THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

REPORT OF AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2015 AND 2014

BOWMAN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
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FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

ROSTER OF OFFICIALS

Commissioners	Position
Joseph Scavuzzo	President
Patrick Brennan	Vice President
George Piperno	Secretary
G. Burton German, Jr.	Treasurer
Ronald Johnson	Assistant Secretary and Treasurer

Officers	
Michael A. Saraceni	Chief Operating Officer
Craig Campbell	Superintendent
Richard Spafford, PE	Engineer
Karl N. McConnell, Esquire	General Counsel

Consultants	
Remington and Vernick Engineers, Inc.	Engineer
Consulting Engineer Services, Inc.	Engineer
RWD Consultants LLC	Engineer
T&M Associates, Inc.	Engineer

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

PART I

FINANCIAL SECTION

REPORT OF AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2015 AND 2014

INDEPENDENT AUDITOR'S REPORT

The Commissioners of
The Merchantville-Pennsauken Water Commission
Pennsauken, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Merchantville-Pennsauken Water Commission, in the County of Camden, State of New Jersey, a component unit of the Township of Pennsauken (Commission) as of and for the years ending December 31, 2015 and 2014 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audits 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 Commission'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.

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The Commissioners of
The Merchantville-Pennsauken Water Commission

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Merchantville-Pennsauken Water Commission, in the County of Camden, State of New Jersey as of December 31, 2015 and 2014 and its changes in its financial position and its cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Principles

As discussed in note 1 to the financial statements, during the year ended December 31, 2015, the Commission adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Prior Period Restatement

Because of the implementation of GASB Statements No. 68 and No. 71, net position on the comparative statements of revenues, expenses and changes in net position has been restated for the year ended December 31, 2013, as discussed in note 18 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

The Commissioners of
The Merchantville-Pennsauken Water Commission

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements.

The accompanying supplementary schedules, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is 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 August 31, 2016 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, 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 the the 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 Commission's internal control over financial reporting and compliance.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
August 31, 2016

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

INDEPENDENT AUDITOR'S REPORT

The Commissioners of
The Merchantville-Pennsauken Water Commission
Pennsauken, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey the financial statements of the business-type activities of the Merchantville-Pennsauken Water Commission, in the County of Camden, State of New Jersey, a component unit of the Township of Pennsauken (Commission), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated August 31, 2016. Our report on the financial statements included an emphasis of matter paragraph describing the restatement of the prior period ending net position resulting from the adoption of new accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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The Commissioners of
The Merchantville-Pennsauken Water Commission

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Merchantville-Pennsauken Water Commission'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 that are required to be reported under Government Auditing Standards or audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
August 31, 2016

The Merchantville-Pennsauken Water Commission was created under the provisions of Title 40 Chapter 62 of the Laws of New Jersey, as a public agency to acquire, construct, maintain, operate or improve works for the collection, treatment, or purification of water for the Borough of Merchantville and the Township of Pennsauken. The Commission also provides these services to certain sections of the Township of Cherry Hill and the City of Camden. This section of the Commission's annual financial report provides a discussion and analysis of the financial performance for the years ended December 31, 2015 and 2014. The entire annual financial report consists of five parts; Independent Auditor's Reports, management's discussion and analysis, the basic financial statements, required supplementary information and supplementary schedules.

FINANCIAL HIGHLIGHTS

During the year ended December 31, 2015, the Authority was required to implement Governmental Accounting Standard Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. In addition, the notes to the financial statements provide a more thorough discussion of the implementation of GASB 68 and the effects to the financial statements.

- **Water Consumption Rates** – Water consumption rates were increased in 2015 to assist the Commission in meeting increasing cost for capital improvements and debt service requirements.

- **Total Assets** - Total assets as of December 31, 2015 were $34,174,744. After adding deferred outflows of $1,204,566 and deducting liabilities and deferred inflows totaling $19,705,583, net position equals $15,673,727.

- **Total Operating Revenues** – Operating revenues for the year ended December 31, 2015 totaling $9,113,841 were up from last year's ending amount of $8,693,985.

- **Net Non-Operating Revenues (Expenses)** - Non-operating revenues net of non-operating expenses for the year ended December 31, 2015 totaling $322,990 were down $276,598 from last year primarily due to decreased connection and developer's fees.

- **Total Operating Expenses** – Operating expenses, before depreciation, for the year ended December 31, 2015 totaling $7,880,647 were 8.6% greater than last year's amount of $7,257,679 primarily due to the an increase in the cost of employee benefits and the implementation of GASB 68.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies. The comparative statements of net position includes all of the Commission's assets and liabilities. As the Commission follows the accrual method of accounting, the current year's revenues and expenses are accounted for in the comparative statements of revenues, expenses and changes in net position regardless of when cash is received or paid.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)

Net Position – the difference between the Commission's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is a measure of the Commission's financial health or position.

The comparative statements of revenues, expenses and changes in net position provides a breakdown of the various areas of revenues and expenses encountered during the current year.

The comparative statements of cash flows provides a breakdown of the various sources of cash flow, categorized into four areas: Cash flows from operating activities, non-capital financing activities, capital and related financing activities and investing activities.

A summary of the Commission's significant accounting policies is described in the "Notes to the Financial Statements" which is included in the audit described above.

FINANCIAL ANALYSIS OF THE COMMISSION

The Commission's total net position was $15,673,727 on December 31, 2015. Total assets, deferred outflows of resources, total liabilities, deferred inflows of resources and total net position are detailed on the following page.

A significant portion of the Commission's net position represents its investment in capital assets (i.e. water lines, wells, treatment plants, buildings, improvements and equipment); less the related debt outstanding used to acquire those capital assets. Although the Commission's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities.

The remaining portion of the Commission's net position is a deficit in unrestricted net position. The deficit is a result of the Commission's implementation of GASB 68 and 71.

FINANCIAL ANALYSIS OF THE COMMISSION (CONT'D)

Comparative Statements of Net Position
As of December 31, 2015, 2014 and 2013

	2015	2014 (Restated)	2013 (Restated)
Assets			
Current Assets	$ 6,553,169	$ 6,887,063	$ 5,940,490
Restricted Current Assets	-	25,005	1,048,570
Capital Assets	27,621,575	28,053,524	27,292,518
Total Assets	34,174,744	34,965,592	34,281,578
Deferred Outflows of Resources			
Related to Pensions	1,204,566	560,178	-
Liabilities			
Current Liabilities	2,215,980	2,893,502	3,470,389
Long-Term Liabilities	17,392,649	16,132,792	14,346,424
Total Liabilities	19,608,629	19,026,294	17,816,813
Deferred Inflows of Resources			
Related to Pensions	96,954	295,383	-
Net Position:			
Net Investment in Capital Assets	20,489,058	19,480,435	19,655,407
Unrestricted	(4,815,331)	(3,276,342)	(3,190,642)
Total Net Position	$ 15,673,727	$ 16,204,093	$ 16,464,765

FINANCIAL ANALYSIS OF THE COMMISSION (CONT'D)

Comparative Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2015, 2014 and 2013

	2015	2014 (Restated)	2013 (Restated)
Operating Revenues:			
Service Charges	$ 8,920,692	$ 8,476,479	$ 7,840,593
Other Operating Revenue	193,149	217,506	200,876
Total Operating Revenues	9,113,841	8,693,985	8,041,469
Operating Expenses:			
Administration	2,784,001	2,483,353	2,293,864
Cost of Providing Service	5,096,646	5,082,251	4,691,265
Depreciation	2,086,550	1,988,641	1,880,275
Total Operating Expenses	9,967,197	9,554,245	8,865,404
Net Non-Operating Revenues (Expenses)	322,990	599,588	378,723
Change in Net Position	(530,366)	(260,672)	(445,212)
Net Position -- Jan. 1	16,204,093	16,464,765	16,909,977
Net Position -- Dec. 31	$ 15,673,727	$ 16,204,093	$ 16,464,765

OVERALL ANALYSIS

Overall, the Commission is in a sound financial position in part due to its longevity (established in 1926) and the fact that its infrastructure was constructed and renewed over an extended period of time with 10 separate bond issues dated from June 1926 to December 1964. The Commission's rate structure, while competitive in comparison to area water purveyors, has traditionally been established to provide for operating costs, debt service requirements and the provision for future capital needs. This approach to setting rates in combination with a manageable debt service history leaves the Commission in a sound financial position.

BUDGET VARIANCES

The Commissioners have historically taken a conservative approach in preparing the budget due to the uncertainty in anticipating certain expenses such as repair and maintenance requirements that can create material deviations in the cost of operations from year to year. Actual operating and non-operating expenses and debt service costs, excluding the actuarially determined accrual for long-term post-retirement benefit costs were $8,630,916. The expenditures were $336,249 less than were budgeted. Actual total operating and non-operating revenues of $9,571,134 were $382,288 greater than the $9,188,846 budgeted.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During 2015, the Commission expended $1,654,600 for capital activities.

The proposed five-year Capital Program included in the Commission's 2016 budget totals $12,657,000. This five-year plan, in addition to the Commission's normal ongoing system renewals, contains certain major projects which are contingent upon the approval of the New Jersey Department of Environmental Protection Agency (NJDEP). Major line items making up a portion of the Capital Budget are:

1. Tank Improvements
2. Main Replacements
3. Meter Replacement Program
4. Well Redevelopment
5. Camden Interconnect

CONTACTING THE COMMISSION'S MANAGEMENT

This financial report is designed to provide Merchantville and Pennsauken residents, investors, customers and creditors, with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact the Chief Operating Officer, Merchantville-Pennsauken Water Commission, 6751 Westfield Avenue, Pennsauken, NJ 08110 or by phone at 856-663-0043.

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2015 AND 2014

	2015	2014 (Restated)
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 2,213,709	$ 2,641,937
Investments	1,493,304	1,486,321
Customer Accounts Receivable	1,620,584	1,693,763
Deposits and Other Receivables	54,369	52,373
Unbilled Revenue	1,060,000	895,000
Materials and Supplies Inventory	110,534	117,105
Accrued Interest Receivable	669	564
Total Current Assets	6,553,169	6,887,063
Restricted Current Assets:		
Due From New Jersey Environmental Infrastructure Trust	-	25,005
Capital Assets:		
Utility Plant and Equipment	58,580,362	56,925,762
Accumulated Depreciation and Amortization	30,958,787	28,872,238
Total Capital Assets	27,621,575	28,053,524
Total Assets	34,174,744	34,965,592
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	1,204,566	560,178

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2015 AND 2014

	2015	2014 (Restated)
LIABILITIES		
Current Liabilities:		
N.J.D.E.P. Loans Payable - Due Within One Year	$ 481,506	$ 478,281
Bond Anticipation Note	580,000	1,380,000
City of Camden Water Allocation - Due Within One Year	159,632	165,015
Accounts Payable	574,382	458,252
Accounts Payable Related to Pension	230,941	218,354
Customer Prepayments	67,510	69,958
Accrued Wages	31,530	26,309
Accrued Interest	48,431	52,410
Pension Withholdings Payable	21,216	24,099
Escrow Deposits	20,832	20,824
Total Current Liabilities	2,215,980	2,893,502
Noncurrent Liabilities		
N.J.D.E.P. Loans Payable	5,268,539	5,772,327
City of Camden Water Allocation	642,840	802,471
Net Pension Liability	6,030,212	4,956,547
Accrued Liabilities - Related to Pension	115,475	115,475
Post Employment Benefits Obligation Other than Pension	5,335,583	4,485,972
Total Noncurrent Liabilities	17,392,649	16,132,792
Total Liabilities	19,608,629	19,026,294
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	96,954	295,383
NET POSITION		
Net Investment in Capital Assets	20,489,058	19,480,435
Unrestricted	(4,815,331)	(3,276,342)
Total Net Position	$ 15,673,727	$ 16,204,093

See the accompanying Notes to Financial Statements.

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014 (Restated)
Operating Revenues:		
Metered Sales to General Public	$ 7,752,886	$ 7,340,387
Private Fire Protection	1,083,893	1,055,335
Public Fire Protection	83,913	80,757
Late Charges	109,773	130,561
Tapping Fees	3,079	7,060
Miscellaneous Income	80,297	79,885
Total Operating Revenues	9,113,841	8,693,985
Operating Expenses:		
Administration:		
Salaries and Wages	784,898	751,896
Employee Benefits	907,128	837,419
Other Expenses	1,091,975	894,038
Cost of Providing Service:		
Salaries and Wages	1,496,521	1,515,882
Employee Benefits	1,729,569	1,688,301
Other Expenses	1,870,556	1,878,068
Depreciation and Amortization	2,086,550	1,988,641
Total Operating Expenses	9,967,197	9,554,245
Operating Loss	(853,356)	(860,260)
Non-Operating Revenues (Expenses):		
Investment Income	25,957	30,205
Interest on Debt	(134,303)	(146,929)
Tower Rentals	357,435	375,209
Connection and Developers' Fees	73,901	341,103
Total Non-Operating Revenues (Expenses)	322,990	599,588
Change in Net Position	(530,366)	(260,672)
Net Position, Beginning of Year as Originally Stated	16,204,093	21,182,421
Restatement (See Note 18)	-	4,717,656
Net Position - Beginning of Year as Restated	16,204,093	16,464,765
Net Position, End of Year	$ 15,673,727	$ 16,204,093

See the accompanying Notes to Financial Statements

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014 (Restated)
Cash Flows From Operating Activities:		
Receipts From Customers	$ 8,576,765	$ 8,174,361
Other Operating Receipts	440,811	462,154
Payments to Suppliers	(2,839,830)	(2,763,138)
Payments and Benefits to Employees	(3,822,732)	(3,723,223)
Net Cash Provided by Operating Activities	2,355,014	2,150,154
Cash Flows from Non-Capital Financing Activities		
Tower Rentals	357,435	375,209
Connection and Developers' Fees	73,909	346,081
Net Cash Flows Provided by Non-Capital Financing Activities	431,344	721,290
Cash Flows From Capital and Related Financing Activities:		
Additions to Capital Assets	(1,654,601)	(1,350,592)
N.J.D.E.P. Loan Proceeds	25,005	1,023,565
Principal Payments on Bond Anticipation Note	(800,000)	(800,000)
Principal Payments on N.J.D.E.P. Loans	(486,796)	(500,574)
Principal Payments on City of Camden Water Allocation	(165,014)	(170,393)
Interest Payments on N.J.D.E.P. Loans	(125,784)	(117,091)
Interest Payments on City of Camden Water Allocation	(11,697)	(21,739)
Interest Payments on Bond Anticipation Note	(14,568)	(17,424)
Net Cash Used In Capital and Related Financing Activities	(3,233,455)	(1,954,248)
Cash Flows From Investing Activities:		
Net Purchase of Investments	(6,983)	789,262
Investment Income	25,852	31,040
Net Cash Provided by Investing Activities	18,869	820,302
Net Increase (Decrease) in Cash and Cash Equivalents	(428,228)	1,737,498
Cash and Cash Equivalents, January 1	2,641,937	904,439
Cash and Cash Equivalents, December 31	$ 2,213,709	$ 2,641,937

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014 (Restated)
Reconciliation of Operating Loss to		
Net Cash Provided by Operating Activities:		
Operating Loss	$ (853,356)	$ (860,260)
Adjustments to Reconcile Operating Loss To		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	2,086,550	1,988,641
Decrease in Customer Accounts Receivable	73,179	129,443
Increase in Other Accounts Receivable	(1,996)	(6,835)
Increase in Unbilled Revenue	(165,000)	(169,000)
Increase in Materials and Supplies Inventory	6,571	47,220
Increase (Decrease) in Accounts Payable	116,130	(38,252)
Increase in Accounts Payable Related to Pension	12,587	218,354
Decrease in Customer Prepayments	(2,448)	(11,078)
Increase (Decrease) in Accrued Wages	5,221	(31,025)
Increase (Decrease) in Pension Withholdings Payable	(2,883)	7,632
Increase in Deferred Inflows of Resources Related to Pensions	(644,388)	(560,178)
Increase (Decrease) in Deferred Outflows of Resources Related to Pensions	(198,429)	115,475
Increase in Net Pension Liability	1,073,665	534,274
Increase in Post Employment Benefits Obligation	849,611	785,743
	$ 2,355,014	$ 2,150,154

See the accompanying Notes to Financial Statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Merchantville-Pennsauken Water Commission (the Commission) have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Reporting Entity

The Merchantville-Pennsauken Water Commission was established in 1926 pursuant to the provisions of Title 40, Chapter 62 of the Laws of New Jersey and is co-owned by the Borough of Merchantville and Pennsauken Township. The Laws authorized the Municipalities through the agency of a water commission to acquire, construct, maintain, operate or improve works for the collection, treatment, or purification of water.

The Commission's service area goes beyond Merchantville and Pennsauken, supplying water to areas in Cherry Hill Township and Camden City, as well.

The Commission consists of five members who are appointed by resolution of the Borough of Merchantville and Pennsauken Township. The daily operations of the Commission are managed by the Chief Operating Officer.

Component Unit

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by the GASB Statement No. 39*, Determining Whether Certain Organization are Component Units*, and GASB Statement No. 61*, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be or is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing Commission, the designation of management, the ability to significant influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to be the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Commission has no component units and is a component unit of the Township of Pennsauken.

Note 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Basis of Presentation

The financial statements of the Commission have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Commission is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues -- Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Water charges are recognized as revenue when services are provided. Connection fees are collected in advance and, accordingly, the Commission defers these revenues until the municipality issues a release for certificate of occupancy and determines that water distribution are being provided to the properties.

Non-exchange transactions, in which the Commission receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Commission must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are proved to the Commission on a reimbursement basis.

Expenses / Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Budgets and Budgetary Accounting

The Commission must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Commission budget at least 60 days prior to the end of the current fiscal year and to adopt the budget not later than the beginning of the Commission's fiscal year. The governing body may amend the budget at any point during the year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal and capital outlays. Depreciation expense, bond premiums, and the annual required contribution for the Commission's Other Postemployment Benefits (OPEB) plan are not included in budget appropriations.

The legal level of budgetary control is established at the detail shown on the Comparative Statements of Revenues, Expenses and Changes in Net Position (audit Exhibit B). All budget transfers and amendments to those accounts must be approved by resolution of the Commission as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The Commission did not adopt an amending budget resolution during the year.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the Governmental Units.

Additionally, the Commission has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Materials and Supplies Inventory

Materials and Supplies Inventory consists of pipes, mains, fittings and other supplies used in the renewal and repairs to the system and for new installations. Inventories are valued at cost on a first-in, first-out basis.

Account Receivable and Uncollectible Accounts

Management establishes reserves for uncollectible accounts based on reviews of aged receivables and other factors, such as bankruptcies, associated with the account.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Capital Assets

Capital Assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Commission. Assets purchased prior to January 1, 1992 are stated at estimated cost. Assets purchased since are stated at actual cost.

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the year that the project is completed, these costs are transferred to Capital Assets - Completed. Interest costs incurred during construction are not capitalized into the cost of the asset.

Expenditures are capitalized when they meet the following requirements:

1) Cost of $2,000 or more
2) Useful life of more than one year
3) Asset is not affected by consumption

Depreciation

The costs of assets acquired through bond issue prior to 1979 are recovered over the lives of the bond issues at a rate consistent with the bonds' annual maturities. The cost of assets acquired with operating funds is recovered using the straight-line method over the following estimated useful lives of the assets:

	Years
Buildings	40
Services	20
Water Treatment and Pumping Equipment	20-30
Other Infrastructure	10-20
Meters and Equipment	5-10
Transportation Equipment	5
Office and Technological Equipment	5-7

Bond Discounts and Bond Premiums

Bond discounts / bond premiums arising from the issuance of long-term debt (bonds) are amortized over the life of the bonds, in a systematic and rational method, from the issue date to maturity as a component of interest expense. Bond discounts / bond premiums are presented as an adjustment of the face amount on the bonds.

Deferred Outflows of Resources

The Commission reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its statements of net position. The only deferred outflows of resources reported in this year's financial statements are a deferred outflow of resources for contributions made to the Commission's defined benefit pension plans between the measurement date of the net pension liabilities from those plans and the end of the Commission's fiscal year. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense.

Note 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Deferred Inflows of Resources

The Commission's statements of net position report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources are reported in the Commission's statements of net position for a deferred amount for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of five (5) fiscal years, including the current fiscal year.

Customer Prepayments

Customer Prepayments arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Commission eligible to realize the revenue.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments", the Commission has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, 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 should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not 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 as the unspent proceeds.

Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." This component includes net position that may be allocated for specific purposes by the Commission.

Income Taxes

The Commission operates as defined by Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from service charges (i.e., metered sales, which include water distribution revenues) and other revenue sources. Non-operating revenues principally consist of tower rentals, connection and developers' fees and interest income earned on various interest-bearing accounts and on investments in debt securities.

Operating expenses include expenses associated with the operation, maintenance and repair of the treatment and distribution systems and general administrative expenses. Non-operating expenses principally include expenses attributable to the Commission's interest on funded debt.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Recently Issued and Adopted Accounting Pronouncements

For the year ended December 31, 2015, the Commission adopted GASB 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, and GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. As a result of adopting such Statements, the Commission was required to measure and recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their defined benefit pensions. The cumulative effect of adopting GASB Statements No. 68 and No. 71 totaled $4,717,656, and was recognized as a restatement of the Commission's December 31, 2013 net position on the comparative statements of net position (see note 18).

Recently Issued Accounting Pronouncements

Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Statement is effective for periods beginning after June 15, 2015. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. Components of this Statement are effective for periods beginning after June 15, 2015 and 2016. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Statement is effective for periods beginning after June 15, 2016. Management does not expect this Statement will have an impact on the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Recently Issued Accounting Pronouncements (Cont'd)

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement is effective for periods beginning after June 15, 2017. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of GAAP. The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Statement is effective for periods beginning after June 15, 2015. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The Statement is effective for periods beginning after December 15, 2015. Management does not expect this Statement will have an impact on the notes to the financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The Statement is effective for periods beginning after December 15, 2015. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Management does not expect this Statement will have an impact on the notes to the financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The Statement is effective for periods beginning after June 15, 2016. Management does not expect this Statement will have an impact on the financial statements.

Note 1: <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)</u>

Recently Issued Accounting Pronouncements (Cont'd)

Statement No. 81, *Irrevocable Split-Interest Agreements.* This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The Statement is effective for periods beginning after December 15, 2016. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73.* This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Management has not yet determined the impact of this Statement on the financial statements.

Note 2: <u>STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY</u>

Compliance with finance related legal and contractual provisions

Management of the Commission is unaware of any material violations of finance related legal and contractual provisions.

Note 3: <u>CASH AND CASH EQUIVALENTS</u>

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits might not be recovered. Although the Commission does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first $250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Commission in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Commission relative to the happening of a future condition. As of December 31, 2015, the Commission's bank balances of $3,647,721, $15,853 were uninsured or uncollateralized. As of December 31, 2014, the Commission's bank balances of $4,257,661, $15,853 were uninsured or uncollateralized.

Note 4: <u>INVESTMENTS</u>

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Commission, and are held by either the counterparty or the counterparty's trust department or agent but not in the Commission's name. All of the Commission's $1,493,304 as of December 31, 2015 and $1,486,321 as of December 31, 2014 investments in Certificates of Deposit are in the name of the Commission.

Note 4: INVESTMENTS (Cont'd)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Commission may purchase such as Treasury securities in order to limit the exposure of governmental units to credit risk. The Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Commission does not place a limit on the amount that may be invested in any one issuer. All of the Commission's investments consist of certificates of deposit with maturities of more than three months at the time of purchase.

As of December 31, 2015, the Commission had eight certificates of deposit valued at $1,493,321 at .50% and maturing between January 26, 2016 and February 18, 2016. As of December 31, 2014, the Commission had eight certificates of deposit valued at $1,486,321 at .50% and maturing between January 31, 2015 and February 23, 2015.

Note 5: CUSTOMER ACCOUNTS RECEIVABLE

Customers of the Commission include residential and commercial accounts within the municipalities of Merchantville and Pennsauken and sections of Cherry Hill and Camden. In addition to the sale of water, the Commission bills commercial and municipal customers fixed fees for fire services and hydrants.

As of December 31, 2015 and 2014, the number of the Commission's accounts was as follows:

	2015	2014
Residential, Apartments, and Commercial Water Services	14,462	14,443
Senior Citizen Accounts	370	404
Fire Services	345	345
Fire Hydrants	266	255

Concentration of credit risk associated with customer accounts receivable is limited due to the large number of small customer balances and the Commission's policy of discontinuing service when warranted and filing utility liens when necessary.

Aged accounts receivable at December 31, 2015 and 2014 are as follows:

Current (less than 30 days)	$ 1,227,488	$ 1,303,723
30 to 59 days	81,262	47,904
60 to 89 days	31,277	28,837
90 to 179 days	46,528	53,410
Over 180 days	208,247	205,358
	1,594,802	1,639,232
Accrued Interest on Delinquent Balances	155,782	157,531
	1,750,584	1,796,763
Less: Reserve for Uncollectible Accounts	130,000	103,000
	$ 1,620,584	$ 1,693,763

Note 6: CAPITAL ASSETS

During the year ended December 31, 2015, the following changes in capital assets occurred:

	Balance January 1, 2015	Additions (Deletions)	Balance December 31, 2015
Land and Land Rights	$ 175,857		$ 175,857
Intangible Plant	32,181		32,181
Source of Supply	3,792,462	$ 57,725	3,850,187
Pumping Plant	2,267,185		2,267,185
Water Treatment Plant	4,254,624		4,254,624
Transmission and Distribution Plant	39,343,445	1,583,797	40,927,242
General Plant	4,295,270	13,078	4,308,348
City of Camden Water Allocation Rights	2,557,608		2,557,608
Capitalized Interest	207,130		207,130
	56,925,762	1,654,600	58,580,362
Less: Accumulated Depreciation	28,872,238	2,086,549	30,958,787
	$ 28,053,524	$ (431,949)	$ 27,621,575

During the year ended December 31, 2014, the following changes in capital assets occurred:

	Balance January 1, 2014	Additions (Deletions)	Balance December 31, 2014
Land and Land Rights	$ 175,857		$ 175,857
Intangible Plant	32,181		32,181
Source of Supply	3,792,462		3,792,462
Pumping Plant	2,267,185		2,267,185
Water Treatment Plant	4,254,624		4,254,624
Transmission and Distribution Plant	38,123,612	$ 1,219,833	39,343,445
General Plant	4,302,366	(7,096)	4,295,270
City of Camden Water Allocation Rights	2,557,608		2,557,608
Capitalized Interest	207,130		207,130
	55,713,025	1,212,737	56,925,762
Less: Accumulated Depreciation	26,964,122	1,908,116	28,872,238
	$ 28,748,903	$ (695,379)	$ 28,053,524

Note 7: N.J.D.E.P. LOANS PAYABLE

New Jersey Environmental Infrastructure Trust Loans

2001 Series - On October 17, 2001, the Commission settled on the issuance of $4,000,000 in loans consisting of a $2,000,000 New Jersey Environmental Infrastructure Trust "Trust Loan" and a $2,000,000 New Jersey Environmental Infrastructure "Trust Fund Loan". The Trust Loan bears rates of interest ranging from 4.00% to 5.50%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1.

2003 Series - On November 5, 2003, the Commission settled on the issuance of $731,801 in loans consisting of a $375,000 New Jersey Environmental Infrastructure Trust "Trust Loan" and a $356,801 New Jersey Environmental Infrastructure "Trust Fund Loan". The Trust Loan bears rates of interest ranging from 3.00% to 5.00%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1.

2007 Series - On November 8, 2007, the Commission settled on the issuance of $1,285,507 in loans consisting of a $650,000 New Jersey Environmental Infrastructure Trust "Trust Loan" and a $635,507 New Jersey Environmental Infrastructure "Trust Fund Loan". The Trust Loan bears rates of interest ranging from 3.40% to 5.00%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1.

2010 Series - On December 2, 2010, the Commission settled on the issuance of $1,285,507 in loans consisting of a $560,000 New Jersey Environmental Infrastructure Trust "Trust Loan" and a $579,000 New Jersey Environmental Infrastructure "Trust Fund Loan". The Trust Loan bears rates of interest at 5.00%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1.

2014A Series – On May 8, 2014, the Commission settled on the issuance of $2,571,000 in loans consisting of a $642,754 New Jersey Environmental Infrastructure Trust “Trust Loan” and a $1,928,250 New Jersey Environmental Infrastructure “Trust Fund Loan”. The Trust Loan bears rates of interest at 5.00%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1.

The "Trust Loan" portion of the borrowings is administered by The New Jersey Environmental Infrastructure Trust with Commerce Bank acting as Trustee. The "Fund Loan" portion is administered by the State of New Jersey.

As the Commission completes its projects, vouchers are submitted to the New Jersey Department of Environmental Protection. Requisitions are funded 50% from "Trust Loan" proceeds available in the Commission's construction account and 50% from "Fund Loan" proceeds.

Upon final completion of the Commission's projects as certified by the Commission's engineer, any monies remaining in the construction accounts will be immediately applied as credits against the remaining scheduled debt service payments until such remaining balance is exhausted. Any unspent monies from the non-interest bearing "Fund Loan" portion of borrowings will be applied to offset the scheduled debt service payments from the back end of the schedule, reducing debt service payments from the end of the schedule until such remaining balance is exhausted.

Note 7: N.J.D.E.P. LOANS PAYABLE (CONT'D)

New Jersey Environmental Infrastructure Trust Loans (Cont'd)

On July 20, 2006, the 2001 and 2003 series loans were certified complete. At that time $13,260 and $96,832 of the unexpended proceeds from the 2001 and 2003 series, respectively, were applied to the outstanding balance of the "Fund Loan", reducing original balance due from the end of the original payment schedule. On August 11, 2010, the 2007 series was certified complete and $12,525 was applied to the outstanding balance of the "Fund Loan". In addition, reciprocal amounts from the "Trust Loan", plus earnings credits were recorded as other assets Due from New Jersey Environmental Infrastructure Trust to be applied to immediately due debt service obligations on the "Trust Loan". As of December 31, 2015 and 2014, amounts "Due from New Jersey Environmental Infrastructure Trust" available for application against "Trust Loan" debt service for the 2003 and 2007 series and available in the 2012 construction account for the intended construction project was $- and $25,005, respectively.

On September 26, 2007, the New Jersey Environmental Infrastructure Trust issued Series 2007A refunding Bonds to refund the outstanding balance of the 2001 Series Loans. On August 18, 2010, the Trust issued Series 2010A refunding Bonds to refund the outstanding balance of the 2001 and 2003 Series Loans. The impact to the Commission was the recording of a net discount of $44,010 and $36,289, respectively on the issuances which is being amortized over the repayment period of the loans.

Combined adjusted repayment of the four loans as of December 31, 2015 is due as follows:

Year	Total	Principal	Interest
2016	$ 584,800	$ 481,506	$ 103,294
2017	590,849	498,275	92,575
2018	591,706	510,811	80,895
2019	569,178	499,820	69,358
2020	560,378	502,574	57,803
2021	563,611	518,362	45,249
2022	323,599	283,905	39,694
2023	321,095	286,826	34,269
2024	300,046	271,302	28,744
2025	299,826	275,907	23,919
2026	293,720	274,626	19,094
2027	287,903	273,984	13,919
2028	219,239	208,520	10,719
2029	216,039	208,520	7,519
2030	217,589	213,521	4,069
2031	140,915	138,047	2,869
2032	144,509	143,047	1,463
2033	51,560	51,560	-
	$ 6,276,562	5,641,113	$ 635,449
Unamortized Premium		108,932	
		$ 5,750,045	

Note 7: N.J.D.E.P. LOANS PAYABLE (CONT'D)

New Jersey Environmental Infrastructure Trust Loans (Cont'd)

As described in Note 1, the Borough of Merchantville and the Township of Pennsauken created the Merchantville-Pennsauken Water Commission. Those municipalities act as guarantors of all Commission bonds and loans and include their proportionate share of Commission debt as liabilities on their respective annual debt statements. The computed Municipalities' proportionate share of debt is in accordance with their respective ownership of the Commission as follows:

Borough of Merchantville	11.58%
Township of Pennsauken	88.42%
	100.00%

Note 8: CITY OF CAMDEN WATER ALLOCATION LOAN PAYABLE

As more fully described in note 17, on May 19, 2006 the Commission entered into an agreement with the City of Camden (the City) for the purchase of water allocation rights for $2,522,512. The initial payment of $500,000 was payable in installments totaling $250,000 in 2006, $125,000 in 2007 and $125,000 in 2008.

The remaining balance is due in equal quarterly payments through May, 2021, with bi-annual adjustments adding three percent (3%) interest per annum at the end of the first two years and thereafter to each such period to the unpaid balance due. This adjustment shall be added to the principal and payments recalculated including the interest amount. The interest rate used shall be adjusted to add the percentage increase equal to the increases or decreases made in the prime rate in the intervening period but in no case shall the overall rate be less than 3% or greater than 7%.

Should the Commission be denied the use or access to the allocation of water, for any reason unrelated to the actions of either party, then a proportional reduction will be made to the initial agreed upon payments, not yet paid and no further payments will be required.

The estimated maturities on the loan as of December 31, 2015 are as follows:

Year	Total	Principal	Interest
2016	$ 171,545	$ 159,632	$ 11,913
2017	163,509	154,098	9,411
2018	155,369	148,435	6,934
2019	147,229	142,615	4,614
2020	137,095	134,768	2,327
2021	63,304	62,924	380
	$ 838,051	$ 802,472	$ 35,579

Note 9: **BOND ANTICIPATION NOTE**

On October 29, 2009, the Commission settled on the issuance of $3,400,000 bond anticipation note in order to provide temporary financing for the initial costs of the Westfield Avenue office project as well as fund the costs of issuance. The note has been renewed each year since with varying principal pay downs.

As of December 31, 2015 and 2014 the outstanding balance payable on the note was $580,000 and $1,380,000, respectively.

On October 14, 2015, the bond anticipation note was re-issued with 1st Colonial National Bank and a new series of notes of the Commission was created (Series 2015). A principal amount of $580,000 was authorized to be issued and sold, and bears interest at the rate of 0.90%. Interest on the notes is due on October 13, 2016. Upon renewal of the bond anticipation note, one principal payment was made of $800,000.

Note 10: **RETIREMENT SYSTEMS**

A substantial number of the Commission's employees participate in the Public Employees' Retirement System ("PERS"), which is administered by the New Jersey Division of Pensions and Benefits. In addition, Commission employees may participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. This plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
http://www.state.nj.us/treasury/pensions

General Information about the Pension Plans

Plan Descriptions

Public Employees' Retirement System - The Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Commission, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program ("DCRP") is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et.seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for a certain enrollment tier but who earn salary of at least $5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for certain enrollment tiers, but who earn salary of at least $5,000.00 annually.

Note 10: RETIREMENT SYSTEMS (CONT'D)

General Information about the Pension Plans (cont'd)

Vesting and Benefit Provisions

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 8 to 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Retirement Program - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.78% in State fiscal year 2014. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The Commission's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

Note 10: RETIREMENT SYSTEMS (CONT'D)

Contributions (cont'd)

Public Employees' Retirement System (cont'd)

The Commission's contractually required contribution rate for the years ended December 31, 2015 and 2014 was 12.07% and 12.62% of the annual Commission covered-employee payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan by the Commission were $230,950 and $218,243 for the years ended December 31, 2015 and 2014, respectively. Employee contributions were $131,669 and $125,363 for the years ended December 31, 2015 and 2014, respectively.

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Commission's contribution amounts for each pay period, 3% of the employees' base salary, are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the years ended December 31, 2015 and 2014, there were no employees participating in DCRP.

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

Public Employees' Retirement System - At December 31, 2015, the Commission reported a liability of $6,030,212 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Commission's proportion was 0.0268630286%, which was an increase of 0.0264734132% from its proportion measured as of June 30, 2014.

For the years ended December 31, 2015 and 2014, the Commission recognized pension expense of $461,789 and $307,925, respectively.

Note 10: RETIREMENT SYSTEMS (CONT'D)

At December 31, 2015 and 2014, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	December 31, 2015		December 31, 2014	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between Expected and Actual Experience	$ 143,860			
Changes of Assumptions	647,597		$ 155,860	
Net Difference between Projected and Actual Earnings on Pension Plan Investments		$ 96,954	288,843	$ 295,383
Changes in Proportion and Differences between Commission Contributions and Proportionate Share of Contributions	297,634			
Commission Contributions Subsequent to the Measurement Date	115,475		115,475	
	$ 1,204,566	$ 96,954	$ 560,178	$ 295,383

The deferred outflows of resources related to pensions totaling $115,475 will be included as a reduction of the net pension liability in the years ended December 31, 2016 and 2015.

Note 10: RETIREMENT SYSTEMS (CONT'D)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

December 31, 2015			December 31, 2014		
Year Ending December 31,			Year Ending December 31,		
2015			2015	$	7,901
2016	$	192,493	2016		7,901
2017		192,493	2017		7,901
2018		192,494	2018		7,902
2019		266,338	2019		81,747
2020		148,319	2020		35,968
	$	992,137		$	149,320

Actuarial Assumptions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	PERS
Inflation	3.04%
Salary Increases:	
2012-2021	2.15% - 4.40% Based on Age
Thereafter	3.15% - 5.40% Based on Age
Investment Rate of Return	7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2008 - June 30, 2011

Note 10: <u>RETIREMENT SYSTEMS (CONT'D)</u>

Actuarial Assumptions (Cont'd)

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

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

Discount Rate

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds / Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex U.S.	3.50%	-0.40%
REIT	4.25%	5.12%
	100.00%	

Note 10: **RETIREMENT SYSTEMS (CONT'D)**

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

The following presents the Commission's proportionate share of the net pension liability at December 31, 2015 calculated using a discount rate of 4.90%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	December 31, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Commission's Proportionate Share of the Net Pension Liability	$ 7,494,815	$ 6,030,212	$ 4,802,299

The following presents the Commission's proportionate share of the net pension liability at December 31, 2014 calculated using a discount rate of 5.39%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	December 31, 2014		
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Commission's Proportionate Share of the Net Pension Liability	$ 6,235,505	$ 4,956,547	$ 3,882,548

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated previously in this note.

Note 11: **POSTEMPLOYMENT BENEFITS**

Plan Description

The Commission provides benefits to employees and their spouses which are in addition to those received through the State Pension Fund who have retired, and have 25 years (35 years for employees hired on or after May 1, 2008) of service with the Commission. The Commission provides medical, dental, vision and prescription coverage. These benefits are provided to all eligible retirees and their spouses at no cost to the retiree. For employees hired on or after May 1, 2008, benefits cease once Medicare age is attained.

As of December 31, 2015, there were 16 retirees with an average age of 74 and 9 covered spouses who qualified for and receiving post-employment benefits and 40 active employees with an average age of 50 and average accrued service of 13 years who are eligible but still actively employed.

Note 11: POSTEMPLOYMENT BENEFITS (CONT'D)

Funding Policy

The contribution requirement of the Commission is established by the policy of the Commission. The required contribution is based on projected pay-as-you-go financing requirements. For the year ending December 31, 2015, the Commission contributed $290,418 to the plan for current premiums. Plan members are not required to make any contributions to the plan.

Annual OPEB Cost and Net OPEB Obligation

The Commission's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Commission's annual OPEB cost for the year, the amount actually contributed to the Merchantville-Pennsauken Water Commission Plan, and changes in the Commission's net OPEB obligation to the Commission Plan:

	2015	2014	2013
Normal Cost	$ 415,623	$ 215,518	$ 402,468
Amortization Payment	724,406	785,743	754,230
Interest on Net OPEB Obligation	584,700	566,400	536,948
Adjustment to ARC	(584,700)	(491,500)	(682,269)
Annual Required Contribution (Expense)	1,140,029	1,076,161	1,011,377
Contributions Made	(290,418)	(290,418)	(257,147)
Net OPEB Obligation - Beginning of Year	4,485,972	3,700,229	2,945,999
Net OPEB Obligation - End of Year	$ 5,335,583	$ 4,485,972	$ 3,700,229

Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the Commission Plan was 0% funded. The actuarial accrued liability for benefits was $11,326,605, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $11,326,605. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, compares the assets used for funding purposes to the comparable liabilities to determine how well the Merchantville-Pennsauken Water Commission Plan is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The Actuarial Accrued Liability under GASB is determined assuming that the Merchantville-Pennsauken Water Commission Plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. In the December 31, 2014, actuarial valuation, the unit credit cost method was used in establishing the annual required contribution and actuarial accrued liability for participants.

Note 11: POST EMPLOYMENT BENEFITS (CONT'D)

Actuarial Methods and Assumptions (Cont'd)

In the December 31, 2014, actuarial valuation, the unit credit cost method was used. The actuarial assumptions included a 5.0 % investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6% for both Pre-Medicare and Post-Medicare medical benefits. The Commission's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2014, was twenty-three years.

Note 12: COMPENSATED ABSENCES

Commission employees are entitled to 10 to 30 vacation days per year depending on their length of service. A maximum of five unused vacation days may be carried over to the next year.

Commission employees are entitled to twelve sick days per year. Employees have the option of carrying over sick days; however, an employee cannot accumulate more than 24 sick days.

Upon separation of employment, unless the separation was a termination for cause, the Commission will purchase unused sick and vacation time excluding vacation time carried from the year prior to separation.

Management has determined that the balance of accrued sick leave was not material as of December 31, 2015 and 2014 and, accordingly, a liability has not been recorded.

Note 13: TRANSPORTATION EQUIPMENT LEASES

The Commission leases transportation equipment under agreements accounted for as operating leases. Rental and certain related maintenance expense charged to income was $82,293 in 2015 and $98,884 in 2014.

Future commitments on operating leases are as follows:

Year	Amount
2016	$ 40,571
2017	19,796

Note 14: ANTENNA SITE LEASES

The Commission leases antenna sites atop its water tanks to several companies in the communications industry. As of December 31, 2015, the Commission had ten different lease agreements. Rental income from these leases was $357,435 and $375,209 in 2015 and 2014, respectively.

Future minimum rentals on the leases are as follows:

Year	Amount
2016	$ 307,894
2017	280,530
2018	292,299
2019	276,505
2020	288,176

* The future minimum rentals do not include a $1,700 per month lease, currently in force with a 30 day termination provision.

Note 15: COMMITMENTS AND CONTINGENCIES

Litigation

The Commission is subject to certain claims and legal proceedings that arise in the ordinary course of its operations. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be decided unfavorably to the Commission. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect in the financial conditions, results of operations or cash flows of the Merchantville-Pennsauken Water Commission.

Note 16: RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered through a joint insurance pool as described below. Settled claims from these risks have not exceeded coverage for the past several years.

The Commission is a member of New Jersey Utility Authorities Joint Insurance Fund. The Fund provides the Commission with the following coverage:

Property - Blanket Building and Grounds
Boiler and Machinery
General and Automobile Liability
Workers' Compensation
Public Officials Liability
Environmental Liability

Contributions to the Fund, including a reserve for contingencies are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Commission's agreement with the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of $500,000 for each insured event.

The Fund publishes its own financial report for the year ended December 31, 2015, which can be obtained from:

New Jersey Utility Authorities Joint Insurance Fund
9 Campus Drive
Suite 16
Parsippany, NJ 07054

Note 17: WATER ALLOCATION RIGHTS

As described in note 8, on May 19, 2006 the Commission entered into an agreement with the City of Camden (the City) for the purchase of water allocation rights for $2,522,512. The agreement was approved by the New Jersey Department of Environmental Protection and contains the following provisions:

Purchase of Water Allocation Rights

The Commission agreed to purchase the City's water allocation rights to pump 1,200,000 gallons of water per day from the Potomac-Raritan-Magothy aquifer to service the Commission's franchise area for quantities in excess of its current allocation.

Should the Commission be denied the use or access to the allocation of water, for any reason unrelated to the actions of either party, then a proportional reduction will be made to the initial agreed upon payments, not yet paid and no further payments will be required and any payments already made shall be converted to payments for the purchase of bulk water already delivered and not yet paid for or for water to be delivered in the future. If for any reason another governmental entity, either executive or judicial, or legal action shall prohibit the sale of the allocation, monies already paid shall not be returned and monies not yet paid will not be due.

Bulk Water Sale

The City will deliver and the Commission will purchase bulk potable drinking water for a period of thirty (30) years with the Commission having the option for two additional ten year terms. The purchase agreement will begin as soon thereafter that the parties have created the necessary infrastructure and facilities to respectively deliver and accept finished water and or raw water for treatment.

The agreement provides for a minimum of fifty thousand gallons per day and a maximum of one million gallons per day. The initial cost of the treated water will be for $2.25 per thousand gallons and will be increased from time to time in accordance with factors outline in the agreement.

The water will be distributed through interconnections to be constructed by or on behalf of the Commission, including the obtainment of all land and or easements necessary, at mutually agreed upon locations, without cost or expense to the City.

Treatment of Water

It was agreed that at some point during the term of the agreement that the City may treat raw water for the Commission which is delivered to the Morris-Delair treatment plant. Delivery of the raw water to the City will be the responsibility of the Commission and the cost of treatment will be eighty-nine cents per thousand gallons subject to certain increases and decreases.

Note 18: RESTATEMENT OF NET POSITION

As indicated in note 1 to the financial statements, the Commission adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, for the year ended December 31, 2015. As a result of implementing these two Statements, a restatement of unrestricted net position on the comparative statements of revenues, expenses and changes in net position was required to record the Commission's proportionate share of its net pension liability.

The cumulative effect on the financial statements as reported for December 31, 2014 is as follows:

		GASBS 68 and 71 Implementation				
	As Previously Reported December 31, 2014	Deferred Outflows (1)	Accounts Payable and Accrued Expense (2)	Net Pension Liability (3)	Deferred Inflows (4)	As Restated December 31, 2014
Net Position:						
Net Investment in Capital Assets	$ 19,480,435	$ -	$ -	$ -	$ -	$ 19,480,435
Restricted						-
Unrestricted (Deficit)	1,749,239	560,178	(333,829)	(4,956,547)	(295,383)	(3,276,342)
Total Net Position	$ 21,229,674	$ 560,178	$ (333,829)	$ (4,956,547)	$ (295,383)	$ 16,204,093

(1) Represents the Commission's Proportionate Share of the PERS Plan Total Deferred Outflows of Resources at December 31, 2014 plus an Accrual for the Commission's December 31, 2015 PERS Plan Required Contribution (April 1, 2016 PERS Pension Invoice), Contribution Subsequent to the Measurement Date.

(2) Represents the Commission's Accounts Payable for the June 30, 2014 PERS Plan Required Contribution (April 1, 2015 PERS Pension Invoices), plus an Accrual for the Commission's June 30, 2015 PERS Plan Required Contribution (April 1, 2016 PERS Pension Invoice).

(3) Represents the Commission's Proportionate Share of the PERS, December 31, 2014 Net Pension Liability.

(4) Represents the Commission's Proportionate Share of the PERS Plan Total Deferred Inflows of Resources at December 31, 2014.

Note 18: RESTATEMENT OF NET POSITION (CONT'D)

The prior period adjustment of the Commission's net position and the implementation of GASB Statement 68 and GASB Statement No. 71 required prior year restatement when comparative statements are presented. The following represents the cumulative effects of the restatement on the respective financial statement balances of the Commission for the year ended December 31, 2014:

Comparative Statements of Net Position – December 31, 2014

	Previously Reported	Cumulative Effect - Increase / (Decrease)	Restated Balance
ASSETS			
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	-	560,178	560,178
LIABILITIES			
Current Liabilities Payable from Unrestricted Assets:			
Accounts Payable - Related to Pension	-	218,354	218,354
Total Current Liabilities Payable	2,675,148	218,354	2,893,502
Long-term Liabilities:			
Net Pension Liability		4,956,547	4,956,547
Accrued Liabilities - Related to Pension	-	115,475	115,475
Total Long-term Liabilities	11,060,770	5,072,022	16,132,792
Total Liabilities	13,735,918	5,290,376	19,026,294
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	-	295,383	295,383
NET POSITION			
Net Investment in Capital Assets	19,480,435	-	19,480,435
Unrestricted (Deficit)	1,749,239	(5,025,581)	(3,276,342)
Total Net Position	21,229,674	(5,025,581)	16,204,093

Note 18: RESTATEMENT OF NET POSITION (CONT'D)

The prior period adjustment of the Commission's net position and the implementation of GASB Statement 68 and GASB Statement No. 71 required prior year restatement when comparative statements are presented. The following represents the cumulative effects of the restatement on the respective financial statement balances of the Commission for the year ended December 31, 2014 (Cont'd):

Comparative Statements of Revenues, Expenses and Changes in Net Position - December 31, 2014

	Previously Reported	Cumulative Effect - Increase / (Decrease)	Restated Balance
Operating Expenses:			
Administration:			
Employee Benefits	$ 735,324	$ 102,095	$ 837,419
Cost of Providing Service:			
Employee Benefits	1,878,068	(189,767)	1,688,301
Total Operating Expenses	2,613,392	6,940,853	9,554,245
Operating Loss	(177,126)	(683,134)	(860,260)
Change in Net Position	47,253	(307,925)	(260,672)
Net Position - Beginning	21,182,421	(4,717,656)	16,464,765
Net Position - Ending	21,229,674	(5,025,581)	16,204,093

REQUIRED SUPPLEMENTARY

INFORMATION

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR THE OPEB PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/2008	$ 0	$ 7,824,371	$ 7,824,371	0 %	$ 1,550,311	504.7%
12/31/2011	$ 0	$ 9,037,466	$ 9,037,466	0 %	$ 1,762,318	512.8%
12/31/2014	$ 0	$ 11,326,605	$ 11,326,605	0 %	$ 2,013,397	562.6%

RSI Exhibit 2

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE OPEB PLAN

Year Ended December 31	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2015	$ 1,140,029	25.47%
2014	1,076,161	26.99%
2013	1,011,377	25.43%
2012	944,202	27.23%
2011	886,557	29.01%
2010	813,958	28.24%
2009	770,547	29.83%
2008	734,678	31.29%

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST THREE FISCAL YEARS

	Measurement Date Ending June 30,		
	2015	**2014**	**2013**
Commission's Proportion of the Net Pension Liability	0.0268630286%	0.0264734132%	0.0246842789%
Commission's Proportionate Share of the Net Pension Liability	$ 6,030,212	$ 4,956,547	$ 4,717,656
Commission's Covered Employee Payroll	$ 1,850,720	$ 1,841,584	$ 1,763,112
Commission's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Employee Payroll	325.83%	269.15%	267.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

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

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COMMISSION'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
LAST THREE YEARS

	Year Ended December 31,		
	2015	**2014**	**2013**
Contractually Required Contribution	$ 230,950	$ 218,243	$ 185,991
Contributions in Relation to the Contractually Required Contribution	(230,950)	(218,243)	(185,991)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Commission's Covered Employee Payroll	$ 1,885,183	$ 1,821,312	$ 1,833,363
Contributions as a Percentage of Commission's Covered Employee Payroll	12.25%	11.98%	10.14%

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

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
Notes to Required Supplementary Information
For the Year Ended December 31, 2015

Note 1: **OTHER POSTEMPLOYMENT BENEFITS**

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2014
Actuarial Cost Method	Unit Credit Normal Cost Method
Amortization Method	Level Dollar - Open Over a 30 Year Funding Period
Remaining Amortization Period	30 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Investment Rate of Return	5.0%
Rate of Salary Increases	N/A
Rate of Medical Inflation for Retirees Under Age 65	6.0%
Rate of Medical Inflation for Retirees Age 65 and Older	6.0%

For determining the GASB ARC, the rate of employer contributions to the Merchantville-Pennsauken Water Commission Plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a portion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer Normal Costs or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

Note 2: **POSTEMPLOYMENT BENEFITS – PENSION**

Public Employees' Retirement System (PERS)

Changes in Benefit Terms – None

Changes in Assumptions – The discount rate changed from 5.39% as of June 30, 2014, to 4.90% as of June 30, 2015, in accordance with Paragraph 44 of GASB Statement No. 67

SUPPLEMENTARY SCHEDULES

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH, CASH EQUIVALENTS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Cash, Cash Equivalents and Investments, January 1		$ 4,128,258
Cash Receipts:		
Collection of Customer Accounts Receivable	$ 8,866,690	
Tower Rentals	357,435	
Other Operating Receipts	83,376	
Connection and Developers' Fees	73,909	
Customer Prepayments	67,510	
Investment Income	25,852	
		9,499,777
		13,628,035
Cash Disbursements:		
Current Year Cost of Operations	6,153,902	
Liquidation of Prior Year Accounts Payable and Accrued Liabilities	508,660	
Interest Payments on City of Camden Water Allocation	11,697	
Interest Payments on Bond Anticipation Note	14,568	
Interest Payments on N.J.D.E.P. Loans	125,784	
Principal Payments on N.J.D.E.P. Loans	486,796	
Principal Payments on City of Camden Water Allocation	165,014	
Principal Payments on Bond Anticipation Note	800,000	
Additions to Capital Assets	1,654,601	
		9,921,022
Cash, Cash Equivalents and Investments, December 31		$ 3,707,013

Analysis of Balance:	
Cash and Cash Equivalents	$ 2,213,709
Investments	1,493,304
	$ 3,707,013

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Adopted and Final Budget	Actual	Variance-- Favorable (Unfavorable)
Revenues:			
Operating Revenues:			
Metered Sales to General Public	$ 7,392,000	$ 7,752,886	$ 360,886
Private Fire Protection	1,098,240	1,083,893	(14,347)
Public Fire Protection	83,903	83,913	10
Late Charges	120,000	109,773	(10,227)
Tapping Fees	4,000	3,079	(921)
Miscellaneous Income	35,250	80,297	45,047
Total Operating Revenues	8,733,393	9,113,841	380,448
Non-Operating Revenues:			
Investment Income	7,000	25,957	18,957
Tower Rentals	388,453	357,435	(31,018)
Connection and Developers' Fees	60,000	73,901	13,901
Total Revenues	9,188,846	9,571,134	382,288
Operating Expenses:			
Administration:			
Salaries and Wages	830,183	784,898	45,285
Fringe Benefits	577,914	614,828	(36,914)
Other Expenses:			
Notices & Advertising	11,000	10,276	724
Office Expense	109,600	78,282	31,318
Operating Fees - DEP	48,000	40,192	7,808
I.T. Expense	37,000	30,709	6,291
Uniform Rental	8,000	7,846	154
Training and Development	17,000	15,257	1,743
Consumer Confidence Report	9,600	9,254	346
Employee and Community Relations	18,200	14,408	3,792
Professional / Outside Services	252,000	176,624	75,376
Insurance	163,000	114,230	48,770
Tower Rental Revenue Expense	374,200	506,828	(132,628)
Shared Services	100,000	-	100,000
Bad Debt Expense (Net Reserve Reduction)	20,000	46,040	(26,040)
Other	46,000	42,029	3,971
Total Administration Other Expenses	1,213,600	1,091,975	121,625
Total Administration	$ 2,621,697	$ 2,491,701	$ 129,996

(continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Adopted and Final Budget	Actual	Variance-- Favorable (Unfavorable)
Cost of Providing Service:			
Salaries and Wages	$ 1,577,416	$ 1,496,521	$ 80,895
Fringe Benefits	1,098,086	1,172,258	(74,172)
Other Expenses:			
Chemicals and Supplies	89,000	73,407	15,593
CCMUA Charges	6,000	3,080	2,920
Electric & Gas Expense	875,000	731,093	143,907
Maintenance of Wells and Strippers	210,000	230,570	(20,570)
Utilities - Other	25,000	23,326	1,674
Maintenance on Mains and Services	257,500	303,515	(46,015)
Maintenance on Structures	134,500	143,652	(9,152)
Maintenance on Generators and Power Equipment	40,000	29,588	10,412
Maintenance on Control Panels	44,000	13,454	30,546
Maintenance on Pumping and Chemical Equipment	48,000	44,631	3,369
Purchase of Water	80,000	74,071	5,929
Lab Work	60,000	58,126	1,874
Meter Repair and Maintenance	10,000	3,035	6,965
Communications	29,000	28,556	444
Fuel & Gas	48,000	18,401	29,599
Safety Equipment	9,000	9,758	(758)
Vehicle Expense	91,000	82,293	8,707
Total Cost of Providing Service Other Expenses	2,056,000	1,870,556	185,444
Total Cost of Providing Service	4,731,502	4,539,335	192,167
Total Principal Payments on Debt in Lieu of Depreciation	1,451,814	1,451,810	4
Total Operating Expenses	8,805,013	8,482,846	322,167
Non-Operating Expenses:			
Interest Payments on Debt	162,152	148,070	14,082
Total Non-Operating Expenses	162,152	148,070	14,082
Total Operating and Non-Operating Expenses	8,967,165	8,630,916	336,249
Excess of Revenues over Operating and Non-Operating Expenses	$ 221,681	$ 940,218	$ 718,537

(continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Reconciliation of Excess Revenues over Expenses to Operating Loss

Excess of Revenues Over Operating and Non-Operating Expenses	$ 940,218
Add:	
Principal Payments on Debt	1,451,810
Interest Payments on Debt	148,070
Deduct:	
Other Post Employment Benefits Accrual Included in Employee Benefits	(849,611)
Investment Income	(25,957)
Tower Rentals	(357,435)
Connection and Developers' Fees	(73,901)
Depreciation and Amortization	(2,086,550)
Operating Loss (Exhibit B)	$ (853,356)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF N.J.D.E.P. LOANS PAYABLE

	Balance January 1, 2015	Premium Additions	Paid	Premium Amortization	Balance December 31, 2015
2001 Infrastructure Trust Loan	$ 1,556,687		$ 211,611		$ 1,345,076
2003 Infrastructure Trust Loan	253,531		38,155		215,376
2007 Infrastructure Trust Loan	912,226		63,510		848,716
2010 Infrastructure Trust Loan	987,579		50,474		937,105
2014 Infrastructure Trust Loan	2,417,886		123,046		2,294,840
Unamortized Premium on Bonds	122,699			$ 13,767	108,932
	$ 6,250,608	$ -	$ 486,796	$ 13,767	$ 5,750,045
Analysis of Balance:					
Current	$ 478,281				$ 481,506
Long-Term	5,772,327				5,268,539
	$ 6,250,608				$ 5,750,045

Schedule 4

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF CUSTOMER ACCOUNTS RECEIVABLE

Balance January 1, 2015		$ 1,693,763
Increased by Customer Billings:		
Metered Sales Billings to General Public	$ 7,614,886	
Private Fire Protection	1,083,893	
Public Fire Protection	83,913	
Late Charges	109,773	
		8,892,465
		16,645,351
Decreased by:		
Collections	14,827,257	
Customer Prepayments Applied	67,510	
		14,894,767
Balance December 31, 2015		$ 1,620,584

Schedule 5

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF ACCRUED INTEREST INCOME RECEIVABLE

Balance January 1, 2015	$ 564
Interest Earned	25,957
	26,521
Interest Collected	25,852
Balance December 31, 2015	$ 669

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF CAPITAL ASSETS

Description	Balance January 1, 2015	Additions (Deletions)	Balance December 31, 2015
Land and Land Rights	$ 175,857		$ 175,857
Intangible Plant:			
Organization Costs	32,181		32,181
Source of Supply:			
Structures and Improvements	169,882		169,882
Wells and Springs	1,706,832		1,706,832
SCADA Program	382,981	$ 57,725	440,706
Water Mapping - SCADA	272,457		272,457
Water Re-use Preservation Project	1,103,915		1,103,915
Supply Mains	156,395		156,395
Pumping Plant:			
Structures and Improvements	1,832,162		1,832,162
Electric Plumbing Equipment	157,614		157,614
Diesel Pumping Equipment	83,325		83,325
Other Pumping Equipment	194,084		194,084
Water Treatment Plant:			
Structures and Improvements	1,371,276		1,371,276
Water Treatment Equipment	2,883,348		2,883,348
Transmission and Distribution Plant:			
Structures and Improvements	334,085	62,130	396,215
Camden Avenue Tank	1,569,625	3,500	1,573,125
Cherry Hill 1MG Tank	3,006,586		3,006,586
ASR Building - Browning Road	124,706		124,706
Manganese Filtration	2,108,896		2,108,896
National and Brown Lime Addition	399,738		399,738
Park Ave Project	4,534,580		4,534,580
Park Ave Lime Building	256,928		256,928
Service Wells and Motors	542,320		542,320
Filter Media	327,592		327,592
Rehab National Highway Well 2	43,235		43,235
Browning Road Well 1	167,410		167,410
Tank Painting	5,174,410	437,900	5,612,310
Carbon Filter Project	1,658,486		1,658,486
CC TV Park	52,572		52,572
Valve Replacement	142,235		142,235
Distribution Reservoirs and Standpipes	2,830,658		2,830,658
Garden State Project	28,423		28,423
Transmission and Distribution Mains	6,891,967		6,891,967
Water Main Replacement	3,228,055	597,599	3,825,654
Services	1,983,004		1,983,004
Meters	3,464,681	463,525	3,928,206
Hydrants	473,253	19,143	492,396
General Plant:			
Administration Office	3,743,474		3,743,474
Structures and Improvements	24,674		24,674
Office Furniture and Equipment	169,448		169,448
Software	84,487		84,487
Backhoe	73,430		73,430
Transportation Equipment	139,925		139,925
Tools Shop and Garage Equipment	30,290	13,078	43,368
Power Operated Equipment	29,542		29,542
City of Camden Water Allocation	2,557,608		2,557,608
Capitalized Interest	207,130		207,130
Total Capital Assets in Service	$ 56,925,762	$ 1,654,600	$ 58,580,362

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF ACCRUED INTEREST PAYABLE

Balance January 1, 2015		$ 52,410
Accrued Interest:		
N.J.D.E.P. Loans	$ 121,805	
Bond Anticipation Note	11,697	
City of Camden Water Allocation	14,568	
		148,070
		200,480
Less Interest Paid:		
N.J.D.E.P. Loans	125,784	
Bond Anticipation Note	11,697	
City of Camden Water Allocation	14,568	
		152,049
Balance December 31, 2015		$ 48,431

Reconciliation of Interest Expense:	
Accrued Interest	$ 148,070
Amortization of Bond Premium	(13,767)
Interest on Debt	$ 134,303

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS 2015 AND 2014

	2015	2014 (Restated)	Increase (Decrease)
Revenues:			
Operating Revenues:			
Metered Sales to General Public	$ 7,752,886	$ 7,340,387	$ 412,499
Private Fire Protection	1,083,893	1,055,335	28,558
Public Fire Protection	83,913	80,757	3,156
Late Charges	109,773	130,561	(20,788)
Tapping Fees	3,079	7,060	(3,981)
Miscellaneous Income	80,297	79,885	412
Total Operating Revenues	9,113,841	8,693,985	419,856
Non-Operating Revenues:			
Investment Income	25,957	30,205	(4,248)
Tower Rentals	357,435	375,209	(17,774)
Connection and Developers' Fees	73,901	341,103	(267,202)
Total Revenues	9,571,134	9,440,502	130,632
Operating Expenses:			
Personal Services:			
Administrative Salaries	784,899	751,897	33,002
Seasonal Salaries	29,093	28,156	937
Water Treatment Salaries	435,608	446,277	(10,669)
Repair and Maintenance Salaries	531,143	552,988	(21,845)
Service Salaries	225,343	222,086	3,257
Plant Operators Salaries	275,334	266,374	8,960
Total Personal Services	2,281,420	2,267,778	13,642
Employee Benefits:			
Health Benefits	665,920	616,073	49,847
Prescription	320,084	290,460	29,624
Social Security Tax	164,106	164,818	(712)
Dental, Vision and Other Employee Benefits	101,913	100,846	1,067
Unemployment and Disability	7,677	7,702	(25)
Workers' Compensation Insurance	65,136	66,164	(1,028)
Public Employees' Retirement System	462,250	493,916	(31,666)
Post Employment Benefits Obligation Other than Pension	849,611	785,743	63,868
Total Employee Benefits	$ 2,636,697	$ 2,525,722	$ 110,975

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS 2015 AND 2014

	2015	2014 (Restated)	Increase (Decrease)
Administrative Expenses:			
Notices & Advertising	$ 10,276	$ 11,364	$ (1,088)
Office Expense	78,282	86,539	(8,257)
Operating Fees - DEP	40,192	39,919	273
I.T. Expense	30,709	46,231	(15,522)
Uniform Rental	7,846	6,267	1,579
Training and Development	15,257	14,391	866
Consumer Confidence Report	9,254	9,089	165
Employee and Community Relations	14,408	14,805	(397)
Professional / Outside Services	176,624	174,461	2,163
Insurance	114,230	106,961	7,269
Tower Rental Revenue Expense	506,828	321,433	185,395
Bad Debt Expense (Net Reserve Reduction)	46,040	23,385	22,655
Other	42,028	39,191	2,837
Total Administrative Expenses	1,091,974	894,036	197,938
Operating and Maintenance Expenses:			
Chemicals and Supplies	73,407	67,880	5,527
CCMUA Charges	3,080	3,762	(682)
Electric & Gas Expense	754,419	783,207	(28,788)
Maintenance of Wells and Treatment Equipment	230,570	274,967	(44,397)
Maintenance on Mains and Services	303,515	266,708	36,807
Maintenance on Structures	143,652	116,048	27,604
Maintenance on Generators and Power Equipment	29,588	12,778	16,810
Maintenance on Control Panels	13,454	19,065	(5,611)
Maintenance on Pumping and Chemical Equipment	44,631	28,157	16,474
Purchase of Water	74,071	74,129	(58)
Lab Work	58,126	52,341	5,785
Meter Repair and Maintenance	3,035	7,164	(4,129)
Communications	28,556	25,908	2,648
Fuel & Gas	18,401	37,216	(18,815)
Safety Equipment	9,758	9,854	(96)
Vehicle Expense	82,293	98,884	(16,591)
Total Operating and Maintenance Expenses	1,870,556	1,878,068	(7,512)
Depreciation and Amortization Expense	2,086,550	1,988,641	97,909
Total Operating Expenses	9,967,197	9,554,245	412,952
Other Expenses:			
Interest on Long-term Debt	134,303	146,929	(12,626)
Total Expenses	10,101,500	9,701,174	400,326
Change in Net Position	$ (530,366)	$ (260,672)	$ (269,694)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

PART II

SCHEDULE OF FINDINGS AND RECOMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2015

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
Schedule of Findings and Recommendations
For the Year Ended December 31, 2015

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Schedule of Financial Statement Findings

None

Summary Schedule of Prior Year Findings and Recommendations

This section identifies the status of prior year audit findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None

Appreciation

We express our appreciation for the courtesies extended and assistance provided to us during the course of our audit.

Respectfully submitted,
BOWMAN & COMPANY LLP

James J. Miles, Jr.
Certified Public Accountant