

MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
FINANCIAL STATEMENTS AND SCHEDULES

DECEMBER 31, 2014 AND 2013

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THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

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Ferraioli, Wielkocz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkocz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973-579-3212
Fax 973-579-7128

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Commissioners
of the Manchester Utilities Authority
Haledon, NJ 07508

Report on the Financial Statements

We have audited the accompanying statements of net position of the Manchester Utilities Authority (a Component Unit of the Borough of Haledon), as of December 31, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Manchester Utilities Authority as of December 31, 2014, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Honorable Chairperson and Members of the
Manchester Utilities Authority
Page 3.

Other Information

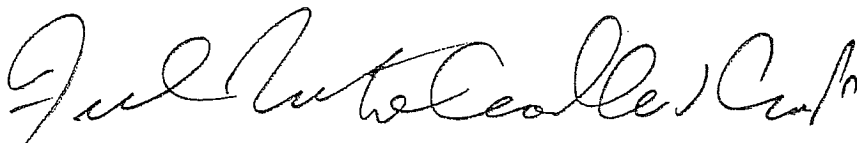
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Manchester Utilities Authority's financial statements. The supplemental schedules and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information listed in the table of contents and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 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 supplemental schedules, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2015 on our consideration of the Manchester Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Manchester Utilities Authority's internal control over financial reporting and compliance.

Very truly yours,



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

May 11, 2015



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Required Supplementary Information

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Management Discussion and Analysis

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THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

As management of the Manchester Utilities Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal year ended December 31, 2014 and 2013. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's assets exceeded its liabilities by \$12,327,102 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$12,574,482.
- Total net position is comprised of the following:
 - (1) Capital assets, net of related debt, of \$11,733,527 include plant and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$79,762 are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$513,813 represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority decreased by \$920,613 to \$7,286,058 during the fiscal year primarily due to decreases in bonds and loans payable, and a decrease in the liability to the Borough of Haledon.

Overview of the Financial Statements

This annual report includes this management discussion, the independent auditor's report and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The *Statement of Net Position* includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the authority.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(CONTINUED)

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

The final required financial statement is the *Statement of Cash Flows*. This statement reports cash receipts and cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as what operational sources provided cash, what was the cash used for, and what was the change in cash balance during the reporting period.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. This supplementary information follows the notes to the financial statements.

Financial Analysis of the Authority

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better able to fulfill its mission as a result of this years activities?" The *Statement of Net Assets* and the *Statement of Revenues, Expenses and Changes in Net Assets* report information about the Authority's activities in a way that will help answer this question. These two statements report net assets of the Authority and the changes in those assets. The reader can think of the Authority's net assets – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(CONTINUED)

Net Position

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Authority as a whole.

The Authority's net position at fiscal year-end is \$12,327,102. This is a \$247,380 decrease under last year's net position of \$12,574,482. A summary of the Authority's statement of net position is presented in the following table:

Condensed Statement of Net Position

	<u>FY 2014</u>	<u>FY 2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>FY 2012</u>
Current and Other Assets	1,350,821	3,440,580	(2,089,759)	(60.74)%	2,371,745
Capital Assets	<u>18,318,930</u>	<u>17,442,266</u>	<u>876,664</u>	5.03%	<u>16,407,639</u>
Total Assets	<u>19,669,751</u>	<u>20,882,846</u>	<u>(1,213,095)</u>		<u>18,779,384</u>
Deferred Outflows of Resources	<u>77,511</u>	_____	<u>77,511</u>	100.00%	_____
Current Liabilities	694,800	1,040,920	(346,120)	(33.25)%	1,010,469
Non-Current Liabilities	<u>6,591,258</u>	<u>7,165,751</u>	<u>(574,493)</u>	(8.02)%	<u>5,188,967</u>
Total Liabilities	<u>7,286,058</u>	<u>8,206,671</u>	<u>(920,613)</u>		<u>6,199,436</u>
Deferred Inflows of Resources	<u>134,102</u>	<u>101,693</u>	<u>32,409</u>	31.87%	<u>81,452</u>
Invested in Capital Assets, Net of Related Debt	11,733,527	11,764,346	(30,819)	(0.26)%	11,666,194
Restricted	79,762	79,762	0	0.00%	87,099
Unrestricted	<u>513,813</u>	<u>730,374</u>	<u>(216,561)</u>	(29.65)%	<u>745,203</u>
	<u>12,327,102</u>	<u>12,574,482</u>	<u>(247,380)</u>	(1.97)%	<u>12,498,496</u>

While the *Statement of Net Position* shows the change in financial position of nets assets, the *Statement of Revenues, Expenses and Changes in Net Position* provides answers as to the nature and source of these changes. As can be seen in the following table, net position decreased by \$247,380.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(CONTINUED)

Net Position (Continued)

Condensed Statement of Net Position

	<u>FY 2014</u>	<u>FY 2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>FY 2012</u>
Operating Revenues	2,661,443	2,468,088	193,355	7.83%	2,460,411
Non-Operating Revenues	<u>1,460</u>	<u>33,293</u>	<u>(31,833)</u>	(95.61)%	<u>91,320</u>
Total Revenues	<u>2,662,903</u>	<u>2,501,381</u>	<u>161,522</u>		<u>2,551,731</u>
Depreciation and Amortization	356,083	336,037	20,046	5.97%	336,078
Other Operating Expenses	2,107,327	1,861,181	246,146	13.23%	2,027,784
Other Non-Operating Expense	<u>446,873</u>	<u>482,943</u>	<u>(36,070)</u>	(7.47)%	<u>468,069</u>
Total Expenses	<u>2,910,283</u>	<u>2,680,161</u>	<u>230,122</u>		<u>2,831,931</u>
Contributions	<u> </u>	<u>254,766</u>	<u>(254,766)</u>	(100.00)%	<u>32,117</u>
Change in Net Position	(247,380)	75,986	(323,366)		(248,083)
Beginning Net Position	<u>12,574,482</u>	<u>12,498,496</u>	<u>75,986</u>	0.61%	<u>12,746,579</u>
Ending Net Position	<u>12,327,102</u>	<u>12,574,482</u>	<u>(247,380)</u>	(1.97)%	<u>12,498,496</u>

Budgetary Highlights

The State of New Jersey requires local authorities to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute and codified as N.J.A.C. 5:31-1 et seq. The statutory budget was designed to demonstrate to the Bureau of Authority Regulation of the Division of Local Government Services that the cash flows of the Authority for the coming year will be sufficient to cover operating expenses, interest accruing on bonded indebtedness and cash payments of maturing bond and loan principal.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(CONTINUED)

The following table provides a 2014 budget comparison:

Budget vs. Actual			
FY 2014			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Net Assets Appropriated	225,000	225,000	0
Operating	2,651,370	2,661,670	10,300
Non-operating	<u>20,689</u>	<u>1,233</u>	<u>(19,456)</u>
	<u>2,897,059</u>	<u>2,887,903</u>	<u>(9,156)</u>
Expenses:			
Operating	2,350,019	2,101,110	248,909
Non-operating	<u>547,040</u>	<u>859,754</u>	<u>(312,714)</u>
	<u>2,897,059</u>	<u>2,960,864</u>	<u>(63,805)</u>
 Income Before Depreciation and Contributions	 <u>0</u>	 <u>(72,961)</u>	 <u>(72,961)</u>

Capital Assets

At the end of 2014, the Authority had invested \$24,715,208 in capital assets. The Authority's net plant and equipment at fiscal year-end was \$18,318,930. This is a \$876,664 increase over last year's net plant, property and equipment of \$17,442,266. A summary of the Authority's capital assets is presented in the following table:

Capital Assets				
	<u>FY 2014</u>	<u>FY 2013</u>	<u>Dollar Change</u>	<u>FY 2012</u>
Structures and Improvements	1,217,852	1,217,852	0	1,217,852
Water Supply and Distribution System	20,159,427	20,159,427	0	20,047,646
Equipment	<u>866,261</u>	<u>866,261</u>	<u>0</u>	<u>803,266</u>
Total Capital Assets	22,243,540	22,243,540	0	22,068,764
 Less:				
Accumulated Depreciation	<u>(6,396,278)</u>	<u>(6,041,745)</u>	<u>(354,533)</u>	<u>(5,699,600)</u>
	15,847,262	16,201,795	(354,533)	16,369,164
 Construction in Progress	 <u>2,471,668</u>	 <u>1,240,471</u>	 <u>1,231,197</u>	 <u>38,475</u>
	<u>18,318,930</u>	<u>17,442,266</u>	<u>876,664</u>	<u>16,407,639</u>

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(CONTINUED)**

The Authority's ongoing capital plan is reviewed each year by the Authority's consulting engineer.

Debt Administration

At December 31, 2014, the Authority had outstanding U.S.D.A. Rural Development Loans of \$2,817,108 and outstanding New Jersey Environmental Infrastructure Trust loans of \$4,042,227. The Borough of Haledon Water Utility has a bond, payable in 2022, outstanding as of December 31, 2014. The principal and interest on this bond is payable by the users of the Manchester Utilities Authority.

Economic Factors, Future Years Budgets and Rates

The Commissioners and management of the Authority consider many factors when preparing each year's budget and annual charges. Two of the main factors are growth in the Authority's system and new regulations issued by the State and Federal governments.

Contacting the Authority

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Manchester Utilities Authority, 510 Belmont Avenue, Haledon, New Jersey 07508.

Financial Statements

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THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Statement of Net Position
December 31, 2014

	2014	2013
<u>ASSETS:</u>		
Current Assets:		
Unrestricted :		
Cash and Cash Equivalents	\$ 407,285	\$ 733,903
Consumer Accounts Receivable	461,222	538,371
Prepaid Expenses	51,703	42,201
Total Unrestricted Assets	920,210	1,314,475
Restricted:		
Debt Service Fund:		
Cash and Cash Equivalents	35,633	35,616
Revenue Fund		
Cash and Cash Equivalents	64,457	64,260
Series 2008 Water Main Improvement Account:		
Cash and Cash Equivalents		101,431
Series 2011 Water System Imp. Account:		
Cash and Cash Equivalents	17,501	525
Non-Current Assets:		
Restricted:		
Due From New Jersey Environmental Infrastructure Trust	313,020	1,924,273
Total Restricted Assets	430,611	2,126,105
Capital Assets:		
Structures and Improvements	1,217,852	1,217,852
Water Supply and Distribution System	20,159,427	20,159,427
Equipment	866,261	866,261
Less: Accumulated Depreciation	(6,396,278)	(6,041,745)
Construction in Progress	2,471,668	1,240,471
Capital Assets (Net)	18,318,930	17,442,266
TOTAL ASSETS	19,669,751	20,882,846
 <u>DEFERRED OUTFLOWS OF RESOURCES:</u>		
Unamortized Deferred Loss on Defeasance of Debt	77,511	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 77,511	\$ -

See accompanying Notes to Financial Statements.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Statement of Net Position
December 31, 2014

	<u>2014</u>	<u>2013</u>
<u>LIABILITIES:</u>		
Current Liabilities Payable from		
Unrestricted Assets:		
Accounts Payable and Accrued Liabilities	\$ 313,491	\$ 254,842
Escrow Deposits Payable	12,151	7,022
Due To Borough of Haledon	<u>80,755</u>	<u>322,237</u>
	<u>406,397</u>	<u>584,101</u>
Current Liabilities Payable from		
Restricted Assets:		
Accrued Interest Payable	20,328	20,114
Notes Payable		250,000
Current Portion of Bonds and Loans Payable	<u>268,075</u>	<u>186,705</u>
	<u>288,403</u>	<u>456,819</u>
Non-Current Liabilities:		
Bonds Payable - NJEIT	3,817,032	4,348,644
Loan Payable - USDA	<u>2,774,226</u>	<u>2,817,107</u>
	<u>6,591,258</u>	<u>7,165,751</u>
TOTAL LIABILITIES	<u>7,286,058</u>	<u>8,206,671</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>		
Unamortized Bond Premiums	<u>134,102</u>	<u>101,693</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>134,102</u>	<u>101,693</u>
<u>NET POSITION:</u>		
Invested in Capital Assets, net of Related Debt	11,733,527	11,764,346
Restricted:		
Debt Service	79,762	79,762
Unrestricted	<u>513,813</u>	<u>730,374</u>
TOTAL NET POSITION	<u>\$ 12,327,102</u>	<u>\$ 12,574,482</u>

See accompanying Notes to Financial Statements.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31,

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Rents	\$ 2,489,205	\$ 2,302,567
Fire Hydrant Service	142,706	140,173
Sprinklers	29,532	25,348
	<u>2,661,443</u>	<u>2,468,088</u>
Operating Expenses:		
Administration	182,467	178,903
Costs of Providing Services	1,924,860	1,682,278
Depreciation	354,531	342,146
	<u>2,461,858</u>	<u>2,203,327</u>
Operating Income (Loss)	199,585	264,761
Non-Operating Revenues/(Expenses):		
Interest on Investments	1,233	1,172
Other Non Operating Revenue	227	12,179
Build America Bonds Reimbursement		19,942
Debt Service	(416,832)	(433,947)
Debt Issuance Costs	(30,041)	(12,516)
Refund of Prior Year Connection Fees		(36,480)
Amortization	(1,552)	6,109
	<u>(446,965)</u>	<u>(443,541)</u>
Income Before Contributions	(247,380)	(178,780)
Contributions:		
NJEIT Principal Forgiveness		143,061
USDA Grant		111,705
		<u>254,766</u>
Change In Net Position	(247,380)	75,986
Net Position - January 1,	<u>12,574,482</u>	<u>12,498,496</u>
Net Position - December 31,	<u>\$ 12,327,102</u>	<u>\$ 12,574,482</u>

See accompanying Notes to Financial Statements.

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THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Statement of Cash Flows
Year Ended December 31,

	2014	2013
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 2,738,592	\$ 2,562,549
Interest Received	1,233	1,172
Other Receipts	5,356	2,390
Cash Paid to Vendors/Employees	(2,299,662)	(1,651,453)
Other Cash Payments		(36,480)
Net cash provided (used) by operating activities	445,519	878,178
Cash Flows from Investing Activities:		
Purchase of Property, Plant and Equipment	(1,231,195)	(1,376,772)
Net cash provided (used) by investing activities	(1,231,195)	(1,376,772)
Cash Flows from Financing Activities:		
Note Principal Paid	(250,000)	(250,000)
Bond Principal Paid	(190,000)	(195,000)
USDA Loan Principal Paid	(41,364)	(39,902)
NJEIT Loan Principal Paid	(145,341)	(120,031)
Interest Paid	(226,618)	(239,589)
Build America Bonds Reimbursement		19,942
USDA Loans/Grants Received		111,705
Received from NJEIT	1,228,140	1,300,203
Net cash provided (used) by non-capital financing activities	374,817	587,328
Net increase / (decrease) in cash and cash equivalents	(410,859)	88,734
Cash and cash equivalents, Beginning of Year	935,735	847,001
Cash and cash equivalents, End of Year	\$ 524,876	\$ 935,735
Reconciliation of Operating Income to Net Cash Provided/(Used) by Operating Activities:		
Operating Income	\$ 199,585	\$ 264,761
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	354,531	342,146
Interest Income	1,233	1,172
Other Non-operating revenue	227	12,179
Prior year connection fee refund		(36,480)
(Increase)/Decrease in:		
Consumer Accounts Receivable	77,149	82,282
Prepaid Expenses	(9,502)	(42,201)
Increase/(Decrease) in:		
Accounts Payable and accrued liabilities	58,649	7,810
Security deposits payable	5,129	2,390
Due to Borough of Haledon	(241,482)	244,119
Net cash provided (used) by operating activities	\$ 445,519	\$ 878,178
Balance reported as:		
Unrestricted	407,285	733,903
Restricted	117,591	201,832
	524,876	935,735

See accompanying Notes to Financial Statements.

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Notes to Financial Statements

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**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 1. GENERAL

The Manchester Utilities Authority (the Authority) is a public body politic and corporate created by Ordinance #2-18-2004A adopted March 17, 2004 by the Borough of Haledon under the Municipal and County Utilities Authorities Laws of the State of New Jersey (P.L. 1957, Chapter 183 as amended and supplemented.

The Authority is responsible for the acquisition, construction, maintenance, operation and improvement of the works for among other things, the accumulation, supply and distribution of water for the residents of the Borough of Haledon, County of Passaic, New Jersey.

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

The Authority shall consist of five (5) commissioners who shall be appointed in accordance with the procedures set forth and for the terms of office provided in N.J.S.A. 40:14B-4.

The Authority's fiscal year is the twelve-month period ending December 31, on any year, or such other twelve-month period, which the Authority may establish by Resolution.

As a public body, under existing statutes, the Authority is exempt from both Federal and State taxes.

GASB has issued Statement No. 14, amended by Statement No. 39, that requires the financial reporting entity to include both the primary government and those component units. Component units are legally separate organizations for which the Authority is financially accountable or other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's board, and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Authority is legally

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 1. GENERAL, (continued)

entitled to or can otherwise access the organization's resources; the Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the Authority has no component units, however the Manchester Utilities Authority is a component unit of the Borough of Haledon.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The accounts of the Authority are organized into one fund with self-balancing accounting records that comprise its assets, liabilities, fund equity, revenues and expenses. The fund type and fund category is as follows:

Proprietary Fund Types

Enterprise Funds - The Enterprise Fund is used to account for governmental operations which are financed and operated in a manner similar to private enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to its users on a continuing basis be financed or recovered primarily through user charges. The Authority maintains an enterprise fund to account for its Water System Operations.

The Authority's financial statements are reported using the economic resources measurements focus and the accrual basis of accounting. All assets and all liabilities associated with the enterprise fund operations are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of operations and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION, (continued)

The Manchester Utilities Authority prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

B. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION

Cash and Cash Equivalents

Cash and cash equivalents include money market funds and short-term investments including certificates of deposit, with a maturity of three months or less carried at cost, which approximates market.

The Authority's investment practices are governed by New Jersey State Statute 40A:5-15. Statutes authorize the Authority to invest in certificates of deposit, repurchase agreements, passbooks, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds and a maturity date not greater than 12 months from the date of purchase. In addition, the Authority can invest in direct debt securities of the United States or obligations guaranteed by the United States, bonds and other obligations of the local municipality or bonds or obligations of school districts of which the Authority is a part or within which the Authority is located unless such investments are expressly prohibited by law.

Investments

Investments consist of Certificates of Deposit and direct obligations of the U.S. Government, U.S. Government Agencies, repurchase agreements and investments in money market funds and are valued at cost, which approximates market (see Note 7).

Inventories

Inventories of materials and supplies are considered expenditures when purchased.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION, (continued)

Accounts Receivable

All receivables are reported at their gross values.

Allowance for Doubtful Accounts

The Authority does not provide an allowance for doubtful accounts because of the Authority's ability to compel payments through the lien or shut off process.

Property, Plant and Equipment

Property, plant and equipment are stated at estimated original cost as provided in a fixed asset appraisal performed by the Authority's engineer.

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

Structures and Improvements	12-75 years
Water Supply and Distribution System	75 years
Equipment	5-20 years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *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.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION, (continued)

Deferred Outflows/Inflows of Resources, (continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows 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 that time.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, and are displayed in the following three components:

Net Investment in Capital Assets

The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent unrelated debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted Component of Net Position

The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION, (continued)

Unrestricted Component of Net Position

The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

C. REVENUES AND EXPENSES

Operating Fund Budget

The budget amounts included in the statement of budget revenues and statement of budget expenditures were approved in accordance with the requirements of the "Local Finance Board" of the State of New Jersey, and were adopted by the Commissioners after legal advertisement and public hearing.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

D. USE OF ESTIMATES

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, and certain claims and judgment liabilities, among other accounts. Actual results could differ from those estimates.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E. RECENT ACCOUNTING PRONOUNCEMENTS, (continued)

The Government Accounting Standards Board issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve financial reporting by state and local government for pensions. It also improves information provided by state and local governmental employees about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating transparency. This Statement is effective for financial statements for fiscal years beginning after June 15, 2014. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

In November 2013, the Government Accounting Standards Board issued GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014. The impact of this statement on the net position of the entity is not presently determinable.

In February 2015, the Government Accounting Standards Board issued GASB Statement No. 72, Fair Value Measurement and Application. This statement provides guidance for determining fair value measurement for financial reporting purposes and applying fair value to certain investments and disclosures related to fair value measurements. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2015. The Authority is currently reviewing what effect, if any, this statement might have on future financial statements.

NOTE 3. FINANCIAL REPORTING ENTITY

The Governmental Accounting Standards Board requires that disclosure be made in the financial statements regarding the financial reporting entity of governmental units.

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the primary government is not accountable but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 3. FINANCIAL REPORTING ENTITY, (continued)

A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and either the primary government is able to impose its will on the organization; or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

The Manchester Utilities Authority is a component unit of the primary government of the Borough of Haledon. The commissioners of the Manchester Utilities Authority are appointed by the Council of the Borough of Haledon, and under the deficiency agreement entered into by the Authority and the Borough of Haledon, the Borough is obligated to make up any deficiency in service charges.

NOTE 4. INTRALOCAL SERVICE AGREEMENT

The Authority has entered into an intralocal service agreement with the Borough of Haledon dated December 16, 2010. Under the terms of this agreement, the Borough will provide certain agreed upon services including daily labor services; emergency labor services; street closing services; administrative services; computer maintenance; general maintenance of Authority property; insurance; purchasing services; administrative space and equipment sharing; and vehicle parking and equipment storage. In consideration for the provision of these "Agreed Upon Services", the Authority will pay a fixed "Agreed Upon Services Payment" in monthly installments on the last business day of each month. The monthly installments will be calculated by dividing the Agreed Upon Services payment in twelve equal installments. All increases to the amount of the Agreed Upon Services Payment may be negotiated on an annual basis.

In addition, the Authority shall be billed annually by the Borough for the debt service on bonds, payable in 2022, that the Borough has outstanding for improvements to the Authority's water system.

The term of this intralocal agreement is for a three-year period. The Authority may terminate this Agreement by notifying the Borough of its intent to terminate the arrangement six months prior to the intended termination date. If the Agreement is neither terminated nor expressly extended by written Agreement, then this agreement will be automatically extended for additional one year periods until such time as it is terminated or superseded by any other written agreement renegotiated between the parties.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 5. WATER DEFICIENCY AGREEMENT

The Authority has entered into an agreement with the Borough of Haledon for a Water Deficiency Agreement. Said agreement states:

“Section 301. Service Charges. (1) With respect to all water supplied by the Authority and for all use and services of the Water System, the Authority will charge Service charges in accordance with the Act. Said Service Charges shall be established at rates estimated to be sufficient to provide for the receipt by the Authority in each Fiscal Year of a sum of money at least equal to the sum of all the amounts necessary in such Fiscal Year (A) to pay or provide for the expenses of operation and maintenance of the Water System and the principal of and interest on any and all Bonds as the same become due, and (B) to maintain such reserves or sinking funds as may be required by the terms of any contract of the Authority or any Bond Resolution, or as may be deemed necessary or desirable by the Authority, and (C) to comply in all respects with the terms and provisions of any Bond Resolution and with the Act, but nothing contained in this Section 301 or this Agreement shall prevent the Authority from charging Service Charges which shall be less than sufficient to comply with the foregoing requirement, provided that the Borough shall have given their written consent to such lesser Service Charges in the manner herein provided.

Section 302. Annual Charge. (1) In any year in which the Authority shall have a deficiency whereby its Service Charges are not sufficient to provide for the items listed in Section 301(1)(A) through (C), the Borough shall pay an Annual Charge. The Annual Charge made and to be charged by the Authority to and payable by the Borough for or with respect to any Fiscal Year shall be the sum of money equal to the excess (if any) of:

(A) The sum of all of the amounts necessary or expended in the Fiscal Year of the Authority during such year (i) to pay or provide for the expenses of construction, acquisition, operation and maintenance of the Water System, including, without limitation, administrative and other expenses of the Authority, insurance, renewals, replacements, extensions, enlargements, alterations and betterments and the principal or redemption price of and interest on all other Bonds as the same become due; (ii) to maintain such reserves or sinking funds as may be required by the terms of any contract of the Authority or any Bond Resolution, or as may be deemed necessary by the Authority; and (iii) to comply in all respects with the terms of any Bond Resolution and with the Act; from which is subtracted.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 5. WATER DEFICIENCY AGREEMENT, (continued)

(B) The sum of the following amounts to the extent available to be used to pay or provide for the amounts described in Section 302(1)(A): (i) Service Charges; (ii) the proceeds of Bonds; (iii) the proceeds of insurance awards received by or for account of the Authority with respect to the Water System; (iv) contributions received by or for account of the Authority with respect to the Water System and not under any circumstances repayable by the Authority until after the payment in full of all other obligations of the Authority including its Bonds, original or refunding or both; or (v) any other funds on hand and available therefor at the beginning of the Fiscal Year.”

The deficiency for the years ended December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Income/(Loss) Before Contributions	(\$247,380)	(\$178,780)
Add Back Depreciation	<u>354,531</u>	<u>342,146</u>
	<u>\$107,151</u>	<u>\$163,366</u>

There is no deficit under the Water Agreement for the years ending December 31, 2014 and 2013.

NOTE 6. CASH AND CASH EQUIVALENTS

General Authorization

The Manchester Utilities Authority’s deposit and investment practices are governed by New Jersey State Statute 40A:5-15.

GASB Statement No. 3, amended by GASB Statement No. 40, requires disclosure of the level of custodial credit risk assumed by the Authority in its cash, cash equivalents and investments.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 6. CASH AND CASH EQUIVALENTS, (continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits. The Authority does not have a policy for custodial credit risk; however, the State of New Jersey imposes certain collateral requirements for governmental units. These requirements are disclosed in detail in Note 2.

Deposits

The Authority's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC) or New Jersey's Governmental Unity 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 are insured up to \$250,000 in the aggregate by the FDIC for each bank. Operating cash, in the form of various checking and savings accounts, are held in the Authority's name by commercial banking institutions. At December 31, 2014, the carrying amount of the Authority's deposits was \$524,876 and the bank balance was \$529,230. Of the bank balance, \$319,785 was insured with Federal Deposit Insurance and \$209,445 was covered by GUDPA.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the Authority's bank accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty, the Authority would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are uncollateralized (securities not pledged by the depositor), collateralized with securities held by the pledging institution or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2014, all of the Authority's deposits were insured with Federal Deposit Insurance or under the provisions of the Governmental Unit Deposit Protection Act (GUDPA) and not exposed to custodial credit risk.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 7. INVESTMENTS

Interest Rate Risk

Investment rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The types of allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States; obligations of federal agencies not exceeding 397 days; bonds or other obligations of the local unit or school districts of which the local unit is a part; government money market mutual funds; local government investment pools; the State of New Jersey Cash Management Fund or agreements to repurchase fully collateralized securities as described in the Statutes.

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer.

As of December 31, 2014, the Authority had no investments.

NOTE 8. PLANT, PROPERTY AND EQUIPMENT

The Authority's plant, property and equipment is valued at estimated acquisition cost based upon an appraisal performed by the Authority's engineer during fiscal year 2008. Subsequent to fiscal year 2008, property, plant and equipment additions are valued at acquisition costs.

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

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 8. PLANT, PROPERTY AND EQUIPMENT, (continued)

A description of the changes in the plant, property and equipment accounts of the Authority for the year ended December 31, 2014 is as follows:

	<u>Balance Dec.31.2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Dec.31.2014</u>
Capital Assets, Not Being Depreciated:				
Construction in Progress	<u>\$1,240,471</u>	<u>\$1,231,197</u>	<u>\$ _____</u>	<u>\$2,471,668</u>
Total Capital Assets, Not Being Depreciated	<u>1,240,471</u>	<u>1,231,197</u>	<u>_____</u>	<u>2,471,668</u>
Capital Assets, Being Depreciated:				
Structures and Improvements	1,217,852			1,217,852
Water Supply and Distribution System	20,159,427			20,159,427
Equipment	<u>866,261</u>	<u>_____</u>	<u>_____</u>	<u>866,261</u>
Total Capital Assets, Being Depreciated	<u>22,243,540</u>	<u>0</u>	<u>_____</u>	<u>22,243,540</u>
Less: Accumulated Depreciation:				
Structures and Improvements	(826,076)	(38,087)		(864,163)
Water Supply and Distribution System	(4,950,452)	(263,683)		(5,214,135)
Equipment	<u>(265,217)</u>	<u>(52,763)</u>	<u>_____</u>	<u>(317,980)</u>
Total Accumulated Depreciation	<u>(6,041,745)</u>	<u>(354,533)</u>	<u>_____</u>	<u>(6,396,278)</u>
Total Capital Assets Being Depreciated, Net	<u>16,201,795</u>	<u>(354,533)</u>	<u>_____</u>	<u>15,847,262</u>
Capital Assets, Net	<u>\$17,442,266</u>	<u>\$876,664</u>	<u>\$ _____</u>	<u>\$18,318,930</u>

NOTE 9. LONG-TERM DEBT

U.S.D.A. Grant/Loan Program

On May 21, 2007, the Authority entered into a loan agreement with the United States Department of Agriculture in order to repay bond anticipation notes outstanding in the Borough of Haledon Water Utility Fund. Under this agreement, the Authority was awarded a grant of \$500,000 and was issued a loan in the amount of \$1,500,000 under the U.S.D.A. Rural Development Program. The loan has an interest rate of 3.25% and a term of 40 years. Payments of principal and interest are due twice annually on May 20 and November 20 of each year to maturity with a final maturity in 2046.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 9. LONG-TERM DEBT, (continued)

U.S.D.A. Grant/Loan Program, (continued)

In April of 2010, the Authority entered into a loan agreement with the United States Department of Agriculture in order to fund outstanding Project Notes, Series 2008 issued to provide funds for various projects relating to the improvement of its water supply and distribution system. Under this agreement, the Authority was awarded a grant of \$450,000 and was issued a loan in the amount of \$1,550,000 under the U.S.D.A. Rural Development Program. This loan has an interest rate of 4.125% and a term of 40 years. Payments of principal and interest are due twice annually in March and September of each year to maturity with a final maturity in 2050.

A summary of the Authority's activity under the U.S.D.A. Rural Development Loan Program for the year ended December 31, 2014 is as follows:

<u>Loan</u>	<u>Original Amount of Loan</u>	<u>Balance Dec.31.2013</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance Dec.31.2014</u>
LN01	\$1,500,000	\$1,367,012	\$	\$23,048	\$1,343,964
LN03	<u>1,550,000</u>	<u>1,491,459</u>	<u> </u>	<u>18,316</u>	<u>1,473,143</u>
	<u>\$3,050,000</u>	<u>\$2,858,471</u>	<u>\$</u>	<u>\$41,364</u>	<u>\$2,817,107</u>
Current Portion		\$41,364			\$42,881
Non-Current Portion		<u>2,817,107</u>			<u>2,774,226</u>
		<u>\$2,858,471</u>			<u>\$2,817,107</u>

New Jersey Environmental Infrastructure Trust Program

Series 2010A

On March 10, 2011, the Authority issued bonds through the New Jersey Environmental Infrastructure Trust Program in order to finance the costs of various improvements to its water supply and distribution system. The \$5,166,375 bonds were issued to evidence loans from the New Jersey Environmental Infrastructure Trust and 0% loans from the State of New Jersey. The Authority is eligible for principal "forgiveness" of \$2,521,109 on the 0% loan under the New Jersey Environmental Infrastructure Trust's ARRA financing program.

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 9. LONG-TERM DEBT, (continued)

New Jersey Environmental Infrastructure Trust Program, (continued)

Series 2013A

On May 22, 2013, the Authority issued bonds through the New Jersey Environmental Infrastructure Trust Program in order to finance various improvements to its water supply and distribution system. The bonds were issued to evidence a loan from the New Jersey Environmental Infrastructure Trust of \$286,121 with interest rates ranging from 3.00% to 5.00%, and a 0% loan from the State of New Jersey in the amount of \$429,182. The Authority is eligible for "principal forgiveness" on the State of New Jersey loan in the amount of \$143,061.

Series 2014A

On May 21, 2014, the Authority issued bonds through the New Jersey Environmental Infrastructure Trust Program in order to finance certain improvements to its water supply and distribution system. The bonds were issued to evidence a loan from the New Jersey Environmental Infrastructure Trust of \$515,000 with interest rates ranging from 3.00% to 3.25%, and a 0% loan from the State of New Jersey in the amount of \$1,531,527.

A summary of the activity under the New Jersey Environmental Infrastructure Trust Program for the year ended December 31, 2014 is as follows:

NJEIT Loans Payable

	<u>Balance</u>		<u>Deobligated/ Retired</u>	<u>Balance</u>
	<u>Dec.31.2013</u>	<u>Issued</u>		<u>Dec.31.2014</u>
	<u>\$4,493,985</u>	<u>\$2,046,527</u>	<u>\$2,498,286</u>	<u>\$4,042,226</u>
Current Portion	\$145,341			\$225,194
Non-Current Portion	<u>4,348,644</u>			<u>3,817,032</u>
	<u>\$4,493,985</u>			<u>\$4,042,226</u>

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 9. LONG-TERM DEBT, (continued)

The Authority's schedule of principal and interest for long-term debt issued and outstanding as of December 31, 2014 is as follows:

Period Ending <u>December 31,</u>	U.S.D.A. Rural <u>Development Loans</u>		NJ Environmental <u>Infrastructure Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$42,881	\$103,893	\$225,194	\$56,049	\$428,017
2016	44,453	102,321	257,543	61,940	466,257
2017	46,084	100,690	257,543	57,045	461,362
2018	47,776	98,998	262,543	49,199	458,516
2019	49,531	97,242	267,543	41,996	456,312
2020-2050	<u>2,586,382</u>	<u>1,671,337</u>	<u>2,771,860</u>	<u>223,184</u>	<u>7,252,763</u>
	<u>\$2,817,107</u>	<u>\$2,174,481</u>	<u>\$4,042,226</u>	<u>\$489,413</u>	<u>\$9,523,227</u>

NOTE 10. DUE FROM NJ ENVIRONMENTAL INFRASTRUCTURE TRUSTS

As described above, the Authority had loans with the New Jersey Environmental Infrastructure Trust to finance the cost of various improvements to its water supply and distribution system as follows:

<u>Balance</u>	<u>Loans</u>	<u>Deobligations/</u>	<u>Balance</u>
<u>Dec.31,2013</u>	<u>Approved</u>	<u>Reimbursements</u>	<u>Dec.31,2014</u>
		<u>Received</u>	
<u>\$1,924,273</u>	<u>\$2,057,032</u>	<u>\$3,668,285</u>	<u>\$313,020</u>

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 11. UNAMORTIZED BOND PREMIUM

In connection with its New Jersey Environmental Infrastructure Trust financings, the Authority has received premiums of \$122,176. These premiums are being amortized using the straight-line method over the life of the NJEIT loans. The activity and unamortized balance in this account at December 31, 2014 is as follows:

Unamortized Balance <u>Dec.31.2013</u>	Premium Received	<u>Amortization</u>	Unamortized Balance <u>Dec.31.2014</u>
<u>\$101,693</u>	<u>\$40,545</u>	<u>\$8,136</u>	<u>\$134,102</u>

NOTE 12. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to general liability, damage and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority has obtained insurance coverage to guard against these events which will provide minimum exposure to the Authority should they occur.

NOTE 13. DUE TO THE BOROUGH OF HALEDON

At December 31, 2014, the Authority had \$80,755 due to the Borough of Haledon. This amount represents amounts paid by the Borough of Haledon Water Utility fund on behalf of the Manchester Utilities Authority. This amount is reported as follows:

Payable from Unrestricted Assets	<u>\$80,755</u>
----------------------------------	-----------------

NOTE 14. DEFERRED LOSS ON DEFEASANCE OF DEBT

In November of 2013, the New Jersey Environmental Infrastructure Trust defeased a portion of its Series 2010A Bonds. This defeasance resulted in a deferred loss of \$87,200 for the Manchester Utilities Authority. This loss is being amortized on a straight-line basis over the life of the remaining Series 2010A Bonds.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 15. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION

The Manchester Utilities Authority contributes to the State Health Benefits Program (SHBP) a cost-sharing, multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. The SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 2009, the Manchester Utilities Authority authorized participation in the SHBP's post-retirement benefit program through resolution number 2009-53. Under the resolution adopted by the Authority, members enrolled in the New Jersey State Health Benefits Program who retire from the Manchester Utilities Authority with 25 years or more of service in the State of New Jersey pension system or retire on an approved disability retirement are eligible to participate in the SHBP's post-retirement benefit program, which includes surviving spouses and dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf>.

Funding Policy

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating employees in the SHBP are billed to the Manchester Utilities Authority on a monthly basis. Currently, the Manchester Utilities Authority has no eligible retirees.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 16. COMMITMENTS AND CONTINGENCIES

As of December 31, 2014 and the date of this report, Authority counsel advises that the Authority is involved in unsettled or pending litigation, judgments or claims as described below:

- A. During this timeframe, litigation was pending in the matter of APS Contractors, Inc. v. Manchester Utilities Authority and Metra Industries, Inc., Docket No. L-3705-11 was filed on August 5, 2011. The Plaintiff alleged that it is owed certain sums of monies in connection with a capital improvement Contract, which has been completed but final payment was not tendered due to Plaintiff's dispute with the sums and Plaintiff's bond company directing that no payment be made due to Plaintiff's dispute with its subcontractor (co-Defendant, Metra Industries). APS Contractors, Inc. was asserting claims against the MUA in excess of \$200,000.00 and after beginning the trial, the parties agreed to settle the matter for the lump sum payment of \$40,000.00 to APS Contractors, Inc. from the MUA. There is no insurance coverage for this claim; however, this payment was made through the MUA's construction financing for this project.

- B. In 2012, litigation was settled in the matter of Volpe v. Manchester Utilities Authority, et al., Docket No. L-5281-09, filed on December 10, 2009. The Borough of Haledon and MUA's insurance carrier has assigned its Counsel to defend the MUA and without the consent of the MUA settled the matter for a lump sum payment of \$325,000.00. To date, the insurance carrier has not formally sought any contribution from the MUA for this payment. However, on June 28, 2013, the insurance company sent a Retention & Coinsurance Reimbursement Invoice requesting the sum of \$100,000.00 to the Borough of Haledon Clerk. The MUA disputes that any monies are due and owing from the MUA to the insurance carrier and as such, has not paid any portion of this reimbursement request.

NOTE 17. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through May 11, 2015, the date which the financial statements were available to be issued and no other items were noted for disclosure.

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Required Supplementary Schedules

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THE MANCHESTER UTILITIES AUTHORITY
 (A Component Unit of the Borough of Haledon)
 Schedule of Revenue, Expenses and Changes in Net Position
 Restricted and Unrestricted
 For The Year Ended December 31,

	Totals (Memo)		
	Unrestricted	Invested In Capital Assets	Current Debt Service
Operating Revenues:			
Rents	2,489,205		2,302,567
Fire Hydrant Service	142,706		140,173
Sprinklers	29,532		25,348
Total Operating Revenue	2,661,443	-	2,468,088
Operating Expenses:			
Cost of Providing Services	1,924,860		1,682,278
Administrative and Executive	182,467		178,903
Depreciation	354,531		342,146
Total Operating Expenses	2,461,858	-	2,203,327
Operating Income	199,585	-	264,761
Non-Operating Revenue/(Expenses):			
Interest Income	1,233		1,172
Other Non-operating Revenue	227		12,179
Build America Bonds Reimbursement			19,942
Debt Service	(416,832)		(433,947)
Debt Issuance Costs	(30,041)		(12,516)
Refund of Prior Year Connection Fees			(36,480)
Amortization	(1,552)		6,109
Total Non-Operating Revenue/(Expenses)	(446,965)	-	(443,541)
Net Income / (Loss) Before Transfers and Contributions	(247,380)	-	(178,780)
Transfers:			
Other	30,819	(30,819)	-
Contributions:			
NJEIT Principal Forgiveness			143,061
USDA Grant			111,705
Increase / (Decrease) in Net Position	(216,561)	(30,819)	75,986
Net Position - January 1,	730,374	11,764,346	12,498,496
Net Position - December 31,	513,813	11,733,527	12,574,482

THE MANCHESTER UTILITIES AUTHORITY
 (A Component Unit of the Borough of Haledon)
 Schedule of Cash Receipts, Cash Disbursements and
 Changes in Cash and Cash Equivalents -
 Unrestricted and Restricted Accounts
 Year Ended December 31, 2014

	Operating Account	Series 2007 Revenue	Series 2007 Debt Service	Water Main Imp. Account	2011 Water System NJEIT	Escrow Account	Total
Cash and Cash Equivalents - January 1, 2014	\$ 737,002	\$ 34,139	\$ 35,616	\$ 101,431	\$ 525	\$ 7,022	\$ 935,755
Cash Receipts:							
Interest on Investments and Deposits	1,098	14	17	31	73	24	1,257
Water Rents	2,566,355						2,566,355
Fire Hydrant Service	142,706						142,706
Sprinklers	29,532						29,532
NJEIT Funds					1,217,809		1,217,809
Escrow Deposits						6,000	6,000
Other	27,453				15,944		43,397
Transfers	245,996						245,996
	3,013,140	14	17	31	1,233,826	6,024	4,253,052
Cash Disbursements:							
Operations	2,413,408						2,413,408
Construction Expenses					1,216,850		1,216,850
Debt Service	785,138						785,138
Investment Expenses	1,625						1,625
Escrow Expenses						894	894
Transfers	144,534			101,462			245,996
	3,344,705			101,462	1,216,850	894	4,663,911
Cash and Cash Equivalents - December 31, 2014	\$ 425,437	\$ 34,153	\$ 35,633	\$ -	\$ 17,501	\$ 12,152	\$ 524,876
ANALYSIS OF BALANCE:							
Unrestricted	395,133					12,152	407,285
Restricted	30,304	34,153	35,633		17,501		117,591
	425,437	34,153	35,633		17,501	12,152	524,876
Cash and Cash Equivalents Investments	425,437	34,153	35,633		17,501	12,152	524,876
	425,437	34,153	35,633		17,501	12,152	524,876

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Supplementary Schedule of Operating Revenues and Appropriations -
Budget vs. Actual
Year Ended December 31, 2014
With Comparative Actual Amounts
in December 31, 2013

	2014 <u>Budget</u>	2014 <u>Actual</u>	2013 <u>Actual</u>
Revenues:			
Retained Earnings Appropriated	225,000	225,000	75,000
Service Fees	2,505,000	2,489,205	2,302,567
Fire Hydrant Service	126,480	142,706	140,173
Sprinklers	19,890	29,532	25,348
Miscellaneous	14,689	227	12,179
Interest on Investments and Deposits	6,000	1,233	1,172
Total Operating Revenues	<u>2,897,059</u>	<u>2,887,903</u>	<u>2,556,439</u>
Expenses:			
Administration:			
Salaries and Wages	11,000	9,000	9,000
Social Security		689	689
Administrative Fees	25,000	20,100	20,814
Attorney Fees	76,000	56,224	55,147
Engineering Fees	41,000	53,784	50,855
Auditor Fees	41,000	35,045	33,180
Bank Fees	2,600	1,625	3,218
Bookkeeper	6,000	6,000	6,000
Subtotal Administration	<u>202,600</u>	<u>182,467</u>	<u>178,903</u>
Cost of Providing Services:			
Borough Contract	384,000	464,755	360,000
Chemicals	35,000	10,440	21,557
Office Supplies	3,000	2,184	1,963
Permits	750	2,685	
Postage	6,400	8,374	6,490
Telephone	15,000	17,172	16,462
Lab Testing	20,000	19,439	20,716
Legal Advertisements	3,000	2,632	3,376
Licensed Operator	16,000	14,898	14,898
Maintenance to Buildings	2,500	9,161	2,270
Meter Purchases & Replacement	1,500	20,099	143
Passaic Valley Water Commission	1,037,000	991,626	897,736
Pump Maintenance	10,000	11,382	1,717
Emergency Repairs	100,000	174,366	103,538
Repairs			22,448
Utilities	140,000	114,012	125,481
Hydrant Repairs	60,000	15,170	36,143
Computer Maintenance/Software	4,000	6,490	5,573
Other Insurance	46,000	520	520
Road Openings			1,095
Service Contracts	6,000	3,867	3,443
State Taxes and Fees	6,000	5,900	5,940
Subscriptions/Dues	1,000	435	823
Miscellaneous	15,000	23,036	11,918
Subtotal Cost of Providing Services	<u>1,912,150</u>	<u>1,918,643</u>	<u>1,664,250</u>

THE MANCHESTER UTILITIES AUTHORITY
 (A Component Unit of the Borough of Haledon)
 Supplementary Schedule of Operating Revenues and Appropriations -
 Budget vs. Actual
 Year Ended December 31, 2014
 With Comparative Actual Amounts
 in December 31, 2013

	<u>2014</u> Budget	<u>2014</u> Actual	<u>2013</u> Actual
Capital Outlay:			
Various Improvements	<u>65,000</u>	<u>6,217</u>	<u>18,028</u>
Debt Service:			
Bond Principal	190,000	190,000	195,000
USDA Loan #1	67,290	67,259	67,260
USDA Loan #2	79,485	79,390	79,393
Note Principal	117,000	250,000	250,000
Interest on Bonds	45,269	45,269	49,119
Interest on Notes	6,375	6,375	13,712
NJEIT Loans	<u>211,890</u>	<u>215,244</u>	<u>189,396</u>
Subtotal Debt Service	<u>717,309</u>	<u>853,537</u>	<u>843,880</u>
Total Costs Funded by Operating Revenues	<u>2,897,059</u>	<u>2,960,864</u>	<u>2,705,061</u>
Excess/(Deficit) of Total Revenues Over/(Under) Total Expenses	<u>-</u>	<u>(72,961)</u>	<u>(148,622)</u>
Reconciliation of Budgetary Basis To Change in Net Position:			
Depreciation		(354,531)	(342,146)
Amortization		(1,552)	6,109
USDA Loan Principal		41,364	39,902
NJEIT Principal		145,341	120,031
Note Principal		250,000	250,000
Contributions			254,766
Build America Bonds Reimbursement			19,942
Retained Earnings Appropriated		(225,000)	(75,000)
Bond Issuance Costs		(30,041)	(12,516)
Refund of Prior Year Connection Fees			<u>(36,480)</u>
Change in Net Position		<u>(247,380)</u>	<u>75,986</u>

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2014

Date	Original Amount	Interest Rate	Date	Maturities Amount	Balance 01/01/14	Issued	Redeemed or Retired	Balance 12/31/14
New Jersey Environmental Infrastructure Trust - Trust Loan Series 2010A								
03/10/10	1,310,000	5.000%	08/01/2015	55,000				
		5.000%	08/01/2016	60,000				
		5.000%	08/01/2017	60,000				
		5.000%	08/01/2018	65,000				
		4.000%	08/01/2019	70,000				
		5.000%	08/01/2020	70,000				
		3.000%	08/01/2021	75,000				
		4.000%	08/01/2022	75,000				
					1,210,000		680,000	530,000
New Jersey Environmental Infrastructure Trust - Fund Loan Series 2010								
03/10/10	1,260,555	0.000%	02/01/2015	23,344				
		0.000%	08/01/2015	46,687				
		0.000%	02/01/2016	23,344				
		0.000%	08/01/2016	46,687				
		0.000%	02/01/2017	23,344				
		0.000%	08/01/2017	46,687				
		0.000%	02/01/2018	23,344				
		0.000%	08/01/2018	46,687				
		0.000%	02/01/2019	23,344				
		0.000%	08/01/2019	46,687				
		0.000%	02/01/2020	23,344				
		0.000%	08/01/2020	46,687				
		0.000%	02/01/2021	23,344				
		0.000%	08/01/2021	46,687				
		0.000%	02/01/2022	23,344				
		0.000%	08/01/2022	46,687				
		0.000%	02/01/2023	23,344				
		0.000%	08/01/2023	46,687				
		0.000%	02/01/2024	23,344				
		0.000%	08/01/2024	46,687				
		0.000%	02/01/2025	23,344				
		0.000%	08/01/2025	46,687				
		0.000%	02/01/2026	23,344				
		0.000%	08/01/2026	46,687				
		0.000%	02/01/2027	23,344				
		0.000%	08/01/2027	46,687				
		0.000%	02/01/2028	9,487				
					989,921		70,031	919,890

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2014

Date	Original Amount	Interest Rate	Maturities		Balance 01/01/14	Issued	Redeemed or Retired	Balance 12/31/14
			Date	Amount				
05/22/13	280,000	4.000%	08/01/2015	10,000.00				
		4.000%	08/01/2016	10,000.00				
		4.000%	08/01/2017	10,000.00				
		4.000%	08/01/2018	10,000.00				
		4.000%	08/01/2019	10,000.00				
		4.000%	08/01/2020	15,000.00				
		4.000%	08/01/2021	15,000.00				
		4.000%	08/01/2022	15,000.00				
		5.000%	08/01/2023	15,000.00				
		5.000%	08/01/2024	15,000.00				
		3.000%	08/01/2025	15,000.00				
		3.000%	08/01/2026	15,000.00				
		3.000%	08/01/2027	15,000.00				
		3.000%	08/01/2028	20,000.00				
		3.000%	08/01/2029	20,000.00				
		3.000%	08/01/2030	20,000.00				
		3.000%	08/01/2031	20,000.00				
		3.000%	08/01/2032	20,000.00				
					280,000.00		10,000.00	270,000.00

New Jersey Environmental
Infrastructure Trust - Trust
Loan Series 2013A

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2014

Date	Original Amount	Interest Rate	Maturities		Balance 01/01/14	Issued	Redeemed or Retired	Balance 12/31/14
			Date	Amount				
05/21/14	515,000	3.000%	08/01/2015	20,000				
		3.000%	08/01/2016	20,000				
		5.000%	08/01/2017	20,000				
		5.000%	08/01/2018	20,000				
		5.000%	08/01/2019	20,000				
		5.000%	08/01/2020	25,000				
		5.000%	08/01/2021	25,000				
		5.000%	08/01/2022	25,000				
		5.000%	08/01/2023	25,000				
		5.000%	08/01/2024	25,000				
		3.000%	08/01/2025	30,000				
		3.000%	08/01/2026	30,000				
		3.000%	08/01/2027	30,000				
		3.000%	08/01/2028	30,000				
		3.000%	08/01/2029	30,000				
		3.000%	08/01/2030	35,000				
		3.000%	08/01/2031	35,000				
		3.125%	08/01/2032	35,000				
		3.250%	08/01/2033	35,000				
					515,000		515,000	

New Jersey Environmental
Infrastructure Trust - Trust
Loan #series 2014A

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2014

Original		Interest Rate	Maturities		Balance 01/01/14	Issued	Redeemed or Retired	Balance 12/31/14
Date	Amount		Date	Amount				
05/21/14	1,531,527	0.0009%	08/01/2015	54,697				
			02/01/2016	27,349				
			08/01/2016	54,697				
			02/01/2017	27,349				
			08/01/2017	54,697				
			02/01/2018	27,349				
			08/01/2018	54,697				
			02/01/2019	27,349				
			08/01/2019	54,697				
			02/01/2020	27,349				
			08/01/2020	54,697				
			02/01/2021	27,349				
			08/01/2021	54,697				
			02/01/2022	27,349				
			08/01/2022	54,697				
			02/01/2023	27,349				
			08/01/2023	54,697				
			02/01/2024	27,349				
			08/01/2024	54,697				
			02/01/2025	27,349				
			08/01/2025	54,697				
			02/01/2026	27,349				
			08/01/2026	54,697				
			02/01/2027	27,349				
			08/01/2027	54,697				
			02/01/2028	27,349				
			08/01/2028	54,697				
			02/01/2029	27,349				
			08/01/2029	54,697				
			02/01/2030	27,349				
			08/01/2030	54,697				
			02/01/2031	27,349				
			08/01/2031	54,697				
			02/01/2032	27,349				
			08/01/2032	54,698				
			02/01/2033	27,349				
			08/01/2033	54,698				
						1,531,527		1,531,527

New Jersey Environmental
Infrastructure Trust - Fund
Loan Series 2014A

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2014

Date	Original Amount	Interest Rate	Maturities Date	Amount	Balance		Redeemed or Retired	Balance 12/31/14
					01/01/14	Issued		
05/21/07	1,500,000	3.250%	05/21/2015	11,806				
			11/20/2015	11,997				
			05/21/2016	12,192				
			11/20/2016	12,391				
			05/21/2017	12,592				
			11/20/2017	12,796				
			05/21/2018	13,004				
			11/20/2018	13,216				
			05/21/2019	13,430				
			11/20/2019	13,649				
			05/21/2020	13,871				
			11/20/2020	14,096				
			05/21/2021	14,325				
			11/20/2021	14,558				
			05/21/2022	14,794				
			11/20/2022	15,035				
			05/21/2023	15,279				
			11/20/2023	15,527				
			05/21/2024	15,780				
			11/20/2024	16,036				
			05/21/2025	16,297				
			11/20/2025	16,561				
			05/21/2026	16,831				
			11/20/2026	17,104				
			05/21/2027	17,382				
			11/20/2027	17,665				
			05/21/2028	17,952				
			11/20/2028	18,243				
			05/21/2029	18,540				
			11/20/2029	18,841				
			05/21/2030	19,147				
			11/20/2030	19,458				

United States Department
of Agriculture Rural
Development Loan (LN-01)

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2014

Date	Original Amount	Interest Rate	Date	Maturities	Amount	Balance	Issued	Redeemed or Retired	Balance
						01/01/14			12/31/14
05/21/07	1,500,000	3.250%	05/21/2031		19,775				
			11/20/2031		20,096				
			05/21/2032		20,422				
			11/20/2032		20,754				
			05/21/2033		21,092				
			11/20/2033		21,434				
			05/21/2034		21,783				
			11/20/2034		22,137				
			05/21/2035		22,496				
			11/20/2035		22,862				
			05/21/2036		23,233				
			11/20/2036		23,611				
			05/21/2037		23,995				
			11/20/2037		24,384				
			05/21/2038		24,781				
			11/20/2038		25,183				
			05/21/2039		25,593				
			11/20/2039		26,009				
			05/21/2040		26,431				
			11/20/2040		26,861				
			05/21/2041		27,297				
			11/20/2041		27,741				
			05/21/2042		28,192				
			11/20/2042		28,650				
			05/21/2043		29,115				
			11/20/2044		29,588				
			05/21/2044		30,069				
			11/20/2044		30,558				
			05/21/2045		31,054				
			11/20/2045		31,559				
			05/21/2046		32,072				
			11/20/2046		32,593				
			05/21/2047		32,150				
						1,367,013		23,048	1,343,965

United States Department
of Agriculture Rural
Development Loan (LN-01)
(Cont'd.)

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2014

Date	Original Amount	Interest Rate	Maturities Date	Amount	Balance 01/01/14	Issued	Redeemed or Retired	Balance 12/31/14
03/29/10	1,550,000	4.125%	03/29/2015	9,442				
			09/29/2015	9,636				
			03/29/2016	9,834				
			09/29/2016	10,036				
			03/29/2017	10,243				
			09/29/2017	10,453				
			03/29/2018	10,668				
			09/29/2018	10,888				
			03/29/2019	11,112				
			09/29/2019	11,340				
			03/29/2020	11,574				
			09/29/2020	11,812				
			03/29/2021	12,055				
			09/29/2021	12,305				
			03/29/2022	12,556				
			09/29/2022	12,814				
			03/29/2023	13,077				
			09/29/2023	13,346				
			03/29/2024	13,621				
			09/29/2024	13,901				
			03/29/2025	14,187				
			09/29/2025	14,479				
			03/29/2026	14,777				
			09/29/2026	15,081				
			03/29/2027	15,391				
			09/29/2027	15,707				
			03/29/2028	16,030				
			09/29/2028	16,360				
			03/29/2029	16,697				
			09/29/2029	17,040				
			03/29/2030	17,391				
			09/29/2030	17,748				

United States Department
of Agriculture Rural
Development Loan (LN-03)

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Schedule of Bonds and Loans Payable
December 31, 2014

Date	Original		Interest Rate	Maturities		Balance 01/01/14	Issued	Redeemed or Retired	Balance 12/31/14
	Date	Amount		Date	Amount				
03/29/10		1,550,000	4.125%	03/29/2031	18,113				
				09/29/2031	18,486				
				03/29/2032	18,866				
				09/29/2032	19,254				
				03/29/2033	19,650				
				09/29/2033	20,054				
				03/29/2034	20,467				
				09/29/2034	20,888				
				03/29/2035	21,317				
				09/29/2035	21,756				
				03/29/2036	22,203				
				09/29/2036	22,660				
				03/29/2037	23,126				
				09/29/2037	23,602				
				03/29/2038	24,087				
				09/29/2038	24,583				
				03/29/2039	25,088				
				09/29/2039	25,604				
				03/29/2040	26,131				
				09/29/2040	26,669				
				03/29/2041	27,217				
				09/29/2041	27,777				
				03/29/2042	28,348				
				09/29/2042	28,931				
				03/29/2043	29,526				
				09/29/2043	30,134				
				03/29/2044	30,753				
				09/29/2044	31,386				
				03/29/2045	32,032				
				09/29/2045	32,690				
				03/29/2046	33,363				
				09/29/2046	34,049				
				03/29/2047	34,749				
				09/29/2047	35,464				
				03/29/2048	36,193				
				09/29/2048	36,938				
				03/29/2049	37,698				
				09/29/2049	38,473				
				03/29/2050	39,219				
Grand Totals						1,491,459		18,316	1,473,143
						7,352,456	2,046,527	2,539,648	6,859,335
Current Portion						186,705			268,075
Non-Current Portion						7,165,751			6,591,260
						7,352,456			6,859,335

United States Department
of Agriculture Rural
Development Loan (LN-03)
(Cont'd)

Grand Totals
Current Portion
Non-Current Portion

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THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)
Roster of Officials
December 31, 2014

Commissioners

Victor D'Ambrosio

Muhammed Malgosh

James Van Sickle

Dewan Chowdhury

Phil Zofrea (Alternate)

Authority Consultant

Malcolm Pirnie/ARCADIS

General Counsel

Fronzuto Law Group

Bond Counsel

John Hudak, Esq.

Authority Auditor

Ferraioli, Wielkocz, Cerullo & Cuva

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Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973-579-3212
Fax 973-579-7128

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

Honorable Chairman and Commissioners
of the Manchester Utilities Authority
Haledon, NJ 07508

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; 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 Manchester Utilities Authority, as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated May 11, 2015.

Internal Control Over Financial Reporting

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

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



Honorable Chairman and Members of the
Manchester Utilities Authority
Page 2.

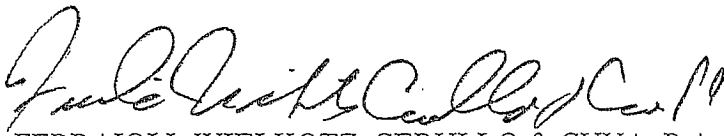
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

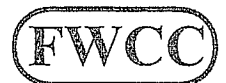
Purpose of this Report

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.



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

May 11, 2015



Ferraioli, Wielkottz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
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401 Wanaque Avenue
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973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973-579-3212
Fax 973-579-7128

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND N.J. OMB CIRCULAR 04-04

Honorable Chairman and Commissioners
of the Manchester Utilities Authority
Haledon, NJ 07508

Report on Compliance for Each Major Federal and State Program

We have audited the Manchester Utilities Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Manchester Utilities Authority's major federal and state programs for the year ended December 31, 2014. The Manchester Utilities Authority's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Manchester Utilities 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, *Audits of States, Local Governments, and Non-Profit Organizations* and Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133 and N.J. 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 and state program occurred. An audit includes examining, on a test basis, evidence about the Manchester Utilities Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our 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 Manchester Utilities Authority's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Manchester Utilities Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the Manchester Utilities Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Manchester Utilities Authority's internal control over compliance with the type 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 N.J. 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 Manchester Utilities Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal and 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 and 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 and 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.

Honorable Chairman and Members of the
Manchester Utilities Authority
Page 3.

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 N.J. OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

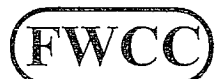
Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133

We have audited the financial statements of the Manchester Utilities Authority as of and for the year ended December 31, 2014, and have issued our report there dated May 11, 2015 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and N.J. OMB Circular 04-04 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal and state awards is fairly stated in all material respects in relation to the financial statements as a whole.



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

May 11, 2015



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Single Audit Section

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THE MANCHESTER UTILITIES AUTHORITY
 (A Component Unit of the Borough of Haledon)
 Schedule of Expenditures of Federal Awards
 Fiscal Year Ended December 31, 2014

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Grant ID Number	Program Amount	Grant Period		Cash Received		Program Expenditures		(MEMO) Cumulative Expenditures
				From	To	Prior Years	Current Year	Prior Years	Current Year	
U.S. Department of Environmental Protection:										
<i>Pass Through New Jersey Department of Environmental Protection:</i>										
Capitalization Grants for Drinking Water State Revolving Funds:										
NJDEP Loan	66.468	1603001-011	\$ 286,121	n/a	n/a	222,562	20,767	222,562	20,767	243,329
	66.468	1603001-006	\$ 788,434	n/a	n/a	351,759	385,214	351,759	385,214	736,973
	66.468	1603001-012	\$ 196,702	n/a	n/a	47,551	113,175	47,551	113,175	160,726
	66.468	1603001-013	\$ 546,391	n/a	n/a	110,499	376,032	110,499	376,032	486,531
NJDEP Loan - Principal Forgiveness	66.468	1603001-011	\$ 143,061	n/a	n/a	111,280	10,382	111,280	10,382	121,662
Subtotal						843,651	905,570	843,651	905,570	1,749,221
Total Federal Financial Assistance						843,651	905,570	843,651	905,570	1,749,221

See accompanying notes to schedules of expenditures of federal awards and state financial assistance.

THE MANCHESTER UTILITIES AUTHORITY
 (A Component Unit of the Borough of Haledon)
 Schedule of Expenditures of State Financial Assistance
 Fiscal Year Ended December 31, 2014

State Grantor/Pass-Through Grantor/Program	Grant ID Number	Program Amount	Grant Period		Cash Received		Program Expenditures		(MEMO) Cumulative Expenditures
			From	To	Prior Years	Current Year	Prior Years	Current Year	
New Jersey Department of Environmental Protection: NJ Environmental Infrastructure Trust Program	163001-011	\$ 286,121	n/a	n/a	222,562	20,767	222,562	20,767	243,329
	163001-006	\$ 262,811	n/a	n/a	117,253	128,404	117,253	128,404	245,657
	163001-012	\$ 65,567	n/a	n/a	15,851	37,724	15,851	37,724	53,575
	163001-013	\$ 182,130	n/a	n/a	36,833	125,344	36,833	125,344	162,177
Total State Financial Assistance					392,499	312,239	392,499	312,239	704,738

NOTE: THIS SCHEDULE WAS NOT SUBJECT TO AN AUDIT IN ACCORDANCE WITH STATE
 OF NEW JERSEY OMB CIRCULAR 04-04.

See accompanying notes to schedules of expenditures of federal awards and state financial assistance.

MANCHESTER UTILITIES AUTHORITY

NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
DECEMBER 31, 2014

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance present the activity of all federal and state award programs of the Manchester Utilities Authority. The Authority is defined in Note 1 to the Authority's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state financial assistance passed through other government agencies is included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented on the accrual basis of accounting. This basis of accounting is described in Note 2(A) to the Authority's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Awards and financial assistance revenues are reported in the Authority's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Enterprise Fund	<u>\$905,570</u>	<u>\$312,239</u>	<u>\$1,217,809</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

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MANCHESTER UTILITIES AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED DECEMBER 31, 2014

Section I--Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? _____ yes _____ X no

2) Significant deficiency(ies) identified that are not considered to be material weaknesses reported? _____ yes _____ X none

Noncompliance material to general-purpose financial statements noted? _____ yes _____ X no

Federal Awards

Internal Control over major programs:

1) Material weakness(es) identified? _____ yes _____ X no

2) Significant deficiencies identified that are not considered to be material weaknesses reported? _____ yes _____ X none

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 section .510(a) of OMB Circular A-133? _____ yes _____ X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.468	Capitalization Grants - Drinking Water State Revolving Funds

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

Auditee qualified as low-risk auditee? _____ yes _____ X no

State Awards

Not Applicable

MANCHESTER UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014

Section II--Financial Statement Findings

No matters were reported.

Section III--Federal Awards and State Financial Assistance Findings and Questioned Costs

No matters were reported.

MANCHESTER UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2014

Status of Prior Year Findings

A review was performed on all prior year's audit findings and corrective action was taken on all items.

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Comments and Recommendations

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**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-3

N.J.S.A. 40A:11-4 states "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law."

Effective July 1, 2005 and thereafter the bid thresholds in accordance with N.J.S.A. 40A:11-3 (as amended) is \$21,000.

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term 'competitive contracting', which is defined as "the method described in sections 1 through 5 of P.L. 1999, c.440 (C.40:11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors; formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received."

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations." If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

N.J.S.A. 40A:11-4 states that every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act of specifically by any other law. The governing body of a contracting unit may, be resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder.

THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)

COMMENTS AND RECOMMENDATIONS
(CONTINUED)

Effective July 1, 2010, the bid threshold, in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$26,000 and with a qualified purchasing agent the threshold may be up to \$36,000.

Effective January 1, 2011, P.L., 2009, c.166 eliminated the previous lower non-qualified purchasing agent threshold of \$26,000. Thus a contracting unit without a qualified purchasing agent now has a maximum bid threshold of \$17,500.

N.J.S.A. 40A:11-15 was amended with P.L. 1999, c.440 to extend the base contract period. "Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months.

The governing body of the Authority has the responsibility of determining whether the expenditures in any category will exceed the statutory threshold within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the opinion of the Authority's attorney should be sought before a commitment is made.

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

Our examination of expenditures did not reveal any individual payments, contracts or agreements "for the performance of any work or the furnishing or hiring of any materials or supplies" in excess of the statutory thresholds other than those where bids had been previously sought by public advertisement or where a resolution had previously been adopted under the provisions of N.J.S.A. 40A:11-6.

Our review of the Authority's minutes indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

**COMMENTS AND RECOMMENDATIONS
(CONTINUED)**

COMMENTS

None

RECOMMENDATIONS

None

**THE MANCHESTER UTILITIES AUTHORITY
(A Component Unit of the Borough of Haledon)**

STATUS OF PRIOR YEAR AUDIT FINDINGS/RECOMMENDATIONS

A review was performed on prior year recommendations and corrective action was taken on all items.

APPRECIATION

We want to express our appreciation for the assistance and courtesies rendered by Authority Officials during the course of the audit.