Authority for the coming year will be sufficient to cover operating expenses, interest accruing on bonded indebtedness and cash payments of maturing bond and loan principal. Page 1 of Supplementary Schedule II shows that on a budgetary basis, the Authority as a whole realized a favorable variance of \$3.98 million on budgeted expenses of \$32.74 million for the fiscal period ended May 31, 2015. The Authority also realized a favorable variance of \$.69 million on budgeted revenues of \$32.74 million for fiscal year 2015. The budgetary revenues over expenses of \$4.67 million for 2015 represents a decrease of 4.3% vs. 2014. As shown by the reconciliation of the budgetary basis to GAAP on page 2 of the schedule, adjustments to the budgetary basis are required to:

- Eliminate Unrestricted Net Position Appropriated from Revenues
- Eliminate Maturing Bond Principal from Expenses
- Eliminate Fixed Capital Acquired through Budgeted Capital Outlay from Expenses
- Add Unrecorded Depreciation, Amortization, and Bond Issuance Expenses
- Add Capital Contributions

Management meets at least monthly to review water consumption data and other significant revenue sources. In the event that current projected revenues lag behind budget amounts, adjustments to discretionary spending and/or rate impact analyses are performed. However, in order to present a true budgetary comparison, the statutory budget is amended only in instances wherein planned spending will exceed legal appropriation amounts.

The Authority was not required to increase its minimum rates during the twelve-month period ending May 31, 2015 to balance its budget. Rate increases were adopted to recoup additional costs from rate increases charged by its outside water supplier (Middlesex Water) and sewer treatment authority (Middlesex County Utilities Authority).

Readers should be cautioned that the statutory operating results presented in supplementary schedule II, Schedule of Revenues and Expenses Compared to Budget, are not intended to present and do not present financial results in accordance with GAAP.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At May 31, 2015, the Authority had \$181,813,345 invested in a broad range of utility capital assets, including its water treatment plant, water storage facilities, water mains, sewer collection system; pump stations, and related lands, facilities, and equipment. This amount represents an increase (net of increases and decreases) of \$7,025,846 or 4.0% over the amounts reported at May 31, 2014.

The following tables summarize the Authority's capital assets and changes therein, for the year ended May 31, 2015. These changes are presented in detail in Note 3 to the financial statements.

Table 3
Gross Capital Assets
(Dollars in Thousands)

	May 31, 2015	May 31, 2014	May 31, 2013	2015-2014 Increase (Decrease)	2014-2013 Increase (Decrease)
Gross Utility Plant					
Water	\$76,034	\$76,042	\$73,074	\$(8)	\$2,968
Wastewater	84,785	83,695	83,588	1,090	107
Construction In Progress	<u>20,994</u>	<u>15,050</u>	<u>11,882</u>	<u>5,944</u>	<u>3,168</u>
Total Utility Plant	<u>\$181,813</u>	<u>\$174,787</u>	<u>\$168,544</u>	<u>\$7,026</u>	<u>\$6,243</u>

Table 4
Gross Capital Assets
(Dollars in Thousands)

	May 31, 2015	May 31, 2014	May 31, 2013	2015-2014 Increase (Decrease)		2014-2013 Increase (Decrease)	
				\$	%	\$	%
Gross Utility Plant							
Land	\$6,847	\$6,847	\$6,847	\$ -	0.0%	\$ -	0.0%
Diversionary Rights	300	300	300	-	0.0%	-	0.0%
Transmission, Distribution & Collection Systems	137,195	136,524	133,629	671	.5%	2,895	2.2%
Equipment	4,937	4,536	4,356	401	8.8%	180	4.1%
Structures & Improvements	11,540	11,530	11,530	10	0.1%	-	0.0%
Construction In Progress	<u>20,994</u>	<u>15,050</u>	<u>11,882</u>	<u>5,944</u>	39.5%	<u>3,168</u>	26.7%
Total Utility Plant	<u>\$181,813</u>	<u>\$174,787</u>	<u>\$168,544</u>	<u>\$7,026</u>	4.0%	<u>\$6,243</u>	3.7%

Capital additions funded through the operating budget during the fiscal period ending May 31, 2015 included:

Water System

Machinery & Equipment	\$16,067
Treatment Plant	20,663
Aquifer Study	14,486

Sewer System

Pump Station Upgrades	\$27,800
Vehicles	395,445
Sewer Pipe Relining	372,514
Machinery & Equipment	50,054
Building & Additions	9,953

The Authority's FY 2015/16 capital budget plans for investing another \$10.089 million in capital expenditures and projects, which includes the following:

Water Division:

Perrine Rd Carbon Filter Facility	\$1,200,000
Perrine Rd Tank Rehabilitation	1,850,000
Emergency Fuel Depot	1,200,000
SCADA Upgrade	1,300,000
Meter Replacements	235,560
Browntown Filter Media Replacement	250,000
Well Redevelopment	50,000
Vehicles	15,000
Lap Top Computer	2,000
Engineering Equipment	<u>4,000</u>
Sub-total Water Division	\$6,106,560

Sewer Division:

Bulkhead at Laurence Harbor	\$2,000,000
Relining President Section Line	50,000
Vehicles	115,000
Relining Central Park	500,000
Communitor Upgrades 3 Pump Stations	900,000
Pump Station Manlifts Raritan/Lakeridge	50,000
Equipment Purchases	124,000
River Street Flood Mitigation	100,000
Force Main & Aerial Line Rehabilitation	50,000
Easement Rehabilitation Rams Field	50,000
Maintenance Garage, & Collection System	32,500
Plant, Communication & Engineering Equipment	<u>10,500</u>
Sub-total Sewer Division	<u>\$3,982,000</u>
Total Authority	<u>\$10,088,560</u>

The Authority plans on using existing cash and new Bond proceeds as well as the New Jersey Infrastructure Trust Loans to fund the capital budget for the upcoming years, assuming that budgetary

projections are realized and no disasters or emergencies occur.

At May 31, 2015, the Authority had outstanding insured revenue bonds in the amount of \$45,519,618, less an unamortized bond discount and deferred amount on refunding totaling \$321,948. Debt Service Schedules go out through fiscal year 2034. Interest rates range from 0.0% on Bonds issued as part of the state sponsored Wastewater Treatment Trust Fund and Environmental Infrastructure Trust Fund to 5.70% on regular bonds. All outstanding bonds are insured and rated Aa2 or better. Principal payments are due November 1 of each year. The principal for the bonds due November 1, 2015, is \$4,894,110. Management and the Authority's Financial Advisor constantly monitor market conditions to determine if interest rate declines present opportunities for savings through the refunding of outstanding debt. Such refunding requires the approval of the Local Finance Board and generally yields a net present value savings of at least 3% of debt service cash flows. Full details of the specific Bond Issues outstanding may be found in Note 5 and the supplementary schedules.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's FY 2015 - 16 Budget will cover the fiscal year ending May 31, 2016. Based upon historical consumption data and the existing rate structure, projected revenues and unrestricted net position were sufficient to support budgeted expenses (budgetary basis) of \$33.38 million. No rate increases were adopted as part of the FY 2015 -16 Budget for the Authorities water and sewer users.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Authority's rate payers, creditors and bond holders with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michelle Smith, the Authorities Chief Financial Officer at Old Bridge Municipal Utilities Authority, P.O. Box 1006, Laurence Harbor, NJ 08879-4006, or e-mail comptroller@obmua.com

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Old Bridge,
County of Middlesex, State of New Jersey)
Statements of Net Position
May 31, 2015 and 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash & Cash Equivalents	\$ 5,528,534	\$ 8,327,482
Investments	5,813,296	2,483,794
Petty Cash & Change Accounts	160	160
Customer Accounts Receivable, Net of Allowance for		
Uncollectible Accounts of \$1,088,002 in 2015 and \$985,277 in 2014	5,131,751	4,931,147
Miscellaneous Receivables	546,283	552,188
Accrued Interest Receivable	7,629	4,433
Inventory	588,854	598,195
Prepaid Expenses	802,225	760,860
Total Current Assets	<u>18,418,732</u>	<u>17,658,259</u>
Noncurrent Assets:		
Restricted Assets:		
Customer Deposits:		
Cash & Cash Equivalents	40,781	38,781
Debt Service Account:		
Cash & Cash Equivalents	4,795,253	4,090,545
Investments	1,616,000	1,997,000
Escrow Deposits:		
Cash & Cash Equivalents	4,366,301	4,530,255
Miscellaneous Receivables	101,664	90,594
Operating Account:		
Cash & Cash Equivalents	5,082,943	5,077,137
Investments	1,001,611	579,080
OPEB Account		
Cash & Cash Equivalents	118	707
Investments	3,672,000	2,652,194
Bond Service Reserve Account:		
Cash & Cash Equivalents	5,951	5,573
Investments	4,070,810	4,110,034
Construction Account:		
Cash & Cash Equivalents	316,370	443
Investments	18,000	788,000
State Loans Receivable	4,159,059	9,922,125
Accrued Interest Receivable	1,286	1,692
Renewal & Replacement Account:		
Cash & Cash Equivalents	346	-
Investments	649,654	500,000
Total Restricted Assets	<u>29,898,147</u>	<u>34,384,160</u>
Noncurrent Assets:		
Property, Plant and Equipment	181,813,345	174,787,499
Less: Accumulated Depreciation	48,135,710	45,408,774
Net Property, Plant and Equipment	<u>133,677,635</u>	<u>129,378,725</u>
Total Noncurrent Assets	<u>163,575,782</u>	<u>163,762,885</u>
Total Assets	<u>\$ 181,994,514</u>	<u>\$ 181,421,144</u>

The accompanying notes are an integral part of this statement.

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Old Bridge,
County of Middlesex, State of New Jersey)
Statements of Net Position (continued)
May 31, 2015 and 2014

<u>LIABILITIES AND NET POSITION</u>	<u>2015</u>	<u>2014</u>
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 1,635,855	\$ 995,877
Unearned Revenues	805,783	776,372
Customer Overpayments	104,268	63,579
Accrued Expenses	340,121	328,702
Payroll Taxes Payable	38,739	52,230
Compensated Absences	198,773	207,737
Total Current Liabilities Payable from Unrestricted Assets	<u>3,123,539</u>	<u>2,424,497</u>
Current Liabilities Payable from Restricted Assets:		
Reserve for Water Deposits	40,781	38,781
Reserve for Escrow & Inspection Deposits	4,467,965	4,620,849
Accrued Interest Payable on Revenue Bonds	1,002,804	988,667
Revenue Bonds Payable	4,894,110	4,551,595
Total Current Liabilities Payable from Restricted Assets	<u>10,405,660</u>	<u>10,199,892</u>
Total Current Liabilities	<u>13,529,199</u>	<u>12,624,389</u>
Noncurrent Liabilities:		
Long-Term Revenue Bonds Payable	40,303,560	45,709,019
Bond Premium Payable	1,231,397	1,009,270
	<u>41,534,957</u>	<u>46,718,289</u>
Provision for Capital Appreciation Bonds	1,152,899	1,831,553
Other Post-Employment Benefits	6,792,523	5,779,116
Compensated Absences	504,857	503,573
Total Noncurrent Liabilities	<u>49,985,236</u>	<u>54,832,531</u>
Total Liabilities	<u>63,514,435</u>	<u>67,456,920</u>
Net Position:		
Net Investment in Capital Assets	87,248,568	78,108,841
Restricted:		
Operating	6,084,554	5,656,217
Capital Projects	4,493,429	10,710,568
Debt Service	4,591,100	4,662,890
OPEB	3,672,118	2,652,901
Unrestricted	12,390,310	12,172,807
Total Net Position	<u>118,480,079</u>	<u>113,964,224</u>
Total Liabilities and Net Position	<u><u>\$ 181,994,514</u></u>	<u><u>\$ 181,421,144</u></u>

The accompanying notes are an integral part of this statement.

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Old Bridge,
County of Middlesex, State of New Jersey)
Statements of Revenues, Expenses and Changes in Net Position
For the years ended May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Water Charges	\$ 13,544,888	\$ 13,139,384
Sewer Charges	15,934,943	15,194,790
Connection Fees	320,216	378,928
Other	<u>654,863</u>	<u>972,908</u>
Total Operating Revenues	<u>30,454,910</u>	<u>29,686,010</u>
Operating Expenses:		
Personnel Costs	9,022,883	8,778,216
Administrative Expenses	2,047,576	1,536,645
Office Expenses	161,274	151,930
Engineering Expenses	33,733	37,793
Operations and Maintenance	2,545,621	2,384,907
Contractual Services and Charges	8,163,066	7,187,134
Depreciation Expense	<u>2,787,314</u>	<u>2,699,547</u>
Total Operating Expenses	<u>24,761,467</u>	<u>22,776,172</u>
Operating Income	<u>5,693,443</u>	<u>6,909,838</u>
Non-Operating Revenues (Expenses):		
Interest Income	62,089	58,906
Interest Expense	(1,323,525)	(1,585,399)
Bond Issuance Expense	(182,874)	(124,769)
Amortization Expense	(7,494)	(7,494)
Miscellaneous	<u>12,697</u>	<u>4,450</u>
Total Non-Operating Revenues (Expenses)	<u>(1,439,107)</u>	<u>(1,654,306)</u>
Net Income Before Contributions and Transfers	4,254,336	5,255,532
Capital Contributions	<u>261,519</u>	<u>20,924</u>
Net Income	4,515,855	5,276,456
Net Position, June 1,	<u>113,964,224</u>	<u>108,687,768</u>
Net Position, May 31,	<u><u>\$ 118,480,079</u></u>	<u><u>\$ 113,964,224</u></u>

The accompanying notes are an integral part of this statement.

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Old Bridge,
County of Middlesex, State of New Jersey)
Statements of Cash Flows
For the years ended May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 30,594,854	\$ 30,511,764
Cash payments for goods & supplies	(14,512,420)	(14,076,159)
Cash payments for employee expenses	(6,264,573)	(6,059,856)
Net Cash Flows from Operating Activities	<u>9,817,861</u>	<u>10,375,749</u>
 Cash Flows from Capital and Related Financing Activities:		
Principal paid on bond maturities	(4,551,595)	(4,476,001)
Interest paid on bond maturities	(1,986,751)	(2,138,061)
Bond Issuance disbursements	(149,090)	(44,157)
Bond Refunding disbursements	(57,645)	-
Proceeds from state loans receivable	5,755,835	4,898,535
Acquisition and construction of capital assets	(7,085,981)	(6,292,015)
Net Cash Flows from Capital and Related Financing Activities	<u>(8,075,227)</u>	<u>(8,051,699)</u>
 Cash Flows from Investing Activities:		
Purchase/redemption of investments (net)	(3,738,762)	(719,785)
Interest on investments and deposits	61,802	59,574
Net Cash Flows from Investing Activities	<u>(3,676,960)</u>	<u>(660,211)</u>
 Change in Cash and Cash Equivalents	(1,934,326)	1,663,839
 Cash and Cash Equivalents, June 1	<u>22,071,083</u>	<u>20,407,244</u>
 Cash and Cash Equivalents, May 31	<u><u>\$ 20,136,757</u></u>	<u><u>\$ 22,071,083</u></u>
 Reconciliation to Statements of Net Position:		
Current Unrestricted Assets:		
Cash and Cash Equivalents	\$ 5,528,534	\$ 8,327,482
Petty Cash & Change Accounts	160	160
Noncurrent Restricted Assets:		
Customer Deposits:		
Cash and Cash Equivalents	40,781	38,781
Debt Service Account:		
Cash and Cash Equivalents	4,795,253	4,090,545
Escrow Deposits:		
Cash and Cash Equivalents	4,366,301	4,530,255
Operating Account:		
Cash and Cash Equivalents	5,082,943	5,077,137
OPEB Account:		
Cash and Cash Equivalents	118	707
Bond Service Reserve Account:		
Cash and Cash Equivalents	5,951	5,573
Construction Account:		
Cash and Cash Equivalents	316,370	443
Renewal & Replacement Account:		
Cash and Cash Equivalents	<u>346</u>	<u>-</u>
Cash and Cash Equivalents, May 31	<u><u>\$ 20,136,757</u></u>	<u><u>\$ 22,071,083</u></u>

The accompanying notes are an integral part of this statement.

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Old Bridge,
County of Middlesex, State of New Jersey)
Statements of Cash Flows (continued)
For the years ended May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of Operating Income to Cash Flows from Operating Activities:		
Operating Income	\$ 5,693,443	\$ 6,909,838
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:		
Depreciation-Net	2,787,314	2,699,547
Bad Debt Expense	102,725	(53,284)
Gain on Sale	12,697	4,450
Decrease (Increase) in Customer Receivables	(303,330)	37,733
Decrease (Increase) in Miscellaneous Receivables	5,905	90,530
Decrease (Increase) in Escrow Receivables	(11,070)	9,367
Decrease (Increase) in Inventory	9,341	(44,940)
Decrease (Increase) in Prepaid Expenses	(41,365)	(109,408)
(Decrease) Increase in Accounts Payable/Other Liabilities	<u>1,562,201</u>	<u>831,916</u>
Total Adjustments	<u>4,124,418</u>	<u>3,465,911</u>
Net Cash Flows from Operating Activities	<u><u>\$ 9,817,861</u></u>	<u><u>\$ 10,375,749</u></u>

Noncash investing, capital, and financing activities:

As of May 31, 2015, the fair value of the investments not reported as cash equivalents is \$9,368 less than the carrying amount.

During the years ended May 31, 2015 and 2014, noncash capital contributions received were \$261,519 and \$20,924 respectively.

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Old Bridge,
County of Middlesex, State of New Jersey)
Notes to Financial Statements
For the years ended May 31, 2015 and 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Old Bridge Municipal Utilities Authority ("Authority") was created by an ordinance of the Township of Old Bridge, which was adopted on November 4, 1985. This ordinance provided for the consolidation of sewage and water services provided to the residents of the Township of Old Bridge. Prior to the creation of the consolidated Authority, sewage services were provided to residents by the Old Bridge Township Sewerage Authority, which was created by an ordinance of the Township adopted on May 17, 1954, and water services were provided by the former Old Bridge Municipal Utilities Authority, which was created by ordinance adopted on August 22, 1960. The Authority provides water service from ground water sources, to the extent permitted by law, and through contractual bulk purchases of surface water from a third party supplier. Wastewater is transmitted through its collector system to the Middlesex County Utilities Authority (MCUA) for treatment. The MCUA bills participants for its operations and maintenance costs and debt service costs based on a combination of flow and pollutant loading.

New Jersey Statutes provide for the creation, dissolution and operations of separate bodies corporate and politic for the purpose of fostering the provision and distribution of an adequate supply of water and the collection, treatment, disposal and recycling of waste water and sewage sludge. These statutes were enacted as the "Municipal and Counties Utilities Authorities Act", and are codified in New Jersey Statutes Annotated as NJSA 40:14B-1 et seq. Additional statutory requirements relating to the financial operations of independent local authorities were established as the "Local Authorities Fiscal Control Law", which is codified as NJSA 40A:5A-1 et seq. The provisions of the Local Authorities Fiscal Control Law established the Local Finance Board and the Division of Local Government Services, in the Department of Community Affairs, State of New Jersey, as oversight agencies for the creation, project financing, budgeting and overall financial condition of local authorities.

The governing body of the Authority consists of five regular members and two alternates, who are appointed by the Municipal Council of the Township of Old Bridge and serve staggered five year terms. Alternate members may participate in discussions of proceedings but may not vote except in the absence or disqualification of a regular member. The Authority bills and collects its revenue from the users of the systems. The Authority has entered into a service agreement with the Township of Old Bridge which requires the Authority to receive written consent from the Township for any projects which will require the issuance of debt by the Authority, and obligates the Township to pay to the Authority such sum or sums of money as may be necessary to provide for deficits (if any) resulting from the failure or disability of the Authority to derive adequate revenues from the operation of the system.

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles applicable to enterprise funds of governmental units.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets was renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Whereas the provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011, the Authority has implemented this Statement for the year ended May 31, 2013.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No.65 reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. Whereas the provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012, the Authority had implemented this Statement for the year ended May 31, 2013.

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Old Bridge,
County of Middlesex, State of New Jersey)
Notes to Financial Statements
For the years ended May 31, 2015 and 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity

The Authority is considered to be a "Component Unit" of the Township of Old Bridge under GAAP however, the Township of Old Bridge does not follow GAAP for accounting and financial reporting purposes rather it follows a regulatory basis of accounting, utilizing accounting principles which differ, in some cases significantly, from GAAP. Of particular note is the exclusion from the Township's financial statements of potential component units, based on the separate legal status of these units. Accordingly, the financial statements of the Township do not include the Authority as a component unit.

B. Basis of Presentation

The financial statements of the Authority have been prepared in accordance with GAAP applicable to enterprise funds of state and local governments. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, accountability or other purposes.

C. GASB Statement No. 34

The Authority adopted the provisions of GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments during the eight months ended May 31, 2003. Statement 34 establishes standards for external financial reporting for all state and local governmental entities, which includes a Management’s Discussion and Analysis section, a Balance Sheet, a Statement of Revenues, Expenses and Change in Net Assets and a Statement of Cash Flows. It requires the classification of Net Assets into three components – Invested in Capital Assets, net of related debt; Restricted for Debt Service; and Unrestricted.

The adoption of Statement 34 had little effect on the basic financial statements except for the classification of net assets, the reflection of capital contributions as a change in net assets, presentation of the Statement of Cash Flows using the direct method, and the inclusion of Management’s Discussion and Analysis (MD&A) section providing an analysis of the Authority’s overall financial position and results of operations.

Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

D. Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority’s principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Old Bridge,
County of Middlesex, State of New Jersey)
Notes to Financial Statements
For the years ended May 31, 2015 and 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting

The Authority utilizes the accrual basis of accounting. Revenues are recognized when earned and measurable, and expenses are recognized when incurred, if measurable.

F. Cash and Cash Equivalents

Cash and cash equivalents include interest bearing accounts and short term investments with a maturity of three months or less carried at cost, which approximates market.

G. Investments

Investments consist of direct obligations of the United States or obligations guaranteed by the United States, certificates of deposit and repurchase agreements collateralized by guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMAs"), carried at cost, which approximates market. Premiums paid and discounts received on the purchase of investment securities are amortized over the stated term of the securities using the straight-line method.

H. Inventory

Inventories of replacement parts, chemicals and supplies are maintained on a consumption basis of accounting. Expenses are recognized as the items are consumed. Inventories are stated at cost as determined utilizing the first-in, first-out valuation method. No determinations have been and no allowances have been recorded with respect to obsolete or surplus inventories.

I. Capital Assets

Capital Assets are stated at cost, which includes direct construction and acquisition costs and other costs related to construction. Capital Assets are defined by the Authority as assets with an individual cost in excess of \$1,000. System construction costs are aggregated by individual project and considered Construction in Progress until such time as the project is deemed complete and placed in service.

Depreciation is recorded on a straight-line basis for all plant and equipment. At May 31, 2015, Capital Assets and the useful lives for determination of annual depreciation, were as follows:

Structures and Improvements	30-70 years
Machinery and Equipment	5-15 years
Transmission, distribution, and other collection plants	40-100 years

J. Customer Accounts Receivable

Customer accounts receivable, net of allowance for uncollectible accounts of \$1,088,002 and unbilled receivables of \$ 1,354,228, at May 31, 2015 totaled \$5,131,751, and consisted of billings for water usage and ancillary water system charges in the amount of \$2,868,406 and sewer user charges and related service and remediation charges in the amount of \$2,263,345.

Customer accounts receivable, net of allowance for uncollectible accounts of \$985,277 and unbilled receivables of \$1,283,997 at May 31, 2014 totaled \$4,931,147, and consisted of billings for water usage and ancillary water system charges in the amount of \$2,784,409 and sewer user charges and related service and remediation charges in the amount of \$2,146,738.

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Old Bridge,
County of Middlesex, State of New Jersey)
Notes to Financial Statements
For the years ended May 31, 2015 and 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Customer Accounts Receivable (continued)

Unbilled service receivable represents the estimated amount of accounts receivable for services that have not been billed as of the balance sheet date. The amounts are a result of a timing difference between the end of the financial statement cycle (month end) and the billing cycle (various dates within the month for each billing period).

An aging of the reported customer accounts receivable, by fiscal year billed, is as follows:

<u>PERIOD ENDED</u>	<u>MAY 2015 AMOUNT</u>	<u>MAY 2014 AMOUNT</u>
2015	\$3,808,925	
2014	786,517	\$3,629,435
2013	45,390	762,491
2012	30,026	33,805
2011	8,259	15,002
2010	20,282	22,784
2009	1,422	2,554
2008	12,216	13,376
2007	265	265
2006	1,678	1,678
2005	33,082	33,082
2004	17,282	17,282
2003	56,299	56,793
2002	718	718
2001	882	882
2000	876	876
1999	411	411
1998	238	238
1997	780	780
1996	389	389
1995	279	279
1994	292	292
1993	232	232
1992	140	140
1991	477	477
1990	11,525	11,525
1989	5,336	5,336
1988	4,595	4,595
1987	6,120	6,120
1986	2,611	2,611
1984	2,189	2,189
1983	5,792	5,792
Add: Unbilled Receivable	1,354,228	1,283,997
Less: Allow. For Uncoll. Accts	<u>1,088,002</u>	<u>985,277</u>
	<u>\$5,131,751</u>	<u>\$4,931,147</u>

K. Miscellaneous Accounts Receivable

Miscellaneous accounts receivable at May 31, 2015 totaled \$546,283 and consisted of water system charges of \$235,772 and sewer system charges of \$310,511 and at May 31, 2014 totaled \$552,188 and consisted of water system charges of \$245,960 and sewer system charges of \$306,228. Miscellaneous accounts receivable consist

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Miscellaneous Accounts Receivable (continued)

primarily of charges for water and sewer services, and are segregated solely to reflect special circumstances relating to billing cycles, bulk purchases or contractual terms.

L. Bond Discounts

Bond discounts are deferred and amortized over the term of the bonds using a straight-line method. Bond discounts are presented as a reduction of the face amount of the bonds payable.

M. Restricted Accounts

Pursuant to the provisions of the "Indenture of Trust Between Old Bridge Municipal Utilities Authority and Amboy-Madison National Bank, as Trustee", dated August 11, 1986, as amended and supplemented, the Authority has established the following cash and investment accounts for the deposit, in the order and priority as listed, of all revenues received:

Revenue Account - All revenues of the Authority, except for certain investment earnings on debt proceeds. Funds deposited to the Revenue Account shall be transferred to the following accounts:

Operating Account - The amount necessary to result in a balance equal to operating expenses for a three-month period projected by the annual budget. The use of this account is restricted to the payment of operating expenses.

Debt Service Account - The amount necessary to result in a balance equal to the Debt Service Requirement. Prior to May 1, the Debt Service Requirement is equal to the interest due (and past due and unpaid) on the next succeeding Interest Payment Date on all Bonds outstanding, plus one-third of the principal due (and past due and unpaid) on the next succeeding Principal Installment Date on all Bonds outstanding as of such date. On or after May 1, the Debt Service Requirement for principal due increases to the full amount of the principal due (and past due and unpaid) on the next succeeding Principal Installment Date.

Funds on deposit in this account are restricted to the payment of the principal of and interest on outstanding bonds. Excesses in this account may be transferred, at the discretion of the Authority, to the General Account.

Any amount required to be held in the Debt Service Account at year end that is attributable to interest that will accrue in the subsequent fiscal year is reported as net position restricted for payment of future debt service.

Debt Service Reserve Account - The amount necessary to result in a balance equal to the maximum amount of Debt Service (cash basis) for the then current or any future Bond Year (12 month period ending October 31st) on the Bonds then outstanding. Funds in this account may only be transferred to the Debt Service Account. Pursuant to the terms of the Ninth Supplemental Indenture, dated August 1, 2002, Article V of the Prior Indenture was amended to permit the Debt Service Reserve Fund Requirement to be satisfied in full or in part by a Qualified Surety Bond ("QSB"). Any amounts released from the Debt Service Reserve Account through the substitution of a QSB may be used for any corporate purpose of the Authority, subject to receipt of an opinion from a nationally recognized Bond Counsel that such a release would not adversely affect the exclusion from gross income of the Holders of Bonds for federal income tax purposes.

The Authority has not utilized a QSB for the purpose of funding any portion of its Debt Service Reserve Requirement at May 31, 2015.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Restricted Accounts (continued)

General Account - The balance of Revenues. Balances in the General Account shall be utilized first to make up deficiencies in any of the preceding accounts, and then for any lawful purpose.

Construction Account - Pursuant to the applicable Supplemental Indentures, proceeds from debt issued to finance System improvements, certain investment earnings on such proceeds, and grants-in-aid must be deposited to the Construction Account. These funds are restricted to the payment of costs of authorized system improvements. Excesses remaining in this account after completion of improvements and allocation of excess investment earnings, if any, must be transferred to the Debt Service Account or Debt Service Reserve Account if deficiencies exist. Any remaining amount may be used for the retirement of Bonds or other authorized system improvements, or may be transferred to the General Account.

Rebate Account (Component of Construction Account) - Amounts determined by the Authority as arbitrage earnings on debt proceeds and due to the United States government pursuant to applicable provisions of the Internal Revenue Code and regulations. These funds may be utilized only to make required rebates. Excesses in this account, which may result from negative arbitrage earnings for a period, revert to the Construction Account.

In addition to the restricted accounts required by the Indenture of Trust and the Supplemental Indentures, the Authority has established additional restricted use accounts as follows:

Customer Deposits Account - Advance payments required as a condition for approval for water users (generally, construction related) to obtain water directly from hydrants. These moneys are refunded to customers upon settlement of all water billings, or applied to these billings.

Escrow Account - Advance payments and deposits required as a condition for the Authority to commence engineering reviews and inspections on new development, and cash in lieu of bonds required by the Authority. Moneys held for reviews and inspections become earned revenues of the Authority as the services are performed, and amounts remaining at project completion, including a portion of interest earnings, are returned to the developer. Cash held in lieu of bonds is refunded in the same manner, and following the same procedures, as those for the release of bonds required by the Authority.

OPEB Account - Provide various welfare benefits for its current and past employees, and the Authority intends to facilitate the funding of other post-employment benefits by establishing the OBMUA Trust for OPEB for the benefit of certain former employees who shall qualify for benefits according to the terms of the Trust and any OPEB plans and as may hereafter be funded by the Authority.

N. Deferred Amount from Refunding

During the year ended September 30, 1993, in accordance with the provisions of GASB Statement 23, the amount of \$794,275 was established upon the advance refunding and defeasance of \$4,855,000 of 1989 Current Interest Bonds through the issuance of \$5,570,000 1993 Series "B" Bonds. The amount deferred is being amortized over the life of the 1993 Series "B" Bonds using the straight line method.

During the year ended September 30, 2002, in accordance with the provisions of GASB Statement 23, the amount of \$357,161 was established upon the advance refunding and defeasance of \$17,330,000 of Series 1992 Bonds through the issuance of \$17,805,000 2002 Revenue Refunding Series "A" Bonds. The amount deferred is being amortized over the life of the 2002 Revenue Refunding Series "A" Bonds using the straight line method.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Deferred Amount from Refunding (continued)

During the year ended May 31, 2004, in accordance with the provisions of GASB Statement 23, the amount of \$76,900 was established upon the advance refunding and defeasance of \$2,975,000 of 1993 Series A Bonds and \$4,715,000 of 1993 Series B Bonds through the issuance of \$8,055,000 2004 Revenue Refunding Series "A" Bonds. The amount deferred is being amortized over the life of the 2004 Revenue Refunding Series "A" Bonds using the straight-line method.

Deferred Amounts from Refunding are presented in the financial statements as a reduction of the face amount of the bonds payable.

O. Recent Accounting Standards

GASB issued the following statements during the audit period:

GASB issued Statement No. 67, "Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25" in June 2012. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Statement No. 67 is effective for financial statements for periods beginning after June 15, 2013. The Authority has implemented Statement No. 67 as of the audit date.

GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27" in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Statement No. 68 is effective for financial statements for periods beginning after June 15, 2014. The Authority has not implemented Statement No. 68 as of the audit date.

GASB issued Statement No. 69, "Government Combinations and Disposals of Government Operations" in January 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. Statement No. 69 is effective for financial statements for periods beginning after December 15, 2013. The Authority has implemented Statement No. 69 as of the audit date.

GASB issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees" in April 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Statement No. 70 is effective for financial statements for periods beginning after June 15, 2013. The Authority has implemented Statement No. 70 as of the audit date.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Recent Accounting Standards (continued)

GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68" in November 2013. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The Authority has not implemented Statement No. 71 as of the audit date.

GASB issued Statement No. 72, "Fair Value Measurement and Application" in February 2015. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. Statement No. 72 is effective for financial statements for periods beginning after June 15, 2015. The Authority has not implemented Statement No. 72 as of the audit date.

GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68" in February 2015. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. Statement No. 73 is effective for financial statements for periods beginning after June 15, 2016. The Authority has not implemented Statement No. 73 as of the audit date.

GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans other than Pension Plans" in June 2015. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. Statement No. 74 is effective for financial statements for periods beginning after June 15, 2016. The Authority has not implemented Statement No. 74 as of the audit date.

GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits other than Pensions" in June 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. Statement No. 75 is effective for financial statements for periods beginning after June 15, 2017. The Authority has not implemented Statement No. 75 as of the audit date.

GASB issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" in June 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Statement No. 76 is effective for financial statements for periods beginning after June 15, 2015. The Authority has not implemented Statement No. 76 as of the audit date.

P. Subsequent Events

The Authority has evaluated subsequent events occurring after May 31, 2015 through the date of September 25, 2015, which is the date the financial statements were available to be issued.

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NOTE 2: DEPOSITS AND INVESTMENTS

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insures deposits, or the State of New Jersey Cash Management Fund. N.J.S.A. 17:9-42 requires New Jersey governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA").

New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits as follows:

- (a) The market value of the collateral must equal 5 percent of the average daily balance of public funds; or
- (b) If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.
- (c) All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of Fund investments is generally not required. "Other Than State" participants contribute one tenth of one percent per year of the value of the aggregate units owned by them to establish a Reserve Fund, which is supplemented by the proportional interest of "Other Than State" participants in gains on investment transactions realized. The Reserve Fund is available to cover losses of "Other Than State" participants occasioned by the bankruptcy of an issuer of an investment held by the Fund and losses on sales of securities.

As of May 31, 2015 and May 31, 2014, cash and cash equivalents of the Authority consisted of the following:

	<u>2015</u>	<u>2014</u>
Cash Accounts	\$13,319,597	\$13,187,923
Change Funds (On-Hand)	160	160
Certificates of Deposit	<u>6,817,000</u>	<u>8,883,000</u>
Total	<u>\$20,136,757</u>	<u>\$22,071,083</u>

The carrying amount of the Authority's cash and cash equivalents at May 31, 2015 and May 31, 2014 was \$20,136,757 and \$22,071,083, respectively and the bank balance was \$19,821,801 and \$24,190,213 respectively. Of the bank balance, during May 31, 2015 and May 31, 2014, \$750,000 was covered by federal depository insurance and \$19,071,801 and \$23,440,213, respectively was covered by a collateral pool maintained by the banks as required by New Jersey statutes.

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NOTE 2: DEPOSITS AND INVESTMENTS (continued)

B. Investments

New Jersey Statutes establish the following securities as eligible for the investment of Authority funds:

- (a) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, including securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the "Investment Company Act of 1940," 54 Stat. 847 (15 U.S.C. 80a-1 et seq.), purchased and redeemed only through the use of National or State banks located within this State, if the portfolio of that investment company or investment trust is limited to bonds or other obligations of the United States of America, bond or other obligations guaranteed by the United States of America and repurchase agreements fully collateralized by bonds or other obligations of the United States of America, which collateral shall be delivered to or held by the investment company or investment trust, either directly or through an authorized custodian;
- (b) Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal Land Bank, Federal National Mortgage Associates or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchases.
- (c) Bonds or other obligations, having a maturity date of not more than twelve months from the date of purchase, that are approved by the Division of Investment of the Department of the Treasury for investment by local units.
- (d) Effective January 18, 1992, qualified mutual funds with portfolios limited to:
 - (i) bonds or other obligations of, or guaranteed by, the United States of America; and
 - (ii) repurchase agreements fully collateralized by such obligations.

These investments must be transacted only through national or state banks located within New Jersey.

During the years ended May 31, 2015 and May 31, 2014, the Authority invested a portion of its idle funds in Long-term (Greater than 90 day term) Certificates of Deposit and GNMA Bonds.

Governmental Accounting Standards Board Statement No. 40 – Deposit and Investment Risk Disclosures requires the Authority to disclose its deposits and investment policies regarding certain type of investment risks.

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of May 31, 2015, based upon the insured balances as provided by FDIC and NJGUDPA coverage, no amount of the Authority's bank balance of \$19,821,801 was considered exposed to custodial risk.

Custodial Credit Risk – Investments - Custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The government does not have a deposit policy for custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The Authority's investment policy follows the Trust Indenture as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

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NOTE 2: DEPOSITS AND INVESTMENTS (continued)

B. Investments (continued)

The Authority's investments at year-end May 31, 2015 were as follow:

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
Certificate of Deposit	\$16,826,000	\$16,826,000	
GNMA	6,045		\$6,045

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Commissioner regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of May 31, 2015, the Authority had \$7,612 on deposit with the New Jersey Cash Management Fund.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2015 was as follows:

Depreciation is recorded on a straight-line basis for all plant and equipment. At May 31, 2015 and 2014, capital assets and their useful lives used for determination of annual depreciation, were as follows:

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NOTE 3: CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Useful Lives (Years)</u>
Capital Assets That Are Not Being Depreciated:					
Land & Easements	\$ 6,847,177	\$ -	\$ -	\$ 6,847,177	
Diversion Rights	300,000	-	-	300,000	
Construction in Progress	15,049,826	6,566,246	(621,646)	20,994,426	
Total Capital Assets Not Being Depreciated	<u>22,197,003</u>	<u>6,566,246</u>	<u>(621,646)</u>	<u>28,141,603</u>	
Capital Assets That Are Being Depreciated:					
Treatment Plant	17,055,459	18,900	-	17,074,359	75
Pump Equipment	5,965,150	649,445	-	6,614,595	45
Buildings & Additions	3,093,903	9,954	-	3,103,857	40
Collection Systems	58,678,257	-	-	58,678,257	75
Vehicles	3,413,180	395,445	(60,378)	3,748,247	5
Office Furniture & Equipment	619,970	35,036	-	655,006	15
Machinery & Equipment	342,462	31,084	-	373,546	15
Plant, Other	141,026	1,763	-	142,789	40
Wells	1,515,639	-	-	1,515,639	45
Water Mains	20,526,527	-	-	20,526,527	100
Fire Hydrants	1,928,625	-	-	1,928,625	500
Structures & Improvements	8,435,912	-	-	8,435,912	70
Miscellaneous Water Equipment	160,009	-	-	160,009	50
House Connections	4,056,109	-	-	4,056,109	50
Valves & Fittings	2,666,359	-	-	2,666,359	30
Meters	1,475,709	-	-	1,475,709	50
Standpipes & Storage Tanks	10,714,308	-	-	10,714,308	50
Pump Stations - Two Appurtenances	11,801,888	-	-	11,801,888	45
Totals at Historical Cost	<u>152,590,493</u>	<u>1,141,628</u>	<u>(60,378)</u>	<u>153,671,742</u>	
Less Accumulated Depreciation For:					
Treatment Plant	3,817,762	417,487	-	4,235,249	
Pump Equipment	2,404,983	146,991	-	2,551,974	
Buildings & Additions	808,538	72,392	-	880,930	
Collection Systems	16,130,043	782,377	-	16,912,420	
Vehicles	2,791,077	255,243	(60,378)	2,985,942	
Office Furniture & Equipment	318,769	36,611	-	355,380	
Computers & Equipment	41,172	-	-	41,172	
Machinery & Equipment	255,458	16,659	-	272,117	
Plant, Other	107,311	2,534	-	109,845	
Wells	935,230	33,489	-	968,719	
Water Mains	3,088,171	205,265	-	3,293,436	
Fire Hydrants	548,965	36,720	-	585,685	
Structures & Improvements	4,277,459	120,513	-	4,397,972	
Miscellaneous Water Equipment	160,009	-	-	160,009	
House Connections	1,971,382	56,382	-	2,027,764	
Valves & Fittings	981,739	84,571	-	1,066,310	
Meters	498,445	25,710	-	524,155	
Standpipes & Storage Tanks	2,852,169	232,108	-	3,084,277	
Pump Stations - Two Appurtenances	3,420,090	262,264	-	3,682,354	
Total Accumulated Depreciation	<u>45,408,772</u>	<u>2,787,316</u>	<u>(60,378)</u>	<u>48,135,710</u>	
Total Capital Assets Being Depreciated (Net of Accumulated Depreciation)	<u>107,181,721</u>	<u>(1,645,688)</u>	<u>-</u>	<u>105,536,032</u>	
Capital Assets, Net	<u>\$ 129,378,724</u>	<u>\$ 4,920,558</u>	<u>\$ (621,646)</u>	<u>\$ 133,677,635</u>	

Assets acquired through donation or with moneys received from donations and grants-in-aid are recorded with an offset to the Contributed Capital Account. Depreciation on assets with Contributed Capital is recorded as a reduction of Contributed Capital.

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NOTE 4: DEFERRED COMPENSATION PLAN

The Old Bridge Municipal Utilities Authority Deferred Compensation Plan was established pursuant to Section 457 of the Internal Revenue Code and under provisions of N.J.S.A. 43:15B-1. The Plan is an arrangement whereby a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under the governing regulations. Contributions are recognized when received by the Administrator, withdrawals and administrative fees when paid by the Administrator, and earnings when the Administrator is notified by the company with which the funds are invested. Investments are managed by the Plan trustees under various investment options offered by the Variable Annuity Life Insurance Company ("VALIC").

Statutory and regulatory requirements governing the establishment and operation of Deferred Compensation Plans have been codified in the New Jersey Administrative Code as N.J.A.C. 5:37. The more significant of these provisions include no personal liability to the employer for negative return on investments, retention of assets by the employer, eligible investment types and the requirement for an independent review of all Plan funds if a private contractor is retained to administer the Plan.

The Small Business Job Protection Act of 1996 ("Act") requires plans created before August 20, 1996 to be held in trust for the exclusive benefit of participating employees and not be accessible by the Authority or its creditors by January 1, 1999. In addition, the Act permits certain in-service distributions of \$3,500.00 or less to Plan participants and provides the indexing of the previous \$7,500.00 annual contribution limit for inflation.

On January 28, 1998, the Authority established a Trustee Account for its Deferred Compensation Plan as required by Section 457 of the Internal Revenue Code of 1986, as amended.

NOTE 5: LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended May 31, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds Payable:					
General Obligation Debt	\$ 50,665,419	\$ 4,455,794	\$ 9,601,595	\$ 45,519,618	\$ 4,894,110
Unamortized Bond Discount and Deferred Amount on Refunding	(404,805)	82,857	-	(321,948)	-
Total Bonds Payable	50,260,614	4,538,651	9,601,595	45,197,670	4,894,110
Other Liabilities:					
Bond Premium Payable	1,009,270	369,629	147,502	1,231,397	149,753
Compensated Absences	711,310	67,801	75,481	703,630	198,773
Provision for Capital Appreciation Bonds	1,831,553	-	678,654	1,152,899	-
Other Post-Employment Benefits	5,779,116	1,013,407	-	6,792,523	-
Total Other Liabilities	9,331,249	1,450,837	901,637	9,880,449	348,526
Total Bonds Payable and Other Liabilities	\$ 59,591,863	\$ 5,989,488	\$ 10,503,232	\$ 55,078,119	\$ 5,242,636

A. New Jersey Waste Water Treatment Trust Financing

The Authority issued 1997 Revenue Series A bonds, dated November 6, 1997 to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various sewer rehabilitation projects. The allowable costs for these projects total \$1,355,000 for the Revenue A bonds.

The maximum financing from the trust will not exceed the \$1,355,000 and repayment commenced on November 1, 1998 with final payment on November 1, 2016. The Authority received savings credits of \$381,320 from the New

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NOTE 5: LONG-TERM OBLIGATIONS (continued)

A. New Jersey Waste Water Treatment Trust Financing (continued)

Jersey Environmental Infrastructure Trust during the year ended May 31, 2007. The savings credits apply to payments commencing on November 1, 2008 and ending November 1, 2016.

B. New Jersey Waste Water Treatment Trust Financing

The Authority issued 1999 Revenue Series B and C bonds, dated November 4, 1999, to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various water rehabilitation projects. The allowable costs for these projects total \$535,000 for the Revenue B bonds and \$527,031 for the Revenue C bonds. The total of all funds is \$1,062,031.

The maximum financing from the trust will not exceed the \$535,000 and repayment commenced on November 1, 2000 with final payment on November 1, 2018. The zero interest financing from the State will not exceed \$527,031. The principal payment commenced on November 1, 2000 with final payment on November 1, 2013. The Authority received savings credits of \$15,328 from the New Jersey Environmental Infrastructure Trust during the year ended May 31, 2007. The savings credits apply to payments commencing on November 1, 2010 and ending November 1, 2018.

C. New Jersey Waste Water Treatment Trust Financing

The Authority issued 1999 Revenue Series B and C bonds, dated November 4, 1999, to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various sewer rehabilitation projects. The allowable costs for these projects total \$1,060,000 for the Revenue B bonds and \$1,050,013 for the Revenue C bonds. The total of all funds is \$2,110,013.

The maximum financing from the trust will not exceed the \$1,060,000 and repayment commenced on November 1, 2000 with final payment on November 1, 2018. The zero interest financing from the State will not exceed \$1,050,013. The principal payment commenced on November 1, 2000 with final payment on November 1, 2018. The Authority received savings credits of \$45,538 from the New Jersey Environmental Infrastructure Trust during the year ended May 31, 2007. The savings credits apply to payments commencing on November 1, 2010 and ending November 1, 2018.

D. Revenue Bonds (2002 Series A) and Refunding Revenue Bonds (2002 Series A)

On June 27, 2002, the Authority issued \$1,415,000 Revenue Bonds (2002 Series A). The Bonds, which were dated August 1, 2002, consisted of \$1,415,000 serial bonds which are due in various amounts from November 1, 2002 through 2016, and bear interest at various rates ranging from 3.00% on the earliest maturity to 4.30% on the ultimate maturity. The net proceeds of this issue are designated to be used to finance a portion of the costs of improvements to the system; make deposits to the Debt Service Reserve Fund as required by the Indenture of Trust; and pay the costs of issuance of the Bonds, including the premium for a municipal bond insurance policy.

On June 27, 2002, the Authority issued \$17,805,000 Revenue Refunding Bonds (2002 Series A). The Bonds were dated August 1, 2002 and consisted of \$17,805,000 serial bonds, which are due in various amounts on November 1, 2003 through 2016.

Interest on the 2002 Series A Bonds is payable on November 1, 2002 and semi-annually thereafter on each succeeding May 1 and November 1 until maturity or early redemption thereof.

Defeasance of 1992 Bonds - Pursuant to an Escrow Deposit Agreement dated June 27, 2002, the Authority deposited \$18,140,059 of the proceeds of the 2002 Series A Refunding Bonds to advance refund the outstanding

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NOTE 5: LONG-TERM OBLIGATIONS (continued)

D. Revenue Bonds (2002 Series A) and Refunding Revenue Bonds (2002 Series A) (continued)

1992 Bonds. The amount is net of accrued interest receivable of \$54,941 from September 30, 2002 through November 1, 2002. The amounts deposited with the trustee include \$321,300 of Bond premium and interest payable of \$543,478 due November 1, 2002. All funds so deposited were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 Bonds. As a result, the 1992 Bonds are considered defeased and the liability for those bonds of \$17,330,000 has been removed from the Authority's balance sheet.

For the year ended September 30, 2002, the Authority in effect reduced its aggregate debt service payments over the next 14 years and obtained a gross savings of \$2,479,608 and a present value savings of \$2,426,006.

On August 9, 2012, The Authority issued Revenue Refunding Bonds, Series 2012A, which refund the 2002 Series A Bonds. See Note 5P for the description of the Refunding Revenue Bonds 2012A Series.

E. New Jersey Environmental Infrastructure Trust Financing

The Authority issued 2003 Series A and B bonds, dated November 3, 2003, to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various water rehabilitation projects. The allowable costs for these projects total \$3,120,000 for the Series A bonds and \$2,787,329 for the Series B bonds. The total of all funds is \$5,907,329.

The maximum financing from the trust will not exceed the \$3,120,000 and repayment will commence on November 1, 2005 with final payment on November 1, 2022. The zero interest financing from the State will not exceed \$2,787,329. The principal payment will commence on November 1, 2005 with final payment on November 1, 2022.

F. New Jersey Environmental Infrastructure Trust Financing

The Authority issued 2003 Series A and B bonds, dated November 3, 2003, to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various sewer rehabilitation projects. The allowable costs for these projects total \$1,000,000 for the Series A bonds and \$890,327 for the Series B bonds. The total of all funds is \$1,890,327.

The maximum financing from the trust will not exceed the \$1,000,000 and repayment will commence on November 1, 2004 with final payment on November 1, 2022. The zero interest financing from the State will not exceed \$890,327. The principal payment will commence on November 1, 2004 with final payment on November 1, 2022.

G. Revenue Bonds (2004 Series A) and Refunding Revenue Bonds (2004 Series A)

On February 13, 2004, the Authority issued \$370,000 Revenue Bonds (2004 Series A). The Bonds, which were dated February 26, 2004, consisted of \$370,000 serial bonds which are due in various amounts from May 1, 2005 through 2014, and bear interest at various rates ranging from 2.00% on the earliest maturity to 4.25% on the ultimate maturity. The net proceeds of this issue are designated to be used to finance a portion of the costs of improvements to the system; make deposits to the Debt Service Reserve Fund as required by the Indenture of Trust; and pay the costs of issuance of the Bonds, including the premium for a municipal bond insurance policy.

On February 13, 2004, the Authority issued \$8,055,000 Revenue Refunding Bonds (2004 Series A). The Bonds were dated February 26, 2004 and consisted of \$8,055,000 serial bonds, which are due in various amounts on May 1, 2005 through 2023.

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NOTE 5: LONG-TERM OBLIGATIONS (continued)

G. Revenue Bonds (2004 Series A) and Refunding Revenue Bonds (2004 Series A) (continued)

Interest on the 2004 Series A Bonds is payable on May 1, 2004 and semi-annually thereafter on each succeeding November 1 and May 1 until maturity or early redemption thereof.

2004 Series A Bonds maturing on or after November 1, 2015 are subject to redemption prior to maturity, at the option of the Authority as a whole at any time or in part on any interest payment date on or after November 1, 2014, in inverse order of maturity and within a maturity by lot or in any customary manner of selection as determined by the trustee, any such redemption to be made at the applicable redemption price expressed below as a percentage of the principal amount of the 2004 Bonds to be redeemed, plus interest accrued to the redemption date.

Defeasance of 1993 Bonds - Pursuant to an Escrow Deposit Agreement dated February 26, 2004, the Authority deposited \$7,921,763 of the proceeds of the 2004 Series A Refunding Bonds to advance refund the outstanding 1993 Bonds. The amount is net of accrued interest receivable of \$6,363 from November 1, 2003 through April 1, 2004. The amounts deposited with the trustee include \$76,900 of Bond premium and interest payable of \$161,176 due April 1, 2004. All funds so deposited were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 Bonds. As a result, the 1993 Bonds are considered defeased and the liability for those bonds of \$7,690,000 has been removed from the Authority's balance sheet.

For the year ended May 31, 2004, the Authority in effect reduced its aggregate debt service payments over the next 20 years and obtained a gross savings of \$810,540 and a present value savings of \$765,739.

On December 4, 2014, The Authority issued Revenue Refunding Bonds, Series 2014C, which refund the 2004 Series A Bonds. See Note 5R for the description of the Refunding Revenue Bonds 2014C Series.

H. New Jersey Environmental Infrastructure Trust Financing Bonds

The Authority issued 2005 Series A and B bonds, dated November 10, 2005, to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various water rehabilitation projects. The allowable costs for these projects total \$1,625,000 for the Series A bonds and \$1,530,940 for the Series B bonds. The total of all funds is \$3,155,940.

The maximum financing from the trust will not exceed the \$1,625,000 and repayment will commence on November 1, 2006 with final payment on November 1, 2024. The zero interest financing from the State will not exceed \$1,530,940. The principal payment will commence on November 1, 2006 with final payment on November 1, 2024.

On April 28, 2011, the Authority received a letter from the State of New Jersey, Department of Environmental Protection reducing the amount of the Fund Loan Series B bonds from \$1,530,940 to \$1,384,425. The amount of deduction is \$146,515 and is based upon a reduction in the final project costs. Based on the revised repayment schedule, final payment will be on November 1, 2023.

I. New Jersey Environmental Infrastructure Trust Financing

The Authority issued 2006 Series A and B bonds, dated November 9, 2006, to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various sewer rehabilitation projects. The allowable costs for these projects total \$3,350,000 for the Series A bonds and \$3,167,000 for the Series B bonds. The total of all funds is \$6,517,000.

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NOTE 5: LONG-TERM OBLIGATIONS (continued)

I. New Jersey Environmental Infrastructure Trust Financing (continued)

The maximum financing from the trust will not exceed the \$3,350,000 and repayment will commence on November 1, 2007 with final payment on November 1, 2025. The zero interest financing from the State will not exceed \$3,167,000. The principal payment will commence on November 1, 2007 with final payment on November 1, 2025.

J. New Jersey Environmental Infrastructure Trust Financing

The Authority issued 2008 Series A and B bonds, dated November 6, 2008, to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various water rehabilitation projects. The allowable costs for these projects total \$1,950,000 for the Series A bonds and \$1,781,000 for the Series B bonds. The total of all funds is \$3,731,000.

The maximum financing from the trust will not exceed the \$1,950,000 and repayment will commence on November 1, 2010 with final payment on November 1, 2027. The zero interest financing from the State will not exceed \$1,781,000. The principal payment will commence on November 1, 2010 with final payment on November 1, 2027.

K. Revenue Bonds (2008C Series)

On December 23, 2008, the Authority issued \$5,625,000 Revenue Bonds (2008C Series). The Bonds, which were dated December 23, 2008, consisted of \$5,625,000 serial bonds which are due in various amounts from November 1, 2009 through 2028, and bear interest at various rates ranging from 4.50% on the earliest maturity to 5.375% on the ultimate maturity. The net proceeds of this issue are designated to be used to reimburse the Authority for the costs of various water and sewer improvements with respect to Woodhaven Village and construction of a maintenance building; make an additional deposit to the Debt Service Reserve Fund as required in connection with the issuance of the 2008 Bonds; and pay the costs of issuance of the 2008 Bonds, including the premium for the hereinafter defined Policy (the "2008 Project").

L. Refunding Revenue Bonds (2009A Series)

On May 28, 2009, the Authority issued \$3,050,000 Revenue Refunding Bonds (2009A Series). The Bonds were dated May 28, 2009 and consisted of \$3,050,000 serial bonds, which are due in various amounts on November 1, 2009 through 2018. The 2009 Bonds are being issued to provide funds to currently refund the Authority's \$3,205,000 outstanding Revenue Bonds (1999 Series) (the "Refunded Bonds") maturing on and after November 1, 2009 and pay the costs of issuance of the 2009 Bonds.

Interest on the 2009A Series Bonds is payable on November 1, 2009 and semi-annually thereafter on each succeeding May 1 and November 1 until maturity or early redemption thereof.

2009A Series Bonds are not subject to redemption prior to their stated maturities.

Defeasance of 1999 Bonds - Pursuant to an Escrow Deposit Agreement dated May 28, 2009, the Authority deposited \$3,342,155 of the proceeds of the 2009A Series Refunding Bonds to advance refund the outstanding 1999 Bonds. The amounts deposited with the trustee include \$112,891 of Bond premium. All funds so deposited were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1999 Bonds. As a result, the 1999 Bonds are considered defeased and the liability for those bonds of \$3,205,000 has been removed from the Authority's balance sheet.

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NOTE 5: LONG-TERM OBLIGATIONS (continued)

L. Refunding Revenue Bonds (2009A Series) (continued)

For the year ended May 31, 2009, the Authority in effect reduced its aggregate debt service payments over the next 10 years and obtained a gross savings of \$183,598 and a present value savings of \$158,780.

M. New Jersey Environmental Infrastructure Trust Financing

The Authority issued 2010 Series A and B bonds, dated March 10, 2010 to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various sewer rehabilitation projects. The allowable costs for these projects total \$600,000 for the Series A bonds and \$625,033 for the Series B bonds. The total of all funds is \$1,225,033.

The maximum financing from the trust will not exceed the \$600,000 and repayment will commence on November 1, 2010 with final payment on November 1, 2028. The zero interest financing from the State will not exceed \$625,033. The principal payment will commence on November 1, 2010 with final payment on November 1, 2028.

On July 9, 2012, the Authority received a letter from the State of New Jersey, Department of Environmental Protection reducing the amount of the Fund Loan Series B bonds from \$625,033 to \$217,665. The amount of deduction is \$407,368 and is based upon a reduction in the final project costs. Based on the revised repayment schedule, final payment will be on November 1, 2016.

N. New Jersey Environmental Infrastructure Trust Financing

The Authority issued 2010 Series C and D bonds, dated December 2, 2010 to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various sewer rehabilitation projects. The allowable costs for these projects total \$1,690,000 for the Series C bonds and \$1,011,735 for the Series D bonds. The total of all funds is \$2,701,735.

The maximum financing from the trust will not exceed the \$1,690,000 and repayment will commence on November 1, 2011 with final payment on November 1, 2029. The zero interest financing from the State will not exceed \$1,011,735. The principal payment will commence on November 1, 2011 with final payment on November 1, 2022.

O. New Jersey Environmental Infrastructure Trust Financing

The Authority issued 2012 Series A and B bonds, dated May 3, 2012 to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various sewer rehabilitation projects. The allowable costs for these projects total \$3,526,339 for the Series A bonds and \$10,579,015 for the Series B bonds. The total of all funds is \$14,105,354.

The Authority is in the process of drawing down the financing proceeds as construction progresses. The maximum financing from the trust will not exceed the \$4,830,000 and repayment will commence on November 1, 2013 with final payment on November 1, 2030. The zero interest financing from the State will not exceed \$7,079,015. The principal payment will commence on November 1, 2013 with final payment on November 1, 2030.

P. Refunding Revenue Bonds (2012A Series)

On August 9, 2012, the Authority issued \$4,930,000 Revenue Refunding Bonds (2012A Series). The Bonds were dated August 9, 2012 and consisted of \$4,930,000 serial bonds, which are due in various amounts on November 1, 2013 through 2016. The 2012 Bonds are being issued to provide funds to currently refund the Authority's \$555,000

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NOTE 5: LONG-TERM OBLIGATIONS (continued)

P. Refunding Revenue Bonds (2012A Series) (continued)

outstanding Revenue Bonds (2002 Series A) maturing on and after November 1, 2012 (the “2002 A-1 Refunded Bonds”), currently refund all of the Authority’s \$6,070,000 outstanding Revenue Refunding Bonds (2002 Series A) maturing on and after November 1, 2012 (the “2002 A-2 Refunded Bonds”), and pay the costs of issuance of the 2012 Bonds.

Interest on the 2012A Series Bonds is payable on November 1, 2012 and semi-annually thereafter on each succeeding May 1 and November 1 until maturity or early redemption thereof. Interest rates range from 1.00% to 3.00%.

2012A Series Bonds are not subject to redemption prior to their stated maturities.

Defeasance of 2002 Bonds - Pursuant to an Escrow Deposit Agreement dated August 9, 2012, the Authority deposited \$6,884,075 of the proceeds of the 2012A Series Refunding Bonds to advance refund the outstanding 2002 Bonds. The amounts deposited with the trustee include \$217,336 of Bond premium. All funds so deposited were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2002 Bonds. As a result, the 2002 Bonds are considered defeased and the liability for those bonds of \$6,625,000 has been removed from the Authority's balance sheet.

For the year ended May 31, 2013, the Authority in effect reduced its aggregate debt service payments over the next 4 years and obtained a gross savings of \$587,753 and a present value savings of \$259,663.

Q. New Jersey Environmental Infrastructure Trust Financing

The Authority issued 2014 Series A and B bonds, dated May 21, 2014 to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various water rehabilitation projects. The allowable costs for these projects total \$1,573,882 for the Series A bonds and \$4,721,648 for the Series B bonds. The total of all funds is \$6,295,5300.

The Authority is in the process of drawing down the financing proceeds as construction progresses. The maximum financing from the trust will not exceed the \$1,605,000 and repayment will commence on November 1, 2015 with final payment on November 1, 2032. The zero interest financing from the State will not exceed \$4,721,648. The principal payment will commence on November 1, 2015 with final payment on November 1, 2032.

R. Refunding Revenue Bonds (2014C Series)

On December 4, 2014, the Authority issued \$3,360,000 Revenue Refunding Bonds (2014C Series). The Bonds were dated December 4, 2014 and consisted of \$3,360,000 serial bonds, which are due in various amounts on November 1, 2015 through 2023. The 2014 Bonds are being issued to provide funds to currently refund the Authority’s \$3,700,000 outstanding Revenue Bonds (2004 Series) (the “Refunded Bonds”) maturing on and after November 1, 2015 and pay the costs of issuance of the 2014 Bonds.

Interest on the 2014 Series Bonds is payable on May 1, 2015 and semi-annually thereafter on each succeeding November 1 and May 1 until maturity or early redemption thereof.

2014 Series Bonds are not subject to redemption prior to their stated maturities.

Defeasance of 2004 Bonds - Pursuant to an Escrow Deposit Agreement dated December 4, 2014, the Authority deposited \$3,854,128 of the proceeds of the 2014C Series Refunding Bonds to advance refund the outstanding 2004 Bonds. The amounts deposited with the trustee include \$328,169 of Bond premium. All funds so deposited were

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NOTE 5: LONG-TERM OBLIGATIONS (continued)

R. Refunding Revenue Bonds (2014C Series) (continued)

used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2004 Bonds. As a result, the 2004 Bonds are considered defeased and the liability for those bonds of \$3,700,000 has been removed from the Authority's balance sheet.

For the year ended May 31, 2015, the Authority in effect reduced its aggregate debt service payments over the next 9 years and obtained a gross savings of \$344,053 and a present value savings of \$210,747.

S. New Jersey Environmental Infrastructure Trust Financing

The Authority issued 2015 Series A and B bonds, dated May 28, 2015 to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various water rehabilitation projects. The allowable costs for these projects total \$344,104 for the Series A bonds and \$1,032,312 for the Series B bonds. The total of all funds is \$1,376,416.

The Authority is in the process of drawing down the financing proceeds as construction progresses. The maximum financing from the trust will not exceed the \$325,000 and repayment will commence on November 1, 2015 with final payment on November 1, 2033. The zero interest financing from the State will not exceed \$770,793. The principal payment will commence on November 1, 2015 with final payment on November 1, 2033.

T. Schedule of Debt Service Payments – Cash Basis Bonds Issued And Outstanding on May 31, 2015*

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>May 31,</u>			
2015	\$ 4,894,110	\$ 2,107,925	\$ 7,002,035
2016	4,504,970	2,524,994	7,029,964
2017	3,424,557	1,006,519	4,431,076
2018	3,547,325	917,611	4,464,936
2019	3,055,778	832,430	3,888,208
2020-2024	12,531,948	3,138,810	15,670,758
2025-2029	11,400,305	1,116,981	12,517,286
2030-2033	2,160,625	42,125	2,202,750

*Includes principal and interest of New Jersey Environmental Infrastructure Trust Financing

NOTE 6: COMPENSATED ABSENCES

The Authority has adopted policies which sets forth the terms under which an employee may accumulate earned, but unused, vacation and sick leave, establishes the limits on such accumulations and specifies the conditions under which the right to receive payment for such accumulations vests with the employee. General Policy is as follows:

A. Sick Leave

Permanent full-time unionized employees of the Authority accrue sick leave on the basis of one (1) day for each month worked during the first calendar year of employment. As of January 1st following the first full year of employment, and on every January 1st thereafter, each permanent full-time employee shall receive twelve (12) sick leave days and three (3) personal days. In the event any personal days are not used in the year they are earned, those

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NOTE 6: COMPENSATED ABSENCES (continued)

A. Sick Leave (continued)

personal days shall be converted to sick days. Employees hired prior to October 1, 1990 may accumulate a maximum of two hundred eighty (280) days; Employees hired after that date may accumulate a maximum of one hundred and fifty (150) days. During an employee's last year of employment, for purposes of determining reimbursement, sick leave accrual for "cash back" purposes shall be prorated at one and one-quarter (1 1/4) days per month worked into that last year.

The Policy also provides for the accrual of twelve (12) "bridge days" as of January 1st of each year following the first year of employment. The maximum allowable accumulation of bridge days is forty-eight (48) days. Bridge days are provided in conjunction with the Authority's disability plan, and may only be used to "bridge" the period from the exhaustion of the current year's sick leave until such time as the employee is placed on the disability plan. Employees hired after July 1, 1996 are not entitled to bridge days, and must use regular sick days, to the extent available, to cover the period until they are placed on the disability plan.

Non-union personnel accrue sick leave on the basis of one (1) day for each month worked during the first calendar year of employment. Thereafter, as of January 1 of each year, they receive twelve (12) sick leave days. In addition, each non-union employee is credited with fifteen (15) sick leave days as a "bank" at the end of each year.

Unionized employees may "cash in" from one to ten unused sick days of each calendar year allotment for full pay. If the employee has at least five unused sick days of the current calendar year allotment and an additional accumulation of twenty-five unused sick days, the employee may shelter five unused sick days, at full pay, in the deferred compensation plan. Upon retirement, an employee who is a member of a collective bargaining unit receives one-half day's pay for each day of accumulated unused sick pay, at current rates, subject to the maximum allowable accumulation and a cap on pay-outs of \$15,000.00. Non-union personnel receive payment annually for any unused sick leave days from their annual allotment, excluding "bank" days. Upon retirement, non-union employees receive payment, at current rates for each day of accumulated unused sick pay (bank days), subject to the maximum allowable accumulation and a cap on pay-outs of \$37,145, adjusted annually effective December 31, 2000 to reflect the change to the Consumer Price Index (CPI) for the year then ended.

B. Vacation

Personnel hired prior to May 1 shall receive five (5) working days paid vacation for that calendar year. Personnel hired on or after May 1 shall receive no paid vacation for that calendar year. Thereafter, length of annual paid vacation shall be determined in accordance with the following schedules:

<u>Years of Service</u>	<u>Working Days Paid Vacation</u>
1 to 4	10
5 to 9	15
10 to 19	20
20	25

Vacation days for unionized employees which cannot be completed by the end of the calendar year may be carried over into the following calendar year with the approval of the Director. Upon separation of service, an employee is entitled, in time or in pay, to any unused vacation pay.

At May 31, 2015 and May 31, 2014, the payroll records of the Authority indicate the value of accumulated sick and vacation pay earned and unused to be \$703,630 and \$711,310, respectively. This amount has been established as a

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NOTE 6: COMPENSATED ABSENCES (continued)

B. Vacation (continued)

liability on the balance sheet. For the purpose of establishing the accrued liability, the Authority recognizes the full value of current accumulations calculated in accordance with the policies enumerated above, subject to the pay-out "cap".

NOTE 7: PENSION PLAN

The Authority participates in the Public Employees' Retirement System ("PERS"). The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the Fund and charges participating public employer annually for their respective contributions. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. According to the State of New Jersey Administrative Code, all obligations of the PERS System will be assumed by the State of New Jersey should the System terminate. The Plan is a cost-sharing multiple-employer defined benefit Plan and, as such, does not maintain separate records for each participating public employer in the state and, therefore, the actuarial data for the Authority is not available. The Division of Pensions issued publicly-available financial reports for the Plan that includes financial statements and required supplementary information. The reports may be obtained by writing the State of New Jersey, Division of Pensions, PO Box 295, Trenton, NJ, 08625.

Covered employees are required by statute to contribute a percentage of their annual compensation to the Plan. PERS bills the Authority annually at an actuarially determinable rate for its required contribution. The current rate for each employee is 6.92% of annual covered payroll.

The contribution requirements of Plan members and the Authority are established and may be amended by the Board of Trustees of the Plan. The Authority's contribution to the Plan for the year ended May 31, 2015 was \$615,907 (11.9%). The Authority's contribution to the Plan for the years ended May 31, 2014 and May 31, 2013 were \$521,476 (10.1%) and \$533,968 (10.7%) respectively equal to the required contributions. During the years ended May 31, 2015, May 31, 2014, and May 31, 2013 normal employee contributions to the PERS System amounted to \$318,775, \$307,901, and \$287,218 respectively.

NOTE 8: ARBITRAGE REBATE

Pursuant to the Internal Revenue Code of 1986, Section 148, regarding excess earnings, the Authority is required to rebate excess arbitrage income to the United States Government. The rebate amount is the excess aggregate amount earned on unspent bond proceeds over the amount that would have been earned if the yield on such unspent proceeds had been equal to the bond yields. The Authority estimates that it has no rebatable arbitrage earnings at May 31, 2015.

NOTE 9: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – HEALTH CARE BENEFITS

The Authority provides single-employer defined health benefits through its group insurance plan to certain retirees, provided that the employee has:

- (a) Retired on a disability pension;
- (b) Retired after 25 years or more service credit in a state or locally administered retirement system and a period of service of five (5) years service to the authority or its predecessors; or
- (c) Retired upon or after attaining the age of 62 years and at least 15 years of service to the Authority or its predecessors.

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NOTE 9: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – HEALTH CARE BENEFITS (continued)

The Authority also provides full coverage towards the cost of health benefits for the spouses and/or dependents of eligible retired employees. During the year ended May 31, 2015 and May 31, 2014, the Authority expended \$556,093 and \$834,047 for 41 and 38 eligible employees respectively.

This is the seventh year the Authority is recognizing its post employment healthcare plan benefit costs based upon the implementation requirements of GASB Statement 45.

The contribution requirements of plan members are established and may be amended by the Commissioners. The Authority's annual post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC 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 not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, any amounts contributed to the plan and the Authority's net OPEB obligation.

	2015 Total	2014 Total	2013 Total
Annual required contribution (ARC)	\$1,569,500	\$1,555,100	\$1,828,500
Interest on Net OPEB Obligations	-	201,700	-
Adjustment to ARC	-	(187,300)	-
Annual OPEB Cost	1,569,500	1,569,500	1,828,500
Less: Contributions	556,093	834,047	807,685
Increase in net OPEB Obligations	1,013,407	735,453	1,020,815
Net OPEB obligation – beginning of year	5,779,116	5,043,663	4,022,848
Net OPEB obligation – end of year	\$6,792,523	\$5,779,116	\$5,043,663
Percentage of Annual OPEB Cost Contributed	35.4%	53.1%	44.2%

The funded status of the plan for the Authority as of June 1, 2013, is as follows:

	Total
Actuarial accrued liability (AAL)	\$24,741,100
Actuarial value of plan assets	<u>(2,652,900)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$22,088,200</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$4,799,900
UAAL as a percentage of covered payroll	460.00%

An irrevocable trust was established for retirees of the Authority dedicated to paying retiree health plan benefit costs. The Authority contributed \$5,000,000 in March 2011 to the irrevocable trust for those individuals that were retired prior to June 1, 2008. The Authority made an additional contribution in May 2015 of \$1,013,407 to the irrevocable trust for those individuals that had retired. As of May 31, 2015, the cash balance in this account was \$3,672,118. The Authority expended \$556,093 during the current year to fund a portion of the accrued liability.

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Old Bridge,
County of Middlesex, State of New Jersey)
Notes to Financial Statements
For the years ended May 31, 2015 and 2014

NOTE 9: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – HEALTH CARE BENEFITS (continued)

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health-care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 1, 2013 actuarial valuation, the projected unit credit cost method was used. A rate of 4.00% was utilized as the discount rate and the amount of increase in the normal cost amount. The unfunded accrued liability is being amortized as a level dollar amount using an open period of thirty (30) years. Inflation rate assumptions were utilized using the short-term rates expected on the SHBP plan along with information in published papers from other industry experts (actuaries, health economists, etc.) For medical benefits this amount initially is at 8.0% and decreases to a 5.0% long-term trend rate for all medical benefits after six years. For prescription drug benefits, the initial trend rate is 10.0% decreasing to a 5.0% long-term trend rate after five years. For dental benefits, the initial trend is 6.0% decreasing to a 5.0% long-term trend after ten years. The amortization cost for the initial Unfunded Actuarial Accrued Liability is a level percentage of payroll, for a period of 30 years, with an assumption that payroll increases by 3.5% per year.

NOTE 10: RISK MANAGEMENT

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

Property and Liability Insurance - During the year ended May 31, 2015, the Authority continued to transfer all insurable risks through the purchase of commercial insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage during each of the past three fiscal years. During the year ended May 31, 2015 there were no significant reductions in coverages from those provided in the previous year.

The Authority provides health benefits to its employees and qualified retirees through a program that includes a significant risk retention component. Munich Re was retained by the Authority's third party administrator, Governmental Risk Management Assoc. The Authority has procured specific and aggregate excess loss insurance coverages to limit its loss exposure, as follows:

Specific Excess - Coverage is 100% of losses per covered person in excess of \$70,000 retained risk, with no lifetime benefit per covered person.

Aggregate Excess - Coverage is 100% of aggregate calendar year losses up to a maximum of \$1,000,000, subject to a limit per covered person of \$70,000.

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Old Bridge,
County of Middlesex, State of New Jersey)
Notes to Financial Statements
For the years ended May 31, 2015 and 2014

NOTE 11: RESTRICTED NET POSITION

At May 31, 2015, the Authority reports the following as Restricted Net Position:

The amount of \$4,076,761 has been Restricted for Debt Service pursuant to the Debt Service Reserve Requirement, as set forth in the Bond Resolution. The amount of \$6,084,554 has been Restricted for Operations. This amount represents Operating Reserve Requirement pursuant to the Bond Resolution. The amount of \$4,493,429 has been Restricted for Capital Projects. The amount of \$514,339 has been Restricted for Future Debt Service which represents accrued interest on the bonds. In accordance with GASB 45 an amount of \$3,672,118 was calculated and designated to fund a portion of the actuarial Other Post Employment Benefits (OPEB) liability for retirees.

NOTE 12: UNRESTRICTED NET POSITION

At May 31, 2015, the Authority reported \$12,390,310 as Unrestricted Net Position. The amount of \$11,740,310 is undesignated and \$650,000 is designated for renewal and replacements.

NOTE 13: COMMITMENTS AND CONTINGENCIES

A. Litigation Pending or Threatened

At May 31, 2015, the Authority was not aware of any litigation, claims or contingent liabilities not covered by the Authority's insurance carrier that would have a material financial impact on the Authority.

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Old Bridge,
County of Middlesex, State of New Jersey)
Required Supplementary Information
Schedule of Funding Progress - Postemployment Health Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
06/01/07	\$ -	\$ 18,268,700	\$ 18,268,700	0%	\$ 4,386,500	416.48%
06/01/08	-	17,271,100	17,271,100	0%	4,685,000	368.65%
06/01/10	-	26,974,700	26,974,700	0%	4,337,200	621.94%
06/01/13	2,652,900	24,741,100	22,088,200	0%	4,799,900	460.18%

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenues and Expenses
Compared to Budget (Budgetary Basis)
For the years ended May 31, 2015 and 2014

	For the year ended May 31, 2015				For the year ended May 31, 2014			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:								
Retained Earnings Appropriated								
User Charges and Fees	\$ 2,900,032	\$ 2,900,032	\$ 2,900,032	\$ -	\$ 2,142,134	\$ 2,142,134	\$ 2,142,134	\$ -
Delinquent Penalties	28,708,259	28,708,259	29,459,822	751,563	28,842,130	28,842,130	28,460,127	(382,003)
Interest on Investment and Deposits	532,000	532,000	457,069	(74,931)	485,000	485,000	469,881	(15,119)
Developer Contribution	65,000	65,000	62,090	(2,910)	65,000	65,000	58,906	(6,094)
Engineering Service Fees	250,000	250,000	250,550	550	400,000	400,000	266,440	(133,560)
Video Sewer Lines	188,475	188,475	245,388	56,913	182,649	182,649	394,314	211,665
Miscellaneous	7,500	7,500	6,450	(1,050)	7,500	7,500	6,450	(1,050)
	87,500	87,500	48,326	(39,174)	66,000	66,000	93,246	27,246
TOTAL REVENUES	32,738,766	32,738,766	33,429,727	690,961	32,190,413	32,190,413	31,891,498	(298,915)
EXPENSES:								
Operating Appropriations:								
Salaries and Wages	5,632,358	5,632,358	5,191,611	440,747	5,765,850	5,765,850	5,152,020	613,830
Employee Benefits	2,400,834	2,400,834	2,277,614	123,220	2,845,597	2,845,597	2,085,936	759,661
Opel per Gasb 45	1,176,000	1,176,000	1,553,656	(377,656)	1,470,000	1,470,000	1,540,259	(70,259)
Administrative Expenses	1,748,070	1,748,070	2,047,576	(299,506)	1,878,236	1,878,236	1,536,645	341,591
Office Expenses	231,000	231,000	161,275	69,725	302,810	302,810	151,930	150,880
Engineering	36,800	36,800	33,734	3,066	36,800	36,800	37,794	(994)
Operations and Maintenance Expenses	3,170,628	3,170,628	2,545,620	625,008	3,784,368	3,784,368	2,384,907	1,399,461
Contractual Services and Charges	8,229,177	8,229,177	8,163,066	66,111	7,838,429	7,838,429	7,187,134	651,295
TOTAL OPERATING APPROPRIATIONS	22,624,867	22,624,867	21,974,152	650,715	23,922,090	23,922,090	20,076,625	3,845,465
INTEREST EXPENSE	1,565,247	1,565,247	1,323,525	241,722	1,653,048	1,653,048	1,585,399	67,649
OTHER COSTS FUNDED BY OPERATING REVENUES:								
Principal Maturity	5,287,032	5,287,032	4,551,595	735,437	4,801,625	4,801,625	4,476,001	325,624
Capital Outlay	3,261,620	3,261,620	906,982	2,354,638	1,813,650	1,813,650	871,307	942,343
TOTAL COSTS FUNDED BY OPERATING REVENUES	8,548,652	8,548,652	5,458,577	3,090,075	6,615,275	6,615,275	5,347,308	1,267,967
TOTAL EXPENSES	32,738,766	32,738,766	28,756,254	3,982,512	32,190,413	32,190,413	27,009,332	5,181,081
BUDGETARY REVENUES OVER EXPENSES	\$ -	\$ -	\$ 4,673,473	\$ 4,673,473	\$ -	\$ -	\$ 4,882,166	\$ 4,882,166

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenues and Expenses
Compared to Budget (Budgetary Basis) (continued)
For the years ended May 31, 2015 and 2014

	2015 Actual	2014 Actual
\$ 4,673,473	\$ 4,882,166	
(2,787,314)	(2,699,546)	
(2,900,032)	(2,142,134)	
4,551,595	4,476,001	
906,982	871,307	
(182,874)	(124,768)	
(7,494)	(7,494)	
261,519	20,924	
(157,618)	394,290	
\$ 4,515,855	\$ 5,276,456	

Reconciliation of Budgetary Basis to Net Income:

Budgetary revenues over expenses

Adjustments to budgetary basis:

Depreciation expense

Retained earnings appropriated

Bond principal maturity

Capital outlay expenditures

Bond issuance costs

Amortization of debt issue costs

Capital contributions

Total Adjustments

Net Income

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Schedule of Water Department Revenues and Expenses
Compared to Budget (Budgetary Basis)
For the years ended May 31, 2015 and 2014

	For the year ended May 31, 2015				For the year ended May 31, 2014			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:								
Retained Earnings Appropriated	\$ 1,066,277	\$ 1,066,277	\$ 1,066,277	\$ -	\$ 901,116	\$ 901,116	\$ 901,116	\$ -
User Charges and Fees	13,586,304	13,586,304	13,590,967	4,663	14,701,303	14,701,303	13,189,331	(1,511,972)
Delinquent Penalties	267,000	267,000	222,853	(44,147)	245,000	245,000	234,323	(10,677)
Interest on Investment and Deposits	30,000	30,000	26,608	(3,392)	30,000	30,000	24,324	(5,676)
Developer Contributions	-	-	30,000	30,000	-	-	30,000	30,000
Engineering Service Fees	94,238	94,238	126,168	31,930	91,325	91,325	138,932	47,607
Miscellaneous	65,000	65,000	39,991	(25,009)	55,000	55,000	64,140	9,140
TOTAL REVENUES	15,108,819	15,108,819	15,102,864	(5,955)	16,023,744	16,023,744	14,582,166	(1,441,578)
EXPENSES:								
Operating Appropriations:								
Salaries and Wages	3,153,127	3,153,127	2,922,211	230,916	3,237,054	3,237,054	2,869,056	367,998
Employee Benefits	1,354,014	1,354,014	1,309,713	44,301	1,681,539	1,681,539	1,234,322	447,217
Opch per GASB 45	504,000	504,000	745,915	(241,915)	630,000	630,000	742,364	(112,364)
Administrative Expenses	968,322	968,322	1,073,893	(105,571)	1,029,440	1,029,440	851,835	177,605
Office Expenses	126,000	126,000	97,465	28,535	158,800	158,800	94,109	64,691
Engineering	18,400	18,400	18,432	(32)	18,400	18,400	19,058	(658)
Operations and Maintenance Expenses	1,856,940	1,856,940	1,600,577	256,363	2,278,680	2,278,680	1,444,867	833,813
Contractual Services and Charges	3,126,601	3,126,601	2,448,253	678,348	3,121,813	3,121,813	2,321,680	800,133
TOTAL OPERATING APPROPRIATIONS	11,107,404	11,107,404	10,216,459	890,945	12,155,726	12,155,726	9,577,291	2,578,435
INTEREST EXPENSE	915,674	915,674	815,922	99,752	987,089	987,089	989,464	(2,375)
OTHER COSTS FUNDED BY OPERATING REVENUES:								
Principal Maturity	2,546,121	2,546,121	2,090,749	455,372	2,340,779	2,340,779	2,072,646	268,133
Capital Outlay	539,620	539,620	51,216	488,404	540,150	540,150	233,510	306,640
TOTAL COSTS FUNDED BY OPER. REVENUES	3,085,741	3,085,741	2,141,965	943,776	2,880,929	2,880,929	2,306,156	574,773
TOTAL EXPENSES	15,108,819	15,108,819	13,174,346	1,934,473	16,023,744	16,023,744	12,872,911	3,150,833
BUDGETARY REVENUES OVER EXPENSES	\$ -	\$ -	\$ 1,928,518	\$ 1,928,518	\$ -	\$ -	\$ 1,709,255	\$ 1,709,255

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Schedule of Water Department Revenues and Expenses
Compared to Budget (Budgetary Basis) (continued)
For the years ended May 31, 2015 and 2014

	2015 Actual	2014 Actual
Reconciliation of Budgetary Basis to Net Income:		
Budgetary revenues over expenses	\$ 1,928,518	\$ 1,709,255
Adjustments to budgetary basis:		
Depreciation expense	(1,340,179)	(1,316,838)
Retained earnings appropriated	(1,066,277)	(901,116)
Bond principal maturity	2,090,749	2,072,646
Capital outlay expenditures	51,216	233,510
Bond Issuance Costs	(151,450)	(124,768)
Amortization of debt issue costs	(3,597)	(3,597)
Capital contributions	261,519	20,924
Total Adjustments	(158,019)	(19,239)
Net Income	\$ 1,770,499	\$ 1,690,016

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Schedule of Sewer Department Revenues and Expenses
Compared to Budget (Budgetary Basis)
For the years ended May 31, 2015 and 2014

	For the year ended May 31, 2015				For the year ended May 31, 2014			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:								
Retained Earnings Appropriated	\$ 1,833,755	\$ 1,833,755	\$ 1,833,755	\$ -	\$ 1,241,018	\$ 1,241,018	\$ 1,241,018	\$ -
User Charges and Fees	15,121,955	15,121,955	15,868,855	746,900	14,140,827	14,140,827	15,270,796	1,129,969
Delinquent Penalties	265,000	265,000	234,216	(30,784)	240,000	240,000	235,558	(4,442)
Interest on Investment and Deposits	35,000	35,000	35,482	482	35,000	35,000	34,582	(418)
Developer Contribution	250,000	250,000	220,550	(29,450)	400,000	400,000	236,440	(163,560)
Engineering Service Fees	94,237	94,237	119,220	24,983	91,324	91,324	255,382	164,058
Video Sewer Lines	7,500	7,500	6,450	(1,050)	7,500	7,500	6,450	(1,050)
Miscellaneous	22,500	22,500	8,335	(14,165)	11,000	11,000	29,106	18,106
TOTAL REVENUES	17,629,947	17,629,947	18,326,863	696,916	16,166,669	16,166,669	17,309,332	1,142,663
EXPENSES:								
Operating Appropriations:								
Salaries and Wages	2,479,231	2,479,231	2,269,400	209,831	2,528,796	2,528,796	2,282,964	245,832
Employee Benefits	1,046,820	1,046,820	967,901	78,919	1,164,058	1,164,058	851,614	312,444
Opelb per GASB 45	672,000	672,000	807,741	(135,741)	840,000	840,000	797,895	42,105
Administrative Expenses	779,748	779,748	973,683	(193,935)	848,796	848,796	684,810	163,986
Office Expenses	105,000	105,000	63,810	41,190	144,010	144,010	57,821	86,189
Engineering	18,400	18,400	15,302	3,098	18,400	18,400	18,736	(336)
Operations and Maintenance Expenses	1,313,688	1,313,688	945,043	368,645	1,505,688	1,505,688	940,040	565,648
Contractual Services and Charges	5,102,576	5,102,576	5,714,813	(612,237)	4,716,616	4,716,616	4,865,454	(148,838)
TOTAL OPERATING APPROPRIATIONS	11,517,463	11,517,463	11,757,693	(240,230)	11,766,364	11,766,364	10,499,334	1,267,030
INTEREST EXPENSE	649,573	649,573	507,603	141,970	665,959	665,959	595,935	70,024
OTHER COSTS FUNDED BY OPERATING REVENUES:								
Principal Maturity	2,740,911	2,740,911	2,460,846	280,065	2,460,846	2,460,846	2,403,355	57,491
Capital Outlay	2,722,000	2,722,000	855,766	1,866,234	1,273,500	1,273,500	637,797	635,703
TOTAL COSTS FUNDED BY OPER. REVENUES	5,462,911	5,462,911	3,316,612	2,146,299	3,734,346	3,734,346	3,041,152	693,194
TOTAL EXPENSES	17,629,947	17,629,947	15,581,908	2,048,039	16,166,669	16,166,669	14,136,421	2,030,248
BUDGETARY REVENUES OVER EXPENSES	\$ -	\$ -	\$ 2,744,955	2,744,955	\$ -	\$ -	\$ 3,172,911	3,172,911

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Schedule of Sewer Department Revenues and Expenses
Compared to Budget (Budgetary Basis) (continued)
For the years ended May 31, 2015 and 2014

	2015 Actual	2014 Actual
\$ 2,744,955	\$ 3,172,911	
(1,447,135)	(1,382,708)	
(1,833,755)	(1,241,018)	
2,460,846	2,403,355	
855,766	637,797	
(31,424)	-	
(3,897)	(3,897)	
401	413,529	
\$ 2,745,356	\$ 3,586,440	

Reconciliation of Budgetary Basis to Net Income:

Budgetary revenues over expenses

Adjustments to budgetary basis:

Depreciation expense

Retained earnings appropriated

Bond principal maturity

Capital outlay expenditures

Bond Issuance Costs

Amortization of debt issue costs

Total Adjustments

Net Income

STATISTICAL SECTION

Statistical Section

This part of the Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the accompanying financial statements and notes to the basic financial statements says about the Authority's overall financial health.

Contents Financial Trends

These schedules contain trend information to help the reader understand how the Authority's performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the Authority's ability to generate revenues.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time and with other agencies.

Operating Information

These schedules contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the services the Authority provides and the activities it performs.

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenue Serial Bonds Payable
For the year ended May 31, 2015

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT ISSUED</u>	<u>MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE MAY 31, 2014</u>	<u>ISSUED</u>	<u>DECREASED</u>	<u>BALANCE MAY 31, 2015</u>
			<u>DATE</u>	<u>AMOUNT</u>					
Capital Appreciation Bonds - Pay the Costs of Certain Improvements to the System, Fund the Debt Service Reserve and Pay the Costs of Issuance	6/15/1989	\$ 2,830,313.50	11/1/2015 11/1/2016	\$ 1,075,000.00 1,680,000.00	Zero Zero	\$ 616,263.40	-	185,789.25	430,474.15
1997 Revenue "A" Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/6/1997	1,355,000.00	11/1/2015 11/1/2016	100,000.00 105,000.00	5.00% 5.00%	300,000.00	-	95,000.00	205,000.00
Future Principal Savings Credits				(91,026.41)					
1999 NJEIT Trust Water Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fun and Pay Cost of Issuance	11/4/1999	535,000.00	11/1/2015 11/1/2016 11/1/2017 11/1/2018	35,000.00 40,000.00 40,000.00 45,000.00	5.50% 5.50% 5.70% 5.70%	195,000.00	-	35,000.00	160,000.00
Future Principal Savings Credits				(9,093.16)					
1999 NJEIT Trust Sewer Bonds - pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/4/1999	1,060,000.00	11/1/2015 11/1/2016 11/1/2017 11/1/2018	75,000.00 75,000.00 80,000.00 85,000.00	5.50% 5.50% 5.70% 5.70%	385,000.00	-	70,000.00	315,000.00
Future Principal Savings Credits				(27,042.90)					
1999 NJEIT Fund Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/4/1999	1,050,013.00	11/1/2015 11/1/2016 11/1/2017 11/1/2018	56,542.59 53,875.52 54,441.26 54,725.76	0.00% 0.00% 0.00% 0.00%	275,384.17	-	55,799.04	219,585.13

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenue Serial Bonds Payable (continued)
For the year ended May 31, 2015

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT ISSUED</u>	<u>MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE MAY 31, 2014</u>	<u>ISSUED</u>	<u>DECREASED</u>	<u>BALANCE MAY 31, 2015</u>
			<u>DATE</u>	<u>AMOUNT</u>					
2003 NJEIT Trust Water Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	10/15/2003	3,120,000.00	11/1/2015	180,000.00	4.00%	1,865,000.00	-	175,000.00	1,690,000.00
			11/1/2016	190,000.00	4.20%				
			11/1/2017	195,000.00	4.25%				
			11/1/2018	205,000.00	5.00%				
			11/1/2019	215,000.00	5.00%				
			11/1/2020	225,000.00	4.50%				
			11/1/2021	235,000.00	4.75%				
			11/1/2022	245,000.00	4.75%				
2003 NJEIT Fund Water Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	10/15/2003	2,787,329.00	11/1/2015	154,041.34	0.00%	1,390,932.59	-	155,238.28	1,235,694.31
			11/1/2016	155,717.05	0.00%				
			11/1/2017	153,933.62	0.00%				
			11/1/2018	154,958.50	0.00%				
			11/1/2019	154,808.87	0.00%				
			11/1/2020	154,360.03	0.00%				
			11/1/2021	154,285.22	0.00%				
			11/1/2022	153,589.68	0.00%				
2003 NJEIT Trust Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	10/15/2003	1,000,000.00	11/1/2015	55,000.00	4.00%	580,000.00	-	55,000.00	525,000.00
			11/1/2016	60,000.00	4.20%				
			11/1/2017	60,000.00	4.25%				
			11/1/2018-19	65,000.00	5.00%				
			11/1/2020	70,000.00	4.50%				
			11/1/2021-22	75,000.00	4.75%				
2003 NJEIT Fund Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	10/15/2003	890,327.00	11/1/2015	47,658.26	0.00%	435,748.15	-	48,984.70	386,763.45
			11/1/2016	49,346.45	0.00%				
			11/1/2017	47,827.09	0.00%				
			11/1/2018	49,304.25	0.00%				
			11/1/2019	47,344.74	0.00%				
			11/1/2020	48,399.86	0.00%				
			11/1/2021	49,515.28	0.00%				
			11/1/2022	47,367.52	0.00%				
2004 Revenue Refunding "A" Bonds	2/26/2004	8,055,000.00				4,210,000.00	-	4,210,000.00	-
2004 Revenue "A" Bonds	2/26/2004	370,000.00				40,000.00	-	40,000.00	-

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenue Serial Bonds Payable (continued)
For the year ended May 31, 2015

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT ISSUED</u>	<u>MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE MAY 31, 2014</u>	<u>ISSUED</u>	<u>DECREASED</u>	<u>BALANCE MAY 31, 2015</u>
			<u>DATE</u>	<u>AMOUNT</u>					
2005 NJEIT Trust Water Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/15/2005	1,625,000.00	11/1/2015-16	85,000.00	4.00%	1,100,000.00	-	80,000.00	1,020,000.00
			11/1/2017	90,000.00	4.25%				
			11/1/2018	95,000.00	4.25%				
			11/1/2019	100,000.00	4.50%				
			11/1/2020	105,000.00	4.375%				
			11/1/2021	110,000.00	4.375%				
			11/1/2022-23	115,000.00	4.375%				
			11/1/2024	120,000.00	4.375%				
2005 NJEIT Fund Water Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/15/2005	1,384,425.00	11/1/2015	81,169.32	0.00%	739,416.06	-	80,035.68	659,380.38
			11/1/2016	79,028.00	0.00%				
			11/1/2017	80,035.68	0.00%				
			11/1/2018	80,775.70	0.00%				
			11/1/2019	81,381.88	0.00%				
			11/1/2020	81,696.77	0.00%				
			11/1/2021	81,952.63	0.00%				
			11/1/2022	82,070.72	0.00%				
			11/1/2023	11,269.68	0.00%				
2006 NJEIT Trust Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/9/2006	3,350,000.00	11/1/2015	165,000.00	5.000%	2,430,000.00	-	160,000.00	2,270,000.00
			11/1/2016	175,000.00	4.000%				
			11/1/2017	180,000.00	4.000%				
			11/1/2018	190,000.00	4.000%				
			11/1/2019	195,000.00	4.000%				
			11/1/2020	205,000.00	4.125%				
			11/1/2021	215,000.00	4.125%				
			11/1/2022	220,000.00	4.250%				
			11/1/2023	230,000.00	5.000%				
			11/1/2024	240,000.00	4.250%				
			11/1/2025	255,000.00	4.250%				
2006 NJEIT Fund Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/9/2006	3,167,000.00	11/1/2015	168,439.49	0.00%	2,031,489.68	-	170,367.72	1,861,121.96
			11/1/2016	169,564.29	0.00%				
			11/1/2017	168,278.80	0.00%				
			11/1/2018	170,078.49	0.00%				
			11/1/2019	168,407.35	0.00%				
			11/1/2020	169,821.39	0.00%				
			11/1/2021	170,813.63	0.00%				
			11/1/2022	168,327.01	0.00%				
			11/1/2023	168,744.79	0.00%				
			11/1/2024	167,780.67	0.00%				
			11/1/2025	170,866.05	0.00%				

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenue Serial Bonds Payable (continued)
For the year ended May 31, 2015

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT ISSUED</u>	<u>MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE MAY 31, 2014</u>	<u>ISSUED</u>	<u>DECREASED</u>	<u>BALANCE MAY 31, 2015</u>
			<u>DATE</u>	<u>AMOUNT</u>					
2008 NJEIT Trust Water Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/6/2008	1,950,000.00	11/1/15-16	90,000.00	5.00%	1,655,000.00	-	415,000.00	1,240,000.00
			11/1/2017	95,000.00	5.00%				
			11/1/2018	100,000.00	5.25%				
			11/1/2019	105,000.00	5.50%				
			11/1/2020	115,000.00	5.50%				
			11/1/2021	120,000.00	5.50%				
			11/1/2022	125,000.00	5.50%				
			11/1/2023	130,000.00	5.00%				
			11/1/2024	140,000.00	5.00%				
			11/1/2025	130,000.00	5.00%				
2008 NJEIT Fund Water Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/6/2008	1,781,000.00	11/1/2015	96,714.75	0.00%	1,391,343.62	-	98,614.87	1,292,728.75
			11/1/2016	97,007.97	0.00%				
			11/1/2017	97,154.58	0.00%				
			11/1/2018	97,154.59	0.00%				
			11/1/2019	97,008.08	0.00%				
			11/1/2020	97,359.85	0.00%				
			11/1/2021	100,526.74	0.00%				
			11/1/2022	99,793.67	0.00%				
			11/1/2023	98,913.97	0.00%				
			11/1/2024	101,413.76	0.00%				
			11/1/2025	103,451.72	0.00%				
			11/1/2026	102,293.46	0.00%				
			11/1/2027	103,935.61	0.00%				
			11/1/2015-20	25,000.00	4.500%	5,500,000.00	-	25,000.00	5,475,000.00
2008 Revenue Bonds (2008C Series)	12/23/2008	5,625,000.00	11/1/2021-23	25,000.00	5.375%				
			11/1/2024	480,000.00	5.375%				
			11/1/2025	745,000.00	5.375%				
			11/1/2026	985,000.00	5.375%				
			11/1/2027	1,480,000.00	5.375%				
			11/1/2028	1,560,000.00	5.375%				
			11/1/2015	335,000.00	4.00%	1,740,000.00	-	325,000.00	1,415,000.00
2009 Revenue Refunding Bonds (2009A Series)	5/28/2009	3,050,000.00	11/1/2016	345,000.00	4.00%				
			11/1/2017	360,000.00	4.00%				
			11/1/2018	375,000.00	4.00%				

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenue Serial Bonds Payable (continued)
For the year ended May 31, 2015

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT ISSUED</u>	<u>MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE MAY 31, 2014</u>	<u>ISSUED</u>	<u>DECREASED</u>	<u>BALANCE MAY 31, 2015</u>
			<u>DATE</u>	<u>AMOUNT</u>					
2010A NJEIT Trust Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	3/10/2010	600,000.00	11/1/2015-16 11/1/2017 11/1/2018 11/1/2019 11/1/2020	25,000.00 30,000.00 30,000.00 30,000.00 5,000.00	5.00% 5.00% 4.00% 5.00% 3.00%	515,000.00	-	370,000.00	145,000.00
2010A NJEIT Fund Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	3/10/2010	625,033.00	11/1/2015 11/1/2016	31,781.32 5,789.53	0.00% 0.00%	69,352.17	-	31,781.32	37,570.85
2010B NJEIT Trust Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/17/2010	1,690,000.00	11/1/2015 11/1/2016 11/1/2017 11/1/2018 11/1/2019 11/1/2020 11/1/2021 11/1/2022 11/1/2023 11/1/2024	65,000.00 70,000.00 75,000.00 80,000.00 80,000.00 85,000.00 90,000.00 95,000.00 100,000.00 35,000.00	5.00% 5.00% 5.00% 5.00% 5.00% 5.00% 5.00% 5.00% 5.00% 5.00%	1,515,000.00	-	740,000.00	775,000.00
2010B NJEIT Fund Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/17/2010	1,011,735.00	11/1/2015 11/1/2016 11/1/2017 11/1/2018 11/1/2019 11/1/2020	91,875.00 91,875.00 91,875.00 91,875.00 91,875.00 64,187.00	0.00% 0.00% 0.00% 0.00% 0.00% 0.00%	615,437.00	-	91,875.00	523,562.00
2012A NJEIT Fund Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	5/3/2012	4,830,000.00	11/1/2015 11/1/2016 11/1/2017 11/1/2018 11/1/2019 11/1/2020 11/1/2021 11/1/2022 11/1/2023 11/1/2024 11/1/2025 11/1/2026 11/1/2027 11/1/2028 11/1/2029 11/1/2030	195,000.00 200,000.00 210,000.00 225,000.00 235,000.00 245,000.00 255,000.00 270,000.00 285,000.00 295,000.00 310,000.00 330,000.00 335,000.00 345,000.00 365,000.00 370,000.00	5.000% 5.000% 5.000% 5.000% 5.000% 5.000% 5.000% 5.000% 5.000% 5.000% 5.000% 3.000% 3.000% 3.125% 3.200% 3.250%	4,655,000.00	-	185,000.00	4,470,000.00

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenue Serial Bonds Payable (continued)
For the year ended May 31, 2015

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT ISSUED</u>	<u>MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE MAY 31, 2014</u>	<u>ISSUED</u>	<u>DECREASED</u>	<u>BALANCE MAY 31, 2015</u>
			<u>DATE</u>	<u>AMOUNT</u>					
2012A NJEIT Fund Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	5/3/2012	7,079,015.00	11/1/2015	393,278.61	0.00%	6,685,736.39	-	393,278.61	6,292,457.78
			11/1/2016	393,278.61	0.00%				
			11/1/2017	393,278.61	0.00%				
			11/1/2018	393,278.61	0.00%				
			11/1/2019	393,278.61	0.00%				
			11/1/2020	393,278.61	0.00%				
			11/1/2021	393,278.61	0.00%				
			11/1/2022	393,278.61	0.00%				
			11/1/2023	393,278.61	0.00%				
			11/1/2024	393,278.61	0.00%				
			11/1/2025	393,278.61	0.00%				
			11/1/2026	393,278.61	0.00%				
			11/1/2027	393,278.61	0.00%				
			11/1/2028	393,278.61	0.00%				
			11/1/2029	393,278.61	0.00%				
			11/1/2030	393,278.61	0.00%				
2012 Revenue Refunding Bonds (2012A Series)	8/9/2012	4,930,000.00	11/1/2015	1,390,000.00	3.00%	3,585,000.00	-	1,365,000.00	2,220,000.00
			11/1/2016	830,000.00	3.00%				
2014A NJEIT Trust Water Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	5/21/2014	1,605,000.00	11/1/2015	60,000.00	3.000%	1,605,000.00	-	-	1,605,000.00
			11/1/2016	65,000.00	5.000%				
			11/1/2017	65,000.00	5.000%				
			11/1/2018	70,000.00	5.000%				
			11/1/2019	75,000.00	5.000%				
			11/1/2020	75,000.00	5.000%				
			11/1/2021	80,000.00	5.000%				
			11/1/2022	85,000.00	5.000%				
			11/1/2023	90,000.00	5.000%				
			11/1/2024	95,000.00	3.000%				
			11/1/2025	95,000.00	3.000%				
			11/1/2026	100,000.00	3.000%				
			11/1/2027	100,000.00	3.000%				
			11/1/2028	105,000.00	3.000%				
			11/1/2029	105,000.00	3.000%				
			11/1/2030	110,000.00	3.000%				
			11/1/2031	115,000.00	3.125%				
			11/1/2032	115,000.00	3.250%				

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenue Serial Bonds Payable (continued)
For the year ended May 31, 2015

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT ISSUED</u>	<u>MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE MAY 31, 2014</u>	<u>ISSUED</u>	<u>DECREASED</u>	<u>BALANCE MAY 31, 2015</u>
			<u>DATE</u>	<u>AMOUNT</u>					
2014A NJEIT Fund Water Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	5/21/2014	4,721,648.00	11/1/2015	261,104.95	0.00%	4,721,648.00	-	-	4,721,648.00
			11/1/2016	261,104.95	0.00%				
			11/1/2017	261,104.95	0.00%				
			11/1/2018	261,104.95	0.00%				
			11/1/2019	261,104.95	0.00%				
			11/1/2020	261,104.95	0.00%				
			11/1/2021	261,104.95	0.00%				
			11/1/2022	261,104.95	0.00%				
			11/1/2023	261,104.95	0.00%				
			11/1/2024	261,104.95	0.00%				
			11/1/2025	261,104.95	0.00%				
			11/1/2026	261,104.95	0.00%				
			11/1/2027	261,104.95	0.00%				
			11/1/2028	261,104.95	0.00%				
			11/1/2029	261,104.95	0.00%				
			11/1/2030	261,104.95	0.00%				
			11/1/2031	261,104.95	0.00%				
			11/1/2032	282,863.85	0.00%				
2014C Refunding Bond	12/4/2014	3,360,000.00	11/1/2015	465,000.00	2.00%	-	3,360,000.00	-	3,360,000.00
			11/1/2016	510,000.00	2.00%				
			11/1/2017	530,000.00	4.00%				
			11/1/2018	560,000.00	4.00%				
			11/1/2019	580,000.00	4.00%				
			11/1/2020	165,000.00	4.00%				
			11/1/2021	170,000.00	5.00%				
			11/1/2022	185,000.00	5.00%				
			11/1/2023	195,000.00	5.00%				
2015A NJEIT Trust Water Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	5/28/2015	325,000.00	11/1/2015	10,000.00	5.000%	-	325,000.00	-	325,000.00
			11/1/2016	10,000.00	5.000%				
			11/1/2017	10,000.00	5.000%				
			11/1/2018	15,000.00	5.000%				
			11/1/2019	15,000.00	5.000%				
			11/1/2020	15,000.00	5.000%				
			11/1/2021	15,000.00	5.000%				
			11/1/2022	15,000.00	5.000%				
			11/1/2023	15,000.00	5.000%				
			11/1/2024	15,000.00	5.000%				
			11/1/2025	20,000.00	5.000%				
			11/1/2026	20,000.00	4.000%				
			11/1/2027	20,000.00	4.000%				
			11/1/2028	20,000.00	4.000%				
			11/1/2029	20,000.00	4.000%				
			11/1/2030	20,000.00	4.000%				
			11/1/2031	20,000.00	4.000%				
			11/1/2032	25,000.00	4.000%				
			11/1/2033	25,000.00	4.000%				

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenue Serial Bonds Payable (continued)
For the year ended May 31, 2015

PURPOSE	DATE OF ISSUE	AMOUNT ISSUED	MATURITIES		INTEREST RATE	BALANCE MAY 31, 2014	ISSUED	DECREASED	BALANCE MAY 31, 2015
			DATE	AMOUNT					
2015A NJEIT Fund Water Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	5/28/2015	770,793.00	11/1/2015	40,568.04	0.00%	-	770,793.00	-	770,793.00
			11/1/2016	40,568.04	0.00%				
			11/1/2017	40,568.04	0.00%				
			11/1/2018	40,568.04	0.00%				
			11/1/2019	40,568.04	0.00%				
			11/1/2020	40,568.04	0.00%				
			11/1/2021	40,568.04	0.00%				
			11/1/2022	40,568.04	0.00%				
			11/1/2023	40,568.04	0.00%				
			11/1/2024	40,568.04	0.00%				
			11/1/2025	40,568.04	0.00%				
			11/1/2026	40,568.04	0.00%				
			11/1/2027	40,568.04	0.00%				
			11/1/2028	40,568.04	0.00%				
			11/1/2029	40,568.04	0.00%				
			11/1/2030	40,568.04	0.00%				
			11/1/2031	40,568.04	0.00%				
			11/1/2032	40,568.04	0.00%				
			11/1/2033	40,568.28	0.00%				
Total						<u>\$ 50,847,751.23</u>	<u>\$ 4,455,793.00</u>	<u>9,656,764.47</u>	<u>\$ 45,646,779.76</u>
Gross Principal						\$ 50,847,751.23		\$ 45,646,779.76	
Unamortized Bond Discount & Deferred Amount on Refunding						(404,805.00)		(321,948.00)	
Future NJEIT Savings Credit						(182,332.40)		(127,162.47)	
Net Principal Balance						<u>\$ 50,260,613.83</u>		<u>\$ 45,197,669.29</u>	
Principal								4,056,764.47	
Deobligated								1,350,000.00	
Refunded								4,250,000.00	
								<u>9,656,764.47</u>	
Detail:									
Current Portion								\$ 4,894,109.70	
Long-Term Liability								40,303,559.59	
Revenue Bonds									
Total Revenue Supported Debt								<u>\$ 45,197,669.29</u>	

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Insurance Coverage
For the year ended May 31, 2015

A multi-peril policy issued by the Selective Way Insurance Company for a one-year period expiring on April 15, 2016, payable over ten months, was in force during the period under review .

The policy provided for the following coverage:

Special Multi-Peril Policy (S 1730992)

Property:

Building and Contents (\$5,000.00 Deductible)	\$ 79,334,970
Blanket Extra Expense	1,000,000
Employee Benefit Program Coverage	1,000,000
Boiler and Machinery (\$1,000.00 Deductible)	2,000,000
Ordinance of Law Coverage	500,000
Pipeline Distribution System (\$5,000.00 Deductible)	5,000,000
Flood (\$25,000.00 Deductible)	5,000,000
Earthquake (\$25,000.00 Deductible)	5,000,000
Valuable Papers (\$1,000.00 Deductible)	75,000
Employee Dishonesty (\$1,000.00 Deductible)	25,000
Forgery (\$1,000.00 Deductible)	25,000
Theft (\$1,000.00 Deductible)	25,000
Miscellaneous Equipment	10,000
Auto Fleet Liability (Combined Single Limit)	1,000,000

Other Coverages in Effect:

Public Officials Liability (\$10,000.00 Deductible)	2,000,000
Employment Practices Liability (\$12,500 Deductible)	2,000,000
Darwin National Assurance Co. (0202-4030) Expires 11-8-2015	
Umbrella Liability	10,000,000
Selective Way Insurance Company (S1730992)	
Commerical Crime Policy	250,000
Selective Insurance Company (B6017065)	
Commerical Workers Compensation	1,000,000
Selective Way Insurance Company (WC 7217855)	
Commercial General Liability (\$1,000.00 Deductible)	1,000,000
Selective Way Insurance Company (S1730992)	
Commercial Pollution Legal Liability (\$25,000 Deductible)	2,000,000
AIG Speciality Insurance Co. (PLC5526346) Expires 1-1-2017	

All of the insurance policies in force were examined. No attempt was made to determine the adequacy of coverage as part of this report. Adequacy of coverage is the responsibility of the Authority.

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Schedule of Number of Equivalent Domestic Consumer Units
Last Ten Years
For the year ended May 31, 2015

Fiscal Year	Water				Sewer				Total	
	Residential	Commercial	Industrial	Other	Residential	Commercial	Industrial	Other	Water Division	Sewer Division
05/31/15	18,181	8,791	125	567	17,882	8,420	1	490	27,664	26,793
05/31/14	18,070	8,777	125	567	17,772	8,412	1	491	27,539	26,676
05/31/13	18,039	8,704	125	567	17,748	8,348	1	491	27,435	26,588
05/31/12	18,007	8,704	125	567	17,699	8,337	1	491	27,403	26,528
05/31/11	17,969	8,652	125	566	17,659	8,291	1	491	27,312	26,442
05/31/10	17,938	8,650	125	561	17,628	8,295	1	491	27,274	26,415
05/31/09	17,910	8,626	125	561	17,603	8,279	1	491	27,222	26,374
05/31/08	17,885	8,549	125	495	17,567	8,253	1	447	27,054	26,268
05/31/07	17,845	8,480	125	469	17,510	8,207	1	444	26,919	26,162
05/31/06	17,668	8,184	125	424	17,334	7,945	1	399	26,401	25,679

Commercial includes Apartments and Multiple Business Malls
Other includes, Government Building, Schools, and Houses of Worship

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Schedule of Water Produced/Purchased and Consumed
Last Ten Calendar Years
For the year ended May 31, 2015

Year	Gallons of Water Produced/Purchased	Gallons of Water Consumed	Gallons of Water Unbilled (1)	Average Percent Unbilled
2014	2,225,309	2,008,346	216,963	9.75%
2013	2,276,822	2,017,965	258,857	11.37%
2012	2,407,679	2,099,690	307,989	12.79%
2011	2,366,830	2,144,301	222,529	9.40%
2010	2,489,392	2,266,162	223,230	8.97%
2009	2,277,731	2,075,260	202,471	8.89%
2008	2,524,749	2,320,744	204,005	8.08%
2007	2,560,625	2,284,646	275,979	10.78%
2006	2,500,255	2,294,256	205,999	8.24%
2005	2,540,120	2,388,126	151,994	5.98%

Sources: Water Utilization Report filed with NJ Bureau of Safe Drinking Water

Note: Units are measured in 1,000,000 gallon increments.

(1) All unbilled water is not unaccounted for, a portion of this figure is accounted for with line flushing, fire hydrant testing, flow tests, fire fighting, etc.

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Net Position by Component - Last Ten Years
For the year ended May 31, 2015

	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>
Invested in Capital Assets, net of related debt	\$ 87,248,568	\$ 78,108,841	\$ 76,285,663	\$ 62,790,966	\$ 66,313,978	\$ 59,001,441	\$ 53,578,881	\$ 47,613,389	\$ 37,642,868	\$ 39,277,723
Restricted for Operations	6,084,554	5,656,217	5,905,523	5,465,197	5,558,555	5,639,570	5,469,850	5,004,790	4,684,517	4,506,345
Restricted for Capital Projects	4,493,429	10,710,568	9,489,044	1,089,206	1,309,616	1,345,021	1,335,958	4,274,668	5,590,934	3,213,943
Restricted for Debt Service	4,591,100	4,662,890	4,736,938	4,894,672	4,994,474	5,068,942	5,119,003	5,892,759	5,945,614	5,626,989
OPEB	3,672,118	2,652,901	3,450,633	4,244,764	5,000,972	-	-	-	-	-
Unrestricted	12,390,310	12,172,807	8,819,967	22,916,909	10,026,895	23,315,514	23,792,287	17,935,369	21,371,649	16,366,206
Total Net Position	<u>\$ 118,480,079</u>	<u>\$ 113,964,224</u>	<u>\$ 108,687,768</u>	<u>\$ 101,401,714</u>	<u>\$ 93,204,490</u>	<u>\$ 94,370,488</u>	<u>\$ 89,295,979</u>	<u>\$ 80,720,975</u>	<u>\$ 75,235,582</u>	<u>\$ 68,991,206</u>
Percentage Increase/(Decrease)	4.0%	4.9%	7.2%	8.8%	-1.2%	5.7%	10.6%	7.3%	9.1%	10.4%

Source: Authority Records

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Changes in Net Position - Last Ten Years
For the year ended May 31, 2015

	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
OPERATING REVENUES	\$ 30,454,910	\$ 29,686,010	\$ 29,669,765	\$ 27,724,547	26,563,233	24,104,071	\$ 24,913,553	\$ 24,303,281	\$ 24,107,787	\$ 24,939,925
OPERATING EXPENSES	24,761,467	22,776,172	23,483,194	23,496,804	24,117,787	21,268,729	20,359,268	19,615,858	18,333,965	17,822,044
OPERATING INCOME/(LOSS)	5,693,443	6,909,838	6,186,571	4,227,743	2,445,446	2,835,342	4,554,285	4,687,423	5,773,822	7,117,881
TOTAL NON-OPERATING REVENUES/ (EXPENSES)	(1,439,107)	(1,654,306)	(1,641,091)	(2,052,232)	(3,311,444)	(2,982,922)	(1,450,935)	(350,404)	(323,399)	(1,000,274)
INCOME/(LOSS) BEFORE CAPITAL CONTRIBUTIONS	4,254,336	5,255,532	4,545,480	2,175,511	(865,998)	(147,580)	3,103,350	4,337,019	5,450,423	6,117,607
CAPITAL CONTRIBUTIONS	261,519	20,924	4,081,350	5,721,713	-	5,222,089	5,471,654	1,148,374	793,953	380,389
CHANGE IN NET POSITION	\$ 4,515,855	\$ 5,276,456	\$ 8,626,830	\$ 7,897,224	(865,998)	5,074,509	\$ 8,575,004	\$ 5,485,393	\$ 6,244,376	\$ 6,497,996

Source: Authority Records

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Revenues by Sources - Last Ten Years
For the year ended May 31, 2015

	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
OPERATING REVENUES										
Water Charges	\$ 13,544,888	\$ 13,139,384	\$ 13,805,684	\$ 13,155,893	\$ 13,532,614	\$ 11,838,288	\$ 12,468,440	\$ 12,167,856	\$ 11,515,438	\$ 11,660,605
Sewer Charges	15,934,943	15,194,790	14,610,882	14,004,528	12,349,727	11,639,281	11,453,889	11,025,198	10,304,123	9,529,275
Connection Fees	320,216	378,928	489,327	201,432	278,921	242,731	487,470	454,822	1,218,980	2,893,424
Other	654,863	972,908	763,872	362,694	401,971	383,771	503,754	655,405	1,069,246	856,621
TOTAL OPERATING REVENUES	30,454,910	29,686,010	29,669,765	27,724,547	26,563,233	24,104,071	24,913,553	24,303,281	24,107,787	24,939,925
NON-OPERATING REVENUES										
Interest Income	62,089	58,906	77,430	132,111	189,462	341,813	861,918	1,599,913	1,536,950	983,793
Miscellaneous	12,697	4,450	12,278	47,499	920	13,663	16,038		296,474	
TOTAL NON-OPERATING REVENUES	74,786	63,356	89,708	179,610	190,382	355,476	877,956	1,599,913	1,833,424	983,793
TOTAL REVENUES	\$ 30,529,696	\$ 29,749,366	\$ 29,759,473	\$ 27,904,157	\$ 26,753,615	\$ 24,459,547	\$ 25,791,509	\$ 25,903,194	\$ 25,941,211	\$ 25,923,718

Note: The OBMUA's most significant own-source revenue are residential consumers which make up 65% of the revenues. All other make up 35% of the revenues. See Schedule - 3 for the respective equivalent consumer units

Source: Authority Records

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Expenses by Function - Last Ten Years
For the year ended May 31, 2015

	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
OPERATING EXPENSES										
Personnel Costs	\$ 9,022,883	\$ 8,778,216	\$ 9,044,784	\$ 9,358,291	\$ 9,147,169	\$ 8,497,720	\$ 8,736,264	\$ 7,580,384	\$ 6,988,138	\$ 6,981,423
Administrative Expenses	2,047,576	1,536,645	1,395,526	1,034,041	1,647,959	1,754,815	1,321,201	1,401,920	1,302,134	1,181,872
Office Expenses	161,274	151,930	150,310	167,871	171,811	148,895	153,035	136,320	143,605	137,236
Engineering Expenses	33,733	37,793	41,108	36,256	26,580	25,872	27,140	30,020	33,998	29,729
Operations and Maintenance	2,545,621	2,384,907	3,067,016	3,109,123	2,899,342	3,110,423	2,535,239	2,725,536	2,808,150	2,448,680
Contractual Services and Charges	8,163,066	7,187,134	7,064,087	7,140,045	7,791,152	5,386,862	5,483,229	5,905,687	5,432,277	5,505,889
Depreciation	2,787,314	2,699,547	2,720,363	2,651,177	2,433,774	2,344,142	2,103,160	1,835,991	1,625,663	1,537,215
TOTAL OPERATING EXPENSES	24,761,467	22,776,172	23,483,194	23,496,804	24,117,787	21,268,729	20,359,268	19,615,858	18,333,965	17,822,044
NON-OPERATING EXPENSES										
Interest Expense	1,323,525	1,585,399	1,657,423	2,113,953	2,032,711	1,904,507	2,211,395	1,839,373	2,047,470	1,878,729
Transfer to Old Bridge Township	-	-	-	-	1,347,703	1,312,157	-	-	-	-
Miscellaneous	190,368	132,263	125,802	117,889	121,412	121,734	117,496	110,944	109,353	105,338
TOTAL NON-OPERATING EXPENSES	1,513,893	1,717,662	1,783,225	2,231,842	3,501,826	3,338,398	2,328,891	1,950,317	2,156,823	1,984,067
TOTAL EXPENSES	\$ 26,275,360	\$ 24,493,834	\$ 25,266,419	\$ 25,728,646	\$ 27,619,613	\$ 24,607,127	\$ 22,688,159	\$ 21,566,175	\$ 20,490,788	\$ 19,806,111

Source: Authority Records

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Ratio of Assessed Valuation To Estimated Full Cash Value
For the year ended May 31, 2015

	NET ASSESSED VALUATION TAXABLE	AGGREGATE TRUE VALUATION	PERCENTAGE OF NET ASSESSED TO ESTIMATED FULL CASH VALUATIONS
FY 2015	\$ 3,413,182,000	\$ 6,992,792,461	48.81%
FY 2014	\$ 3,391,827,000	\$ 6,790,444,444	49.95%
FY 2013	\$ 3,391,334,500	\$ 6,890,155,425	49.22%
FY 2012	\$ 3,398,205,500	\$ 7,325,297,478	46.39%
FY 2011	\$ 3,400,663,600	\$ 7,541,946,330	45.09%
FY 2010	\$ 3,390,686,100	\$ 7,832,492,723	43.29%
FY 2009	\$ 3,388,609,200	\$ 8,001,438,489	42.35%
FY 2008	\$ 3,371,138,200	\$ 7,917,186,942	42.58%
FY 2007	\$ 3,335,270,600	\$ 7,335,101,386	45.47%
FY 2006	\$ 3,304,444,000	\$ 6,410,172,648	51.55%

Source: Equalization Table, Middlesex County Board of Taxation

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Computation of Debt Service - Last Ten Years
For the year ended May 31, 2015

	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Operating Revenues	\$ 30,454,910	\$ 29,686,010	\$ 29,669,765	\$ 27,724,547	\$ 26,563,233	\$ 24,104,071	\$ 24,913,553	\$ 24,303,280	\$ 23,855,463	\$ 24,839,925
Operating Expenditures	24,761,467	22,776,172	23,483,194	23,496,804	24,117,787	21,268,729	20,359,268	19,615,857	17,784,520	17,284,386
Net Operating Excess Revenues	5,693,443	6,909,838	6,186,571	4,227,743	2,445,446	2,835,342	4,554,285	4,687,423	6,070,943	7,555,539
Non Operating Excess Revenues (Expenses), Net	(1,439,107)	(1,654,306)	(1,641,091)	(2,052,232)	(3,311,444)	(2,982,922)	(1,450,935)	(350,404)	(365,028)	(900,274)
Net Income (Loss)	4,254,336	5,255,532	4,545,480	2,175,511	(865,998)	(147,580)	3,103,350	4,337,019	5,705,915	6,655,265
Retained Earnings										
Appropriated as Revenue	2,900,032	2,142,134	2,865,910	3,233,752	6,493,254	5,075,943	0	359,100	270,137	597,267
Net Excess (Deficit) of										
Operating Revenues	7,154,368	7,397,666	7,411,390	5,409,263	5,627,256	4,928,363	3,103,350	4,696,119	5,976,052	7,252,532
Debt Service Cost	1,323,525	1,585,399	1,657,423	2,113,953	2,032,711	1,904,507	2,211,395	1,839,373	2,047,470	1,878,729
Depreciation and Amortization	1,911,143	1,823,376	1,843,697	1,965,470	1,807,438	1,718,128	1,549,039	1,376,261	1,185,571	1,104,895
Revenues Available for										
Debt Service	10,389,036	10,806,441	10,912,510	9,488,686	9,467,405	8,550,998	6,863,784	7,911,753	9,209,093	10,236,156
Debt Service:										
Bond Principal	4,551,595	4,476,001	2,631,947	3,783,778	3,731,710	3,236,272	3,736,181	3,656,958	3,337,835	3,462,664
Interest on Bonds	1,986,751	2,138,062	1,940,448	2,166,757	2,238,353	2,136,132	1,707,489	1,601,071	1,535,984	1,745,089
Total Debt Service	6,538,346	6,614,063	4,572,395	5,950,535	5,970,063	5,372,404	5,443,670	5,258,029	4,873,819	5,207,753
Debt Service Coverage Factor	1.59%	1.63%	2.39%	1.59%	1.59%	1.59%	1.26%	1.50%	1.89%	1.97%
<u>Ratio of Debt per Customer</u>										
Outstanding Debt	\$ 45,519,618	\$ 50,665,419	\$ 48,966,070	\$ 53,688,013	\$ 45,629,545	\$ 46,790,968	\$ 48,802,207	\$ 43,173,323	\$ 46,830,281	\$ 44,083,302
Annual Debt Service	\$ 6,538,346	\$ 6,614,063	\$ 4,572,395	\$ 5,950,535	\$ 5,970,063	\$ 5,372,404	\$ 5,443,670	\$ 5,258,029	\$ 4,873,819	\$ 5,207,753
Total Customers	27,664	27,539	27,435	27,403	27,312	27,274	27,222	27,054	26,919	26,401
Outstanding Debt per Customer	\$ 1,645.45	\$ 1,839.77	\$ 1,784.80	\$ 1,959.20	\$ 1,670.68	\$ 1,715.59	\$ 1,792.75	\$ 1,595.82	\$ 1,739.67	\$ 1,669.76
Annual Debt Service per Customer	\$ 236.35	\$ 240.17	\$ 166.66	\$ 217.15	\$ 218.59	\$ 196.98	\$ 199.97	\$ 194.35	\$ 181.05	\$ 197.26

Source: Authority Records

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Population and School Enrollment Data
For the year ended May 31, 2015

	Township of Old Bridge Population*	County of Middlesex Population**	Old Bridge School Enrollment***	State of New Jersey**
FY 2014	66,570	836,297	8,911	8,938,175
FY 2013	66,570	828,919	8,909	8,899,339
FY 2012	66,179	823,041	9,109	8,864,590
FY 2011	65,798	814,217	9,205	8,821,155
FY 2010	65,942	809,858	9,403	8,791,894
FY 2009	65,942	790,738	10,003	8,707,739
FY 2008	65,478	785,324	9,583	8,663,398
FY 2007	65,217	779,830	9,648	8,636,043
FY 2006	64,669	776,876	9,758	8,623,721
FY 2005	63,865	778,018	9,850	8,621,837

* No new estimate for Old Bridge

** U.S. Census Bureau 2014 estimate

*** Township of Old Bridge School District

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Labor Force, Employment and Unemployment - County of Middlesex
For the year ended May 31, 2015

	County of Middlesex Labor Force	Employment	Unemployment	County Unemployment Rate	State Unemployment Rate	National Unemployment Rate*	Per Capita Personal Income
FY 2014	430,700	404,600	26,100	6.1%	7.0%	5.7%	52,291
FY 2013	443,825	410,919	32,906	7.4%	7.2%	6.7%	55,993
FY 2012	443,880	406,150	37,730	8.5%	9.5%	7.5%	52,108
FY 2011	434,900	399,500	36,700	8.4%	9.1%	8.5%	49,203
FY 2010	412,700	377,800	35,000	8.5%	9.1%	9.3%	47,285
FY 2009	426,713	389,744	36,969	8.7%	9.2%	9.9%	46,666
FY 2008	416,900	387,000	29,900	7.2%	5.5%	7.3%	49,464
FY 2007	420,000	401,500	18,500	4.4%	4.3%	5.0%	46,991
FY 2006	425,900	407,000	18,900	4.6%	4.6%	4.4%	44,204
FY 2005	418,600	401,400	17,200	4.3%	5.1%	4.9%	40,826
FY 2004	421,057	402,657	18,400	4.6%	5.5%	5.4%	39,659

*US Bureau of Labor Statistics

Source: NJ Department of Labor, Bureau of Labor Force Statistics
Regional Economic Information System, U.S. Department of Commerce

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Authority Employees by Function
Filled Positions Only at May 31
For the year ended May 31, 2015

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Executive	1	1	1	1	1	1	1	1	1	1
Human Resources & Administration	3	3	3	3	4	4	5	5	5	5
Engineering	5	5	5	5	5	5	6	6	6	6
Finance	2	2	2	2	2	2	2	2	2	2
Billing/Customer Service	4	5	5	5	4	5	6	6	6	6
Water Operations	24	25	27	22	23	25	27	28	28	29
Sewer Operations	14	15	16	15	16	13	14	14	16	18
Legal	0	0	0	0	0	0	0	1	1	1
Commissioners	7	7	7	7	7	7	7	7	7	7
Board Secretary	1	1	1	1	1	1	1	1	1	1
Office Cleaning	0	0	0	0	0	0	0	0	1	1
Totals	61	64	67	61	63	63	69	71	74	77

Source: Old Bridge MUA

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
Operating and Capital Indicators for the
Last Ten Fiscal Years
For the year ended May 31, 2015

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Number of Employees	64	67	61	63	63	69	71	74	77	81
Service Area in Acres	24,832	24,832	24,832	24,832	24,832	24,832	24,832	24,832	24,832	24,832
Service Area in square miles	38.8	38.8	38.8	38.8	38.8	38.8	38.8	38.8	38.8	38.8
Assessed Valuation (million) *	\$3,391.8	\$3,391.3	\$3,398.2	\$3,400.7	\$3,390.7	\$ 3,388.6	\$ 3,371.1	\$ 3,335.3	\$ 3,304.4	\$ 3,265.5
Population Served **	66,570	66,570	66,179	65,798	65,942	65,942	65,478	65,217	64,669	63,865
Number of Storage Tanks	8	8	8	9	9	9	9	9	8	8
Max Storage Capacity (million gal.)	20.75	20.75	20.75	22.75	22.75	22.75	22.75	22.75	19.85	19.85
Number of Water Treatment Plants	2	2	2	2	2	2	2	2	2	2
Sewerage Pump Stations	37	37	36	36	36	35	35	35	32	31
Ejector Stations	1	1	1	1	1	1	1	1	1	2
Avg. Sewer Flows per Day (MGD)	5.479	4.835	5.629	5.553	6.238	5.390	5.385	5.635	5.861	5.948

Source: Old Bridge MUA

* Assessed Valuation, Middlesex County Board of Taxation

** New Jersey Dept. of Labor

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
MAJOR EMPLOYERS LOCATED IN
MIDDLESEX COUNTY, NEW JERSEY
CURRENT AND TEN YEARS AGO
For the year ended May 31, 2015

MAY 31, 2015		MAY 31, 2005	
<u>(1) COMPANY</u>		<u>NUMBER OF</u> <u>EMPLOYEES</u>	<u>NUMBER OF</u> <u>EMPLOYEES</u>
1. Robert Wood Johnson Univ. Hospital	1. Bristol-Myers Squibb	5,000 - 5,249	3,500 - 3,749
2. Novo Nordisk	2. Merrill Lynch & Company	4,500 - 4,749	3,000 - 3,249
3. Waker Food Corp.	3. Johnson & Johnson	3,500 - 3,749	2,750 - 2,999
4. Bristol-Myers Squibb	4. Prudential Insurance Company	3,000 - 3,249	2,750 - 2,999
5. St. Peter's Healthcare System	5. Robert Wood Johnson Univ. Hospital	2,750 - 2,999	2,750 - 2,999
6. J.F.K. Medical Center	6. Telcordia Technology	2,500 - 2,749	2,750 - 2,999
7. Silverline Building Products	7. J.F.K. Medical Center	2,250 - 2,299	2,500 - 2,749
8. Johnson & Johnson	8. Raritan Bay Medical Center	2,000 - 2,249	2,250 - 2,499
9. Raritan Bay Medical Center	9. Silverline Building Products	2,000 - 2,249	2,250 - 2,499
10. Home Depot	10. St. Peter's University Hospital	1,750 - 1,999	2,250 - 2,499
11. United Parcel Service	11. Pathmark	1,750 - 1,999	2,000 - 2,249
12. Amerada Hess Corporation	12. United Parcel Service	1,500 - 1,749	1,750 - 1,999
13. Walmart Stores Inc.	13. Amerada Hess Corporation	1,250 - 1,499	1,500 - 1,749
14. Prudential Insurance Company	14. Dow Jones & Company	1,000 - 1,249	1,500 - 1,749
15. Aetna/US Healthcare	15. Home Depot	1,000 - 1,249	1,500 - 1,749
16. BASF Catalyst, LLC	16. Siemens AG	1,000 - 1,249	1,500 - 1,749
17. Colgate-Palmolive	17. AT&T	1,000 - 1,249	1,250 - 1,499
18. Dow Jones & Company	18. Engelhard Corporation	1,000 - 1,249	1,250 - 1,499
19. Ericson	19. Aetna/US Healthcare	750 - 1,000	1,000 - 1,249
20. White Rose, Inc	20. Fijitsu	750 - 1,000	1,000 - 1,249

Source: (1) Middlesex County Office of Economic Development; April 2014
(2) Middlesex County Office of Economic Development; January 2005

Single Audit Section

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

Honorable Chairman and Members of the
Old Bridge Municipal Utilities Authority

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 and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Old Bridge Municipal Utilities Authority as of and for the year ended May 31, 2015, and the related notes to the financial statements, which collectively comprise the Old Bridge Municipal Utilities Authority's basic financial statements and have issued our report thereon dated September 25, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Old Bridge Municipal Utilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

Freehold, New Jersey
September 25, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR
A-133 AND NEW JERSEY OMB CIRCULAR 04-04 AND /OR 15-08**

To the Honorable Chairman and Members of the
Old Bridge Municipal Utilities Authority

Report on Compliance for Each Major State Program

We have audited Old Bridge Municipal Utilities Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that that could have a direct and material effect on each of Old Bridge Municipal Utilities Authority's major state programs for the year ended May 31, 2015. Old Bridge Municipal Utilities Authority's major state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Old Bridge Municipal Utilities Authority's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; the *New Jersey State Aid/Grant Compliance Supplement*; the audit requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and New Jersey OMB's Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circulars 04-04 and 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Old Bridge Municipal Utilities Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Old Bridge Municipal Utilities Authority's compliance with those requirements.

Opinion on Each Major State Program

In our opinion, Old Bridge Municipal Utilities Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended May 31, 2015.

Report on Internal Control Over Compliance

Management of Old Bridge Municipal Utilities Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Old Bridge Municipal Utilities Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB's Circular(s) 04-04 and/or 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Old Bridge Municipal Utilities Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and New Jersey OMB's Circular(s) 04-04 and/or 15-08. Accordingly, this report is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

Freehold, New Jersey
September 25, 2015

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Old Bridge,
County of Middlesex, State of New Jersey)
Schedule of Expenditures of State Financial Assistance
For the year ended May 31, 2015

STATE FUNDING DEPARTMENT	PROGRAM TITLE	STATE ACCOUNT NUMBER	LOAN PERIOD	LOAN/ AWARD AMOUNT	BALANCE AS OF 5/31/2014	PROGRAM RECEIPTS	DISBURSEMENTS/ EXPENDITURES	BALANCE AS OF 5/31/2015	CUMULATIVE DISBURSEMENTS, EXPENDITURES
	NJ Environmental Infrastructure Trust - 2012A - Fund	042-4860-575-006	5/3/2012	\$ 7,079,015	\$ -	\$ 1,253,607	\$ 1,253,607	\$ -	\$ 7,047,276
	NJ Environmental Infrastructure Trust - 2012A - Trust	042-4860-575-006	5/3/2012	5,026,339	-	813,299	813,299	-	5,004,141
	NJ Environmental Infrastructure Trust - 2014A - Fund	042-4860-527-040	5/21/2014	4,721,648	-	2,608,358	2,608,358	-	2,682,534
	NJ Environmental Infrastructure Trust - 2014A - Trust	042-4860-527-040	5/21/2014	1,573,882	-	869,452	869,452	-	1,565,466
				\$ -	\$ -	\$ 5,544,716	\$ 5,544,716	\$ -	\$ 16,299,417

NOTE: See accompanying Notes to Schedule of Expenditures of State Financial Assistance.

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Old Bridge,
County of Middlesex, State of New Jersey)
Notes to Schedule of State Financial Assistance
For the year ended May 31, 2015

NOTE 1: GENERAL

The accompanying schedule of state financial assistance includes state award activity of the Board of Commissioners, Old Bridge Municipal Utilities Authority. The Board is defined in Note 1 to the Board's basic financial statements. All state awards received directly from state agencies, as well as state awards passed through other government agencies, is included on the schedule of expenditures of state awards.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of state financial assistance is presented on the budgetary basis of accounting. This basis of accounting is described in Note 2 to the Authority's basic financial statements.

NOTE 3: RELATIONSHIP TO STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related state financial reports.

NOTE 4: NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

The accompanying schedule of expenditures of state financial assistance includes expenditures that occurred in fiscal year 2014. These expenditures are recorded in fiscal year 2015 as expenditures as they are recorded in the year they have been approved for reimbursement.

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Old Bridge,
County of Middlesex, State of New Jersey)
Schedule of Findings and Questioned Costs
For the year ended May 31, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
1) Material weakness(es) identified?	None Reported
2) Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to basic financial statements noted?	None Reported

State Awards

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes
Type of auditor’s report issued on compliance for major programs:	<u>Unmodified</u>
Internal Control over major programs:	
1) Material weakness(es) identified?	None Reported
2) Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Any audit findings disclosed that are required to be reported in accordance With Section .510(a) of Circular A-133?	None Reported

Identification of major programs

State Project Number	Name of State Program Cluster
042-4860-527-040	New Jersey Environmental Infrastructure-Fund 2014A
042-4860-527-040	New Jersey Environmental Infrastructure-Trust 2014A

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Old Bridge,
County of Middlesex, State of New Jersey)
Schedule of Findings and Questioned Costs (continued)
For the year ended May 31, 2015

Section II – Financial Statement Findings

This schedule identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

No Current Year Findings

Section III – State Expenditures Findings and Questioned Costs

This section identifies the reportable conditions, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular Letter 04-04 and 15-08.

No Current Year Findings

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Old Bridge,
County of Middlesex, State of New Jersey)
Summary Schedule of Prior Year Audit Findings and Questioned Costs
For the year ended May 31, 2015

This section identifies the reportable conditions, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular Letter 04-04 and 15-08.

No Prior Year Findings

To the Board of Commissioners of the
Old Bridge Municipal Utilities Authority

We have audited the financial accounts and transactions of the Old Bridge Municipal Utilities Authority, a component unit of the Township of Old Bridge, in the County of Middlesex, State of New Jersey for the year ended May 31, 2015. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised by (N.J.S.A.40A:11-4)

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500 except by contract or agreement.

It is pointed out that the Members of the Authority have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

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

The minutes indicate that bids were requested by public advertising and awarded by resolution for the following items: emergency sewer field services, water supply materials, water chemicals, sewer field services, Perrine Road water storage tank rehabilitation, Route 516 fuel storage facility, redevelopment of well number three, Laurence Harbor bulkhead/retaining wall, SCADA system upgrades, Phase I Central Park Sewer Rehabilitation, and drinking water lab services.

The minutes also indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

The supporting documentation indicate that quotes were requested for all items that required them.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Fund

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the Authority employees and we ascertained that the accumulated withholdings were disbursed to the proper agencies.

Property, Plant & Equipment

The property, plant and equipment subsidiary ledger was maintained properly.

Postemployment Benefit Plans Other Than Pension Plans

An irrevocable trust was established for retirees of the Authority dedicated to paying retiree health plan benefit costs. The Authority contributed \$5,000,000 in March 2011 to the irrevocable trust for those individuals that were retired prior to June 1, 2008. The Authority made an additional contribution in May 2015 of \$1,013,407 to the irrevocable trust for those individuals that had retired. As of May 31, 2015 the cash balance in this account was \$3,672,118. As the newly received actuarial data indicates, the initial actuarial data did not reflect the actual changes in the estimated liability for pre-2008 retirees. Instead of an expected declining balance, the estimated liability grew. Further the funding of actual retiree costs has caused the available balance to decline by 39% as of May 31, 2015. Absent a change in the current funding and/or utilization policies for the funds held in trust, it is likely that the trust will be fully depleted within the next 2-3 budget cycles. At that point, Authority's annual budgets will need to reflect a significant increase in benefits costs as it returns to the pay-as-you-go basis. Absent an alternative funding source, these increases will require significant rate increases to provide the increased revenue stream needed to cover these costs.

In addition to the looming budgetary problem that the conditions noted above may cause, there is also a potential problem relating to the Indenture of Trust and the Service Agreement with the Township that should be reviewed with Counsel. Specifically, the new, higher actuarial estimates of the ultimate costs of retiree health benefits will trigger an increase in the annual GAAP basis expense needed to recognize these costs in accordance with the applicable accounting standards. While New Jersey laws and regulations do not require authorities to raise OPEB costs as part of the annual budget, the failure to do so could result in an operating deficit on the GAAP basis. The Authority did seek an opinion on this matter at the time the OPEB standard became effective, and was advised, informally, that the annual OPEB accrual did not supersede the prior standard for purposes of the Indenture of Trust and Service Agreement. As GASB Statement 45 has been applicable since the Authority's 2008-09 fiscal period, we

would encourage the Authority to review this matter with its general counsel and bond counsel to determine the applicability of GASB 45 to annual calculations required by the Indenture of Trust and the Service Agreement. Any differences between NJ Authority budget laws and regulations and GAAP based income measurement, and the potential impact of such differences on the annual calculations required by the Indenture of Trust and Service Agreement, should be identified to assure continuing compliance with the net income and debt service coverage provisions of those documents.

Follow-Up of Prior Years' Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year findings. There were no findings in the prior year.

Acknowledgment

We received the complete cooperation of all the Authority officials and employees and we greatly appreciate the courtesies extended to the members of the audit team.

During our audit, we did not note any problems or weaknesses significant enough that would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions concerning our comments, please call us.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

September 25, 2015
Freehold, New Jersey