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STONY BROOK REGIONAL SEWERAGE AUTHORITY

*HOPEWELL BOROUGH • HOPEWELL TOWNSHIP • PENNINGTON BOROUGH
PRINCETON • SOUTH BRUNSWICK TOWNSHIP • WEST WINDSOR TOWNSHIP*

Financial Statements

November 30, 2014 and 2013

With Independent Auditors' Reports

Stony Brook Regional Sewerage Authority
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November 30, 2014 and 2013

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Independent Auditors' Report

To the Authority Members of
Stony Brook Regional Sewerage Authority

Report on the Financial Statements

We have audited the accompanying statements of net position of Stony Brook Regional Sewerage Authority (the "Authority") as of November 30, 2014 and 2013 and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of November 30, 2014 and 2013 and the changes in its net position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and budgetary comparison information on Schedule 3 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 this 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 an opinion on the basic financial statements as a whole. The schedules of changes in unrestricted cash and cash equivalents, schedules of changes in restricted cash and cash equivalents, schedule of amounts refundable to or receivable from individual participants, and roster of officials are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2015 on our consideration of Stony Brook Regional Sewerage 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 Stony Brook Regional Sewerage Authority's internal control over financial reporting and compliance.

WithumSmith+Brown, PC

Toms River, New Jersey
March 12, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS



STONY BROOK REGIONAL SEWERAGE AUTHORITY

HOPEWELL BOROUGH • HOPEWELL TOWNSHIP • PENNINGTON BOROUGH
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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis of the Authority's financial condition and activities for the year ending November 30, 2014. Management's Discussion and Analysis serves as an introduction to the financial statements and should be read in conjunction with the financial statements and the accompanying notes.

Management believes the Authority's financial condition is strong. Internal controls are in place to provide reasonable assurance that all financial transactions are properly recorded and the financial statements are prepared in accordance with Generally Accepted Accounting Principles.

Audit Assurance

The unmodified opinion of our independent auditors, WithumSmith+Brown, PC, is included in this report.

Financial Highlights

Total assets and deferred outflows of resources at year-end net of accumulated depreciation and amortization totaled \$66.83 million and exceeded liabilities in the amount of \$24.61 million. Net position totals \$42.22 million versus \$41.83 million for the prior year. The increase from the prior year net position was the result of GAAP basis net income of \$402,701. Working capital balances are adequate to meet the operational needs of the Authority including small capital projects provided in the budget.

Actual revenues on a budgetary basis totaled \$15,376,310 which is \$682,325 or 4.6% greater than the than the budget amount. Most of this additional revenue was the result of additional sludge cake revenue from the Bayshore Regional Sewerage Authority. Their sludge incinerator was damaged by super storm Sandy.

Actual expenditures on a budgetary basis totaled \$14,035,814 which is \$658,171 under budget. A significant portion of this saving came from lower than anticipated maintenance tools and supplies, ash/sludge hauling, outside maintenance and repair services, and minor operational improvements.

The amount spent in the fiscal year ended November 30, 2014 for construction and equipment totaled \$1,978,047. The construction in progress accounts decreased from \$12,280,704 at November 30, 2013 to \$1,850,970 at November 30, 2014, a decrease of \$10,429,734. Most of this decrease was from substantial completion of the Headworks Project.

With the receipt of the final NJPDES permits for the Hopewell and Pennington Wastewater Treatment Plants (WWTP), SBRSA is conducting a process evaluation/facility planning study for both the Hopewell and Pennington Wastewater Treatment Plants to address the following: permit limits, equipment condition, capacity, future phosphorous limits, as well as the expansion of the Pennington WWTP.

The River Road Headworks Project was awarded to Tomar Construction in March 2011. The construction portion of the project has recently been completed (December 2014) and staff is in the process of completing the administration portion of the project. The project includes the construction of new grit chambers, installation of new influent screens, grit and screenings handling system, construction of a new building to house the equipment and a new odor control system for the building. This project was funded under the 2010 New Jersey Environmental Infrastructure Trust Financing Program.

The Emergency Generator project Contract 14-1 was awarded in December 2014. This project includes the installation of a natural gas emergency generator at the River Road Wastewater Treatment plant and the replacement of existing turbine emergency generators with new diesel emergency generators at both the Millstone and South Brunswick Pump Stations. This project will be funded by the 2015 New Jersey Environmental Infrastructure Trust Financing Program.

The new EPA regulations for Sewage Sludge Incinerators will require SBRSA to install a new scrubber system for each incinerator to meet the new air emission limits. Due to the time constraints to meet the new emission limits (March 2016), SBRSA pre-purchased the scrubber equipment through a public bid (Contract 15-1). SBRSA is currently in the process of preparing bidding documents for the installation of the scrubber equipment.

In addition to the new scrubber systems, SBRSA will need to modify the ash handling system to meet the new regulations of fugitive emissions. This project will include the replacement of one ash pelletizer and the ash shuttle conveyor and the extension of the ash garage so the ash dumpster can be fully enclosed while being loaded. This project is currently under design. The project will be bid in 2015 and will be completed by March 2016.

Our plan is to primarily fund large capital projects over the next three to four years with the proceeds of the 2004 bond issue, unrestricted retained earnings, and the New Jersey Environmental Infrastructure Trust Financing Program. Some of the capital projects identified are the result of NJDEP mandates for phosphorous removal, new permit discharge limits, and resiliency. Projects include the upgrade and expansion of the Pennington Wastewater Treatment Plant, upgrade of the Hopewell Treatment Plant, installation of comminutors at our three pumping stations, and replacement of our sludge pumping equipment.

The small capital projects completed in 2014 were the SBRSA Facilities Painting, River Road Chemical Storage Tank Replacement, Belt Filter Press Platforms, Nitrification Settling Tank No. 3 Drive Replacement, and Thickener Scum Well Mixer Replacement

Overview of Annual Financial Report

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

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities. The financial statements include: a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; a Statement of Cash Flows; and Notes to the Financial Statements.

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

While the Statement of Net Position provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses and Changes in Net Position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

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

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. Supplementary information includes the comparison of the budget to actual revenues and expenses, as well as the schedule of amounts refundable to or receivable from individual participants.

Summary of Organization and Business

The Authority is a public body corporate and politic of the State and was created pursuant to the Sewerage Authorities Act by ordinances passed during 1971 by the Borough of Princeton, the Township of Princeton, the Township of West Windsor, the Borough of Pennington, the Borough of Hopewell and the Township of Hopewell, all of which are municipal corporations of the State located in the County of Mercer. By ordinance adopted on May 4, 1976, the Township of South Brunswick in the County of Middlesex, was empowered to become a voting member of the Authority and subsequently became part of the Authority's statutory district. On January 1, 2013 the Township of Princeton and the Borough of Princeton consolidated into one municipality known as Princeton.

The Authority has broad powers under the Act, including among others, the following: to sue and be sued; to enter into leases and contracts; to acquire property by any lawful means, including the exercise of the power of eminent domain; to hold, operate and administer its property; to issue its negotiable bonds and to secure their payment and rights of holders thereof under a bond resolution; to enter into contracts with municipalities for the treatment and disposal of sewage originating in such municipalities; to charge and collect Service Charges for the use of its facilities and to revise such Service Charges which the act requires to be such that the revenues of the Authority will at all times be adequate to pay all operating and maintenance expenses, including reserves, insurance, extensions and replacements, and to pay punctually the principal of and interest on any bonds and to maintain reserves and sinking funds therefore as may be required by the terms of any contract with bondholders; and to make and enforce rules and regulations for the management of its business affairs.

The Authority is made up of one representative from each member municipality. Each representative is appointed by the Member municipality to a five-year term. Authority officers are elected by its Members for one-year terms on or after each February 1.

The River Road Wastewater Treatment Plant ("WWTP") began operation in 1978 while the upstream treatment facilities became operational in 1984. Upon completion of the River Road Plant, the Authority commenced operations and began diverting flows from existing facilities located in Princeton Township to the Authority's new facilities. The River Road Plant utilizes a two-stage activated sludge process for the treatment of wastewater. The facilities for wastewater treatment consist of screens, aerated grit chambers, two stages of aeration and

clarification, filtration, chlorination and dechlorination and reaeration facilities. The River Road Plant's effluent discharges to the Millstone River, and is in accordance with New Jersey Department of Environmental Protection (NJDEP) agency approved plans and discharge permits.

The Hopewell and Pennington WWTPs, also known as the upstream facilities, have identical treatment processes. The facilities for wastewater treatment consist of an influent bar screen, primary settling, aeration, secondary settling, filtration, chlorination, dechlorination and post aeration.

The Hopewell and Pennington WWTPs discharge to the Beden Brook and the Stony Brook, respectively and are in accordance with NJDEP approved plans and discharge permits. Sludge from all three of the Authority wastewater treatment plants is incinerated at the River Road Plant.

The Authority also owns several miles of interceptor sewers, three pumping stations and associated force mains. Each Participant Municipality is responsible for the maintenance of its own wastewater collection and distribution system.

The River Road WWTP currently provides service to Princeton, West Windsor Township, a portion of South Brunswick Township, and through South Brunswick, the western part of Plainsboro Township. (Plainsboro Township is neither a Participant nor a Member). The existing upstream facilities currently provide service to Hopewell Borough, Pennington Borough, and a limited portion of Hopewell Township through Pennington Borough. A Member customer service contract has been executed between the Authority and Hopewell Township for another limited area in Hopewell Township served by the Authority's Hopewell WWTP.

Financial Analysis

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

CONDENSED STATEMENT OF NET POSITION

	November 30,		Variance	
	<u>2014</u>	<u>2013</u>	<u>Dollars</u>	<u>Percentage</u>
Assets and Deferred Outflows of Resources:				
Current Assets	\$ 22,504,639	\$ 23,070,230	\$ (565,591)	-2.45%
Property, Plant and Equipment - Net	44,329,439	45,295,064	(965,625)	-2.13%
Deferred Outflows of Resources	-	410,366	(410,366)	-100.00%
Total Assets and Deferred Outflows of Resources	<u>\$ 66,834,078</u>	<u>\$ 68,775,660</u>	<u>\$ (1,941,582)</u>	<u>-2.82%</u>
Liabilities:				
Current Liabilities	\$ 3,055,462	\$ 3,103,226	\$ (47,764)	-1.54%
Non-Current Liabilities	<u>21,549,737</u>	<u>23,846,256</u>	<u>(2,296,519)</u>	<u>-9.63%</u>
Total Liabilities	<u>24,605,199</u>	<u>26,949,482</u>	<u>(2,344,283)</u>	<u>-8.70%</u>
Net Position:				
Restricted and Net Investment in Capital Assets	\$ 30,125,200	\$ 31,702,638	\$ (1,577,438)	-4.98%
Unrestricted	<u>12,103,679</u>	<u>10,123,540</u>	<u>1,980,139</u>	<u>19.56%</u>
Total Net Position	<u>42,228,879</u>	<u>41,826,178</u>	<u>402,701</u>	<u>0.96%</u>
Total Liabilities and Net Position	<u>\$ 66,834,078</u>	<u>\$ 68,775,660</u>	<u>\$ (1,941,582)</u>	<u>-2.82%</u>

CONDENSED STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

	November 30,		Variance	
	<u>2014</u>	<u>2013</u>	<u>Dollars</u>	<u>Percentage</u>
Operating Revenues:				
Service Charges	\$ 12,123,985	\$ 12,124,848	\$ (863)	-0.01%
Septage, Sludge and Leachate	3,117,210	3,251,131	(133,921)	-4.12%
Other	<u>113,173</u>	<u>78,305</u>	<u>34,868</u>	<u>44.53%</u>
Total Operating Revenues	<u>15,354,368</u>	<u>15,454,284</u>	<u>(99,916)</u>	<u>-0.65%</u>
Operating Expenses:				
Operations and Maintenance	11,144,029	11,119,610	24,419	0.22%
Depreciation	<u>2,943,672</u>	<u>2,936,693</u>	<u>6,979</u>	<u>0.24%</u>
Total Operating Expenses	<u>14,087,701</u>	<u>14,056,303</u>	<u>31,398</u>	<u>0.22%</u>
Operating Income	<u>1,266,667</u>	<u>1,397,981</u>	<u>(131,314)</u>	<u>-9.39%</u>
Non-Operating Revenues/(Expenses)	<u>(863,966)</u>	<u>(159,820)</u>	<u>(704,146)</u>	<u>440.59%</u>
Change in Net Position	402,701	1,238,161	<u>(835,460)</u>	<u>-67.48%</u>
Net Position - Beginning of Year	<u>41,826,178</u>	<u>40,588,017</u>	<u>1,238,161</u>	<u>3.05%</u>
Net Position - End of Year	<u>\$ 42,228,879</u>	<u>\$ 41,826,178</u>	<u>\$ 402,701</u>	<u>0.96%</u>

OTHER SELECTED INFORMATION

	Year		Variance	
	<u>2014</u>	<u>2013</u>	<u>Amount</u>	<u>Percentage</u>
Ratio of Operating Revenue To:				
Operating Expenses	1.09	1.10	(0.010)	-0.9%
Operating Expenses Net of Depreciation	1.38	1.39	(0.012)	-0.9%
Total Assets	0.23	0.22	0.005	2.2%
Total Net Position	0.36	0.37	(0.006)	-1.6%
Debt Related Ratios				
Equity To Long-Term Debt	2.01	1.79	0.218	12.2%
Current Ratio	7.37	7.43	(0.069)	-0.9%
Debt Service Coverage	7.72	7.18	0.541	7.5%
Other				
Employees at year-end	45	44	1.000	2.3%
Annual flow in million gallons	3,592.6	3,520.9	71.669	2.0%
Cost per million gallons	\$ 3,375	\$ 3,443	(68.261)	-2.0%

FINANCIAL STATEMENTS

Stony Brook Regional Sewerage Authority
Statements of Net Position
November 30, 2014 and 2013

Assets	2014	2013	Liabilities and Net Position	2014	2013
Unrestricted			Current Liabilities		
Current Assets			Payable From Unrestricted Assets		
Cash - Held By Authority	\$ 3,257,579	\$ 1,015,647	Accounts Payable and		
Cash Equivalents - Held By			Accrued Expenses	<u>\$ 1,212,406</u>	<u>\$ 949,696</u>
Authority	4,037,308	37,145			
Trustee	6,076,749	9,905,166	Payable From Restricted Assets		
Accrued Interest Receivable	15,271	15,537	Construction Accounts Payable	219,139	520,839
Accounts Receivable	392,724	517,942	Debt Payable - Current	1,417,148	1,251,836
Prepaid Expenses	<u>28,251</u>	<u>27,786</u>	Unearned Principal Forgiveness	-	160,576
Total Unrestricted Current Assets	<u>13,807,882</u>	<u>11,519,223</u>	Interest Payable	172,580	186,090
			Contractor Hauler Deposits	<u>34,189</u>	<u>34,189</u>
Restricted Current Assets			Total Current Liabilities Payable From		
Current Assets			Restricted Assets	<u>1,843,056</u>	<u>2,153,530</u>
Cash Equivalents - Held By Trustee	7,969,689	9,136,551	Total Current Liabilities	<u>3,055,462</u>	<u>3,103,226</u>
NJEIT / DEP Funds Receivable	<u>727,068</u>	<u>2,414,456</u>			
Total Restricted Current Assets	<u>8,696,757</u>	<u>11,551,007</u>	Long-Term Liabilities		
			Accrued Compensated Absences	401,201	400,689
Total Current Assets	<u>22,504,639</u>	<u>23,070,230</u>	Post-Retirement Health Benefits Payable	90,596	45,298
Property, Plant and Equipment	124,977,777	123,030,903	Debt Payable, Net of Current	<u>21,057,940</u>	<u>23,400,269</u>
Less Accumulated Depreciation	<u>(80,648,338)</u>	<u>(77,735,839)</u>	Total Long-Term Liabilities	<u>21,549,737</u>	<u>23,846,256</u>
Net Property, Plant and Equipment	<u>44,329,439</u>	<u>45,295,064</u>	Total Liabilities	<u>24,605,199</u>	<u>26,949,482</u>
Total Assets	<u>66,834,078</u>	<u>68,365,294</u>	Net Position		
Deferred Outflows of Resources			Net Investment in Capital Assets	22,581,419	23,057,415
Deferred Loss on Advanced Refunding	<u>-</u>	<u>410,366</u>	Restricted	7,543,781	8,645,223
Total Assets and			Unrestricted	<u>12,103,679</u>	<u>10,123,540</u>
Deferred Outflows of Resources	<u>\$ 66,834,078</u>	<u>\$ 68,775,660</u>	Total Net Position	<u>42,228,879</u>	<u>41,826,178</u>
			Total Liabilities		
			and Net Position	<u>\$ 66,834,078</u>	<u>\$ 68,775,660</u>

The Notes to Financial Statements are an integral part of these statements.

Stony Brook Regional Sewerage Authority
Statements of Revenue, Expenses and Changes in Net Position
Years Ended November 30, 2014 and 2013

	2014	2013
Operating Revenues		
Participants' Service Charges	\$ 12,123,985	\$ 12,124,848
Septage, Sludge and Leachate	3,117,210	3,251,131
Other	113,173	78,305
	<hr/>	<hr/>
Total Operating Revenues	15,354,368	15,454,284
Operating Expenses Exclusive of Depreciation	11,144,029	11,119,610
	<hr/>	<hr/>
Operating Income Before Depreciation	4,210,339	4,334,674
Depreciation	2,943,672	2,936,693
	<hr/>	<hr/>
Operating Income	1,266,667	1,397,981
	<hr/>	<hr/>
Non-Operating Revenues (Expenses)		
Interest Earned on Investments	28,300	33,436
Interest Expense - Debt Service	(712,360)	(818,417)
Amortization of Bond Premium	115,182	103,946
Amortization of Deferred Loss- Advanced Refunding	(410,366)	(410,365)
Principal Forgiveness	160,576	838,493
Post-Retirement Health Benefits Payable	(45,298)	(45,298)
Insurance Claim - 2012 Storm Sandy	-	138,385
	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(863,966)	(159,820)
	<hr/>	<hr/>
Net Income	402,701	1,238,161
Net Position - Beginning of Year	41,826,178	40,588,017
	<hr/>	<hr/>
Net Position - End of Year	\$ 42,228,879	\$ 41,826,178
	<hr/>	<hr/>

The Notes to Financial Statements are an integral part of these statements

Stony Brook Regional Sewerage Authority
Statements of Cash Flows
Years Ended November 30, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Receipts From Customers and Users	\$ 12,310,043	\$ 11,938,790
Receipts for Septage, Sludge and Leachate	3,056,370	3,330,739
Other Operating Receipts	113,173	78,305
Payments To Suppliers of Goods and Services	(6,081,812)	(5,920,750)
Payments To Employees for Services and Related Expense	<u>(5,101,160)</u>	<u>(4,965,689)</u>
Net Cash Provided By Operating Activities	<u>4,296,614</u>	<u>4,461,395</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets	(1,978,047)	(4,113,862)
NJEIT/DEP loan funds received	877,388	4,061,152
Insurance Proceeds	-	138,385
Principal Payments on Long-Term Debt	(1,251,835)	(2,489,573)
Interest Paid on Bonds	<u>(725,870)</u>	<u>(794,445)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(3,078,364)</u>	<u>(3,198,343)</u>
Cash Flows from Investing Activities		
Interest Received	<u>28,566</u>	<u>29,607</u>
Net Cash Provided By Investing Activities	<u>28,566</u>	<u>29,607</u>
Net Increase in Cash and Cash Equivalents	1,246,816	1,292,659
Cash and Cash Equivalents - Beginning of Year	<u>20,094,509</u>	<u>18,801,850</u>
Cash and Cash Equivalents - End of Year	<u>\$ 21,341,325</u>	<u>\$ 20,094,509</u>
Cash and Cash Equivalents Per Financial Statements		
Unrestricted Cash - Held By Authority	\$ 3,257,579	\$ 1,015,647
Unrestricted Cash Equivalents - Held By Authority	4,037,308	37,145
Trustee	6,076,749	9,905,166
Restricted Cash Equivalents - Held By Trustee	<u>7,969,689</u>	<u>9,136,551</u>
	<u>\$ 21,341,325</u>	<u>\$ 20,094,509</u>
Reconciliation of Operating Income To Net Cash Provided By Operating Activities		
Operating Income	\$ 1,266,667	\$ 1,397,981
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:		
Depreciation	2,943,672	2,936,693
Changes in Operating Assets and Liabilities:		
Accounts Receivable	125,218	(106,450)
Prepaid Expenses	(465)	25,153
Accounts Payable, Accrued Expenses and Construction Accounts Payable	(38,990)	173,533
Accrued Compensated Absences	512	34,485
Net Cash Provided By Operating Activities	<u>\$ 4,296,614</u>	<u>\$ 4,461,395</u>

The Notes to Financial Statements are an integral part of these statements

Stony Brook Regional Sewerage Authority
Notes to Financial Statements
November 30, 2014 and 2013

1. Summary of Significant Accounting Policies

Organization

The Stony Brook Regional Sewerage Authority ("Authority") was created to operate a wastewater collection and treatment system to serve five municipalities in the Stony Brook watershed area of Mercer and Middlesex Counties, New Jersey. The Authority has entered into a service contract agreement with its member municipalities, obligating each participating municipality to the Authority for its proportionate share of the Authority's operating expenses, debt service and required reserve additions to the extent not met by other resources.

The Authority's financial statements include all the accounts of all the Authority's operations. The primary criterion for including activities within a reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board ("GASB") Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name);
- the primary government holds the corporate powers of the organization;
- the primary government appoints a voting majority of the organization board;
- the primary government is able to impose its will on the organization;
- the organization has the potential to impose a financial benefit/burden on the primary government;
- there is a fiscal dependency by the organization on the primary government.

GASB Statement No. 14, *The Financial Reporting Entity*, establishes standards to determine whether a government component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility for agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The Authority has determined that there were no additional entities required to be included in the reporting entity under the criteria as described above, in the current or prior years.

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

In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Significant changes in the Statement which directly affect the Authority include the following:

- a. Financial statements include a Management Discussion and Analysis ("MD&A") section providing an analysis of the Authority's overall financial position and results of operations.
- b. Required supplemental information, which consists of schedules of budgeted and actual revenue and expenses.

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1. Summary of Significant Accounting Policies (continued)

Reporting Entity

The Authority's financial statements include the operations of the wastewater collection and wastewater treatment system for which the Board members of the Authority exercise financial accountability. The Board members are appointed to five-year terms by their respective municipalities. The Authority is considered a joint venture of the participating governments. There are no additional entities required to be included in the reporting entity and the Authority is not included in any other reporting entity.

Basis of Accounting

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

The Authority's reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles, Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Where applicable, certain prior-year amounts have been reclassified to conform to current-year presentation.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Authority considers investments with maturities of three months or less to be cash equivalents. Non-negotiable certificates of deposit are not considered investments.

Investments

Investments are stated at cost which approximates market. At November 30, 2014 and 2013, the Authority had no investments.

Interest Income on Construction Account

Interest income on deposits in the construction account is classified as a non-operating revenue and the related accrued interest receivable as a restricted asset, as the use of this income has been designated by resolution of the Authority to pay future construction costs.

Inventory

Inventory of supplies, estimated to be immaterial at both the current and prior year-end, are recorded as expenses when purchased and, accordingly, are not included on the statements of net position.

Stony Brook Regional Sewerage Authority
Notes to Financial Statements
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1. Summary of Significant Accounting Policies (continued)

Restricted Assets

In accordance with the Bond Resolution and supplemental resolutions, the Authority has established various cash and cash equivalent accounts with a trustee. In addition, the Bond Resolution provides for certain restrictions on the use of funds in these accounts.

<u>ACCOUNT</u>	<u>AMOUNT</u>	<u>USE FOR WHICH RESTRICTED</u>
Revenue	All revenue except grants-in-aid and interest on investments.	Authorized operating expenses and, as of the first day of each month, transfers to the various accounts described below.
Bond Service	Amount needed to pay matured principal and interest plus principal and interest due on or before the following December 1 st .	Principal and interest on the bonds.
Bond Reserve	Amount needed to equal the greatest amount of debt service due in any fiscal year.	Transfers to meet minimum levels required in the Bond Service or Sinking Accounts. Any excess may be transferred into the Renewal and Replacement Account.
Renewal & Replacement	Amount needed to increase the balance to equal the Renewal and Replacement Reserve Requirement as defined by the resolutions.	Transfers to meet minimum levels required in the Bond Service, Sinking or Bond Reserve Accounts or major repairs, renewals, and extensions of the system.
General	Any amount determined by the Authority after meeting requirements of the Bond Service Fund, the Sinking Fund, the Bond Reserve Fund and the Renewal and Replacement Fund.	Transfers to meet minimum levels required in the Bond Service, Bond Reserve, Sinking Fund or Renewal and Replacement Accounts; if all accounts meet minimum requirements, then for any lawful purpose.
Sinking Fund	Beginning in 2004, the amount needed to increase the balance so that it equals the amount of Sinking Fund installments payable on the following December 1st.	Principal and interest on bonds due on various dates.
Construction	Proceeds from bonds and grants-in-aid for construction projects.	Construction costs.

Stony Brook Regional Sewerage Authority
Notes to Financial Statements
November 30, 2014 and 2013

1. Summary of Significant Accounting Policies (continued)

Restricted Assets (continued)

In accordance with the terms of the bond resolutions, cash and cash equivalents of the bond service, bond reserve, renewal and replacement, and construction accounts are classified as restricted assets.

Property, Plant and Equipment

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

System construction costs are charged to construction in progress until such time as given segments of the system are completed and put into operation.

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

Treatment Plant	25 - 40 years
Pumping Stations	15 - 40 years
Collection System	40 years
Office Furniture & Equipment	5 - 15 years
Automotive Equipment	5 years

Compensated Absences

The Authority provides compensated absences benefits to its employees. As of November 30, 2014 and 2013, the vested amounts were \$509,714 and \$517,072, respectively. These amounts are comprised of a long-term liability of \$401,201 and \$400,689, respectively, and \$108,513 and \$116,383, respectively, which are included in current liabilities as accounts payable and accrued expenses.

Unamortized Bond Premium

Deferred bond premiums are being amortized over the life of the bond issue based on the effective interest method and are included in debt payable – long term on the statements of net position.

Income Taxes

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

Stony Brook Regional Sewerage Authority
Notes to Financial Statements
November 30, 2014 and 2013

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Budgetary Procedures

The Authority follows these procedures in establishing the operating fund budget:

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

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

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

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

Operating expense appropriations lapse at the close of the fiscal year to the extent that they have not been expended. The level at which expenditures cannot exceed the budget is at the total budget level.

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

Stony Brook Regional Sewerage Authority
Notes to Financial Statements
November 30, 2014 and 2013

2. Cash and Cash Equivalents

The Authority considers petty cash, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund to be cash and cash equivalents.

Deposits

The Authority's deposits are insured through either the Federal Deposit Insurance Corporation ("FDIC") or New Jersey's Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by FDIC.

Bank balances at November 30, 2014 and 2013 are insured up to \$250,000 in the aggregate by the FDIC for each bank. At November 30, 2014 and 2013 the book value of the Authority's deposits was \$21,341,325 and \$20,094,509, respectively.

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. Although the Authority does not have a formal policy for custodial credit risk, NJSA 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the FDIC. Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA.

However, GUDPA does not protect intermingled trust funds such as salary withholdings and funds that may pass to the authority relative to the happening of a future condition. Such funds are shown as uninsured and uncollateralized in the schedule below.

At November 30, 2014 and 2013, the Authority's bank balances were insured and collateralized as follows:

	2014	2013
Insured/Collateralized	\$ 21,355,235	\$ 20,038,845
Uninsured and Uncollateralized	<u>0</u>	<u>0</u>
	<u>\$ 21,355,235</u>	<u>\$ 20,038,845</u>

New Jersey Cash Management Fund

All investments in the New Jersey Cash Management Fund (the "Fund") are governed by the regulations of the Investment Council which prescribes standards designed to insure the quality of investments and to minimize the risks related to investments. To date, the Fund has never defaulted on principal or interest on any short term security held by its participants. Further, a reserve is being accumulated as additional protection for other than State participants. Finally, the Authority monitors eligible securities on a regular basis. As of November 30, 2014 and 2013, the Authority had \$5,717,784 and \$717,412, respectively on deposit with the New Jersey Cash Management Fund.

Stony Brook Regional Sewerage Authority
Notes to Financial Statements
November 30, 2014 and 2013

3. Accounts Receivables

Accounts Receivable at November 30 consisted of the following:

	2014	2013
Accounts Receivable – Participants	\$ -	\$ 186,058
Accounts Receivable – Sludge	392,724	331,884
Total	<u>\$ 392,724</u>	<u>\$ 517,942</u>

4. Property, Plant and Equipment

Property, Plant and Equipment consists of the following:

	<u>Balance</u> <u>11/30/2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>11/30/2014</u>
Land	\$ 911,690	\$ -	\$ -	\$ 911,690
Treatment Plant	84,326,666	11,924,717	-	96,251,383
Pumping Stations	10,453,799	-	-	10,453,799
Collection System	11,150,036	-	-	11,150,036
Office Furniture & Equipment	3,179,628	430,474	-	3,610,102
Automotive Equipment	728,380	52,590	(31,173)	749,797
Construction in Progress	<u>12,280,704</u>	<u>-</u>	<u>(10,429,734)</u>	<u>1,850,970</u>
	123,030,903	12,407,781	(10,460,907)	124,977,777
Less: Accumulated Depreciation	<u>77,735,839</u>	<u>2,943,672</u>	<u>(31,173)</u>	<u>80,648,338</u>
	<u>\$ 45,295,064</u>	<u>\$ 9,464,109</u>	<u>\$ (10,429,734)</u>	<u>\$ 44,329,439</u>

5. Long-Term Debt

The following summarizes activity in long-term debt for the year ended November 30, 2014:

	<u>11/30/2013</u>	<u>Repayments</u>	<u>Adjustments</u>	<u>11/30/2014</u>
Revenue Bonds	\$ 9,170,000	\$ (590,000)	\$ -	\$ 8,580,000
NJEIT Loans	<u>14,307,878</u>	<u>(661,835)</u>	<u>(810,000)</u>	<u>12,836,043</u>
Total Bonds and Loans Payable	<u>\$ 23,477,878</u>	<u>\$ (1,251,835)</u>	<u>\$ (810,000)</u>	<u>\$ 21,416,043</u>

Stony Brook Regional Sewerage Authority
Notes to Financial Statements
November 30, 2014 and 2013

5. Long-Term Debt (continued)

Debt payable consisted of the following at November 30:

	2014	2013
2002 Series Refunding Bonds	\$ 1,145,000	\$ 1,490,000
2004 Series Revenue Bonds	460,000	680,000
2007 NJEIT Financing	4,010,953	4,157,231
2009 NJEIT/ARRA Financing	1,331,875	1,409,000
2010 NJEIT Financing	7,493,215	8,741,647
2012 Series Revenue Refunding Bonds	<u>6,975,000</u>	<u>7,000,000</u>
	21,416,043	23,477,878
Less: Current Portion	(1,417,148)	(1,251,836)
Unamortized Bond Premiums/Discounts	<u>1,059,045</u>	<u>1,174,227</u>
Long-Term Debt	<u>\$ 21,057,940</u>	<u>\$ 23,400,269</u>

2002 Refunding Bonds

On October 15, 2002, the Authority issued \$10,275,000 in Revenue Refunding Bonds (2002 Series) with an average interest rate of 3.94% to: (a) currently-refund \$6,870,000 aggregate principal amount of Revenue Refunding Bonds, 1993 Series A (b) advance-refund \$3,420,000 aggregate principal amount of the Revenue Bonds (1996 Series).

The net proceeds of \$10,275,000 (2002 Series) plus an additional \$339,318 of prior-issued funds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 Series A and the Revenue Bonds (Series 1996). As a result, these refunded bonds are considered to be defeased, and the liability for these bonds has been removed from long-term debt.

The Series 2002 refundings resulted in a difference between reacquisition price and the net carrying amount of old debt of \$76,252. This difference (net deferred charge on refunding) is being charged to operations through the year 2016, using the interest method of amortization. The Authority completed the refunding to reduce total debt service payments over the next fifteen (15) years by \$868,047 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$665,242.

Stony Brook Regional Sewerage Authority
Notes to Financial Statements
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5. Long-Term Debt (continued)

The series 2002 Revenue Refunding Bonds are due in the amounts and at interest rates shown in the table below:

<u>Due Date</u> <u>December 1:</u>	<u>Principal</u> <u>Amount</u>	<u>Rate of</u> <u>Interest</u>
2014	\$ 365,000	5.00%
2015	385,000	5.00%
2016	<u>395,000</u>	4.00%
	<u>\$ 1,145,000</u>	

2004 Revenue Bonds

In 2004, the Authority issued \$8,865,000 of Revenue Bonds for the purpose of funding various projects and plant improvements. \$6,695,000 of the outstanding bonds was refunded at a lower rate on August 9, 2012. See note on 2012 Refunding Bonds.

The Series 2004 Revenue Bonds are due in the amounts and at interest rates shown in the table below:

<u>Due Date</u> <u>December 1:</u>	<u>Principal</u> <u>Amount</u>	<u>Rate of</u> <u>Interest</u>
2014	\$ 225,000	4.10%
2015	<u>235,000</u>	4.10%
	<u>\$ 460,000</u>	

2007 New Jersey Environmental Infrastructure Trust Fund Loan

In 2007, the Authority participated in the New Jersey Environmental Infrastructure Trust Financing Program in the amount of \$5,515,000 to finance energy efficiencies to the sludge incineration facilities. The financing is made up of two parts: the Trust Loan bears interest at 3.40% to 5.00%; the Fund Loan is principal only.

The Series 2007 Trust Loan Agreement Bonds are due in the amounts and at interest rates shown in the table below:

<u>Due Date</u> <u>August 1:</u>	<u>Principal</u> <u>Amount</u>	<u>Rate of</u> <u>Interest</u>
2015	\$ 130,000	5.00%
2016	140,000	5.00%
2017	145,000	5.00%
2018	150,000	5.00%
2019	160,000	4.00%
2020	165,000	4.00%
2021	170,000	5.00%
2022	180,000	5.00%
2023	190,000	4.25%
2024	200,000	4.50%
2025	205,000	4.50%
2026	215,000	4.50%
2027	<u>225,000</u>	4.25%
	<u>\$ 2,275,000</u>	

Stony Brook Regional Sewerage Authority
Notes to Financial Statements
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5. Long-Term Debt (continued)

2007 New Jersey Environmental Infrastructure Trust Fund Loan (Continued)

The 2007 Fund Loan Agreement Portion of the Trust Financing is due as follows:

<u>Due Date</u> <u>August 1:</u>	<u>Principal</u> <u>Amount</u>	<u>Rate of</u> <u>Interest</u>
2015	\$ 146,591	0.00%
2016	148,781	0.00%
2017	147,529	0.00%
2018	146,121	0.00%
2019	147,686	0.00%
2020	146,810	0.00%
2021	145,809	0.00%
2022	146,747	0.00%
2023	147,373	0.00%
2024	148,577	0.00%
2025	146,075	0.00%
2026	117,855	0.00%
	<u>\$ 1,735,954</u>	

2009 New Jersey Environmental Infrastructure Trust Fund Loan

In 2009, the Authority participated in the New Jersey Environmental Infrastructure Trust Financing Program in the amount of \$3,310,373 to finance the replacement of eight mechanical surface aerators located in the existing nitrification tanks. In addition, the project included replacement of the polymer and caustic chemical storage and feed systems for sludge processing and various appurtenance work.

The financing is made up of three parts: the Trust Loan in the amount of \$825,000 which bears interest at 2.00% to 5.00%; the Fund Loan in the amount of \$828,458 is principal only; and the American Recovery and Reinvestment Act (ARRA) provides for principal forgiveness in the amount of \$1,656,915. The principal forgiveness revenue is being recognized as funds are expended and reimbursed under this category. For the years ended November 30, 2014 and 2013 \$160,576 and \$838,493, respectively, was recorded as non-operating revenue. Additionally, at November 30, 2014 and 2013, \$0 and \$160,576 respectively, is reported as unearned principal forgiveness on the comparative statements of net position.

Stony Brook Regional Sewerage Authority
Notes to Financial Statements
November 30, 2014 and 2013

5. Long-Term Debt (continued)

2009 New Jersey Environmental Infrastructure Trust Fund Loan (continued)

The Series 2009 Trust Loan Agreement Bonds are due as follows:

<u>Due Date</u> <u>August 1:</u>	<u>Principal</u> <u>Amount</u>	<u>Rate of</u> <u>Interest</u>
2015	\$ 35,000	5.00%
2016	35,000	5.00%
2017	35,000	5.00%
2018	40,000	5.00%
2019	40,000	4.00%
2020	45,000	4.00%
2021	45,000	4.00%
2022	45,000	3.50%
2023	50,000	4.00%
2024	50,000	4.00%
2025	50,000	3.75%
2026	55,000	4.00%
2027	55,000	4.00%
2028	60,000	4.00%
2029	<u>60,000</u>	4.00%
	<u>\$ 700,000</u>	

The 2009 Fund Loan Agreement Portion of the Trust Financing is due as follows:

<u>Due Date</u> <u>August 1:</u>	<u>Principal</u> <u>Amount</u>	<u>Rate of</u> <u>Interest</u>
2015	\$ 42,125	0.00%
2016	42,125	0.00%
2017	42,125	0.00%
2018	42,125	0.00%
2019	42,125	0.00%
2020	42,125	0.00%
2021	42,125	0.00%
2022	42,125	0.00%
2023	42,125	0.00%
2024	42,125	0.00%
2025	42,125	0.00%
2026	42,125	0.00%
2027	42,125	0.00%
2028	42,125	0.00%
2029	<u>42,125</u>	0.00%
	<u>\$ 631,875</u>	

Stony Brook Regional Sewerage Authority
Notes to Financial Statements
November 30, 2014 and 2013

5. Long-Term Debt (continued)

2010 New Jersey Environmental Infrastructure Trust Fund Loan

In 2010, the Authority participated in the New Jersey Environmental Infrastructure Trust Financing Program in the amount of \$12,917,500 to finance the Headworks project. The project includes the construction of four new grit chambers and the installation of influent screens.

The financing is made up of three parts: the Trust Loan in the amount of \$6,220,000 (net of bond premium) which bears interest at 5.00%; the Fund Loan in the amount of \$4,197,500 is principal only: and principal forgiveness in the amount of \$2,500,000. The Fund Loan principal amortization reflects the principal forgiveness on a pro-rata basis over the life of the loan.

On July 18, 2014, \$810,000 of bonds were defeased by the Trust. This included \$320,000 of year 2029 and \$490,000 of year 2030 bonds. The interest savings from this defeasance is \$637,022.

The Series 2010 Trust Loan Agreement Bonds are due in the amounts and at interest rates shown in the table below:

<u>Due Date</u> <u>August 1:</u>	<u>Principal</u> <u>Amount</u>	<u>Rate of</u> <u>Interest</u>
2015	\$ 235,000	5.00%
2016	245,000	5.00%
2017	260,000	5.00%
2018	275,000	5.00%
2019	285,000	5.00%
2020	300,000	5.00%
2021	315,000	5.00%
2022	330,000	5.00%
2023	350,000	5.00%
2024	365,000	5.00%
2025	385,000	5.00%
2026	405,000	5.00%
2027	425,000	5.00%
2028	445,000	5.00%
2029	145,000	5.00%
2030	-	5.00%
	<u>\$ 4,765,000</u>	

Stony Brook Regional Sewerage Authority
Notes to Financial Statements
November 30, 2014 and 2013

5. Long-Term Debt (continued)

2010 New Jersey Environmental Infrastructure Trust Fund Loan (continued)

The 2010 Fund Loan Agreement Portion of the Trust Financing is due as follows:

<u>Due Date</u> <u>August 1:</u>	<u>Principal</u> <u>Amount</u>	<u>Rate of</u> <u>Interest</u>
2015	\$ 213,432	0.00%
2016	213,432	0.00%
2017	213,432	0.00%
2018	213,432	0.00%
2019	213,432	0.00%
2020	213,432	0.00%
2021	213,432	0.00%
2022	213,432	0.00%
2023	213,432	0.00%
2024	213,432	0.00%
2025	213,432	0.00%
2026	213,432	0.00%
2027	<u>167,031</u>	0.00%
	<u>\$ 2,728,215</u>	

2012 Refunding Bonds

On August 9, 2012, the Authority issued \$7,000,000 in Revenue Refunding Bonds with an average interest rate of 3.03 percent to advance-refund \$6,695,000 of outstanding 2004 Series Revenue Bonds with an average interest rate of 4.84 percent. The gross debt service savings totaled \$503,412 after payment of all issuance costs. On a present value basis the debt service savings was \$317,965 or 4.75 percent of the refunded bonds. The refunding resulted in a net carrying amount difference of \$923,322 which is being amortized over a 27 month period and corresponds to the final maturity of the old bonds final payment on December 1, 2015. The remaining balance of the deferred loss on advanced refunding was \$0 and \$410,366 at November 30, 2014 and 2013, respectively.

Stony Brook Regional Sewerage Authority
Notes to Financial Statements
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5. Long-Term Debt (continued)

2012 Refunding Bonds (continued)

The Series 2012 Refunding Bonds are due in the amounts and at interest rates shown in the table below:

<u>Due Date</u> <u>December 1:</u>	<u>Principal</u> <u>Amount</u>	<u>Rate of</u> <u>Interest</u>
2014	\$ 25,000	3.00%
2015	25,000	3.00%
2016	270,000	3.00%
2017	280,000	3.00%
2018	285,000	4.00%
2019	305,000	4.00%
2020	315,000	4.00%
2021	325,000	4.00%
2022	340,000	4.00%
2023	355,000	4.00%
2024	370,000	4.00%
2025	385,000	4.00%
2026	400,000	4.00%
2027	415,000	4.00%
2028	430,000	4.00%
2029	450,000	4.00%
2030	470,000	4.00%
2031	490,000	4.00%
2032	510,000	4.00%
2033	<u>530,000</u>	4.00%
	<u>\$ 6,975,000</u>	

Stony Brook Regional Sewerage Authority
Notes to Financial Statements
November 30, 2014 and 2013

5. Long-Term Debt (continued)

Annual Debt Service

The following table sets forth the annual debt service (budgetary basis) of the Authority for all bonds and loans outstanding:

12-Month Period Ending November 30,	Principal	Interest	Total
2014 (balance)	\$ 615,000	\$ 172,580	\$ 787,580
2015	1,447,148	683,546	2,130,694
2016	1,489,338	638,937	2,128,275
2017	1,123,086	594,038	1,717,124
2018	1,151,679	563,637	1,715,316
2019	1,193,243	528,987	1,722,230
2020	1,227,367	494,537	1,721,904
2021	1,256,366	458,537	1,714,903
2022	1,297,304	419,488	1,716,792
2023	1,347,930	378,813	1,726,743
2024	1,389,135	337,037	1,726,172
2025	1,426,632	292,987	1,719,619
2026	1,448,412	247,238	1,695,650
2027	1,329,153	199,113	1,528,266
2028	977,125	149,500	1,126,625
2029	697,125	107,650	804,775
2030	470,000	80,000	550,000
2031	490,000	61,200	551,200
2032	510,000	41,600	551,600
2033	<u>530,000</u>	<u>21,200</u>	<u>551,200</u>
	<u>\$ 21,416,043</u>	<u>\$ 6,470,625</u>	<u>\$ 27,886,669</u>

6. Risk Management

The Authority is a member of the New Jersey Utility Authorities Joint Insurance Fund (the "Fund").

The Fund was created on September 15, 1991, in accordance with P.L. 1983, C.372, entitled "An Act concerning joint insurance funds for local units of government, and supplementing Chapter 10 of Title 40A of the New Jersey statutes." The Fund is both an insured and self-administered group of utility authorities established for the purpose of providing low cost insurance coverage and safety programs for the member utility authorities in order to keep insurance premiums, claims and administrative costs at a minimum.

Stony Brook Regional Sewerage Authority
Notes to Financial Statements
November 30, 2014 and 2013

6. Risk Management (continued)

The following coverage's are offered by the Fund to its members:

- a. Worker's Compensation and Employer's Liability
- b. Liability other than Motor Vehicles
- c. Property Damage other than Motor Vehicles
- d. Motor Vehicle
- e. Environmental Liability
- f. Public Officials and Employment Practices Liability

The Joint Insurance Fund is also a member of the Municipal Excess Liability Joint Insurance Fund which provides excess insurance for worker's compensation and employer's liability.

The Authority has chosen to purchase property insurance including boiler and machinery coverage outside of the Joint Insurance Fund.

A participating utility authority must remain in the Fund for the full term of membership unless earlier terminated by a majority vote of the Fund Commissioners or a two-thirds vote of the Executive Committee for non-payment of assessments or continued non-compliance after written notice to comply with the by-laws or other obligations. Termination may occur only after proper notice has been given, in accordance with the Fund's by-laws.

7. Amounts Required by Bond Resolution

The following cash and cash equivalent accounts were required by bond resolution as of November 30, 2014 and 2013:

	November 30, 2014		
	<u>Amount Required</u>	<u>Balance On Hand</u>	<u>Excess or (Deficiency)</u>
Bond Service Account	\$ 787,580	\$ 787,580	\$ -
Bond Reserve Account	962,180	968,138	5,958
Renewal and Replacement Account	600,000	606,023	6,023
General Account	-	6,073,411	6,073,411
	<u>\$ 2,349,760</u>	<u>\$ 8,435,152</u>	<u>\$ 6,085,392</u>
	November 30, 2013		
	<u>Amount Required</u>	<u>Balance On Hand</u>	<u>Excess or (Deficiency)</u>
Bond Service Account	\$ 776,090	\$ 776,822	\$ 732
Bond Reserve Account	2,158,570	2,158,570	-
Renewal and Replacement Account	600,000	600,000	-
General Account	-	9,880,598	9,880,598
	<u>\$ 3,534,660</u>	<u>\$ 13,415,990</u>	<u>\$ 9,881,330</u>

Stony Brook Regional Sewerage Authority
Notes to Financial Statements
November 30, 2014 and 2013

8. Net Position

Net Position consists of the net investment in capital assets and unrestricted and restricted balances as required by the bond resolution as follows:

	11/30/14	11/30/13
Net Position:		
Net Investment in Capital Assets	<u>\$ 22,581,419</u>	<u>\$ 23,057,415</u>
Restricted:		
Bond Service	787,580	776,822
Bond Reserve	962,180	2,158,570
Renewal and Replacement	600,000	600,000
Capital Projects	<u>5,194,021</u>	<u>5,109,832</u>
Total Restricted	<u>7,543,781</u>	<u>8,645,224</u>
Unrestricted:		
Designated for Emergencies	1,000,000	1,000,000
Designated for Capital Projects	11,013,083	8,867,834
Designated for OPEB	90,596	45,298
Undesignated	<u>-</u>	<u>210,407</u>
Total Unrestricted	<u>12,103,679</u>	<u>10,123,539</u>
Total Net Position	<u>\$ 42,228,879</u>	<u>\$ 41,826,178</u>

9. Litigation, Claims and Contingent Liabilities

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

10. Deferred Compensation

The Authority offers its employees a Deferred Compensation Plan ("Plan") created in accordance with Internal Revenue Code Section 457. The Plan is available to all eligible employees. The Plan permits them to defer a portion of their salary before federal income tax. The deferred compensation is available to employees or their beneficiaries upon termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights, have been removed from the books and accounts of the Authority as they are not the property or rights of the Authority.

11. Pension Plan

All employees participate 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 funds and charges the Authority annually for its respective contributions. The plan is a cost-sharing, multiple-employer defined benefit plan and as such does not maintain separate records for each Authority in the State and, therefore, the actuarial data for the Authority is not available.

Stony Brook Regional Sewerage Authority
Notes to Financial Statements
November 30, 2014 and 2013

11. Pension Plan (continued)

The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The Division of Pensions issues 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, P.O. Box 295, Trenton, New Jersey 08625-0295.

Covered employees are required by State statute to contribute a certain percentage of their salary to the plan. Each member's percentage is based on age determined at the effective date of enrollment. In addition, the PERS may bill the Authority annually at an actuarially-determinable rate for its required contribution. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years which began in July 2012. The member contribution rate was 6.92% in fiscal year 2014. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent fiscal year.

The contribution requirements of plan members and the Authority are established and may be amended by the PERS Board of Trustees. For the years ended November 30, the Authority made their annual required contributions in its entirety. Contributions to the Plan for the past three years are as follows:

<u>Year</u>	<u>Employer</u>	<u>Employees</u>
2014	\$337,581	\$219,095
2013	\$339,941	\$208,687
2012	\$339,886	\$209,702

12. Retiree Health Benefit Coverage

Plan Description: In the year ended November 30, 2014, the Authority adopted a single-employer defined benefit healthcare plan (the "Plan"). In order to be eligible to receive retirement benefits under the Plan the following conditions must be met:

- A. Retire with 25 or more years of service with the Authority for pension purposes.
- B. Retiree must be 55 years or older at the time of retirement.

Retiree health benefits terminate when the retired employee is eligible for Medicare or dies. The maximum contribution by the Authority for retiree health benefits is \$7,000 per year, which serves as a reimbursement for insurance purchased by the retiree directly. As a result of implementing GASB statement No. 45, *Accounting and Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans* ("OPEB") the Authority has hired an independent financial firm to calculate their annual OPEB costs and unfunded accrued liability as required by GASB Statement 45.

Annual OPEB Cost and Net OPEB Obligation: The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The Authority has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Stony Brook Regional Sewerage Authority
Notes to Financial Statements
November 30, 2014 and 2013

12. Retiree Health Benefit Coverage (continued)

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation to the Retiree Health Plan

	11/30/14
Annual Required Contribution	\$ 45,298
Payments to retirees	<u>-</u>
Net Other Post-Employment Benefit Obligation	45,298
Net Other Post-Employment Benefit, Beginning of Year	<u>45,298</u>
Net Other Post-Employment Benefit, End of Year	<u>\$ 90,596</u>

Methods and Assumptions:

The following simplifying assumptions were made:

- The only postemployment benefit offered by the SBRSA other than pensions is Retiree Health Benefit Coverage;
- All employees who meet the Retiree Health Benefit Coverage requirements will receive an annual payment of \$7,000 per year until the Employee is eligible for Medicare;
- Medicare eligibility begins at age 65;
- All employees will remain employed with SBRSA until they turn 55 years of age and complete 25 years of service;
- Annual earnings on funds deposited into an OPEB account would earn 4% per year (4% is the average of the 20-Year Treasury over the last 10 years);
- All eligible employees would receive the maximum Retiree Health Benefit Coverage;
- Employees are not covered by any other insurance.

The Authority had an actuarial valuation performed during the fiscal year ended November 30, 2013. In accordance with State requirements, the Authority will need to update their net other post-employment benefit obligation every three years. The Authority currently has no retired employees receiving retirement benefits. The net OPEB obligation of the Authority to provide benefits to retirees for the years ended November 30, 2014 and 2013 was \$45,298 each year. The Authority has funds set aside in unrestricted net assets equal to the OPEB obligation.

Stony Brook Regional Sewerage Authority
Notes to Financial Statements
November 30, 2014 and 2013

13. Subsequent Events

Management has evaluated events occurring after November 30, 2014 for possible adjustment to or disclosure in the financial statements through March 12, 2015 the date on which the financial statements were available to be issued. Based on this evaluation, the Authority has determined that no subsequent events have occurred that require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

Stony Brook Regional Sewerage Authority
Schedules of Changes in Unrestricted Cash and Cash Equivalents
Years Ended November 30, 2014 and 2013

Schedule 1

	Held By Authority Operating Accounts	Held By Trustee		2014 Totals	2013 Totals
		Revenue Account	General Account		
Sources:					
Participants' Service Charges	\$ 6,061,993	\$ 6,248,050	\$ -	\$ 12,310,043	\$ 11,938,790
Participants' Service Charges - Prior Year	268,736	15,247	-	283,983	272,730
Interest	387		11,887	12,274	18,068
Receipts From Septage, Sludge and Leachate Services	3,056,370	-	-	3,056,370	3,330,739
Miscellaneous Receipts	128,291	-	-	128,291	233,517
Transfers Within Other Unrestricted Accounts	10,190,000	(6,284,527)	(3,905,473)	-	-
Transfers From Restricted Accounts	-	-	2,074,863	2,074,863	4,170,128
Total Sources	19,705,777	(21,230)	(1,818,723)	17,865,824	19,963,972
Uses:					
Operations/Capital Expenditures	13,463,682	-	-	13,463,682	15,331,556
Transfers To Restricted Accounts	-	-	1,988,464	1,988,464	2,125,216
Total Uses	13,463,682	-	1,988,464	15,452,146	17,456,772
Increase/(Decrease)	6,242,095	(21,230)	(3,807,187)	2,413,678	2,507,200
Balance, Beginning of Year	1,052,792	24,568	9,880,598	10,957,958	8,450,758
Balance, End of Year	\$ 7,294,887	\$ 3,338	\$ 6,073,411	\$ 13,371,636	\$ 10,957,958
Balance Comprised of:					
Cash	\$ 3,257,579	\$ -	\$ -	\$ 3,257,579	\$ 1,015,647
Cash Equivalents	4,037,308	3,338	6,073,411	10,114,057	9,942,311
Total	\$ 7,294,887	\$ 3,338	\$ 6,073,411	\$ 13,371,636	\$ 10,957,958

See Independent Auditors' Report.

Stony Brook Regional Sewerage Authority
Schedules of Changes in Restricted Cash and Cash Equivalents
Years Ended November 30, 2014 and 2013

Schedule 2

	Held By Trustee						2014 Totals	2013 Totals
	Debt Service Accounts		Replacement Account	2004 Construction Account	2007 NJEIT Construction Account	2010 NJEIT Construction Account		
	Bond Service Accounts	Bond Reserve Account						
Sources:								
Interest Received on Investments								
Credited To Income	\$ -	\$ 7,043	\$ 6,023	\$ 6,788	\$ -	\$ -	\$ 19,854	\$ 15,283
Transfers From Unrestricted Accounts	1,988,464	-	-	-	-	-	1,988,464	2,125,216
NJEIT Trust Loan	-	-	-	-	-	438,694	438,694	2,035,799
DEP Fund Loan	-	-	-	-	-	75,801	75,801	1,202,708
Principal Forgiveness	-	-	-	-	-	362,893	362,893	832,825
Total Sources	1,988,464	7,043	6,023	6,788	-	877,388	2,885,706	6,211,831
Uses:								
Payment of Bond Interest								
Charged To Expenses	725,870	-	-	-	-	-	725,870	766,671
Payment of Bond Principal	1,251,835	-	-	-	-	-	1,251,835	2,489,573
Transfer To Unrestricted Accounts	-	1,197,475	-	-	-	877,388	2,074,863	4,170,128
Transfer To Restricted Accounts	-	-	-	-	-	-	-	-
Total Uses	1,977,705	1,197,475	-	-	-	877,388	4,052,568	7,426,372
Increase/(Decrease)	10,759	(1,190,432)	6,023	6,788	-	-	(1,166,863)	(1,214,541)
Cash Equivalents, Beginning of Year	776,822	2,158,570	600,000	5,600,397	756	5	9,136,551	10,351,092
Cash Equivalents, End of Year	\$ 787,581	\$ 968,138	\$ 606,023	\$ 5,607,185	\$ 756	\$ 5	\$ 7,969,689	\$ 9,136,551

See Independent Auditors' Report.

Stony Brook Regional Sewerage Authority
Schedules of Operating Revenues and Costs Funded by
Operating Revenues (Budget vs. Actual)
Years Ended November 30, 2014 and 2013

Schedule 3

	Original/Final 2014 <u>Budget</u>	2014 <u>Actual</u>	2013 <u>Budget</u>	2013 <u>Actual</u>
Operating Revenues:				
Participant Charges:				
Gross	\$ 12,123,985	\$ 12,123,985	\$ 12,124,848	\$ 12,124,848
Net Participant Charges	<u>12,123,985</u>	<u>12,123,985</u>	<u>12,124,848</u>	<u>12,124,848</u>
Septage, Sludge and Leachate	2,500,000	3,117,210	2,396,000	3,251,131
Interest Income	30,000	21,942	40,000	21,884
Other	40,000	113,173	40,000	78,305
Retained Earnings	-	-	-	-
Total Operating Revenues	<u>14,693,985</u>	<u>15,376,310</u>	<u>14,600,848</u>	<u>15,476,168</u>
Costs Funded By Operating Revenues:				
Salaries and Wages				
Employees:				
Administrative	483,172	487,948	474,486	483,605
Operations and Maintenance	3,200,035	3,189,870	3,162,080	3,109,318
Benefits	<u>1,478,320</u>	<u>1,423,854</u>	<u>1,492,393</u>	<u>1,407,251</u>
Total Salary and Benefits	<u>5,161,527</u>	<u>5,101,672</u>	<u>5,128,959</u>	<u>5,000,174</u>
Administrative Expenses:				
Insurance	363,547	338,544	332,326	330,812
Seminars	12,530	4,568	12,530	5,724
Meetings and Travel	9,139	3,674	9,139	5,920
Telephone	39,678	41,164	43,391	50,109
Computer Payroll Service	9,687	10,460	9,674	8,759
Office Supplies	13,313	16,990	13,134	14,557
Data Processing Supplies	33,005	27,226	30,275	11,292
Service Contracts	97,678	95,760	89,524	67,665
Dues	15,709	16,175	15,480	17,369
Magazines, Books, etc.	4,998	2,844	5,003	2,987
Postage	6,480	5,578	6,480	6,825
Advertising and Printing	3,145	2,742	3,145	1,658
Rental and Easements	13,224	14,376	13,224	13,245
Regulatory Fees and Permits	75,546	50,848	106,356	76,510
Miscellaneous	<u>11,499</u>	<u>10,083</u>	<u>13,052</u>	<u>10,516</u>
Total Administrative Expenses	<u>709,178</u>	<u>641,032</u>	<u>702,733</u>	<u>623,948</u>
Operating and Maintenance Expenses:				
Fuel Oil and Natural Gas	772,278	942,702	803,940	958,133
Water	46,508	56,117	46,399	43,512
Electricity	1,813,469	1,825,973	1,769,346	1,729,879
Operating Chemicals	733,165	667,419	710,402	657,066
Maintenance Tools and Supplies	336,642	235,707	325,821	283,102
Janitorial Supplies	11,700	11,532	8,600	11,639
Laboratory Chemicals and Supplies	18,758	14,802	18,758	11,900
Uniforms	21,248	18,550	21,248	19,183
Training	36,730	10,173	22,610	19,749
Safety Equipment	57,153	46,690	55,793	49,046
Outside Lab Testing	28,674	31,948	28,446	20,294
Pretreatment Supplies	300	-	300	-
Ash and Sludge Hauling	421,996	314,204	312,658	346,144
Maintenance and Repairs	406,575	316,923	359,435	385,154
Operations Supplies	82,361	80,442	88,321	97,447
Buildings and Grounds	77,793	85,186	73,773	93,977
Spare Parts	281,667	285,768	258,584	304,310
Hazardous Waste Disposal	14,900	7,868	14,900	6,904
Medical Testing	4,930	1,559	4,980	1,011
Contingency for Fines	20,000	200	20,000	-
Minor Operational Improvements	<u>189,585</u>	<u>102,035</u>	<u>208,985</u>	<u>121,525</u>
Total Operating and Maintenance Expenses	<u>5,376,432</u>	<u>5,055,798</u>	<u>5,153,299</u>	<u>5,159,975</u>

See Independent Auditors' Report.

Stony Brook Regional Sewerage Authority
Schedules of Operating Revenues and Costs Funded by
Operating Revenues (Budget vs. Actual)
Years Ended November 30, 2014 and 2013

Schedule 3

	Original/Final 2014 <u>Budget</u>	2014 <u>Actual</u>	2013 <u>Budget</u>	2013 <u>Actual</u>
Vehicle Maintenance:				
Gas, Oil and Tires	33,200	44,912	33,200	40,305
Parts and Service	21,300	11,245	20,600	19,023
Vehicle Registration	2,600	2,684	2,600	2,741
Total Vehicle Maintenance	<u>57,100</u>	<u>58,841</u>	<u>56,400</u>	<u>62,069</u>
Professional Services:				
Legal and Audit	87,000	75,001	91,000	62,702
Trustee Services	40,515	38,872	40,515	43,015
Consultants - Other	235,600	172,813	202,700	167,727
Total Professional Services	<u>363,115</u>	<u>286,686</u>	<u>334,215</u>	<u>273,444</u>
Total Operating Expenses	<u>11,667,352</u>	<u>11,144,029</u>	<u>11,375,606</u>	<u>11,119,610</u>
Capital Purchase Fund Contribution Equipment Recorded as Property, Plant and Equipment	850,000	850,000	1,100,000	1,100,000
		52,590	-	42,053
	<u>850,000</u>	<u>902,590</u>	<u>1,100,000</u>	<u>1,142,053</u>
Total Operating Expenses	12,517,352	12,046,619	12,475,606	12,261,663
Debt Service Funded By Participants	<u>2,176,633</u>	<u>1,989,195</u>	<u>2,125,242</u>	<u>2,152,990</u>
Costs Funded By Operating Revenues	<u>\$ 14,693,985</u>	<u>14,035,814</u>	<u>\$ 14,600,848</u>	<u>14,414,653</u>
Excess of Revenues over Expenditures	<u>\$ -</u>	<u>\$ 1,340,496</u>	<u>\$</u>	<u>\$ 1,061,515</u>

Reconciliation of Budgetary Basis to Net Income

Budgetary Revenues Over Expenses	<u>\$ 1,340,496</u>
Adjustments to Budgetary Basis:	
Depreciation expense	(2,943,672)
Debt Service Funded By Participants	1,989,195
Additional Interest - Construction Funds	6,358
Interest Expense - Debt Service	(712,360)
Capital Purchase Fund Contribution	850,000
Equipment Recorded as Property, Plant & Equipment	52,590
Amortization of Bond Premium	115,182
Amortization of Deferred Loss- Advanced Refunding	(410,366)
Principal Forgiveness	160,576
Post Retirement Health Benefits Payable	(45,298)
Total Adjustments	<u>(937,795)</u>
Net Income GAAP Basis	<u>\$ 402,701</u>

See Independent Auditors' Report.

Stony Brook Regional Sewerage Authority
Schedule of Amounts Refundable to or Receivable from Individual Participants
Year Ended November 30, 2014

Schedule 4

	Princeton	South Brunswick Township	West Windsor Township	Hopewell Borough	Pennington Borough	Total
Actual :						
Operating Expenses	\$ 3,663,178.94	\$ 4,473,636.66	\$ 2,604,168.37	\$ 170,634.12	\$ 285,000.91	\$ 11,196,619
Capital Purchase Fund Contribution	278,093.07	339,619.59	197,697.46	12,953.82	21,636.06	\$ 850,000
Revenues - Septage Sludge and Leachate Receipts	(1,019,852.33)	(1,245,488.92)	(725,017.05)	(47,505.62)	(79,346.07)	(\$ 3,117,210)
Interest	(7,178.73)	(8,766.98)	(5,103.39)	(334.39)	(558.52)	(\$ 21,942)
Misc Revenue	(37,026.62)	(45,218.55)	(26,322.37)	(1,724.73)	(2,880.73)	(\$ 113,173)
Budget Balance To Retained Earnings	438,567.81	535,598.47	311,779.59	20,428.88	34,121.25	\$ 1,340,496
Debt Service Apportioned to Members	650,801.57	794,787.75	462,657.41	30,314.91	50,633.36	\$ 1,989,195
Total Base Charges (Dollar Amount)	\$ 3,966,583.71	\$ 4,844,168.03	\$ 2,819,860.02	\$ 184,766.98	\$ 308,606.27	\$ 12,123,985.00
Gallons Treated (Actual)	1,175,374,833	1,435,419,898	835,578,609	54,750,000	91,445,956	\$ 3,592,569,296
Total Base Charges (Percentage)	32.717%	39.9552%	23.259%	1.524%	2.545%	100%
Debt Service Adjustment - Increase (Decrease)	(307,075.05)	65,564.32	255,236.36	6,496.30	(20,221.93)	\$ 0
Net Participant Charges - Actual	\$ 3,659,508.66	\$ 4,909,732.35	\$ 3,075,096.38	\$ 191,263.28	\$ 288,384.34	\$ 12,123,985
Budget:						
Operating Expenses	\$ 4,009,503.03	\$ 4,522,896.80	\$ 2,644,327.70	\$ 190,022.77	\$ 300,602.09	\$ 11,667,352
Capital Purchase Fund Contribution	292,103.77	329,505.97	192,646.84	13,843.70	21,899.72	\$ 850,000
Revenues - Septage Sludge and Leachate Receipts	(859,128.72)	(969,135.21)	(566,608.35)	(40,716.77)	(64,410.95)	(\$ 2,500,000)
Interest	(10,309.54)	(11,629.62)	(6,799.30)	(488.60)	(772.93)	(\$ 30,000)
Misc Revenue	(13,746.06)	(15,506.16)	(9,065.73)	(651.47)	(1,030.58)	(\$ 40,000)
Budget Balance From Retained Earnings	-	-	-	-	-	\$ 0
Debt Service	748,003.04	843,780.52	493,319.28	35,450.18	56,079.59	\$ 2,176,633
Total Base Charges (Dollar Amount)	\$ 4,166,425.51	\$ 4,699,912.30	\$ 2,747,820.44	\$ 197,459.81	\$ 312,366.95	\$ 12,123,985
Gallons Treated (budget)	1,262,632,915	1,424,305,787	832,725,443	59,840,086	94,662,628	\$ 3,674,166,859
Total Base Charges (Percentage)	34.365%	38.765%	22.664%	1.629%	2.576%	100%
Debt Service Adjustment - Increase (Decrease)	(307,075.05)	65,564.32	255,236.36	6,496.30	(20,221.93)	\$ 0
Net Participant Charges - Budget / Paid	\$ 3,859,350.46	\$ 4,765,476.62	\$ 3,003,056.80	\$ 203,956.11	\$ 292,145.02	\$ 12,123,985
Due (to) From Participants at November 30, 2013	\$ (199,841.80)	\$ 144,255.73	\$ 72,039.58	\$ (12,692.83)	\$ (3,760.68)	\$ 0
Allocation:						
Operation	\$ (102,640.33)	\$ 193,248.49	\$ 102,701.46	\$ (7,557.57)	\$ 1,685.55	\$ 187,438
Debt Service	\$ (97,201.47)	\$ (48,992.77)	\$ (30,661.88)	\$ (5,135.27)	\$ (5,446.23)	(\$ 187,438)
Amount due (refund)	\$ (199,841.80)	\$ 144,255.73	\$ 72,039.58	\$ (12,692.83)	\$ (3,760.68)	\$ 0.00

See Independent Auditors' Report.

Stony Brook Regional Sewerage Authority
Notes to Schedule of Amounts Refundable to or Receivable from Individual Participants
Year Ended November 30, 2014

1. Basis of Presentation

Five of the six member municipalities entered into an amended service contract dated November 1, 1977, with Stony Brook Regional Sewerage Authority ("Authority") for the treatment and disposal of sewage in return for the Authority constructing, operating, and maintaining the system. At the beginning of each year, the participants are assessed user charges based on the current year's budgeted operating revenues and expenses allocated to the individual participants by the Authority's projection based on the average of five prior years of flow. This allocation is then adjusted for actual flow received through year-end, and any additional charges or refunds necessary to or from the participants are determined by the Authority and assessed in the year-end adjustment.

2. Meter Certification and Calibration

The Authority's staff services and calibrates the billing meters monthly. On a quarterly basis, the Authority utilizes the services of W. G. Malden Inc. to certify the flow meters at each of the metering stations. As a result of the monthly calibration and quarterly certification, adjustments to the meter data are made by the Authority's engineering staff. A monthly flow report is sent to all of the member communities showing the adjusted flows and describing any adjustments which were made.

3. Allocation of Percentage

Allocation percentages are developed using actual flows measured by the meters installed at the member municipalities' meter stations. These flows are then adjusted for non-metered flow during meter breakdowns and any reallocations of flows experienced from having one member's meter station registering flows from another community. These percentages are then used to allocate actual revenues and expenditures to determine the amount refundable to or receivable from the individual participants.



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**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

To the Authority Members of
Stony Brook Regional Sewerage Authority
Princeton, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Stony Brook Regional Sewerage Authority, as of and for the year ended November 30, 2014, and the related notes to the financial statements, which collectively comprise Stony Brook Regional Sewerage Authority's basic financial statements, and have issued our report thereon dated March 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stony Brook Regional Sewerage 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Stony Brook Regional Sewerage Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Stony Brook Regional Sewerage Authority's internal control.

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

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



Compliance and Other Matters

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

Purpose of this Report

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

Wilhem Smith + Brown, PC

Toms River, New Jersey

March 12, 2015

**Stony Brook Regional Sewerage Authority
Roster of Officials
November 30, 2014**

<u>Authority Members</u>	<u>Position</u>
Robert A. Bartolini	Chair
Gale D. Downey	Vice Chair
C. Schuyler Morehouse	Treasurer
Bharat Patel	Member
David A. Goldfarb	Member
Harry R. Compton	Member

<u>Other Officials</u>	<u>Position</u>
John Kantorek, P.E.	Secretary/Executive Director
Antonia Schurott-Pchola, P.E.	Assistant Executive Director
Stuart Neuhof, CPA, QPA	Chief Financial Officer/ Qualified Purchasing Agent
Patricia Carlino	Assistant Secretary
Diane Alexander	Attorney

**Stony Brook Regional Sewerage Authority
Comments and Recommendations
For the Year Ended November 30, 2014**

None.