

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson,
County of Ocean, State of New Jersey)

Financial Statements and Supplementary Data

For the years ended December 31, 2016 and 2015

(With Independent Auditor's Report thereon)

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Financial Statements and Supplementary Data
For the years ended December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners of
Jackson Township Municipal Utilities Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Jackson Township Municipal Utilities Authority, a component unit of the Township of Jackson, County of Ocean, State of New Jersey, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Jackson Township Municipal Utilities Authority, a component unit of the Township of Jackson, County of Ocean as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents as pages 6-8, 39-41, 42, and 43, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The Schedules of Bond Service Requirements by Years for the year ended December 31, 2016 and the Schedules of Debt Service Requirements by Years for the year ended December 31, 2016 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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 schedules stated above are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2017, on our consideration of the Jackson Township Municipal Utilities Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to

provide an opinion on 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 Jackson Township Municipal Utilities Authority's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

April 25, 2017
Toms River, New Jersey

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

The Board of Commissioners of
Jackson Township Municipal Utilities Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Authority as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated April 25, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

April 25, 2017
Toms River, New Jersey



JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" issued in June 1999.

Financial Statements

The financial statements included on this report are the statements of net position, statements of revenues, expenses and changes in net position and statements of cash flows as of and for the years ended December 31, 2016 and 2015.

The statements of net position show the financial position of the Jackson Township Municipal Utilities Authority ("Authority") at December 31st of each year. Assets are compared with liabilities and net position is the result.

The statements of revenues, expenses, and changes in net position measure performance for each year and how this performance impacts the Authority's net position.

Finally, the statements of cash flows demonstrate why cash balances increased or decreased during the year.

Financial Analysis

The Authority, at December 31, 2016, had total assets and deferred outflows of resources of \$97,102,610 compared to \$94,820,231 at December 31, 2015. The total assets increased by approximately \$2,280,000 from 2015 to 2016 primarily as a result of the increase in cash and the increase of deferred outflows related to pensions. The Authority, at December 31, 2015, had total assets of \$94,820,231 compared to \$95,648,181 at December 31, 2014. The total assets decreased by approximately \$828,000 from 2014 to 2015 primarily as a result of the decreasing value of capital assets as the accumulated depreciation balance increased due to aging assets.

The Authority's liabilities and deferred inflows of resources of \$24,040,930 at year end December 31, 2016 increased from the December 31, 2015 balance of \$21,829,091 primarily due to the increase of the net pension liability by approximately \$2,200,000 from 2015 to 2016. The Authority's liabilities and deferred inflows of resources of \$21,829,091 at year end December 31, 2015 increased from the December 31, 2014 balance of \$16,030,729 primarily due to the recognition of the net pension liability of \$6,393,434.

As described in Note 20 to the financial statements, "Prior Period Adjustment/Restatement of Net Position", the Authority has adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, for the year ended December 31, 2015. The adoption of this principle resulted in a restatement of the Authority's opening net position as of January 1, 2015 in the amount of (\$5,964,054). The Authority also restated the opening balance in property, plant and equipment in the amount of (\$401,889), resulting in a total restatement to opening net position as of January 1, 2015 of (\$6,365,943).

In summary, the Authority's net position for the year ended December 31, 2016 reflects an increase of approximately \$70,500 from 2015. This increase was due to a \$63,000 decrease in net position in 2016 offset by a prior period restatement of approximately \$133,500 (see Note 20). The Authority's net position for the year ended December 31, 2015 reflects a decrease of approximately \$6,626,000 from 2014, which was due primarily to the provisions of GASB Statement No. 68 being implemented as a requirement with the 2015 audit.

The Authority's activity for the year remained relatively stable from 2015 to 2016, with the exception of capital contributions received. The Authority's net loss for 2016 was \$632,595 which includes \$3,475,506 for annual depreciation and amortization. The increase in the net loss of approximately \$237,000 from 2015 to 2016 was due primarily to an increase in the pension expense of approximately \$529,000. The capital contributions received for the year, which represent water and sewer infrastructure that is accepted by the Authority, were \$569,595 in 2016 compared to \$135,482 in 2015. The 2016 increase is primarily due to various developments that were under construction in the prior year and completed in the current year. The Authority's activity for the year remained relatively stable from 2014 to 2015, with the exception of capital contributions received.

The Authority's net loss for 2015 was \$395,851 which includes \$3,432,060 for annual depreciation and amortization. The decrease in the net loss of approximately \$697,000 was due primarily to increased operating revenues while operating expenses remained stable. The capital contributions received for the year, which represent water and sewer infrastructure that is accepted by the Authority, were \$135,482 in 2015 compared to \$1,770,126 in 2014. The 2015 decrease is primarily due to various developments still under construction and not closed out as of the date of this report.

Condensed Financial Information

Key Authority financial information for the years 2016, 2015, and 2014 include the following balances:

ASSETS			
	2016	2015	2014
Unrestricted current assets	\$ 9,129,756	\$ 8,599,965	\$ 7,774,198
Restricted current assets	2,825,759	1,741,115	2,083,121
Restricted non-current assets	300,000	300,000	300,000
Property, plant and equipment, net of depreciation	81,999,448	83,198,377	85,490,862
Total assets	<u>94,254,963</u>	<u>93,839,457</u>	<u>95,648,181</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pensions	2,847,647	980,774	-
Total deferred outflow of resources	<u>2,847,647</u>	<u>980,774</u>	<u>-</u>
Total assets and deferred outflow of resources	<u>\$ 97,102,610</u>	<u>\$ 94,820,231</u>	<u>\$ 95,648,181</u>
LIABILITIES			
Current liabilities payable from current unrestricted assets	\$ 609,295	\$ 687,808	\$ 208,479
Current liabilities payable from current restricted assets	2,542,889	1,702,946	1,846,150
Non-current liabilities	20,102,651	18,472,474	13,963,061
Total liabilities	<u>23,254,835</u>	<u>20,863,228</u>	<u>16,017,690</u>
DEFERRED INFLOW OF RESOURCES			
Deferred inflows related to pensions	262,095	435,345	-
Gain on loan refundings, net of accumulated amortization	524,000	530,518	13,039
Total deferred inflow of resources	<u>786,095</u>	<u>965,863</u>	<u>13,039</u>
NET POSITION			
Investments in capital assets, net of related debt	69,597,451	69,418,269	70,281,518
Restricted for bond service fund	824,350	1,227,884	1,313,000
Restricted for bond reserve fund	517,630	444,000	517,630
Closure account	300,000	300,000	300,000
Unrestricted	1,822,249	1,600,987	7,205,304
Total net position	<u>73,061,680</u>	<u>72,991,140</u>	<u>79,617,452</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 97,102,610</u>	<u>\$ 94,820,231</u>	<u>\$ 95,648,181</u>

OTHER FINANCIAL INFORMATION:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total operating and non-operating revenues	\$ 12,634,167	\$ 12,147,604	\$ 11,207,153
Total operating and non-operating expenses	<u>13,266,762</u>	<u>12,543,455</u>	<u>12,300,075</u>
Deficiency of revenues over expenses	<u>\$ (632,595)</u>	<u>\$ (395,851)</u>	<u>\$ (1,092,922)</u>
Capital additions	\$ 1,364,163	\$ 979,920	\$ 3,228,739
Contributed by developers	\$ 569,595	\$ 135,482	\$ 1,770,126
Connection fees - non-cash	\$ 420,128	\$ 119,823	\$ -
Bonds and notes paid down	\$ 254,723	\$ 1,946,715	\$ 1,386,810
Bonds and notes received	\$ 856,329	\$ 118,616	\$ 440,511
Bonds and notes payable	\$ 12,994,867	\$ 13,249,590	\$ 15,196,305

Authority 2016 operating revenues were below budget expectations by \$1,183,263 mainly due to lower than expected water usage, as well as fewer than expected connection fees which continues to be driven by the economy but seems to be improving. Authority 2015 operating revenues were below budget expectations by \$1,189,468 for similar reasons as 2016.

The Authority's total 2016 operating expenses were under budget by \$679,186 for the year due to lower chemical expense derived from less water production than anticipated. Employee Benefits and Professional fees were also lower than anticipated which allowed for a level budget on those expense lines for 2016. The sewage treatment cost for 2016 was also lower than budgeted due to the continued initiatives by the Authority to monitor the meter flows as well as corrective actions in addressing inflow/infiltration areas of concern to reduce chargeable flows. Additionally cost remained level with 2015 for same reasons. Electric was lower than anticipated due to the continued efforts by the Authority to incorporate saving initiatives through its 485kWh solar project located at the Hyson Water Treatment Plant and purchasing electric through third party suppliers for a cost savings. Transportation costs were lower than anticipated due to improving fuel charges. Repair and Maintenance were lower than anticipated due to improved preventative maintenance initiatives. Various other expense lines make up the remainder of the savings.

The Authority's total 2015 operating expenses were under budget by \$433,984 for the year due to lower chemical expense derived from less water production than anticipated. Professional fees were also lower than anticipated which allowed for a level budget on those expense lines for 2015. The sewage treatment cost for 2015 was also lower than budgeted due to the continued initiatives by the Authority to monitor the meter flows as well as corrective actions in addressing inflow/infiltration areas of concern to reduce chargeable flows. These efforts have afforded the Authority the ability to reduce the sewage treatment budget line by approximately \$245,000 from 2008 to 2015 which helps stabilize the sewer budget. Electric was lower than anticipated due to the continued efforts by the Authority to incorporate saving initiatives through its 485kWh solar project located at the Hyson Water Treatment Plant and purchasing electric through third party suppliers for a cost savings. Transportation costs were lower than anticipated due to improving fuel charges.

The Authority's financial report is designed to provide users of the financial statements with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. The financial statements of the Authority are a matter of public record and may be examined at 135 Manhattan Street, Jackson, New Jersey during the Authority's business hours.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Statements of Net Position
December 31, 2016 and 2015

	2016	2015
ASSETS		
Current unrestricted assets:		
Cash and cash equivalents	\$ 5,303,593	\$ 4,826,570
Accounts receivable	3,657,600	3,564,127
Insurance receivable	8,280	-
Inventory	159,081	141,460
Other assets	1,202	67,808
Total current unrestricted assets	9,129,756	8,599,965
Current restricted assets:		
Cash and cash equivalents	2,565,218	1,741,115
NJEIT loan funds receivable	260,541	-
Total current restricted assets	2,825,759	1,741,115
Total current assets	11,955,515	10,341,080
Non-current restricted assets:		
Investments - closure account	300,000	300,000
Total non-current restricted assets	300,000	300,000
Capital assets:		
Construction in progress	2,867,302	2,444,918
Property, plant and equipment	122,068,613	121,126,834
Accumulated depreciation	(42,936,467)	(40,373,375)
Net capital assets	81,999,448	83,198,377
Total assets	94,254,963	93,839,457
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflows related to pensions	2,847,647	980,774
Total deferred outflow of resources	2,847,647	980,774
Total assets and deferred outflow of resources	\$ 97,102,610	\$ 94,820,231

The accompanying notes are an integral part of these financial statements.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Statements of Net Position (continued)
December 31, 2016 and 2015

LIABILITIES	<u>2016</u>	<u>2015</u>
Current liabilities payable from current unrestricted assets:		
Accounts payable	\$ 242,073	\$ 186,607
Accrued expenses	95,334	256,340
Pensions payable	271,888	244,861
Total current liabilities payable from current unrestricted assets	<u>609,295</u>	<u>687,808</u>
Current liabilities payable from current restricted assets:		
Current portion of bonds payable	360,000	674,747
Current portion of loans payable - NJEIT	639,421	666,847
Current portion of loans payable - other	30,000	30,000
Construction loan	1,116,870	-
Accrued interest payable	92,810	70,546
Developer and customer deposits	303,788	260,806
Total current liabilities payable from current restricted assets	<u>2,542,889</u>	<u>1,702,946</u>
Non-current liabilities:		
Long-term portion of bonds payable	3,025,000	3,385,000
Long-term portion of loans payable - NJEIT	7,583,576	8,222,996
Long-term portion of loans payable - other	240,000	270,000
Compensated absences payable	189,833	201,044
Net pension liability	9,064,242	6,393,434
Total non-current liabilities	<u>20,102,651</u>	<u>18,472,474</u>
Total liabilities	<u>23,254,835</u>	<u>20,863,228</u>
DEFERRED INFLOW OF RESOURCES		
Deferred inflows related to pensions	262,095	435,345
Gain on loan refundings, net of accumulated amortization	524,000	530,518
Total deferred inflow of resources	<u>786,095</u>	<u>965,863</u>
NET POSITION		
Investments in capital assets, net of related debt	69,597,451	69,418,269
Restricted and unrestricted net position:		
Restricted for bond service fund	824,350	1,227,884
Restricted for bond reserve fund	517,630	444,000
Closure account	300,000	300,000
Unrestricted	1,822,249	1,600,987
Total restricted and unrestricted net position	<u>3,464,229</u>	<u>3,572,871</u>
Total net position	<u>73,061,680</u>	<u>72,991,140</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 97,102,610</u>	<u>\$ 94,820,231</u>

The accompanying notes are an integral part of these financial statements.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Statements of Revenue, Expenses and Changes in Net Position
For the years ended December 31, 2016 and 2015

	2016	2015
Operating revenues:		
Water and sewer charges	\$ 11,144,342	10,934,307
Connection fees	856,249	422,846
Antenna lease	234,045	232,601
Miscellaneous	157,849	110,665
Total operating revenues	12,392,485	11,700,419
Operating expenses:		
Cost of providing services	9,397,930	8,695,648
Depreciation	3,475,506	3,432,060
Total operating expenses	12,873,436	12,127,708
Operating income/(loss)	(480,951)	(427,289)
Non-operating revenues/(expenses):		
Interest income	32,421	30,467
Interest expense	(358,329)	(380,750)
Insurance reimbursement	14,443	93
Gain/(loss) on disposal of asset	17,742	2,757
Trustees' fees	(31,680)	(31,680)
Bond issuance costs	(3,317)	(3,317)
Debt service reimbursement	177,076	413,868
Total non-operating revenue/(expenses)	(151,644)	31,438
Net income/(loss) before contributions	(632,595)	(395,851)
Capital contributions	569,595	135,482
Change in net position	(63,000)	(260,369)
Net position, January 1	72,991,140	79,617,452
Prior period restatement (See Note 20)	133,540	(6,365,943)
Net position, January 1 (as restated)	73,124,680	73,251,509
Net position, December 31	\$ 73,061,680	\$ 72,991,140

The accompanying notes are an integral part of these financial statements.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Statements of Cash Flows
For the years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash received from service users	\$ 12,299,012	\$ 11,603,736
Cash paid to suppliers and employees	(8,773,282)	(8,399,594)
Cash flows from operating activities	3,525,730	3,204,142
Cash flows from investing activities:		
Interest income	32,421	30,467
Trustees' fees	(31,680)	(31,680)
Cash flows from investing activities	741	(1,213)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,706,983)	(844,438)
Insurance reimbursement	14,443	93
Principal paid on debt	(1,238,052)	(1,946,715)
Interest paid on debt	(336,065)	(475,354)
Proceeds received from NJEIT loan funds receivable	856,329	118,616
Bond issuance costs	(3,317)	(3,317)
Proceeds from sale of assets	17,742	2,757
Amortization of gain on loan refunding	(6,518)	-
Debt service reimbursement	177,076	413,868
Cash flows from capital and related financing activities	(2,225,345)	(2,734,490)
Net change in cash	1,301,126	468,439
Unrestricted and restricted cash, January 1	6,567,685	6,099,246
Unrestricted and restricted cash, December 31	\$ 7,868,811	\$ 6,567,685
Reconciliation to statements of net position:		
Current unrestricted assets:		
Cash	\$ 5,303,593	\$ 4,826,570
Current restricted assets:		
Cash	2,565,218	1,741,115
Unrestricted and restricted cash, December 31	\$ 7,868,811	\$ 6,567,685

The accompanying notes are an integral part of these financial statements.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Statements of Cash Flows (continued)
For the years ended December 31, 2016 and 2015

	2016	2015
Reconciliation of operating revenue over expenses to cash flows from operating activities:		
Operating revenues over expenses	\$ (480,951)	\$ (427,289)
Items which did not use cash:		
Depreciation	3,475,506	3,432,060
Unbudgeted pension expense	657,712	128,812
Working capital changes which (used) provided cash:		
Accounts receivable	(93,473)	(96,683)
Inventory	(17,621)	11,742
Insurance receivable	(8,280)	6,430
Other assets	66,606	(55,427)
Accounts payable	55,466	90,109
Accrued expenses	(161,006)	144,359
Developer and customer deposits	42,982	(41,544)
Compensated absences	(11,211)	11,573
Cash flows from operating activities	\$ 3,525,730	\$ 3,204,142

The accompanying notes are an integral part of these financial statements.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements
For the years ended December 31, 2016 and 2015

NOTE 1: ORGANIZATION

The Jackson Township Municipal Utilities Authority (“Authority”) was created by Ordinance 1-64 of the Township of Jackson, dated March 3, 1964. The Authority has a service contract with the Township of Jackson dated December 7, 1995, under which the Township has agreed to pay annual charges, if necessary, to supplement the Authority’s income to pay debt service on certain obligations of the Authority.

The purposes for which the Authority was created include the acquisition and/or construction of plants and distribution systems to provide an adequate supply of water and the acquisition and/or construction of sewer facilities for the disposition and treatment of sewerage for the relief of waters from pollution.

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

As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

The Authority is considered to be a “Component Unit” of the Township of Jackson under accounting principles generally accepted in the United States of America (GAAP). This determination is based on the oversight responsibility of the Township, which manifests itself primarily in the selection of members of the Authority and on accountability for fiscal matters as evidenced by the Deficiency Advance Contract dated December 7, 1995, which obligates the Township to provide for any deficits of the Authority which will be refunded to the Township through subsequent collection of user fees.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles (“GAAP”) applicable to enterprise funds of state and local governments.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets was renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Whereas the provisions of this Statement was effective for financial statements for periods beginning after December 15, 2011, the Authority had implemented this Statement in the financial statements for the year ended December 31, 2012.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Accounting (continued)

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

For the year ended December 31, 2015, the Authority implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflow or outflow of resources associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into invested capital assets, net of related debt; restricted for capital activity; restricted for debt service; and unrestricted components.

B. Budgetary Accounting

Each year the Authority adopts a budget which is approved by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The budget may be amended by resolution of the Board of Commissioners of the Authority. The budgetary basis of accounting is utilized to determine the Authority has sufficient cash to operate and pay debt service. As such, certain items such as bond payments and depreciation are included in budgetary expenses.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Accounts Receivable

The Authority bills its customers quarterly based on actual usage. A portion of the revenue recognized and related accounts receivable is based on estimated usage for the fourth quarter of the year that had not yet been billed. Any difference between estimated revenue and actual revenue is recognized in the first quarterly billing of the following year for actual consumption charges.

D. Inventory

Inventory consists principally of chemicals (for the treatment of sewerage, water and sludge), meters and supplies. All are stated at lower of cost (determined by the average cost method, which approximates the first in, first out method) or market.

E. Property, Plant and Equipment

Costs of the water and sewer systems incurred to date consist of facilities constructed or acquired, cost of acquisition of land, easements and rights-of-way, costs incidental to such construction or acquisitions, including engineering and inspection fees, costs of equipment, administrative and legal expenses, facilities contributed to the Authority by sub-dividers, the excess of value over cost of acquired facilities as determined by the Authority's consulting engineer, and interest on bonds incurred during the period of construction (less income earned on unexpended construction funds).

Depreciation is calculated utilizing the straight-line method for financial reporting purposes. Depreciation is provided over the following estimated useful lives:

Machinery and equipment	5-7 years
Meters	10 years
Building, WTP and improvements	10-39 years
Wells, pumping stations, water and sewer main extensions	40 years

F. Statement of Cash Flows

For the purpose of the statement of cash flows, the Authority considers investments with maturities of three months or less to be cash equivalents.

G. Investment Securities

State laws authorize the Authority to invest in obligations of the U.S. Treasury and other instruments allowed under N.J.S. 40A: 5-14. Cash and investments include bank balances and investments that, at the balance sheet date, were entirely insured. Investments are shown at cost or amortized cost plus accrued interest shown under a separate caption.

H. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

J. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measureable and the Authority is eligible to realize the revenue.

K. Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities or result from non-exchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Authority's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

L. Net Position

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified in the following three components:

- Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

M. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Deferred Inflows/Outflows of Resources (continued)

resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

N. Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

For the year ended December 31, 2016, the Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of implementing this statement, the Authority is required to measure certain investments at fair value for financial reporting purposes. In addition, the Authority is required to measure donated capital assets at acquisition value (an entry price); these assets were previously required to be measured at fair value. Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Implementation of this Statement did not impact the Authority's financial statements.

The Authority implemented GASB 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*. Implementation of this Statement did not impact the Authority's financial statements.

The Authority implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of this Statement did not impact the Authority's financial statements.

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. Implementation of this Statement did not impact the Authority's financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. Implementation of this Statement did not impact the Authority's financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Implementation of this Statement did not impact the Authority's financial statements.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Impact of Recently Issued Accounting Principles (continued)

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. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. This Statement will be effective for the year ended December 31, 2017. Management has not yet determined the potential impact on the Authority's financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting requirements for certain asset retirement obligations and establishes the timing and pattern of recognition of a liability and corresponding deferred outflow of resources. This

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Impact of Recently Issued Accounting Principles (continued)

Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

O. Fair Value Measurement

The Authority categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level I – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level II – Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level III – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values.

Subsequent to initial recognition, the Authority may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fair Value Measurement (continued)

The following methods and assumptions were used by the Authority in estimating the fair value of its financial instruments:

Certificate of Deposit: Valued at the net asset value (NAV) at year end when the NAV is valued at \$1 per unit.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

P. Subsequent Events

Jackson Township Municipal Utilities Authority has evaluated subsequent events occurring after the Statement of Net Position date through April 25, 2017, which is the date the financial statements were available to be issued.

NOTE 3: SIGNIFICANT TRUST AGREEMENT AND BOND RESOLUTION REQUIREMENTS

A. Required Cash and Investment Accounts

In accordance with the Authority's Bond Resolutions, the Authority has established the following cash and investment accounts for the deposit, in priority of order listed, of all revenue received by the Authority from operations or other sources. Cash and investment accounts on the balance sheets have been classified accordingly.

Unrestricted Assets:

Operating Fund

Amount – Transfers from Revenue Fund in the amount necessary to meet operating expenses.

Use – Payment of operating expenses.

Restricted:

Bond Service

Amount – The Bond Service Fund is to be an amount equal to the debt service requirements for the following fiscal year not covered by the amount in the Bond Reserve Fund. This includes subordinated indebtedness and NJEIT loans payable.

Use - Payment for future principal and interest on bonds.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 3: SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS (continued)

A. Required Cash and Investment Accounts (continued)

Bond Reserve

Amount – The Bond Reserve Fund is to be an amount equal to Bond Reserve Requirements. The Bond Reserve Requirement as of any particular date of calculation is equal to the lesser of 10% of the aggregate principal amount of the Bonds upon original issuance or the amount equal to the maximum annual debt service on the bonds.

Use – As further security for payment of the bonds.

Construction Fund

Amount – Any proceeds derived from the issuance of any bonds and of the proceeds of any condemnation award and which are to be applied by the Authority for the acquisition of construction of any portion of the system and any other monies.

Use – Payment for cost of the system.

Closure Account

Amount – Principal balance of \$300,000 is maintained, but can be reduced to \$50,000. Interest is deposited into Penalties and Fines Account.

Use – a.) Paying costs and expenses which may hereafter be incurred due to any closure of Great Adventure Facilities. b.) Paying costs and expenses related to Great Adventure facilities repair and/or replacement in advance of receipt of payment therefore by Great Adventure.

Revenue Fund

Amount – Required by the Trustee to have the amount estimated to be necessary for operating expenses as set forth in a certificate of Authority Officer or an amount which is consistent with the Annual Budget for the succeeding three-month period commencing on such withdrawal date.

Use – Fund operations in the event of a revenue shortfall; transfers to various accounts.

Capital Reserves

Amount – Amount needed to fund future capital projects.

Use – Payment for the cost of future capital projects.

B. Trust Agreement Requirements

In accordance with the Trust Agreement, the Authority should require the following:

- That the security (market value basis) be provided by depositories for all funds held by them. At the balance sheet dates, federal insurance and the par value of securities pledged

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 3: SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS (continued)

B. Trust Agreement Requirements (continued)

- were in excess of the deposits at all depositories used by the Authority with the exception of unremitted payroll withholdings.
- That all invested monies be pre-invested in direct obligation of the United States Government. All investments made by the depositories during the year were in accordance with this provision.
- That while any of the bonds or interest remain outstanding, the Authority covenants that it will at all times keep insured such parts of the system against:
 - Physical loss or damage, however caused, with such exceptions as are ordinarily required, in the amount recommended by the Consulting Engineer and,
 - Against such risks as the Consulting Engineer may recommend and as are customarily insured by other operating facilities of a similar type.
- That any profit realized from or interest accruing on investments shall belong to the account from which the monies for such investments were taken other than noted in the required cash and investment accounts above.

NOTE 4: CASH AND CASH EQUIVALENTS

The Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits held at December 31, 2016 and 2015, and reported at fair value are shown below.

	<u>2016</u>	<u>2015</u>
Deposits:		
Demand deposits	\$ <u>7,868,811</u>	\$ <u>6,567,685</u>
Total deposits	\$ <u>7,868,811</u>	\$ <u>6,567,685</u>

Reconciliation to Statements of Net Position:

	<u>2016</u>	<u>2015</u>
Current unrestricted assets:		
Cash	\$ 5,303,593	\$ 4,826,570
Current restricted assets:		
Cash	<u>2,565,218</u>	<u>1,741,115</u>
Total	<u>\$ 7,868,811</u>	<u>\$ 6,567,685</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2016 and 2015, the Authority's bank balances of \$7,882,867 and \$6,611,192 and was insured or collateralized as follows:

	<u>2016</u>	<u>2015</u>
Insured	\$ 760,904	\$ 754,655
Collateralized in the Authority's name		
Under GUDPA	<u>7,121,963</u>	<u>5,856,537</u>
Total	<u>\$ 7,882,867</u>	<u>\$ 6,611,192</u>

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 5: INVESTMENTS

A. Custodial Credit Risk

For an investment, custodial credit risk is a risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. All of the Authority's investments are held in the name of the Authority and are collateralized by GUDPA.

B. Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Authority has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2016 and 2015, are provided in the schedule on the following page.

C. Investment Credit Risk

The Authority has no investment policy that limits its investment choices other than the limitation of state law as follows:

- 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 federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Authority or bonds or other obligations of the local unit or units within which the Authority is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Authority;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 5: INVESTMENTS (continued)

C. Investment Credit Risk (continued)

As of December 31, 2016 and 2015, the Authority had the following investments and maturities:

<u>Investment</u>	<u>Maturity</u>	<u>Rating</u>	<u>2016</u>	<u>2015</u>
Certificate of Deposit	May 27, 2020	N/A	\$ 300,000	\$ 300,000
Total investments			<u>\$ 300,000</u>	<u>\$ 300,000</u>

Reconciliation to Statements of Net Position:

Non-current restricted assets:

Investments	\$ 300,000	\$ 300,000
Total	<u>\$ 300,000</u>	<u>\$ 300,000</u>

D. Fair Value of Investments

Investments are shown at fair value on the balance sheet with accrued interest shown under a separate caption. Investments are summarized as follows at December 31, 2016:

	<u>Cost</u>	<u>Market</u>
Certificates of Deposits	\$ 300,000	\$ 300,000
Total fair value of investments	<u>\$ 300,000</u>	<u>\$ 300,000</u>

Investments are shown at fair value on the balance sheet with accrued interest shown under a separate caption. Investments are summarized as follows at December 31, 2015:

	<u>Cost</u>	<u>Market</u>
Certificates of Deposits	\$ 300,000	\$ 300,000
Total fair value of investments	<u>\$ 300,000</u>	<u>\$ 300,000</u>

NOTE 6: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Accounts receivable – billed	\$ 1,758,826	\$ 1,776,059
Accounts receivable – unbilled	1,480,208	1,478,148
Accounts receivable – Great Adventure	236,438	232,469
Accounts receivable – other	182,128	77,451
	<u>\$ 3,657,600</u>	<u>\$ 3,564,127</u>

The Authority believes that all receivables are collectible and has not established an allowance for doubtful accounts.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 7: CAPITAL ASSETS

Capital assets at December 31st consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets that are not being depreciated:				
Land	\$ 2,677,642	\$ -	\$ -	\$ 2,677,642
Construction in progress	2,444,918	2,216,032	(1,793,648)	2,867,302
Total capital assets not being depreciated	<u>5,122,560</u>	<u>2,216,032</u>	<u>(1,793,648)</u>	<u>5,544,944</u>
Capital assets that are being depreciated:				
Wells, pumping stations, water and sewer main exentions	93,739,830	1,432,385	(2,548)	95,169,667
Land improvements	-	81,047	-	81,047
Machinery and equipment	6,033,681	181,362	(108,022)	6,107,021
Building, WTP and improvements	15,229,259	-	(801,844)	14,427,415
Meters	3,446,422	159,399	-	3,605,821
Total capital assets being depreciated	<u>118,449,192</u>	<u>1,854,193</u>	<u>(912,414)</u>	<u>119,390,971</u>
Less accumulated depreciation:	<u>(40,373,375)</u>	<u>(3,475,506)</u>	<u>912,414</u>	<u>(42,936,467)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>78,075,817</u>	<u>(1,621,313)</u>	<u>-</u>	<u>76,454,504</u>
Net capital assets	<u>\$ 83,198,377</u>	<u>\$ 594,719</u>	<u>\$ (1,793,648)</u>	<u>\$ 81,999,448</u>

NOTE 8: CONSTRUCTION LOAN PAYABLE

In order to finance the Manhattan Street complex water storage improvements and warehouse project construction, the Authority has been drawing down on a construction loan granted by NJEIT in 2016 to be utilized as work progresses through the completion of such construction. As of December 31, 2016, the amount borrowed and outstanding under such loan was \$1,116,870. As of December 31, 2016, the entire amount is reflected as a current liability, however, once payment terms are identified, a portion will be reflected as long-term debt.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 9: BONDS AND LOANS PAYABLE

Bonds and NJEIT loans payable at December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
New Jersey Wastewater Treatment Trust Bonds, varying interest rates of 4.01% to 5.60%; maturity dates annually beginning September 1, 1998 and ending September 1, 2016. Interest payable semi-annually on August 1 and February 1.	\$ -	\$ 304,688
New Jersey Wastewater Treatment Trust Bonds, bearing no interest; maturity dates annually beginning February 1, 1998 and ending August 1, 2016	-	20,059
Subtotal	-	324,747
Series 2004A Bonds, varying interest rates of 3.00% to 4.75%; maturity dates annually beginning December 1, 2008 and ending December 1, 2024. Interest payable semi-annually on June 1 and December 1. Bonds are subject to redemption at the option of the Authority prior to their state maturity.	3,385,000	3,735,000
2007 New Jersey Environmental Trust Fund loan of \$5,901,000 (Fund loan), maturity dates semi-annually beginning August 1, 2008 and ending August 1, 2027, no interest payable.	3,470,199	4,070,504
2007 New Jersey Environmental Infrastructure Trust (2015A-R1 NJEIT Refunding Bonds) of \$3,646,000 (Trust loan), net interest cost of 2.32%, maturity dates annually beginning August 2017 and ending August 2027. Interest paid semiannually on February 1 and August 1, on the Trust loan.	3,646,000	3,646,000
2013 (CW) New Jersey Environmental Infrastructure Trust loan of \$142,099 (Trust loan) and \$409,901 (Fund loan), varying interest rates of 2.18% to 3.32% on the Trust loan, maturity dates semi-annually beginning August 1, 2013 and ending August 1, 2032. Interest paid semiannually on February 1 and August 1, on the Trust loan and no interest payable on the Fund loan.	455,936	483,346
2013 (DW) New Jersey Environmental Infrastructure Trust loan of \$202,851 (Trust loan) and \$585,149 (Fund loan), varying interest rates of 2.18% to 3.32% on the Trust loan, maturity dates semi-annually beginning August 1, 2013 and ending August 1, 2032. Interest		

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 9: BONDS AND LOANS PAYABLE (continued)

	<u>2016</u>	<u>2015</u>
paid semiannually on February 1 and August 1, on the Trust loan and no interest payable on the Fund loan.	650,862	689,993
Total of bonds and loans payable	11,607,997	12,949,590
Less: current portion of bonds and loans payable	(999,421)	(1,341,594)
Long-term portion of bonds and loans payable	<u>\$ 10,608,576</u>	<u>\$ 11,607,996</u>
Reconciliation to Statements of Net Position:		
	<u>Current</u>	<u>Long-Term</u>
Bonds payable	\$ 360,000	\$ 3,025,000
Loans payable – NJEIT	639,421	7,583,576
	<u>\$ 999,421</u>	<u>\$ 10,608,576</u>

Revenues and certain funds as set forth in the Bond Resolution are pledged to secure the principal or redemption price and interest on the outstanding bonds.

Debt service requirements on bonds and NJEIT loans outstanding as of December 31, 2016 are shown as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 999,421	\$ 342,560	\$ 1,341,981
2018	1,032,548	314,282	1,346,830
2019	1,060,231	283,989	1,344,220
2020	1,091,619	252,233	1,343,852
2021	1,121,440	218,609	1,340,049
2022-2026	5,138,030	545,727	5,683,757
2027-2031	1,091,501	34,762	1,126,263
2032	73,207	752	73,959
Total	<u>\$ 11,607,997</u>	<u>\$ 1,992,914</u>	<u>\$ 13,600,911</u>

The following summarizes activity in bonds and NJEIT loans payable for the year ended December 31, 2016:

	<u>Beginning Principal</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Principal</u>	<u>Due Within One Year</u>
Bonds payable	\$ 4,059,747	\$ -	\$ (674,747)	\$ 3,385,000	\$ 360,000
NJEIT loans	8,889,843	-	(666,846)	8,222,997	639,421
Total	<u>\$ 12,949,590</u>	<u>\$ -</u>	<u>\$ (1,341,593)</u>	<u>\$ 11,607,997</u>	<u>\$ 999,421</u>

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 10: BONDS AND LOANS PAYABLE (continued)

The Authority has an agreement with Six Flags Great Adventure under which the Authority must reimburse Six Flags Great Adventure for depreciation charged to them in previous years. The original principal sum of the debt was \$1,600,000.

As of December 31, 2016, the balance due is \$270,000, which will be paid in annual installments of \$30,000 due August 1. The loan bears interest at the rate established by the State of New Jersey Board of Regulatory Commission for customers' deposits less 0.25%.

The balances of the loan payable - other at December 31, 2016 and 2015 was:

	<u>2016</u>	<u>2015</u>
Total	\$ 270,000	\$300,000
Less: Current portion of loans payable – other	<u>(30,000)</u>	<u>(30,000)</u>
Long-term portion of loans payable – other	<u>\$ 240,000</u>	<u>\$270,000</u>

At December 31, 2016, the principal portion owed to Six Flags Great Adventure is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest*</u>	<u>Total</u>
2017	\$ 30,000	\$ -	\$ 30,000
2018	30,000	-	30,000
2019	30,000	-	30,000
2020	30,000	-	30,000
2021	30,000	-	30,000
2022-2025	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Total	<u>\$ 270,000</u>	<u>\$ -</u>	<u>\$ 270,000</u>

**As of December 31, 2016, the customer deposit rate established by the State of New Jersey Board of Regulatory Commission is less than .25%, therefore future minimum interest rate calculated to be 0%.*

	<u>Beginning</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending</u>		<u>Due Within</u>
	<u>Principal</u>						<u>Principal</u>		<u>One Year</u>
Other loans payable	\$ 300,000	\$	-	\$	(30,000)	\$	270,000	\$	30,000

NOTE 11: REFUNDING OF 2007 NEW JERSEY INFRASTRUCTURE TRUST LOAN

On November 10, 2015, the Authority issued Series 2015A-R1 NJEIT Refunding Bonds in the amount of \$3,646,000. The proceeds of this issuance were utilized to refund the 2007 NJEIT trust loan outstanding. The Refunding Bonds issued resulted in a net gain on refunding of \$524,000 in the year ended December 31, 2015 and the refunding is expected to produce a new savings of approximately \$593,373 over the life of the new bond series.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 12: OCUA CREDIT/DEFICIENCY

The Authority makes quarterly payments to the Ocean County Utilities Authority (OCUA) for the treatment of its sewerage. These payments are based on gallons sent for treatment and are estimated billings. After the calendar year is over, in accordance with a service agreement executed by the parties, a final invoice is sent by the OCUA based upon actual flows.

At the end of the year, the OCUA is required to provide the Authority with a "Deficiency Notification" in accordance with Articles V and IX of the Service Agreement. The credit or (deficiency) is computed by taking the actual flows for the year and comparing this number to the estimated flows. The Authority has recorded a credit in the amount of \$98,645 as of December 31, 2016 that will be applied against the first quarterly payment of 2017. Credits are recorded as revenue when received and deficiencies are recorded as expenses when billed.

NOTE 13: PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS)

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

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

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
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.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 13: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

Basis of Presentation - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2016, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Components of Net Pension Liability - At December 31, 2016, the Authority reported a liability of \$9,064,242 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The Authority's proportion measured as of June 30, 2016, was .03060%, which was an increase of .00216% from its proportion measured as of June 30, 2015.

Collective Balances at December 31, 2016 and December 31, 2015

	<u>12/31/2016</u>	<u>12/31/2015</u>
Actuarial valuation date (including roll forward)	June 30, 2016	June 30, 2015
Deferred Outflows of Resources	\$ 2,847,647	\$ 980,774
Deferred Inflows of Resources	\$ 262,095	\$ 435,345
Net Pension Liability	\$ 9,064,242	\$ 6,393,434
Authority's portion of the Plan's total net pension Liability	0.03060%	0.02848%

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 13: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended December 31, 2016, the Authority recognized pension expense of \$657,712. At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>PERS</u>	<u>PERS</u>
Differences between Expected and Actual Experience	\$ 168,567	\$ -
Changes of Assumptions	1,877,627	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	345,628	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	455,825	262,095
	\$ 2,847,647	\$ 262,095

The amount of \$271,888 resulting from the Authority's contributions subsequent to the measurement date (i.e. for the fiscal year ending December 31, 2016, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>Dec 31,</u>	<u>PERS</u>
2017	\$ 563,955
2018	563,956
2019	649,241
2020	557,028
2021	251,372
	\$ 2,585,552

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 13: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

	PERS	
	Deferred Outflow of <u>Resources</u>	Deferred Inflow of <u>Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 13: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

	<u>PERS</u>
Inflation	3.08%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2011 - June 30, 2014

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 13: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment grade credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Authority's

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 13: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	1% Decrease <u>(2.98%)</u>	Current Discount Rate <u>(3.98%)</u>	1% Increase <u>(4.98%)</u>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 11,107,170</u>	<u>\$ 9,064,242</u>	<u>\$ 7,377,627</u>

NOTE 14: POST-RETIREMENT BENEFITS

The Authority participates in the New Jersey State Health Benefits Program (“the SHBP”), which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB Statement 45 “Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions” (“OPEB”). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pensions and Benefits.

Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the SHBP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The SHBP is established under the authority of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution rate is determined on an annual pay as you go basis. The State will set the employer contribution rate based on the annual required contribution of the employers (“ARC”), an amount actuarially-determined in accordance with the parameters of GASB Statement No. 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) of the plan over a period not to exceed 30 years. The unfunded actuarial accrued liability for the Authority has not been determined. The Authority’s contributions to the State Health Benefits Program Fund for post-retirement benefits for the year ended December 31, 2016, 2015, and 2014 were approximately \$72,272, \$69,871 and \$63,000, respectively. There were 6 retirees receiving benefits during 2016 and 5 retirees receiving benefits during 2015 and 2014.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 15: DEFERRED COMPENSATION PROGRAM

The Authority offers its employees a Deferred Compensation Plan (“Plan”) created in accordance with Internal Revenue Code Section 457. The Plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The Authority does not make contributions to the Plan for the benefit of its employees.

During December 1998, the Authority, in accordance with Internal Revenue Code 457, amended the Deferred Compensation Plan to establish an exclusive benefit trust whereby all Plan investments are held for the exclusive benefit of the Plan’s participants and beneficiaries and are not subject to the claims of the Authority’s general creditors. As such, the Deferred Compensation Plan amounts as of December 31, 2016 and 2015 are not reflected on the Authority’s statements of net position.

NOTE 16: COMPENSATED ABSENCES

Authority employees are entitled to sick leave. Employees hired prior to December 12, 1993 are eligible to receive payment for 100% of all accumulated sick days upon retirement, up to a maximum of \$15,000. Amounts are calculated on the employee’s average earnings for the last five years excluding overtime pay, longevity, and all other supplemental compensation. Employees hired after December 12, 1993 are eligible to receive payment for 50% of all accumulated sick days upon retirement up to a maximum of \$15,000. Amounts are calculated on the employee’s average earnings for the last three years excluding overtime pay, longevity, and all other supplemental compensation.

Vacation days not used during the year by Authority employees may not be carried forward for more than two calendar years.

The liability for vested compensated absences is recorded as a non-current liability in the accompanying financial statements. The current portion of the compensated absence balance is not considered material and is therefore not shown separately from the long-term liability balance of compensated absences.

As of December 31, 2016 and 2015, accumulated compensated absences amount to \$189,833 and \$201,044, respectively, and are reported as non-current liabilities on the statements of net position.

NOTE 17: WESTERN EXTENSION AGREEMENT

The Authority entered into an agreement with Six Flags Great Adventure, dated February 2, 1995 (and amended September 19, 1996), to provide for financing and construction of an extension to the Authority’s sanitary sewerage collection system in order to collect sewerage originating within the western portion of its customers. Six Flags Great Adventure is being provided sewer service together with other customers. Six Flags Great Adventure has guaranteed repayment of the New Jersey Wastewater Treatment Fund Bonds. The debt service reimbursement for the years ended December 31, 2016 and 2015 was \$177,076 and \$413,868, respectively. The amount to be funded by Six Flags Great Adventure each year is offset in part, on calculated usage from connections.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 18: CREDITED CONNECTION FEES

The Authority has entered into agreements with various developers which entitles them to a credit for water and sewer connection fees. In exchange for the credited connection fees, the developers have agreed to design, construct and install various infrastructures with no cash outlay by the Authority. The developers are granted the connection fee credits based on the percentage of completion method. During the years ending December 31, 2016 and 2015, these non-cash connection fees which are recognized as revenues amounted to \$420,128 and \$119,823 respectively. The corresponding assets are recorded in construction in progress until they are received.

NOTE 19: RISK MANAGEMENT

The Authority is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Authority is a member of the New Jersey Utilities Authorities Joint Insurance Fund (JIF). The joint insurance pool is both an insured and self-administered group of 80 authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The JIF will be self-sustaining through member premiums. The JIF participates in the Municipal Excess Liability Insurance program which has a contract for excess insurance. There were no settlements in excess of insurance coverage for 2016, 2015, or 2014.

NOTE 20: PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION

Net position as of January 1, 2016 has been restated as follows to correct an understatement of accounts receivable from a prior year. A debt service reserve credit in the amount of \$133,540 should have been recorded in 1996. This credit was to be applied against the final principal payment of the 1996 New Jersey Wastewater Treatment Trust Bonds in 2016.

Net position as previously reported at December 31, 2015	\$	72,991,140
Prior period adjustment - Correction of understatement of accounts receivable		133,540
Net position as restated, January 1, 2016	\$	73,124,680

Net position as of January 1, 2015 has been restated as follows for the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Net position as of January 1, 2015 has also been restated to correct an overstatement of property, plant and equipment in the prior year.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2016 and 2015

NOTE 20: PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION (continued)

	<u>Governmental Activities</u>
Net Position as previously reported at December 31, 2014	\$ 79,617,452
Prior period adjustment -	
Implementation of GASB 68:	
Net Pension Liability (measurement date as of June 30, 2014)	(5,724,411)
PERS Pension Payable (2015 Authority PERS Pension Contribution)	(252,053)
Deferred Outflows (measurement date as of June 30, 2014)	353,554
Deferred Inflows (measurement date as of June 30, 2014)	(341,144)
Correction of overstatement of property, plant and equipment	(401,889)
Total prior period adjustment	<u>(6,365,943)</u>
Net Position as restated, January 1, 2015	<u><u>\$ 73,251,509</u></u>

NOTE 21: CONSTRUCTION COMMITMENTS

On August 25, 2016, the Authority entered into a contract with KM Construction Corporation for Manhattan Street Complex warehouse and water storage improvements. As of December 31, 2016, the total amount of the contract was \$6,052,740. Payments made through December 31, 2016 totaled \$479,798 resulting in a remaining balance left on the contract of \$5,572,942. This project is funded by financing provided by the New Jersey Environmental Infrastructure Trust.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Operating Revenues and Costs Funded by
Operating Revenues (Budget vs. Actual)
For the year ended December 31, 2016

	Original Water Budget	Original Sewer Budget	Original Budget Total	Final Budget Total	Actual	Variance Favorable/ (Unfavorable)
Revenues:						
Water and sewer charges	\$ 6,411,968	\$ 5,261,694	\$ 11,673,662	\$ 11,673,662	\$ 11,144,342	\$ (529,320)
Connection fees	1,019,480	421,400	1,440,880	1,440,880	856,249	(584,631)
Antenna lease	160,523	160,523	321,046	321,046	234,045	(87,001)
Miscellaneous	104,950	35,210	140,160	140,160	157,849	17,689
Total operating revenues	7,696,921	5,878,827	13,575,748	13,575,748	12,392,485	(1,183,263)
Cost of Providing Services:						
Operation Control:						
Ads and notices	7,500	3,500	11,000	9,524	9,376	148
Bank and other fees	8,000	3,700	11,700	13,919	13,918	1
Chemicals	157,000	75,000	232,000	230,798	146,963	83,835
Communications costs	7,000	3,000	10,000	10,000	9,340	660
Community relations	5,000	2,500	7,500	6,757	4,008	2,749
Dues/subscriptions/membership	8,000	3,300	11,300	11,300	9,206	2,094
Education and training	15,000	7,500	22,500	22,500	17,883	4,617
Employee benefits	1,052,800	451,200	1,504,000	1,504,000	1,409,091	94,909
Equipment rental	10,000	1,700	11,700	11,700	4,182	7,518
Insurance	106,478	45,633	152,111	152,111	141,830	10,281
Laboratory services	30,503	1,500	32,003	32,003	19,410	12,593
License permits	25,000	2,100	27,100	27,100	22,452	4,648
Meter testing	2,500	-	2,500	2,500	994	1,506
NJA Sewer fees	-	13,000	13,000	13,179	13,179	-
OCUA Regional Sewer fee	-	2,922,680	2,922,680	2,919,865	2,769,205	150,660
Toms River Sewer fees	-	40,000	40,000	40,000	37,372	2,628
Outside services	111,044	43,769	154,813	152,387	140,089	12,298
Penalty and fines	500	100	600	3,026	3,025	1
Personal safety equipment	5,000	3,000	8,000	8,020	7,197	823
Postage	27,000	11,880	38,880	38,880	34,005	4,875
Professional fees	76,500	26,630	103,130	103,130	60,117	43,013
Repairs and maintenance	218,000	179,100	397,100	397,100	379,852	17,248
Shipping	2,500	1,500	4,000	4,000	2,286	1,714
Supplies	55,000	19,500	74,500	74,480	62,037	12,443
Taxes - Water use	11,000	-	11,000	11,000	10,053	947
Transportation	75,600	49,050	124,650	124,650	89,045	35,605
Trustee fees - Administration	6,955	2,195	9,150	10,150	10,150	-
Uniforms	10,500	4,500	15,000	15,000	13,435	1,565

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Operating Revenues and Costs Funded by
Operating Revenues (Budget vs. Actual) (continued)
For the year ended December 31, 2016

	Original Water Budget	Original Sewer Budget	Original Budget Total	Final Budget Total	Actual	Variance Favorable/ (Unfavorable)
Cost of Providing Services:						
Operation Control (continued):						
Utilities	427,000	100,500	527,500	527,500	468,623	58,877
Write-offs	5,000	5,000	10,000	12,838	12,837	1
Payroll Taxes	157,265	67,399	224,664	224,664	197,516	27,148
Administration Control:						
Salaries	382,236	163,816	546,052	546,052	528,423	17,629
Sick/vacation buyback	7,000	3,000	10,000	10,000	4,833	5,167
Executive (Management) Control:						
Salaries	189,340	81,146	270,486	270,485	262,248	8,237
Member Salaries	14,700	6,300	21,000	21,001	21,000	1
Field Control:						
Salaries	1,191,548	510,664	1,702,212	1,692,612	1,662,539	30,073
Safety officer	1,820	780	2,600	2,600	867	1,733
Sick/vacation buyback	21,000	9,000	30,000	39,600	39,600	-
Water Six Flags Great Adventure Control:						
Chemicals	20,000	10,000	30,000	24,662	18,691	5,971
Equipment rental	1,000	-	1,000	1,000	-	1,000
Laboratory services	11,000	-	11,000	11,000	10,390	610
License permits	250	100	350	350	-	350
Outside services	1,500	1,000	2,500	2,500	1,773	727
OCUA Regional sewer fee	-	500	500	500	-	500
Repairs and maintenance	15,000	15,000	30,000	35,338	32,925	2,413
Shipping	250	100	350	350	47	303
Supplies	500	150	650	650	232	418
Taxes - Water use	2,867	-	2,867	2,734	1,226	1,508
Utilities	1,000	100	1,100	1,233	1,132	101
Maple Glen Control:						
Ads and notices	-	100	100	100	-	100
Chemicals	-	225	225	225	82	143
Laboratory services	-	3,500	3,500	3,500	3,178	322
License permits	-	4,000	4,000	3,918	3,745	173
Outside services	-	500	500	582	582	-
Repairs and maintenance	-	8,000	8,000	8,000	5,112	2,888
Shipping	-	130	130	130	38	92
Supplies	-	1,000	1,000	1,000	620	380
Utilities	-	21,200	21,200	21,200	19,970	1,230
Wastewater and sludge removal	-	4,000	4,000	4,000	2,289	1,711
Total Costs of Providing Services	4,484,656	4,934,747	9,419,404	9,419,404	8,740,218	679,186

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Operating Revenues and Costs Funded by
Operating Revenues (Budget vs. Actual) (continued)
For the year ended December 31, 2016

	Original Water Budget	Original Sewer Budget	Original Budget Total	Final Budget Total	Actual	Variance Favorable/ (Unfavorable)
Other Costs Funded By Revenues:						
Principal Maturity	884,438	487,179	1,371,617	1,371,617	1,371,593	24
Total Costs Funded By Operating Revenues	5,369,094	5,421,926	10,791,021	10,791,021	10,111,811	679,210
Net Operating Revenues	2,327,827	456,901	2,784,727	2,784,727	2,280,674	(504,053)
Non-Operating Revenues/(Expenses):						
Interest Income and Other Income	12,435	19,765	32,200	32,200	64,606	32,406
Interest Expense and Other Expense	(345,618)	(81,529)	(427,147)	(427,147)	(393,326)	33,821
Depreciation and Amortization	(2,437,450)	(1,192,000)	(3,629,450)	(3,629,450)	(3,475,506)	153,944
Debt Service Reimbursement	-	420,000	420,000	420,000	177,076	(242,924)
Total Non-Operating Revenues/(Expenses):	(2,770,633)	(833,764)	(3,604,397)	(3,604,397)	(3,627,150)	(22,753)
Deficiency Revenues Over Expenses	\$ (442,806)	\$ (376,863)	\$ (819,670)	\$ (819,670)	\$ (1,346,476)	\$ (526,806)

Reconciliation of Budgetary Basis to Net Income

Deficiency Revenues Over Expenses	\$ (1,346,476)
Adjustments to Budgetary Basis:	
Principal Maturities	1,371,593
Unbudgeted Pension Expense	(657,712)
Net Income/(Loss) Before Contributions	\$ (632,595)

JACKSON MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System
Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's proportion of the net pension liability (asset)	0.03060%	0.02848%	0.03057%	0.02950%
Authority's proportionate share of the net pension liability (asset)	\$ 9,064,242	\$ 6,393,434	\$ 5,724,411	\$ 5,637,973
Authority's covered-employee payroll	\$ 2,111,404	\$ 2,073,896	\$ 1,971,536	\$ 2,099,873
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	429.30%	308.28%	290.35%	268.49%
Plan fiduciary net position as a percentage of the total pension liability	40.14%	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, governments should present information for those years for which information is available.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Authority Contributions
Public Employees' Retirement System
Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 271,888	\$ 244,861	\$ 252,053	\$ 222,274
Contributions in relation to the contractually required contribution	<u>271,888</u>	<u>244,861</u>	<u>252,053</u>	<u>222,274</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 2,111,404	\$ 2,073,896	\$ 1,971,536	\$ 2,099,873
Contributions as a percentage of covered-employee payroll	12.88%	11.81%	12.78%	10.59%

NOTE: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Notes to the Required Supplementary Information

For the year ended December 31, 2016

Public Employees' Retirement System (PERS)

Basis of Presentation. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived in a report provided by KPMG dated April 6, 2017. The full report is available by the State of New Jersey, Division of Pension and Benefits. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

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

Changes of assumptions. Pre-retirement mortality rates were based on the RP-2000 Employee Pre-Retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Bond Service Requirements by Years
December 31, 2016

<u>Years</u> <u>Ending</u>	<u>Series 2004A</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 360,000	\$ 152,930	\$ 512,930
2018	380,000	137,630	517,630
2019	395,000	121,005	516,005
2020	410,000	103,625	513,625
2021	430,000	85,175	515,175
2022	450,000	65,825	515,825
2023	470,000	45,013	515,013
2024	490,000	23,275	513,275
	<hr/>	<hr/>	<hr/>
Total	\$ 3,385,000	\$ 734,478	\$ 4,119,478
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2016

<u>Years</u> <u>Ending</u>	<u>NJEIT 2007 Loans Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 315,792	\$ -	\$ 315,792
2018	315,791	-	315,791
2019	315,307	-	315,307
2020	316,469	-	316,469
2021	314,015	-	314,015
2022	315,468	-	315,468
2023	316,276	-	316,276
2024	315,121	-	315,121
2025	316,122	-	316,122
2026	313,312	-	313,312
2027	316,526	-	316,526
Total	<u>\$ 3,470,199</u>	<u>\$ -</u>	<u>\$ 3,470,199</u>

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2016

<u>Years</u> <u>Ending</u>	<u>NJEIT 2013 Loans Payable - CW</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 27,448	\$ 3,019	\$ 30,467
2018	27,499	2,967	30,466
2019	27,568	2,898	30,466
2020	27,661	2,805	30,466
2021	27,775	2,692	30,467
2022	27,906	2,560	30,466
2023	28,057	2,410	30,467
2024	28,223	2,244	30,467
2025	28,404	2,063	30,467
2026	28,596	1,871	30,467
2027	28,821	1,645	30,466
2028	29,061	1,405	30,466
2029	29,314	1,152	30,466
2030	29,581	885	30,466
2031	29,863	604	30,467
2032	30,159	309	30,468
Total	<u>\$ 455,936</u>	<u>\$ 31,529</u>	<u>\$ 487,465</u>

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2016

<u>Years</u> <u>Ending</u>	<u>NJEIT 2013 Loans Payable - DW</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 39,182	\$ 4,310	\$ 43,492
2018	39,257	4,235	43,492
2019	39,355	4,137	43,492
2020	39,488	4,004	43,492
2021	39,650	3,842	43,492
2022	39,838	3,654	43,492
2023	40,051	3,441	43,492
2024	40,289	3,203	43,492
2025	40,546	2,946	43,492
2026	40,821	2,671	43,492
2027	41,144	2,348	43,492
2028	41,487	2,005	43,492
2029	41,848	1,644	43,492
2030	42,229	1,263	43,492
2031	42,629	863	43,492
2032	43,048	411	43,459
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 650,862</u>	<u>\$ 44,977</u>	<u>\$ 695,839</u>

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2016

<u>Years</u> <u>Ending</u>	<u>NJEIT 2015 Loans Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 257,000	\$ 182,300	\$ 439,300
2018	270,000	169,450	439,450
2019	283,000	155,950	438,950
2020	298,000	141,800	439,800
2021	310,000	126,900	436,900
2022	328,000	111,400	439,400
2023	345,000	95,000	440,000
2024	361,000	77,750	438,750
2025	380,000	59,700	439,700
2026	395,000	40,700	435,700
2027	419,000	20,944	439,944
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Total	<u>\$ 3,646,000</u>	<u>\$ 1,181,894</u>	<u>\$ 4,827,894</u>

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Board of Commissioners and Management
December 31, 2016

William J. Allmann Chairman

Vicki Rickabaugh Vice Chairwoman

Clara Glory Treasurer

Carol Blake Secretary

Geneva Clayton Assistant Secretary/Treasurer

Todd Porter Alternate

David Harpell Executive Director

James R. Diaz Assistant Executive Director/Director of Finance



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To the Board of Commissioners of the
Jackson Township Municipal Utilities Authority

We have audited the financial accounts and transactions of the Jackson Township Municipal Utilities Authority, a component unit of the Township of Jackson, County of Ocean, State of New Jersey for the year ended December 31, 2016. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

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

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$40,000 from January 1, 2016 through May 25, 2016 and \$17,500 from May 26, 2016 through December 31, 2016, except by contract or agreement.

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

The minutes indicate that bids were requested by public advertising for facility improvements, water treatment plant capacity increase, decommissioning of a pump station, laboratory testing services, equipment, water meters, uniforms, and chemical supplies.

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

Since computerized general ledgers do not provide for the aggregation of payments within categories for performance of work or furnishing of materials and supplies, we reviewed disbursements to determine whether any clear-cut violations of the bid and quote thresholds established by the Authority existed. The results of our examination did not disclose any discrepancies.

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$6,000 from January 1, 2016 through May 25, 2016 and \$2,625 from May 26, 2016 through December 31, 2016 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

General Ledger

The general ledger was complete with the required journal entries.

Examination of Bills

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

Payroll Fund

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

Follow-up on Prior Years' Findings

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

Acknowledgment

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

Should you have any questions or should you desire additional assistance, please call us.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

April 25, 2017
Toms River, New Jersey