



# **STONY BROOK REGIONAL SEWERAGE AUTHORITY**

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

**STONY BROOK REGIONAL SEWERAGE AUTHORITY  
Financial Statements  
November 30, 2015 and 2014  
With Independent Auditors' Reports**

**Stony Brook Regional Sewerage Authority**  
**November 30, 2015 and 2014**

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## INDEPENDENT AUDITORS' REPORT

To the Authority Members  
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, 2015 and 2014 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 and the audit requirements as prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government. 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, 2015 and 2014 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.

## Emphasis of Matter — Change in Accounting Principle

As discussed in Note 12 to the financial statements, during the fiscal year ended November 30, 2015, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68*, which represents a change in accounting principle. As of November 30, 2013, the Authority's net position was restated to reflect the impact of the change in accounting principle. Our opinion is not modified with respect to this matter.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedules of Operating Revenues and Costs Funded by Operating Revenues (Budget vs. Actual), Schedule of the Authority's Proportionate Share of the Net Pension Liability – PERS, and Schedule of Authority Contributions – PERS 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 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 revenue bonds payable, schedule of New Jersey infrastructure loans payable, and the accompanying schedule of expenditures of federal and state awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the notes to the schedule of federal and state expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information listed above and the schedule of expenditures of federal and state awards

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

In addition, the schedule of amounts refundable to or receivable from individual participants, notes to 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 May 31, 2016 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.



Toms River, New Jersey

May 31, 2016



# **STONY BROOK REGIONAL SEWERAGE AUTHORITY**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



# **STONY BROOK REGIONAL SEWERAGE AUTHORITY**

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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, 2015. 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 \$72.06 million. Total liabilities and deferred outflows of resources totaled \$38.31 million. Net position totals \$33.75 million versus \$33.61 million for the prior year. The increase from the prior year net position was the result of GAAP basis net income of \$144,733. 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 \$15,196,335 which is \$400,933 or 2.7% greater 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.

Total actual costs funded by operating revenues on a budgetary basis totaled \$14,102,452 which is \$692,950 under budget. A significant portion of this saving came from lower than anticipated electricity, maintenance tools and supplies, ash/sludge hauling, and minor operational improvements.

The amount spent in the fiscal year ended November 30, 2015 construction and equipment totaled \$3,968,481. The construction in progress accounts increased from \$1,850,970 at November 30, 2014 to \$5,451,944 at November 30, 2015, an increase of \$3,600,974. Most of this increase was from work performed on the Emergency Generator project.

## **GASB 68**

During the fiscal year ended November 30, 2015, the Authority was required to adopt GASB Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, relative to its participation in the Public Employees Retirement System (PERS). Historically, the Authority has recorded its contributions to the plan as expenses in the year these contributions were required by the State of New Jersey Division of Pensions and Benefits. With the adoption of GASB 68, the Authority is required to record a liability in its financial statements for its proportionate share of the PERS plan liability and expenses. As a result of implementing these statements, the cumulative effect on the financial statements as reported as of November 1, 2014 was a net decrease in unrestricted net assets of \$8,562,732. Additionally, liabilities increased by \$8,380,614 which reflects the Authority's proportionate share of its net pension liability, deferred outflows of resources increased by \$263,532 and deferred inflows of resources increased by \$506,097. All employers who participate in the PERS are being required to record a proportionate share of the \$46,170,131,656 and \$38,849,838,953 total net pension liabilities at June 30, 2015 and 2014, respectively, in their financial statements. Management is of the opinion that it is highly unlikely the Authority will ever be required to pay this liability

The draft discharge permits for the Pennington WWTP and the Hopewell WWTP have been received, commented upon by SBRSA staff and our consultants and those comments have been submitted to the New Jersey Department of Environmental Protection (NJDEP). SBRSA has initiated the Pennington and Hopewell Wastewater Treatment Plants (WWTP) Facilities Process Evaluation. The contract for the evaluation was awarded to a consulting engineering firm in February 2015. This project is funded through the 2004 bonds.

The River Road Headworks Project was awarded to Tomar Construction in March 2011. Construction of the project has been completed and the facilities are on-line. The project included 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. SBRSA is currently in the process of negotiating the closeout of the project with Tomar. This project was funded under the 2010 New Jersey Environmental Infrastructure Financing Program (NJEIFP).

In 2014 and 2015 SBRSA initiated improvements to our sewage sludge incinerators to meet 40 CRF 60, Subpart MMMM emission limits which must be met by March 21, 2016. The improvements included installation of new scrubbers and modifications to our ash handling system. Contract 15-1 was awarded in September 2014 for the procurement of two new scrubbers. Contract 15-2 was awarded in March 2015 for the installation of the new scrubbers. Contract 15-3 was awarded in August 2015 for the modifications of our ash handling system. These projects are funded from retained earnings.

Contract 14-1 was awarded in December 2014 for the installation of a natural gas emergency generator at the River Road WWTP, a diesel emergency generator at the Millstone Pump Station and a diesel emergency generator at the



South Brunswick Pump Station. Both generators at the pump stations are replacement generators. The generator at the River Road WWTP will operate in addition to our existing turbine emergency generator and will allow SBRSA to operate our sludge processing/incineration during commercial power outages. This project was funded under the 2015 NJEIFP.

SBRSA awarded the design contract for the replacement of our seven (7) dewatered sludge handling pumps and sludge receiving bin feed screws in October 2015. SBRSA provided a letter of intent to the NJEIFP in October 2015 and applied for funding from the NJEIFP in March 2016 for this project. The Authority is currently awaiting approval.

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 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 expansion of the Pennington WWTP, upgrade of the Hopewell WWTP, and the installation of comminutors at our three pumping stations.

The small capital projects initiated in 2015 were Contract 15-4 Instrument Air Compressor Replacement and the design of the Modified Aeration (MA) Tank effluent channel mixers. The small capital projects completed in 2015 were Contract 14-3 Incinerator Bypass Stack Damper Replacement, Contract 14-6 Wireless Fire Alarm Communication System, Painting of the Millstone Pump Station Pumps and Piping, Carbon Replacement for the Sludge Cake Odor Control System, and Pavement Repair at the South Brunswick Pump Station.

## **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>2015</u>	<u>2014</u> (Restated)	<u>Dollars</u>	<u>Percentage</u>
Assets and Deferred Outflows of Resources:				
Current Assets	\$ 25,299,235	\$ 22,504,639	\$ 2,794,596	12.42%
Property, Plant and Equipment - Net	45,142,840	44,329,439	813,401	1.83%
Deferred Outflows of Resources	<u>1,615,594</u>	<u>263,532</u>	<u>1,352,062</u>	<u>513.05%</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 72,057,669</u>	<u>\$ 67,097,610</u>	<u>\$ 4,960,059</u>	<u>7.39%</u>
Liabilities and Deferred Inflows of Resources:				
Current Liabilities	\$ 4,121,616	\$ 3,055,462	\$ 1,066,154	34.89%
Non-Current Liabilities	34,012,942	29,930,351	4,082,591	13.64%
Deferred Inflows of Resources	<u>172,678</u>	<u>506,097</u>	<u>(333,419)</u>	<u>-65.88%</u>
Total Liabilities and Deferred Inflows of Resources	<u>38,307,236</u>	<u>33,491,910</u>	<u>4,815,326</u>	<u>14.38%</u>
Net Position:				
Restricted and Net Investment in	\$ 31,553,483	\$ 30,125,201	\$ 1,428,282	4.74%
Unrestricted	<u>2,196,950</u>	<u>3,480,499</u>	<u>(1,283,549)</u>	<u>-36.88%</u>
Total Net Position	<u>33,750,433</u>	<u>33,605,700</u>	<u>144,733</u>	<u>0.43%</u>
Total Liabilities and Net Position	<u>\$ 72,057,669</u>	<u>\$ 67,097,610</u>	<u>\$ 4,960,059</u>	<u>7.39%</u>

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

	November 30,		Variance	
	<u>2015</u>	<u>2014</u> (Restated)	<u>Dollars</u>	<u>Percentage</u>
Operating Revenues:				
Service Charges	\$ 12,225,402	\$ 12,123,985	\$ 101,417	0.84%
Septage, Sludge and Leachate	2,847,892	3,117,210	(269,318)	-8.64%
Other	<u>85,594</u>	<u>113,173</u>	<u>(27,579)</u>	<u>-24.37%</u>
Total Operating Revenues	<u>15,158,888</u>	<u>15,354,368</u>	<u>(195,480)</u>	<u>-1.27%</u>
Operating Expenses:				
Operations and Maintenance	11,105,315	11,144,029	(38,714)	-0.35%
Depreciation	<u>3,155,080</u>	<u>2,943,672</u>	<u>211,408</u>	<u>7.18%</u>
Total Operating Expenses	<u>14,260,395</u>	<u>14,087,701</u>	<u>172,694</u>	<u>1.23%</u>
Operating Income	<u>898,493</u>	<u>1,266,667</u>	<u>(368,174)</u>	<u>-29.07%</u>
Non-Operating Revenues/(Expenses)	<u>(753,760)</u>	<u>(924,413)</u>	<u>170,653</u>	<u>-18.46%</u>
Change in Net Position	<u>144,733</u>	<u>342,254</u>	<u>(197,521)</u>	<u>-57.71%</u>
Net Position - Beginning of Year, as Restatement (see Note 13)	33,605,700	41,826,178	(8,220,478)	-19.65%
	-	(8,562,732)	8,562,732	-100.00%
Net Position - Beginning of Year, as	<u>33,605,700</u>	<u>33,263,446</u>	<u>342,254</u>	<u>1.03%</u>
Net Position - End of Year	<u>\$ 33,750,433</u>	<u>\$ 33,605,700</u>	<u>\$ 144,733</u>	<u>0.43%</u>

**OTHER SELECTED INFORMATION**

	<u>Year</u>		<u>Variance</u>	
	<u>2015</u>	<u>2014</u>	<u>Amount</u>	<u>Percentage</u>
<b>Ratio of Operating Revenue To:</b>				
Operating Expenses	1.06	1.09	(0.03)	-2.48%
Operating Expenses Net of Depreciation	1.37	1.38	(0.01)	-1.09%
Total Assets	0.22	0.23	(0.01)	-6.44%
Total Net Position	0.45	0.36	0.09	24.76%
<b>Debt Related Ratios</b>				
Equity To Long-Term Debt	1.36	2.01	(0.65)	-32.13%
Current Ratio	6.14	7.37	(1.23)	-16.71%
Operating Revenues to Debt Service	7.24	7.72	(0.48)	-6.24%
<b>Other</b>				
Employees at year-end	44	45	(1.00)	-2.22%
Annual flow in million gallons	3,412.36	3,592.60	(180.24)	-5.02%
Cost to participants per million gallons	\$ 3,583	\$ 3,375	207.97	6.16%



# **STONY BROOK REGIONAL SEWERAGE AUTHORITY**

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

## **FINANCIAL STATEMENTS**

**Stony Brook Regional Sewerage Authority**  
**Statements of Net Position**  
**November 30, 2015 and 2014**

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<b>Assets and Deferred Outflows of Resources</b>	<b>2015</b>	<b>2014 (Restated)</b>
Unrestricted current assets		
Cash - held by authority	\$ 3,138,939	\$ 3,257,579
Cash equivalents - held by		
Authority	6,039,171	4,037,308
Trustee	3,416,556	6,076,749
Accrued interest receivable	12,144	15,271
Accounts receivable	270,111	392,724
Prepaid expenses	27,007	28,251
Total unrestricted current assets	<u>12,903,928</u>	<u>13,807,882</u>
Restricted current assets		
Cash equivalents - held by trustee	7,862,141	7,969,689
NJEIT / DEP funds receivable	4,533,166	727,068
Total restricted current assets	<u>12,395,307</u>	<u>8,696,757</u>
 Total current assets	 <u>25,299,235</u>	 <u>22,504,639</u>
Property, plant and equipment	128,946,258	124,977,777
Less accumulated depreciation	<u>(83,803,418)</u>	<u>(80,648,338)</u>
Net property, plant and equipment	<u>45,142,840</u>	<u>44,329,439</u>
 Total assets	 <u>70,442,075</u>	 <u>66,834,078</u>
Deferred outflows of resources		
Pension related	<u>1,615,594</u>	<u>263,532</u>
 Total assets and deferred outflows of resources	 <u>\$ 72,057,669</u>	 <u>\$ 67,097,610</u>

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

**Stony Brook Regional Sewerage Authority**  
**Statements of Net Position**  
**November 30, 2015 and 2014**

<b>Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>2015</b>	<b>2014 (Restated)</b>
Current liabilities		
Payable from unrestricted assets		
Accounts payable and accrued expenses	<u>\$ 1,250,333</u>	<u>\$ 1,212,406</u>
Payable from restricted assets		
Construction accounts payable	352,429	219,139
Debt payable - current	1,639,898	1,417,148
Unearned principal forgiveness	690,299	-
Interest payable	158,468	172,580
Contractor hauler deposits	<u>30,189</u>	<u>34,189</u>
Total current liabilities payable from restricted assets	<u>2,871,283</u>	<u>1,843,056</u>
Total current liabilities	<u>4,121,616</u>	<u>3,055,462</u>
Long-term liabilities		
Accrued compensated absences	376,122	401,202
Post-retirement health benefits payable	135,894	90,596
Net pension liability	10,401,913	8,380,614
Debt payable, net of current	<u>23,099,013</u>	<u>21,057,939</u>
Total long-term liabilities	<u>34,012,942</u>	<u>29,930,351</u>
Total liabilities	<u>38,134,558</u>	<u>32,985,813</u>
Deferred inflows of resources		
Pension related	<u>172,678</u>	<u>506,097</u>
Net position		
Net investment in capital assets	24,937,095	22,581,420
Restricted	6,616,388	7,543,781
Unrestricted	<u>2,196,950</u>	<u>3,480,499</u>
Total net position	<u>33,750,433</u>	<u>33,605,700</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 72,057,669</u>	<u>\$ 67,097,610</u>

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



**Stony Brook Regional Sewerage Authority**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended November 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b> <b>(Restated)</b>
Operating revenues		
Participants' service charges	\$ 12,225,402	\$ 12,123,985
Septage, sludge and leachate	2,847,892	3,117,210
Other	85,594	113,173
	<u>15,158,888</u>	<u>15,354,368</u>
Total operating revenues		
	15,158,888	15,354,368
Operating expenses exclusive of depreciation	<u>11,105,315</u>	<u>11,144,029</u>
Operating income before depreciation	4,053,573	4,210,339
Depreciation	<u>3,155,080</u>	<u>2,943,672</u>
Operating income	<u>898,493</u>	<u>1,266,667</u>
Non-operating revenues (expenses)		
Interest earned on investments	37,447	28,300
Interest expense - debt service	(663,287)	(712,360)
Debt issue costs	(36,699)	-
Amortization of bond premium	106,320	115,182
Amortization of deferred loss- advanced refunding	-	(410,366)
Principal forgiveness	183,575	160,576
Post-retirement health benefits payable	(45,298)	(45,298)
Pension expense, net	<u>(335,818)</u>	<u>(60,447)</u>
Total non-operating revenues (expenses)	<u>(753,760)</u>	<u>(924,413)</u>
Change in net position	144,733	342,254
Net position - beginning of year, as originally reported	<u>33,605,700</u>	<u>41,826,178</u>
Restatement - change in accounting principle (see note 12)	-	(8,562,732)
Net position - beginning of year, as restated	<u>33,605,700</u>	<u>33,263,446</u>
Net position - end of year	<u>\$ 33,750,433</u>	<u>\$ 33,605,700</u>

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, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Operating Activities</b>		<b>(Restated)</b>
Receipts from customers and users	\$12,225,402	\$12,310,043
Receipts for septage, sludge and leachate	2,970,505	3,056,370
Other operating receipts	85,594	113,173
Payments to suppliers of goods and services	(5,803,179)	(6,081,812)
Payments to employees for services and related expense	<u>(5,154,755)</u>	<u>(5,101,160)</u>
Net cash provided by operating activities	<u>4,323,567</u>	<u>4,296,614</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition of capital assets	(3,968,481)	(1,978,047)
NJEIT/DEP loan funds received	793,238	877,388
Debt issue costs	21,131	-
Principal payments on long-term debt	(1,417,148)	(1,251,835)
Interest paid on bonds	<u>(677,399)</u>	<u>(725,870)</u>
Net cash used by capital and related financing activities	<u>(5,248,659)</u>	<u>(3,078,364)</u>
<b>Cash Flows from Investing Activities</b>		
Interest received	<u>40,574</u>	<u>28,566</u>
Net cash provided by investing activities	<u>40,574</u>	<u>28,566</u>
Net (decrease) increase in cash and cash equivalents	(884,518)	1,246,816
Cash and cash equivalents - beginning of year	<u>21,341,325</u>	<u>20,094,509</u>
Cash and cash equivalents - end of year	<u>\$20,456,807</u>	<u>\$21,341,325</u>
<b>Cash and Cash Equivalents Per Financial Statements</b>		
Unrestricted cash - held by authority	\$ 3,138,939	\$ 3,257,579
Unrestricted cash equivalents - held by		
Authority	6,039,171	4,037,308
Trustee	3,416,556	6,076,749
Restricted cash equivalents - held by trustee	<u>7,862,141</u>	<u>7,969,689</u>
	<u>\$20,456,807</u>	<u>\$21,341,325</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 898,493	\$ 1,266,667
Adjustments to reconcile operating income to net cash		
Provided by operating activities:		
Depreciation	3,155,080	2,943,672
Changes in operating assets and liabilities:		
Accounts receivable	122,613	125,218
Prepaid expenses	1,244	(465)
Accounts payable, accrued expenses and construction		
accounts payable	171,217	(38,990)
Accrued compensated absences	<u>(25,080)</u>	<u>512</u>
Net cash provided by operating activities	<u>\$ 4,323,567</u>	<u>\$ 4,296,614</u>

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

**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 generally accepted accounting principles in the United States of America ("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.

### **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 original 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, 2015 and 2014, 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.

**Stony Brook Regional Sewerage Authority**  
**Notes to Financial Statements**  
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**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.

**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 <sup>st</sup> .	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	Transfers to meet minimum levels required in the Bond Service, Bond Reserve, Sinking Fund or Renewal and Replacement Accounts;

**Stony Brook Regional Sewerage Authority**  
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	and the Renewal and Replacement Fund.	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.

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, 2015 and 2014, the vested amounts were \$480,431 and \$509,714, respectively. These amounts are comprised of a long-term liability of \$376,122 and \$401,201, respectively, and \$104,309 and \$108,513, 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.

**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.

**Deferred Outflows/Inflows of Resources**

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position.

Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. Deferred inflow of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Authority's deferred outflows and deferred inflows are a result of its participation in the pension plan (see Note 12).

#### **New Accounting Pronouncements and Restatement**

The Authority adopted GASB No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB No. 27* during 2015 as required by the pronouncement. The pronouncement requires the Authority to record its proportional share of the State of New Jersey's net pension liability on the face of its financial statements as of November 30, 2015 and 2014 and to record related pension expense in accordance with the pronouncement. In order to correctly reflect pension expense in accordance with GASB No. 68, the beginning net position of the Authority was adjusted to reflect the beginning balance of the net pension liability. Since the measurement date of the net pension liability is June 30, 2014 (as described in Note 12), the restatement adjustments to net position relate to the beginning net pension liability measured as of June 30, 2014.

As a result of these adjustments, the opening net position was reduced by \$8,562,732, which comprised a pension liability addition of \$8,898,006. Additionally, the 2014 year was restated to add an additional pension expense of \$60,447, along with pension deferred outflows of \$263,532, and pension deferred inflows of \$506,097.

## **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, 2015 and 2014 are insured up to \$250,000 in the aggregate by the FDIC for each bank. At November 30, 2015 and 2014 the book value of the Authority's deposits was \$20,456,807 and \$21,341,325, 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



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**Notes to Financial Statements**  
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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, 2015 and 2014, the Authority's bank balances were insured and collateralized as follows:

	11/30/15	11/30/14
Insured/Collateralized	\$ 20,571,447	\$ 21,355,235
Uninsured and Uncollateralized	<u>                    -</u>	<u>                    -</u>
	<u>\$ 20,571,447</u>	<u>\$ 21,355,235</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, 2015 and 2014, the Authority had \$7,906,356 and \$5,717,784, respectively on deposit with the New Jersey Cash Management Fund.

**3. ACCOUNTS RECEIVABLES**

Accounts Receivable at November 30 consisted of the following:

	2015	2014
Accounts receivable – participants	\$ -	\$ -
Accounts receivable – sludge	<u>270,111</u>	<u>392,724</u>
Total	<u>\$ 270,111</u>	<u>\$ 392,724</u>

**Stony Brook Regional Sewerage Authority**  
**Notes to Financial Statements**  
**November 30, 2015 and 2014**

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**4. PROPERTY, PLANT AND EQUIPMENT**

Property, Plant and Equipment consists of the following:

	<b>Balance</b> <b><u>11/30/2014</u></b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance</b> <b><u>11/30/2015</u></b>
Land	\$ 911,690	\$ -	\$ -	\$ 911,690
Treatment plant	96,251,383	190,757	-	96,442,140
Pumping stations	10,453,799	-	-	10,453,799
Collection system	11,150,036	-	-	11,150,036
Office furniture & equipment	3,610,102	142,880	-	3,752,982
Automotive equipment	749,797	33,870	-	783,667
Construction in progress	<u>1,850,970</u>	<u>3,600,974</u>	<u>-</u>	<u>5,451,944</u>
	124,977,777	3,968,481	-	128,946,258
Less: accumulated depreciation	<u>80,648,338</u>	<u>3,155,080</u>	<u>-</u>	<u>83,803,418</u>
	<u>\$ 44,329,439</u>	<u>\$ 813,401</u>	<u>-</u>	<u>\$ 45,142,840</u>

	<b>Balance</b> <b><u>11/30/2013</u></b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance</b> <b><u>11/30/2014</u></b>
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>

Construction in progress includes various ongoing capital projects, the majority of which will be funded through the New Jersey Environmental Trust Financing program.

**Stony Brook Regional Sewerage Authority**  
**Notes to Financial Statements**  
**November 30, 2015 and 2014**

**5. LONG-TERM DEBT**

The following summarizes activity in long-term debt for the years ending November 30, 2015 and 2014:

	<b>Balance 11/30/14</b>	<b>Debt Issued</b>	<b>Repayments</b>	<b>Project Adjustments</b>	<b>Balance 11/30/15</b>
Revenue bonds	\$ 8,580,000	\$ -	\$ (615,000)	\$ -	\$ 7,965,000
NJEIT loans	<u>12,836,043</u>	<u>3,650,628</u>	<u>(802,148)</u>	<u>(252,000)</u>	<u>15,432,523</u>
Total long-term debt	<u>\$ 21,416,043</u>	<u>\$ 3,650,628</u>	<u>\$ (1,417,148)</u>	<u>\$ (252,000)</u>	<u>\$ 23,397,523</u>

  

	<b>Balance 11/30/13</b>	<b>Debt Issued</b>	<b>Repayments</b>	<b>Project Adjustments</b>	<b>Balance 11/30/14</b>
Revenue bonds	\$ 9,170,000	\$ -	\$ (590,000)	\$ -	\$ 8,580,000
NJEIT loans	<u>14,307,878</u>	<u>-</u>	<u>(661,835)</u>	<u>(810,000)</u>	<u>12,836,043</u>
Total long-term debt	<u>\$ 23,477,878</u>	<u>\$ -</u>	<u>\$ (1,251,835)</u>	<u>\$ (810,000)</u>	<u>\$ 21,416,043</u>

Debt payable consisted of the following at November 30:

	<b>2015</b>	<b>2014</b>
2002 Series refunding bonds	\$ 780,000	\$ 1,145,000
2004 Series revenue bonds	235,000	460,000
2012 Series revenue refunding bonds	6,950,000	6,975,000
2007 NJEIT financing	3,482,363	4,010,953
2009 NJEIT/ARRA financing	1,254,750	1,331,875
2010 NJEIT financing	7,044,782	7,493,214
2015 NJEIT financing	<u>3,650,628</u>	<u>-</u>
	23,397,523	21,416,042
Less: current portion	(1,639,898)	(1,417,148)
Unamortized bond premiums/discounts	<u>1,341,388</u>	<u>1,059,045</u>
Long-term debt	<u>\$ 23,099,013</u>	<u>\$ 21,057,939</u>

**Revenue Bonds**

**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.

The series 2002 Revenue Refunding Bonds are due in the amounts and at interest rates shown in the supplementary schedule of revenue bonds payable.

#### **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.

#### **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, 2015 and 2014, respectively.

#### **New Jersey Environmental Infrastructure Trust (“NJEIT”) Loans**

##### **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.

**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, 2015 and 2014 \$183,575 and \$160,576, respectively, was recorded as non-operating revenue. Additionally, at November 30, 2015 and 2014, \$690,299 and \$0 respectively, is reported as unearned principal forgiveness on the comparative statements of net position.

**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.

**2015 New Jersey Environmental Infrastructure Trust Fund Loan**

In 2015, the Authority participated in the New Jersey Environmental Infrastructure Trust Financing Program in the amount of \$3,650,628 to finance the Emergency Generator project. 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.

The financing is made up of three parts: the Trust Loan in the amount of \$1,075,000 (net of bond premium) which bears interest at 5.00%; the Fund Loan in the amount of \$2,575,628 is principal only: and principal forgiveness in the amount of \$873,874. The Fund Loan principal amortization reflects the principal forgiveness on a pro-rata basis over the life of the loan.

**Stony Brook Regional Sewerage Authority**  
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**Annual Debt Service**

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

<b><u>Year Ending</u></b> <b><u>November 30.</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2016	\$ 1,639,898	\$ 678,154	\$ 2,318,052
2017	1,662,646	649,250	2,311,896
2018	1,301,238	610,150	1,911,388
2019	1,325,802	576,050	1,901,852
2020	1,375,926	539,550	1,915,476
2021	1,404,925	500,950	1,905,875
2022	1,444,864	460,950	1,905,814
2023	1,494,489	419,225	1,913,714
2024	1,540,694	375,025	1,915,719
2025	1,578,191	328,725	1,906,916
2026	1,604,971	280,700	1,885,671
2027	1,485,713	230,000	1,715,713
2028	1,162,688	177,800	1,340,488
2029	877,684	133,650	1,011,334
2030	655,559	103,800	759,359
2031	675,559	82,600	758,159
2032	700,559	60,600	761,159
2033	720,559	37,600	758,159
2034	745,558	13,800	759,358
	<u>\$ 23,397,523</u>	<u>\$ 6,258,579</u>	<u>\$ 29,656,102</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.

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

**Stony Brook Regional Sewerage Authority**  
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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, 2015 and 2014:

	<b>November 30, 2015</b>		
	<b><u>Amount</u></b>	<b><u>Balance</u></b>	<b><u>Excess or</u></b>
	<b><u>Required</u></b>	<b><u>On Hand</u></b>	<b><u>(Deficiency)</u></b>
Bond service account	\$ 803,468	\$ 803,468	\$ -
Bond reserve account	961,935	961,935	-
Renewal and replacement account	600,000	603,676	3,676
General account	-	3,442,832	3,442,832
	<b><u>\$ 2,365,403</u></b>	<b><u>\$ 5,811,911</u></b>	<b><u>\$ 3,446,508</u></b>
	<b>November 30, 2014</b>		
	<b><u>Amount</u></b>	<b><u>Balance</u></b>	<b><u>Excess or</u></b>
	<b><u>Required</u></b>	<b><u>On Hand</u></b>	<b><u>(Deficiency)</u></b>
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
	<b><u>\$ 2,349,760</u></b>	<b><u>\$ 8,435,152</u></b>	<b><u>\$ 6,085,392</u></b>

**Stony Brook Regional Sewerage Authority**  
**Notes to Financial Statements**  
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**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:

	<b>11/30/15</b>	<b>11/30/14</b>
Net position:		
Net investment in capital assets	<u>\$ 24,937,095</u>	<u>\$ 22,581,419</u>
Restricted:		
Bond service	803,468	787,580
Bond reserve	961,935	962,180
Renewal and replacement	600,000	600,000
Capital projects	<u>4,250,986</u>	<u>5,194,021</u>
Total restricted	<u>6,616,389</u>	<u>7,543,781</u>
Unrestricted:		
Designated for emergencies	1,000,000	1,000,000
Designated for capital projects	9,432,618	11,013,083
Designated for OPEB	135,894	90,596
Net pension liability	10,401,913	8,380,614
Undesignated	<u>(18,773,475)</u>	<u>(17,003,794)</u>
Total unrestricted	<u>2,196,950</u>	<u>3,480,499</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, 2015, 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. RETIREE HEALTH BENEFIT COVERAGE**

*Plan Description:* In the year ended November 30, 2013, 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:



**Stony Brook Regional Sewerage Authority**  
**Notes to Financial Statements**  
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- 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.

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

	<b>11/30/15</b>
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>90,596</u>
Net other post-employment benefit, end of year	<u><u>\$ 135,894</u></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;

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- 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, 2015 and 2014 was \$45,298 each year. The Authority has funds set aside in unrestricted net assets equal to the OPEB obligation.

**12. PENSION PLAN**

Employees of the Authority that are eligible, participate in the State of New Jersey, Public Employees' Retirement System ("PERS"). PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits ("Division"). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml).

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

<b>Tier</b>	<b>Definition</b>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 and 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are

**Stony Brook Regional Sewerage Authority**  
**Notes to Financial Statements**  
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reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

*Employer and Employee Contributions*

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. The local employer's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. During the year ended November 30, 2015 and 2014, the PERS received employer and employee contributions as follows:

	<u>2015</u>	<u>2014</u>
Employer contributions	\$ 369,009	\$ 337,581
Employee contributions	\$ 223,180	\$ 219,095
Salary basis for contributions	\$ 3,154,616	\$ 3,199,381
Percent of base wages	6.92% - 7.06%	6.78% - 6.92%

*GASB 68 - Restatement*

The Authority adopted GASB No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB No. 27* during the 2015 fiscal year as required by the pronouncement. The pronouncement requires the Authority to record its proportional share of the State of New Jersey's net pension liability on the face of its financial statements and to record related pension expense in accordance with the pronouncement. In order to correctly reflect pension expense in accordance with GASB No. 68, the beginning net position of the Authority was adjusted to reflect the beginning balance of the net pension liability. Since the measurement date of the net pension liability is June 30, 2014, the restatement adjustments to net position relate to the beginning net pension liability measured as of June 30, 2013. Also, in accordance with GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, the Authority restated its Net Position for pension contributions made after the beginning net pension liability measurement date of June 30, 2013 (deferred outflows).

*Summary of Significant Accounting Policies*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and contribution's to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee

**Stony Brook Regional Sewerage Authority**  
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contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

The net pension liability was measured as of June 30, 2015 and 2014, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and 2014. In accordance with GASB 68, the measure date shall not be earlier than 1 year from the statement of net position date, therefore, the Authority has elected to utilize June 30, 2015 and 2014 as the measurement dates, respectively.

The Authority's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2015 and 2014. At November 30, the Authority's proportionate share and net pension liability was as follows:

	<u>2015</u>	<u>2014</u>
PERS net pension liability	\$ 46,170,131,656	\$ 38,849,838,953
Authority net pension liability	\$ 10,401,913	\$ 8,380,614
Authority's proportion	0.022529529%	0.021571811%

Pension expense, net is comprised of the following at November 30:

	<u>2015</u>	<u>2014</u>
Proportionate share of allocable plan pension expense	\$ 682,365	\$ 430,869
Pension expense related to specific liabilities of individual employers	(398,381)	(369,009)
Net amortization of deferral amounts from changes in proportion	51,818	(1,224)
Other changes	<u>16</u>	<u>(189)</u>
Total employer pension expense excluding that attributable to employer-paid member contributions	<u>\$ 335,818</u>	<u>\$ 60,447</u>

**Stony Brook Regional Sewerage Authority**  
**Notes to Financial Statements**  
**November 30, 2015 and 2014**

At November 30, 2015 and 2014, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS as follows:

	2015		2014	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	\$ 1,117,082	\$ --	\$ 263,532	\$ --
Net difference between projected and actual earnings on pension plan investments	248,153	167,243	--	499,439
Changes in proportion and differences between Authority contributions and proportionate share of contributions	250,359	5,435	--	6,658
Authority contributions subsequent to the measurement date	--	--	--	--
	<u>\$ 1,615,594</u>	<u>\$ 172,678</u>	<u>\$ 263,532</u>	<u>\$ 506,097</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

Years Ended November 30:

	PERS	Authority Share
2016	\$ 861,409,913	\$ 269,729
2017	861,409,913	269,729
2018	861,409,913	269,729
2019	1,293,067,797	404,894
2020	730,809,712	228,835
	<u>\$ 4,608,107,248</u>	<u>\$ 1,442,916</u>

*Actuarial Assumptions*

The total pension liability in the June 30, 2015 and 2014 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2015	2014
Inflation rate	3.04%	3.01%
Salary increases from 2012-2021	2.15-4.40% based on age	2.15-4.40% based on age
Thereafter	3.15-5.40% based on age	3.15-5.40% based on age
Investment rate of return	7.90%	7.90%

For the years ended June 30, 2015 and 2014, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

**Stony Brook Regional Sewerage Authority**  
**Notes to Financial Statements**  
**November 30, 2015 and 2014**

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*Long-Term Expected Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S treasuries	1.75%	1.64%
Investment grade credits	10.00%	1.79%
Mortgages	2.10%	1.62%
High yield bonds	2.00%	4.03%
Inflation-indexed bonds	1.50%	3.25%
Broad US equities	27.25%	8.52%
Developed foreign equities	12.00%	6.88%
Emerging market equities	6.40%	10.00%
Private equity	9.25%	12.41%
Hedge funds / absolute return	12.00%	4.72%
Real estate (property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

*Discount Rate*

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Stony Brook Regional Sewerage Authority**  
**Notes to Financial Statements**  
**November 30, 2015 and 2014**

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*Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Authority's proportionate share of the net pension liability measured as of November 30, 2015 and 2014, calculated using the discount rate as disclosed above as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point than the current rate:

	<b>2015</b>		
	<b>At 1 % decrease (3.90%)</b>	<b>At current discount rate (4.90%)</b>	<b>At 1% increase (5.90%)</b>
PERS as a whole	<u>\$ 55,702,235,475</u>	<u>\$ 46,170,131,656</u>	<u>\$ 38,191,749,890</u>
Authority's proportionate share of the net pension liability	<u>\$ 12,549,451</u>	<u>\$ 10,401,913</u>	<u>\$ 8,604,421</u>
	<b>2014</b>		
	<b>At 1 % decrease (4.39%)</b>	<b>At current discount rate (5.39%)</b>	<b>At 1% increase (6.39%)</b>
PERS as a whole	<u>\$ 47,326,289,075</u>	<u>\$ 38,849,838,953</u>	<u>\$ 31,735,758,503</u>
Authority's proportionate share of the net pension liability	<u>\$ 10,209,138</u>	<u>\$ 8,380,614</u>	<u>\$ 6,845,978</u>

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rpts-home.shtml>.

**13. SUBSEQUENT EVENTS**

Management has evaluated events occurring after November 30, 2015 for possible adjustment to or disclosure in the financial statements through May 31, 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.



# ***STONY BROOK REGIONAL SEWERAGE AUTHORITY***

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## **SUPPLEMENTARY INFORMATION**



**Stony Brook Regional Sewerage Authority**  
**Schedules of Changes in Unrestricted Cash and Cash Equivalents**  
**Years Ended November 30, 2015 and 2014**

**Schedule 1**

	Held By	Held By Trustee		2015	2014
	Authority	Revenue	General		
	Operating	Account	Account	Totals	Totals
	Accounts				
Sources:					
Participants' service charges	\$ 12,225,402	\$ -	\$ -	\$ 12,225,402	\$ 12,310,043
Participants' service charges - prior year	-	-	-	-	283,983
Interest	4,400	-	16,922	21,322	12,273
Receipts from septage, sludge and leachate services	2,970,505	-	-	2,970,505	3,056,370
Miscellaneous receipts	113,421	-	-	113,421	128,291
Transfers within other					
Unrestricted accounts	1,450,000	(9,950)	(1,440,050)	-	-
Transfers from restricted accounts	-	9,950	927,206	937,156	2,074,863
Bond Refunding	-	-	-	-	-
<b>Total sources</b>	<b>16,763,728</b>	<b>-</b>	<b>(495,922)</b>	<b>16,267,806</b>	<b>17,865,823</b>
Uses:					
Operations/capital expenditures	14,880,505	-	31,609	14,912,114	13,463,682
Transfers to restricted accounts	-	-	2,132,662	2,132,662	1,988,463
<b>Total uses</b>	<b>14,880,505</b>	<b>-</b>	<b>2,164,271</b>	<b>17,044,776</b>	<b>15,452,145</b>
Increase/(decrease)	1,883,223	-	(2,660,193)	(776,970)	2,413,678
Balance, beginning of year	7,294,887	3,338	6,073,411	13,371,636	10,957,958
<b>Balance, end of year</b>	<b>\$ 9,178,110</b>	<b>\$ 3,338</b>	<b>\$ 3,413,218</b>	<b>\$ 12,594,666</b>	<b>\$ 13,371,636</b>
Balance comprised of:					
Cash	\$ 3,138,939	\$ -	\$ -	\$ 3,138,939	\$ 3,257,579
Cash equivalents	6,039,171	3,338	3,413,218	9,455,727	10,114,057
<b>Total</b>	<b>\$ 9,178,110</b>	<b>\$ 3,338</b>	<b>\$ 3,413,218</b>	<b>\$ 12,594,666</b>	<b>\$ 13,371,636</b>

See Independent Auditors' Report.

**Stony Brook Regional Sewerage Authority**  
**Schedules of Changes in Restricted Cash and Cash Equivalents**  
**Years Ended November 30, 2015 and 2014**

**Schedule 2**

	Held By Trustee								
	Debt Service Accounts		Replacement Account	2004 Construction Account	2007 NJEIT Construction Account	2010 NJEIT Construction Account	2015 NJEIT Construction Account	2015 Totals	2014 Totals
	Bond Service Accounts	Bond Reserve Account							
Sources:									
Interest received on investments									
Credited to income	\$ -	\$ 1,972	\$ 10,115	\$ 8,395	\$ -	\$ -	\$ -	20,482	\$ 19,854
Transfers from unrestricted accounts	2,132,662	-	-	-	-	-	-	2,132,662	1,988,464
NJEIT trust loan	-	-	-	-	-	53,381	171,618	224,999	438,694
DEP fund loan	-	-	-	-	-	53,381	384,426	437,807	75,801
Principal forgiveness	-	-	-	-	-	-	130,431	130,431	362,893
<b>Total sources</b>	<b>2,132,662</b>	<b>1,972</b>	<b>10,115</b>	<b>8,395</b>	<b>-</b>	<b>106,762</b>	<b>686,475</b>	<b>2,946,381</b>	<b>2,885,706</b>
Uses:									
Payment of bond interest									
Charged to expenses	677,400	-	-	-	-	-	-	677,400	725,870
Payment of bond/loan principal	1,417,148	-	-	-	-	-	-	1,417,148	1,251,835
Payment of trustee fees	22,227	-	-	-	-	-	-	22,227	2,074,863
Transfer to unrestricted accounts	-	9,950	-	133,212	756	106,761	686,474	937,153	-
<b>Total uses</b>	<b>2,116,775</b>	<b>9,950</b>	<b>-</b>	<b>133,212</b>	<b>756</b>	<b>106,761</b>	<b>686,474</b>	<b>3,053,928</b>	<b>4,052,568</b>
Increase/(decrease)	15,887	(7,978)	10,115	(124,817)	(756)	1	1	(107,547)	(1,166,862)
Cash equivalents, beginning of year	787,581	968,138	606,023	5,607,185	756	5	-	7,969,688	9,136,550
Cash equivalents, end of year	\$ 803,468	\$ 960,160	\$ 616,138	\$ 5,482,368	\$ -	\$ 6	1	7,862,141	\$ 7,969,688

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, 2015 and 2014**

**Schedule 3**

	Original/Final 2015 <u>Budget</u>	2015 <u>Actual</u>	2014 <u>Budget</u>	(Restated) 2014 <u>Actual</u>
Operating revenues:				
Participant charges:				
Gross	\$ 12,225,402	\$ 12,225,402	\$ 12,123,985	\$ 12,123,985
Net participant charges	<u>12,225,402</u>	<u>12,225,402</u>	<u>12,123,985</u>	<u>12,123,985</u>
Septage, sludge and leachate	2,500,000	2,847,892	2,500,000	3,117,210
Interest income	20,000	37,447	30,000	21,942
Other	50,000	85,594	40,000	113,173
Total operating revenues	<u>14,795,402</u>	<u>15,196,335</u>	<u>14,693,985</u>	<u>15,376,310</u>
Costs funded by operating revenues:				
Salaries and wages				
Employees:				
Administrative	492,105	481,095	483,172	487,948
Operations and maintenance	3,222,484	3,222,872	3,200,035	3,189,870
Benefits	1,492,089	1,425,708	1,478,320	1,423,854
Total salary and benefits	<u>5,206,678</u>	<u>5,129,675</u>	<u>5,161,527</u>	<u>5,101,672</u>
Administrative expenses:				
Insurance	369,167	325,330	363,547	338,544
Seminars	12,490	4,001	12,530	4,568
Meetings and travel	10,614	4,063	9,139	3,674
Telephone	43,317	44,194	39,678	41,164
Computer payroll service	9,504	9,201	9,687	10,460
Office supplies	15,484	13,469	13,313	16,990
Data processing supplies	22,725	17,071	33,005	27,226
Service contracts	95,881	101,550	97,678	95,760
Dues	15,398	14,811	15,709	16,175
Magazines, books, etc.	5,503	1,826	4,998	2,844
Postage	6,900	5,272	6,480	5,578
Advertising and printing	2,795	4,657	3,145	2,742
Rental and easements	13,324	11,642	13,224	14,376
Regulatory fees and permits	71,822	49,694	75,546	50,848
Miscellaneous	10,800	10,890	11,499	10,083
Total administrative expenses	<u>705,724</u>	<u>617,671</u>	<u>709,178</u>	<u>641,032</u>
Operating and maintenance expenses:				
Fuel oil and natural gas	708,646	674,279	772,278	942,702
Water	46,387	70,669	46,508	56,117
Electricity	1,966,859	1,898,539	1,813,469	1,825,973
Operating chemicals	694,634	684,391	733,165	667,419
Maintenance tools and supplies	343,942	291,672	336,642	235,707
Janitorial supplies	12,000	10,983	11,700	11,532
Laboratory chemicals and supplies	18,758	19,644	18,758	14,802
Uniforms	19,993	19,049	21,248	18,550
Training	37,030	7,661	36,730	10,173
Safety equipment	59,503	33,774	57,153	46,690
Outside lab testing	31,075	21,722	28,674	31,948
Pretreatment supplies	300	712	300	-
Ash and sludge hauling	388,355	305,029	421,996	314,204
Maintenance and repairs	382,319	453,861	406,575	316,923
Operations supplies	85,261	67,205	82,361	80,442
Buildings and grounds	93,293	128,514	77,793	85,186
Spare parts	308,917	216,851	281,667	285,768
Hazardous waste disposal	14,900	2,002	14,900	7,868
Medical testing	4,930	3,831	4,930	1,559
Contingency for fines	20,000	-	20,000	200
Minor operational improvements	182,962	62,750	189,585	102,035
Total operating and maintenance expenses	<u>5,420,064</u>	<u>4,973,138</u>	<u>5,376,432</u>	<u>5,055,798</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, 2015 and 2014**

**Schedule 3**

	Original/Final 2015 Budget	2015 Actual	Original/Final 2014 Budget	(Restated) 2014 Actual
Vehicle maintenance:				
Gas, oil and tires	39,500	42,505	33,200	44,912
Parts and service	29,300	15,452	21,300	11,245
Vehicle registration	2,700	2,459	2,600	2,684
Total vehicle maintenance	<u>71,500</u>	<u>60,416</u>	<u>57,100</u>	<u>58,841</u>
Professional services:				
Legal and audit	85,000	80,882	87,000	75,001
Trustee services	40,515	53,086	40,515	38,872
Consultants - other	239,700	190,447	235,600	172,813
Total professional services	<u>365,215</u>	<u>324,415</u>	<u>363,115</u>	<u>286,686</u>
Total operating expenses	<u>11,769,181</u>	<u>11,105,315</u>	<u>11,667,352</u>	<u>11,144,029</u>
Capital purchase fund contribution	850,000	850,000	850,000	850,000
Equipment recorded as Property, plant and equipment	<u>-</u>	<u>52,590</u>	<u>-</u>	<u>52,590</u>
	<u>850,000</u>	<u>902,590</u>	<u>850,000</u>	<u>902,590</u>
Total operating expenses and capital related	12,619,181	12,007,905	12,517,352	12,046,619
Debt service funded by participants	<u>2,176,221</u>	<u>2,094,547</u>	<u>2,176,633</u>	<u>1,989,195</u>
Costs funded by operating revenues	<u>\$ 14,795,402</u>	<u>14,102,452</u>	<u>14,693,985</u>	<u>14,035,814</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 1,093,883</u>	<u>\$ -</u>	<u>\$ 1,340,496</u>
<u>Reconciliation of budgetary basis to net income</u>				
Budgetary revenues over expenses		<u>\$ 1,093,883</u>		<u>\$ 1,340,496</u>
Adjustments to budgetary basis:				
Depreciation expense		(3,155,080)		(2,943,672)
Debt service funded by participants		2,094,547		1,989,195
Additional interest - construction funds		-		6,358
Interest expense - debt service		(663,287)		(712,360)
Capital purchase fund contribution		850,000		850,000
Equipment recorded as property, plant & equipment		52,590		52,590
Amortization of bond premium		106,320		115,182
Amortization of deferred loss- advanced refunding		-		(410,366)
Debt issue costs		(36,699)		
Principal forgiveness		183,575		160,576
Post retirement health benefits payable		(45,298)		(45,298)
Pension expense, net		(335,818)		(60,447)
Total adjustments		<u>(949,150)</u>		<u>(998,242)</u>
Net income GAAP basis		<u>\$ 144,733</u>		<u>\$ 342,254</u>

See Independent Auditors' Report.

**Stony Brook Regional Sewerage Authority**  
**Schedule of Amounts Refundable to or Receivable from Individual Participants (unaudited)**  
**Year Ended November 30, 2015**

**Schedule 4**

	Princeton	South Brunswick Township	West Windsor Township	Hopewell Borough	Pennington Borough	Total
<b>Actual:</b>						
Operating expenses	\$ 3,696,367.14	\$ 4,397,739.71	\$ 2,578,091.30	\$ 178,724.04	\$ 288,263.82	\$ 11,139,186.00
Capital purchase fund contribution	282,059.40	335,579.17	196,726.91	13,637.93	21,996.60	850,000.00
Revenues - septage sludge and leachate receipts	(945,029.12)	(1,124,345.04)	(659,125.91)	(45,693.36)	(73,698.77)	(2,847,892.19)
Interest	(9,366.99)	(11,144.34)	(6,533.16)	(452.91)	(730.49)	(28,227.89)
Misc revenue	(28,402.94)	(33,792.29)	(19,810.09)	(1,373.32)	(2,215.02)	(85,593.66)
Budget balance to retained earnings	360,868.32	429,341.80	251,693.47	17,448.44	28,142.57	1,087,494.60
Debt service apportioned to members	700,315.36	833,197.72	488,446.33	33,861.14	54,614.59	2,110,435.14
Total base charges (dollar amount)	\$ 4,056,811.17	\$ 4,826,576.72	\$ 2,829,488.84	\$ 196,151.96	\$ 316,373.30	\$ 12,225,402.00
Gallons treated (actual)	1,132,338,472	1,347,195,686	789,767,859	54,750,000	88,306,220	3,412,358,237
Total base charges (percentage)	33.1835%	39.4799%	23.1443%	1.6045%	2.5878%	100.0000%
Debt service adjustment - increase (decrease)	(348,959.36)	127,063.77	230,547.93	9,127.48	(17,779.81)	0.00
Net participant charges - actual	\$ 3,707,851.81	\$ 4,953,640.49	\$ 3,060,036.78	\$ 205,279.44	\$ 298,593.49	\$ 12,225,402.00
<b>Budget:</b>						
Operating expenses	\$ 3,992,342.83	\$ 4,609,771.52	\$ 2,676,114.07	\$ 189,050.53	\$ 301,902.59	\$ 11,769,181.54
Capital purchase fund contribution	288,337.08	332,929.34	193,275.71	13,653.71	21,804.17	850,000.00
Revenues - septage sludge and leachate receipts	(848,050.23)	(979,203.93)	(568,457.98)	(40,157.96)	(64,129.90)	(2,500,000.00)
Interest	(6,784.40)	(7,833.63)	(4,547.66)	(321.26)	(513.04)	(20,000.00)
Misc revenue	(16,961.00)	(19,584.08)	(11,369.16)	(803.16)	(1,282.60)	(50,000.00)
Budget balance from retained earnings	-	-	-	-	-	-
Debt service	738,217.70	852,385.45	494,835.95	34,957.03	55,824.32	2,176,220.46
Total base charges (dollar amount)	\$ 4,147,101.97	\$ 4,788,464.67	\$ 2,779,850.93	\$ 196,378.88	\$ 313,605.54	\$ 12,225,402.00
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)	34.3651%	38.7654%	22.6643%	1.6287%	2.5764%	100.0000%
Debt service adjustment - increase (decrease)	(348,959.36)	127,063.77	230,547.93	9,127.48	(17,779.81)	0.00
Net participant charges - budget / paid	3,798,142.61	4,915,528.44	3,010,398.86	205,506.36	295,825.73	12,225,402.00
Due (to) from participants at year-end	\$ (90,290.80)	\$ 38,112.05	\$ 49,637.91	\$ (226.92)	\$ 2,767.76	(\$ 0.00)
Allocation:						
Operation	\$ (52,388.46)	\$ 57,299.78	\$ 56,027.54	\$ 868.97	\$ 3,977.49	\$ 65,785.32
Debt service	(37,902.34)	(19,187.73)	(6,389.63)	(1,095.89)	(1,209.73)	(65,785.32)
Amount due ( refund )	\$ (90,290.80)	\$ 38,112.05	\$ 49,637.91	\$ (226.92)	\$ 2,767.76	\$ (0.00)

See Independent Auditors' Report.

**Stony Brook Regional Sewerage Authority**  
**Notes to Schedule of Amounts Refundable to or Receivable from Individual Participants**  
**(unaudited)**  
**Year Ended November 30, 2015**

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**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.

**Stony Brook Regional Sewerage Authority  
Schedule of Revenue Bonds Payable  
November 30, 2015**

**Schedule 5**

<b>2002:</b>	<b><u>Due Fiscal Year Ending:</u></b>	<b><u>Principal Amount</u></b>	<b><u>Rate of Interest</u></b>
	2016	\$ 385,000	5.00%
	2017	395,000	4.00%
		<u>\$ 780,000</u>	
<b>2004:</b>	<b><u>Due Fiscal Year Ending:</u></b>	<b><u>Principal Amount</u></b>	<b><u>Rate of Interest</u></b>
	2016	<u>\$ 235,000</u>	4.10%
<b>2012:</b>	<b><u>Due Fiscal Year Ending:</u></b>	<b><u>Principal Amount</u></b>	<b><u>Rate of Interest</u></b>
	2016	\$ 25,000	3.00%
	2017	270,000	3.00%
	2018	280,000	3.00%
	2019	285,000	4.00%
	2020	305,000	4.00%
	2021	315,000	4.00%
	2022	325,000	4.00%
	2023	340,000	4.00%
	2024	355,000	4.00%
	2025	370,000	4.00%
	2026	385,000	4.00%
	2027	400,000	4.00%
	2028	415,000	4.00%
	2029	430,000	4.00%
	2030	450,000	4.00%
	2031	470,000	4.00%
	2032	490,000	4.00%
	2033	510,000	4.00%
	2034	530,000	4.00%
		<u>\$ 6,950,000</u>	
<b>Total Revenue Bonds Payable</b>		<b><u>\$ 7,965,000</u></b>	

Note: All bond payments due December 1st

See Independent Auditors' Report.

**Stony Brook Regional Sewerage Authority**  
**Schedule of New Jersey Environmental Infrastructure Trust Loans Payable**  
**November 30, 2015**

**Schedule 6**

	<u>Due Fiscal</u>	<u>Principal</u>	<u>Rate of</u>		<u>Due Fiscal</u>	<u>Principal</u>	<u>Rate of</u>	
	<u>Year Ending:</u>	<u>Amount</u>	<u>Interest</u>		<u>Year Ending:</u>	<u>Amount</u>	<u>Interest</u>	<u>Total</u>
<b>2007 Trust:</b>	2016	\$ 140,000	5.00%	<b>2007 Fund:</b>	2016	\$ 148,781	0.00%	
	2017	124,000	5.00%		2017	147,529	0.00%	
	2018	129,000	5.00%		2018	146,121	0.00%	
	2019	137,000	4.00%		2019	147,686	0.00%	
	2020	143,000	4.00%		2020	146,810	0.00%	
	2021	148,000	5.00%		2021	145,809	0.00%	
	2022	157,000	5.00%		2022	146,747	0.00%	
	2023	166,000	4.25%		2023	147,373	0.00%	
	2024	176,000	4.50%		2024	148,577	0.00%	
	2025	181,000	4.50%		2025	146,075	0.00%	
	2026	191,000	4.50%		2026	117,855	0.00%	
	2027	201,000	4.25%		2027	-		
		<u>\$ 1,893,000</u>				<u>\$ 1,589,363</u>		<u>\$ 3,482,363</u>
<b>2009 Trust:</b>	2016	\$ 35,000	5.00%	<b>2009 Fund:</b>	2016	\$ 42,125	0.00%	
	2017	35,000	5.00%		2017	42,125	0.00%	
	2018	40,000	5.00%		2018	42,125	0.00%	
	2019	40,000	4.00%		2019	42,125	0.00%	
	2020	45,000	4.00%		2020	42,125	0.00%	
	2021	45,000	4.00%		2021	42,125	0.00%	
	2022	45,000	3.50%		2022	42,125	0.00%	
	2023	50,000	4.00%		2023	42,125	0.00%	
	2024	50,000	4.00%		2024	42,125	0.00%	
	2025	50,000	3.75%		2025	42,125	0.00%	
	2026	55,000	4.00%		2026	42,125	0.00%	
	2027	55,000	4.00%		2027	42,125	0.00%	
	2028	60,000	4.00%		2028	42,125	0.00%	
	2029	60,000	4.00%		2029	42,125	0.00%	
		<u>\$ 665,000</u>				<u>\$ 589,750</u>		<u>\$ 1,254,750</u>

See Independent Auditors' Report.



**Stony Brook Regional Sewerage Authority**  
**Schedule of New Jersey Environmental Infrastructure Trust Loan Payable (continued)**  
**November 30, 2015**

**Schedule 6**

	<u>Due Fiscal</u>	<u>Principal</u>	<u>Rate of</u>		<u>Due Fiscal</u>	<u>Principal</u>	<u>Rate of</u>
	<u>Year Ending:</u>	<u>Amount</u>	<u>Interest</u>		<u>Year Ending:</u>	<u>Amount</u>	<u>Interest</u>
<b>2010 Trust:</b>	2016	\$ 245,000	5.00%	<b>2010 Fund:</b>	2016	\$ 213,432	0.00%
	2017	260,000	5.00%		2017	213,432	0.00%
	2018	275,000	5.00%		2018	213,432	0.00%
	2019	285,000	5.00%		2019	213,432	0.00%
	2020	300,000	5.00%		2020	213,432	0.00%
	2021	315,000	5.00%		2021	213,432	0.00%
	2022	330,000	5.00%		2022	213,432	0.00%
	2023	350,000	5.00%		2023	213,432	0.00%
	2024	365,000	5.00%		2024	213,432	0.00%
	2025	385,000	5.00%		2025	213,432	0.00%
	2026	405,000	5.00%		2026	213,432	0.00%
	2027	425,000	5.00%		2027	167,030	0.00%
	2028	445,000	5.00%		2028	-	
	2029	145,000	5.00%		2029	-	
		<u>\$ 4,530,000</u>				<u>\$ 2,514,782</u>	
							<u>\$ 7,044,782</u>
<b>2015 Trust:</b>	2016	\$ 35,000	5.00%	<b>2015 Fund:</b>	2016	135,559	0.00%
	2017	40,000	5.00%		2017	135,559	0.00%
	2018	40,000	5.00%		2018	135,559	0.00%
	2019	40,000	5.00%		2019	135,559	0.00%
	2020	45,000	5.00%		2020	135,559	0.00%
	2021	45,000	5.00%		2021	135,559	0.00%
	2022	50,000	5.00%		2022	135,559	0.00%
	2023	50,000	5.00%		2023	135,559	0.00%
	2024	55,000	5.00%		2024	135,559	0.00%
	2025	55,000	5.00%		2025	135,559	0.00%
	2026	60,000	5.00%		2026	135,559	0.00%
	2027	60,000	4.00%		2027	135,559	0.00%
	2028	65,000	4.00%		2028	135,560	0.00%
	2029	65,000	4.00%		2029	135,560	0.00%
	2030	70,000	4.00%		2030	135,560	0.00%
	2031	70,000	4.00%		2031	135,560	0.00%
	2032	75,000	4.00%		2032	135,560	0.00%
	2033	75,000	4.00%		2033	135,560	0.00%
	2034	80,000	4.00%		2034	135,560	0.00%
		<u>\$ 1,075,000</u>				<u>\$ 2,575,628</u>	
							<u>\$ 3,650,628</u>
<b>Totals</b>		<u><b>\$ 8,163,000</b></u>				<u><b>\$ 7,269,523</b></u>	<u><b>\$ 15,432,523</b></u>

Note: All fund payments due August first. All trust payments due February 1st and August 1st.

See Independent Auditors' Report.

**Stony Brook Regional Sewerage Authority** **Schedule 7**  
**Schedule of the Authority's Proportionate Share of the Net Pension Liability – Public**  
**Employees' Retirement System (PERS)**  
**Years Ended November 30, 2015 and 2014**

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	<b>2015</b>	<b>2014</b>
Authority's Proportionate Share of the Net Pension Liability	0.02252953%	0.02157181%
Authority's Covered-Employee Payroll	3,154,616	3,199,381
Authority's Proportionate Share of the Net Pension	\$10,401,913	\$8,380,614
Liability as a Percentage of it's Covered-Employee Payroll	330%	262%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	38.21%	42.74%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

**Notes to Required Supplementary Information:**

**Benefit Changes**

None.

**Changes of Assumptions**

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015.

**See Independent Auditors' Report.**

**Stony Brook Regional Sewerage Authority**  
**Schedule of the Authority's Contributions – Public Employees' Retirement System**  
**(PERS)**  
**Years Ended November 30, 2015 and 2014**

**Schedule 8**

	<b>2015</b>	<b>2014</b>
Contractually required Contribution	\$ 369,009	\$ 337,581
Contributions in Relation to the Contractually Required Contribution	<u>(369,009)</u>	<u>(337,581)</u>
Contribution Deficiency (Excess)	\$ --	\$ --
Percent of base wages	6.92% - 7.06%	6.78% - 6.92%
Authority's Covered-Employee payroll	\$ 3,154,616	\$ 3,199,381
Contributions as a Percentage of Authority's Covered-Employee payroll	11.70%	10.55%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.



# **STONY BROOK REGIONAL SEWERAGE AUTHORITY**

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

**SINGLE AUDIT SECTION**

**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, 2015, 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 May 31, 2016.

**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.



Toms River, New Jersey

May 31, 2016

**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**

**INDEPENDENT AUDITORS' REPORT**

To the Authority Members of  
Stony Brook Regional Sewerage Authority

**Report on Compliance for Each Major Federal and State Program**

We have audited Stony Brook Regional Sewerage Authority's compliance with the types of compliance requirements described in OMB Circular A-133, *Compliance Supplement* and NJ OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* that could have a direct and material effect on each of Stony Brook Regional Sewerage Authority's major federal and state programs for the year ended November 30, 2015. Stony Brook Regional Sewerage Authority's major federal and state programs are identified in the summary of auditors' 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 federal and state programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Stony Brook Regional Sewerage Authority's major federal and 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; and *OMB Circular A-133 and NJ OMB Circular 04-04, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards, *OMB Circular A-133 and New Jersey OMB Circular 04-04* 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 federal or state program occurred. An audit includes examining, on a test basis, evidence about the Stony Brook Regional Sewerage 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 federal and state program. However, our audit does not provide a legal determination of the Stony Brook Regional Sewerage Authority's compliance.

### **Opinion on Each Major Federal and State Program**

In our opinion, the Stony Brook Regional Sewerage 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 federal and state programs for the year ended November 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the Stony Brook Regional Sewerage 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 the Stony Brook Regional Sewerage Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and 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 federal and state program and to test and report on internal control over compliance in accordance with OMB *Circular A-133 and New Jersey OMB Circular 04-04*, 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 the Stony Brook Regional Sewerage 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 federal or 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 Circular 04-04*. Accordingly, this report is not suitable for any other purpose.

*WithumSmith+Brown, PC*

May 31, 2016

**Stony Brook Regional Sewerage Authority**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended November 30, 2015**

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<u>State Grantor/Program Title</u>	<u>State Account Number</u>	<u>Grant Award Amount</u>	<u>Cash Received</u>	<u>Grant Period</u>		<u>Fiscal Year Expenditures</u>	<u>Cumulative Expenditures</u>
				<u>From</u>	<u>To</u>		
<u>NJ Department of Environmental Protection Agency:</u>							
NJ Environmental Infrastructure Trust Program:							
2010 NJEIT Loan	042-4860-711-005	\$ 12,021,600	\$ 106,762	12/02/10	08/01/29	\$ 118,136 *	\$ 11,401,294
2015 NJEIT Loans	042-4860-711-005	<u>4,599,335</u>	<u>686,475</u>	05/28/15	08/01/34	<u>966,451</u>	<u>966,451</u>
Totals		<u>\$ 16,620,935</u>	<u>\$ 793,237</u>			<u>\$ 1,084,587</u>	<u>\$ 12,367,745</u>

\* Fiscal year expenditures for the 2010 NJEIT loan includes \$59,068 of federal passthrough funds from CFDA #66.458

See Independent Auditors' Report

**Stony Brook Regional Sewerage Authority**  
**Notes to Schedule of Expenditures of Federal and State Awards**  
**Year Ended November 30, 2015**

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**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of Stony Brook Regional Sewerage Authority for the year ended November 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Because the Schedule presents only a selected portion of the operations of Stony Brook Regional Sewerage Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of Stony Brook Regional Sewerage Authority. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are generally reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and represent costs incurred under the New Jersey Environmental Infrastructure Trust and Fund Loan programs in the years ended November 30, 2015 and 2014.

**See Independent Auditors' Report**

**Stony Brook Regional Sewerage Authority  
 Schedule of Findings and Questioned Costs  
 Year Ended November 30, 2015**

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**Section I - Summary of Auditor's Results**

**Financial Statements:**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal and State Awards:**

Internal control over major programs:

Material weakness(es) identified?  yes  no

Significant deficiencies identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 New Jersey OMB Circular 04-04?  yes  no

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?  yes  no

Identification of major programs:  
 NJ Environmental Infrastructure Trust Program

**Section II – Financial Statement Findings**

There are no financial statement findings reported.

**Section III – Federal and State Award Findings and Questioned Costs**

There are no federal or state award findings or questioned costs reported.

**Stony Brook Regional Sewerage Authority**  
**Prior Year Schedule of Findings and Questioned Costs**  
**Year Ended November 30, 2015**

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**Prior Audit Findings**

None.

**Findings – Financial Statement Audit**

None.

**Findings and Questioned Costs – Major Federal and State Awards Audit**

None.

**Stony Brook Regional Sewerage Authority**  
**Roster Of Officials (unaudited)**  
**Year Ended November 30, 2015**

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

<b><u>Other Officials</u></b>	<b><u>Position</u></b>
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

\*retired as of 12/31/2015

**Stony Brook Regional Sewerage Authority  
Comments and Recommendations  
Year Ended November 30, 2015**

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None.