

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

**Financial Statements and Supplementary Information**

**For the year ended December 31, 2018**

**(With Independent Auditor's Report thereon)**

**JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Township Jackson, County of Ocean, State of New Jersey)**  
**Financial Statements and Supplementary Information**  
**For the year ended December 31, 2018**

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**JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)**  
**Financial Statements and Supplementary Information (continued)**  
**For the year ended December 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members  
of the Jackson Township Municipal Utilities Authority  
County of Ocean  
Jackson Township, New Jersey

### Report on the Financial Statements

We have audited the accompanying financial statements of 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 year ended December 31, 2018, 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 opinion.

## **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, State of New Jersey, as of December 31, 2018 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.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As discussed in Note 2 to the financial statements, during the year ended December, 2018 the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions - an Amendment of GASB Statement No. 45, 57, & 74. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jackson Township Municipal Utilities Authority's basic financial statements. The other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedule of expenditures state financial assistance is also presented for purposes of additional analysis as required by New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* and is not a required part of the basic financial statements.

The accompanying supplementary information and the schedule of expenditures of state financial assistance, as listed in the table of contents 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 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 other supplementary information as listed in the table of contents schedule of revenues and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2019 on our consideration of the 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 Authority's internal control over financial reporting and compliance.

Respectfully Submitted,

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

August 17, 2019  
Toms River, New Jersey



# JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

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Jackson, New Jersey 08527  
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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 statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows as of and for the year ended December 31, 2018.

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

The statement 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 statement of cash flows demonstrates why cash balances increased or decreased during the year.

### Financial Analysis

The Authority, at December 31, 2018, had total assets and deferred outflows of resources of \$110,662,000 compared to \$96,787,054 at December 31, 2017. The total assets and deferred outflows of resources increased by \$13,874,946 from 2017 to 2018 primarily due to an increase in construction in progress for various developments under construction. The Authority, at December 31, 2017, had total assets and deferred outflows of resources of \$96,787,054 compared to \$97,102,610 at December 31, 2016. The total assets decreased by \$315,556 from 2016 to 2017 primarily as a result of the decrease of deferred outflows related to pension.

The Authority's liabilities and deferred inflows of resources of \$50,356,986 at year end December 31, 2018 increased from the December 31, 2017 balance of \$23,652,536 due the adoption of GASB 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pension – an Amendment for GASB No. 45, 57 & 74*, resulting in a prior period restatement of the Authority's net position as of January 1, 2018 in the amount of \$13,206,275 (See Note 17) and due to the Authority obtaining new construction loans through New Jersey Infrastructure Bank for various developments that were under construction in the amount of \$13,608,425 The Authority's liabilities and deferred inflows of resources of \$23,652,536 at year end December 31, 2017 decreased from the December 31, 2016 balance of \$24,040,930 primarily due to the decrease of the net pension liability by \$1,887,687 offset by an increase of the construction loan of approximately \$698,908 from 2016 to 2017 as identified on the Statements of Net Position.

In summary, the Authority's net position for the year ended December 31, 2018 reflects a decrease of \$12,829,504 from 2017. This is primarily due the adoption of GASB 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pension – an Amendment for GASB No. 45, 57 & 74*, resulting in a prior period restatement of the Authority's net position as of January 1, 2018 in the amount of \$13,206,275 (See Note 17). The Authority's net position for the year ended December 31, 2017 reflects an increase of \$72,838 from 2016, which was due primarily due to a net loss of \$833,345 offset by \$956,123 worth of capital contributions.

The Authority's activity for the year remained relatively stable from 2017 to 2018, with the exception of capital contributions received. The Authority's net loss for 2018 was \$644,463 which includes \$3,556,993 for annual depreciation and amortization. The decrease in the net loss of \$238,822 from 2017 to 2018 was due primarily to an increase in operating revenues of \$661,912, while operating expenses increased by \$423,090. The capital contributions received for the year, which represent water and sewer infrastructure that is accepted by the Authority, \$1,021,234 in 2017 compared to \$956,123 in 2017.

The Authority's net loss for 2017 was \$883,285 which includes \$3,510,205 for annual depreciation and amortization. The increase in the net loss of \$250,690 was due primarily to a decrease in operating revenues of \$415,357, while operating expenses only decreased \$164,667.

### **Condensed Financial Information**

Key Authority financial information for the years 2018, 2017, and 2016 include the following balances:

<b>ASSETS</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Unrestricted current assets	\$ 9,605,708	\$ 9,673,864	\$ 8,898,752
Restricted current assets	6,010,874	2,333,418	3,056,763
Restricted non-current assets	-	300,000	300,000
Property, plant and equipment, net of depreciation	<u>93,198,216</u>	<u>82,427,884</u>	<u>81,999,448</u>
Total assets	<u>108,814,798</u>	<u>94,735,166</u>	<u>94,254,963</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred outflows related to pensions	1,701,410	2,051,888	2,847,647
Deferred outflows related to other postemployment benefits	<u>145,792</u>	<u>-</u>	<u>-</u>
Total deferred outflow of resources	<u>1,847,202</u>	<u>2,051,888</u>	<u>2,847,647</u>
Total assets and deferred outflow of resources	<u>\$ 110,662,000</u>	<u>\$ 96,787,054</u>	<u>\$ 97,102,610</u>
<b>LIABILITIES</b>			
Current liabilities payable from current unrestricted assets	\$ 2,222,569	\$ 1,129,072	\$ 609,295
Current liabilities payable from current restricted assets	16,909,352	3,228,141	2,542,889
Non-current liabilities	<u>23,847,958</u>	<u>17,182,156</u>	<u>20,102,651</u>
Total liabilities	<u>42,979,879</u>	<u>21,539,369</u>	<u>23,254,835</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred inflows related to pensions	2,243,477	1,632,167	262,095
Deferred inflows related to other postemployment benefits	4,697,630	-	-
Gain on loan refundings, net of accumulated amortization	<u>436,000</u>	<u>481,000</u>	<u>524,000</u>
Total deferred inflow of resources	<u>7,377,107</u>	<u>2,113,167</u>	<u>786,095</u>
<b>NET POSITION</b>			
Investments in capital assets, net of related debt	67,551,984	69,282,530	69,597,451
Restricted for bond service fund	858,215	828,709	824,350
Restricted for bond reserve fund	518,548	518,120	517,630
Closure account	50,000	300,000	300,000
Unrestricted	<u>(8,673,733)</u>	<u>2,205,159</u>	<u>1,822,249</u>
Total net position	<u>60,305,014</u>	<u>73,134,518</u>	<u>73,061,680</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 110,662,000</u>	<u>\$ 96,787,054</u>	<u>\$ 97,102,610</u>



**OTHER FINANCIAL INFORMATION:**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total operating and non-operating revenues	\$ 12,880,722	\$ 12,218,810	\$ 12,634,167
Total operating and non-operating expenses	<u>13,525,185</u>	<u>13,102,095</u>	<u>13,266,762</u>
Deficiency of revenues over expenses	<u>\$ (644,463)</u>	<u>\$ (883,285)</u>	<u>\$ (632,595)</u>
Capital additions	\$ 13,695,527	\$ 3,683,551	\$ 1,364,163
Capital contributions	\$ 1,021,234	\$ 956,123	\$ 569,595
Connection fees - non-cash	\$ 862,708	\$ 541,357	\$ 420,128
Bonds and notes paid down	\$ 1,062,547	\$ 330,513	\$ 254,723
Bonds and notes received	\$ 9,801,877	\$ 708,699	\$ 856,329
Bonds and notes payable	\$ 25,210,232	\$ 12,664,354	\$ 12,994,867

Authority 2018 operating revenues were below budget expectations by \$1,247,968 mainly due to lower than expected water usage, as well as fewer than expected connection fees which were lower in 2018 compared to 2017 due to various projects still under construction. Authority 2017 operating revenues were below budget expectations by \$1,742,193 for similar reasons as 2018.

The Authority's total 2018 operating expenses were under budget by \$687,408 for the year due to lower chemical expense derived from less water production than anticipated which contributed to the less than expected electric expense. Employee Benefits, Field Salaries and Payroll Taxes were also lower than anticipated due to capitalizing staff time related to the Authority's NJIB projects during 2018. Repair and Maintenance were lower than anticipated due to improved preventative maintenance initiatives. Transportation costs were lower than expectation due to improved fuel charges and continued preventative maintenance on the Authority fleet. Various other expense lines make up the remainder of the savings.

The Authority's total 2017 operating expenses were under budget by \$671,653 for the year due to lower chemical expense derived from less water production than anticipated which contributed to the less than expected electric expense. Employee Benefits and Professional fees were also lower than anticipated with level expense lines compared to 2016. The sewage treatment cost for 2017 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 relatively level with 2016 for same reasons. Repair and Maintenance were lower than anticipated due to improved preventative maintenance initiatives. Transportation costs were lower than expectation due to improved fuel charges and continued preventative maintenance on the Authority fleet. Various other expense lines make up the remainder of the savings.

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)**  
**Statement of Net Position**  
**December 31, 2018**

	<b>2018</b>
<b>ASSETS</b>	
Current unrestricted assets:	
Cash and cash equivalents	\$ 5,980,831
Accounts receivable	3,444,308
Insurance receivable	9,090
Inventory	168,524
Other assets	2,955
Total current unrestricted assets	9,605,708
Current restricted assets:	
Cash and cash equivalents	1,793,766
NJIB loan funds receivable	4,217,108
Total current restricted assets	6,010,874
Total current assets	15,616,582
Capital assets:	
Non-depreciable	19,186,853
Depreciable	123,128,140
Accumulated depreciation	(49,116,777)
Net capital assets	93,198,216
Total assets	108,814,798
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred outflows related to pensions	1,701,410
Deferred outflows related to other postemployment benefits	145,792
Total deferred outflow of resources	1,847,202
Total assets and deferred outflow of resources	\$ 110,662,000

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)**  
**Statement of Net Position (continued)**  
**December 31, 2018**

	<b>2018</b>
<b>LIABILITIES</b>	
Current liabilities payable from current unrestricted assets:	
Accounts payable	\$ 1,606,173
Accrued expenses	295,667
Pensions payable	320,729
Total current liabilities payable from current unrestricted assets	2,222,569
Current liabilities payable from current restricted assets:	
Current portion of bond's payable	395,000
Current portion of loan's payable - NJIB	665,230
Current portion of loan's payable - other	30,000
Construction loan's - NJIB	15,424,203
Accrued interest payable	79,048
Developer and customer deposits	315,871
Total current liabilities payable from current restricted assets	16,909,352
Non-current liabilities:	
Long-term portion of bonds payable	2,250,000
Long-term portion of loans payable - NJIB	6,265,799
Long-term portion of loans payable - other	180,000
Compensated absences payable	180,620
Net pension liability	6,348,789
Net other postemployment benefit liability	8,622,750
Total non-current liabilities	23,847,958
Total liabilities	42,979,879

**DEFERRED INFLOW OF RESOURCES**

Deferred inflows related to pensions	2,243,477
Deferred inflows related to other postemployment benefits	4,697,630
Gain on loan refundings, net of accumulated amortization	436,000
Total deferred inflow of resources	7,377,107

**NET POSITION**

Investments in capital assets, net of related debt	67,551,984
Restricted and unrestricted net position:	
Restricted for bond service fund	858,215
Restricted for bond reserve fund	518,548
Closure account	50,000
Unrestricted	(8,673,733)
Total restricted and unrestricted net position	(7,246,970)
Total net position	60,305,014
Total liabilities, deferred inflow of resources and net position	\$ 110,662,000

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)**  
**Statement of Revenue, Expenses and Changes in Net Position**  
**For the year ended December 31, 2018**

	<b>2018</b>
Operating revenues:	
Water and sewer charges	\$ 10,960,388
Connection fees	1,109,696
Antenna lease	321,965
Miscellaneous	275,492
Total operating revenues	12,667,541
Operating expenses:	
Cost of providing services	9,070,146
Depreciation	3,556,993
Total operating expenses	12,627,139
Operating gain	40,402
Non-operating revenues/(expenses):	
Interest income	133,071
Interest expense	(307,106)
Insurance reimbursement	35,110
Loss on disposal of assets	(103,887)
Trustees' fees	(19,485)
NJIB loan issuance costs	(217,568)
Refund of Six Flags Great Adventure closure account	(250,000)
Amortization of gain on refunding	45,000
Total non-operating revenue/(expenses)	(684,865)
Net loss before contributions	(644,463)
Capital contributions	1,021,234
Total non-operating revenues	1,021,234
Change in net position	376,771
Net position, January 1	73,134,518
Prior period restatement (See Note 17)	(13,206,275)
Net position, January 1 (as restated)	59,928,243
Net position, December 31	\$ 60,305,014

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)**  
**Statement of Cash Flows**  
**For the year ended December 31, 2018**

	<b>2018</b>
<b>Cash flows from operating activities:</b>	
Cash received from service users	\$ 12,800,501
Cash paid to suppliers and employees	(7,899,969)
Cash flows from operating activities	4,900,532
<b>Cash flows from investing activities:</b>	
Proceeds from liquidation of investments	50,000
Interest income	133,071
Trustees' fees	(19,485)
Cash flows from investing activities	163,586
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	(13,063,171)
Insurance reimbursement	35,110
Principal paid on debt	(1,062,547)
Interest paid on debt	(307,106)
Proceeds received from NJIB loan funds receivable	9,801,877
NJIB loan issuance costs	(217,568)
Loss from sale of assets	(103,887)
Refund of Six Flags Great Adventure closure account	(250,000)
Cash flows from capital and related financing activities	(5,167,292)
Net change in cash and cash equivalents	(103,174)
Unrestricted and restricted cash and cash equivalents, January 1	7,877,771
Unrestricted and restricted cash and cash equivalents, December 31	\$ 7,774,597
<b>Reconciliation to statement of net position:</b>	
Current unrestricted assets:	
Cash and cash equivalents	\$ 5,980,831
Current restricted assets:	
Cash and cash equivalents	1,793,766
Unrestricted and restricted cash, December 31	\$ 7,774,597

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)**  
**Statement of Cash Flows (continued)**  
**For the year ended December 31, 2018**

	<b>2018</b>
<b>Reconciliation of operating revenue over expenses to cash flows from operating activities:</b>	
Operating revenues over expenses	\$ 40,402
Items which did not use cash:	
Depreciation	3,556,993
Budgeted pension expense	142,856
Unbudgeted pension expense	26,295
Unbudgeted OPEB expense	(31,687)
Working capital changes which (used) provided cash:	
Accounts receivable	132,960
Inventory	(31,511)
Insurance receivable	(9,090)
Other assets	1,715
Accounts payable	873,706
Accrued expenses	184,662
Developer and customer deposits	52,183
Compensated absences	(38,952)
Cash flows from operating activities	\$ 4,900,532

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)**  
**Notes to Financial Statements**  
**For the year ended December 31, 2018**

**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**

**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.

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.

**JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)**  
**Notes to Financial Statements**  
**For the year ended December 31, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting (continued)**

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.

**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.

**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 been billed but not yet collected. Any difference between estimated revenue and actual revenue is recognized in the first quarterly billing of the following year for actual consumption charges.

**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.

**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
Land improvements	10-39 years



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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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 cash equivalents 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.

**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.

**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.

**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.

**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.

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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 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.

**Impact of Recently Issued Accounting Principles**

*Adopted Accounting Pronouncements:*

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 was effective and implemented for the year ended December 31, 2018.

*Recently Issued Accounting Pronouncements:*

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

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impact of Recently Issued Accounting Principles (continued)**

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement will become effective for the Authority in the fiscal year ending December 31, 2020. Management has not yet determined the impact of this Statement on the financial statements.

**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.

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.

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Subsequent Events**

Jackson Township Municipal Utilities Authority has evaluated subsequent events occurring after the Statement of Net Position date through August 17, 2019, which is the date the financial statements were available to be issued.

**NOTE 3: SIGNIFICANT TRUST AGREEMENT AND BOND RESOLUTION REQUIREMENTS**

**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.

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.

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

**Required Cash and Investment Accounts (continued)**

Closure Account

Amount – The principle balance of \$300,000 was reduced by \$250,000 in 2018. Balance of \$50,000 is maintained. The balance of \$50,000 will be returned to Six Flags Theme Park, Inc. (“Great Adventure”) in accordance with the Authority’s Water Service Agreement dated October 24, 2014 (and amended February 28, 2018) and Sewer Service Agreement dated November 20, 2018 with Great Adventure.

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.

**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
- 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.

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**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, 2018, and reported at fair value are shown below.

	<u><b>2018</b></u>
<b>Deposits:</b>	
Demand deposits	<u>\$7,774,597</u>
Total deposits	<u>\$7,774,597</u>
 <b>Reconciliation to Statements of Net Position:</b>	
Current unrestricted assets:	
Cash and cash equivalents	\$5,980,831
Current restricted assets:	
Cash and cash equivalents	<u>1,793,766</u>
Total deposits	<u>\$7,774,597</u>

**Custodial Credit Risk Related to Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, *N.J.S.A. 17:9-41* et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below. As of December 31, 2018, the Authority's bank balances were insured or exposed to credit risk as follows:

	<u><b>2018</b></u>
Insured by FDIC	\$1,000,000
Uninsured and Collateralized with securities held by the pledging banks' trust department but not in the Authority's name	<u>9,386,010</u>
Total	<u>\$10,386,010</u>

**NOTE 5: ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2018 consisted of the following:

	<u><b>2018</b></u>
Accounts receivable – billed	\$1,563,115
Accounts receivable – unbilled	1,571,817
Accounts receivable – Six Flags Great Adventure	286,884
Accounts receivable – other	<u>22,492</u>
	<u>\$3,444,308</u>

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

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**NOTE 6: CAPITAL ASSETS**

The activity in capital assets for the year ended December 31, 2018 is as followed:

	<b>Balance December 31, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance December 31, 2018</b>
Capital assets				
Capital assets not being depreciated				
Land	\$ 2,677,642	\$ -	\$ -	\$ 2,677,642
Construction in progress	<u>5,890,201</u>	<u>14,435,539</u>	<u>(3,816,529)</u>	<u>16,509,211</u>
Total capital assets not being depreciated	<u>8,567,843</u>	<u>14,435,539</u>	<u>(3,816,529)</u>	<u>19,186,853</u>
Capital assets being depreciated				
Wells, pumping stations, water and sewer main extension	95,468,974	3,074,516	(413,048)	98,130,442
Land improvements	81,047	-	-	81,047
Machinery and equipment	6,309,533	170,566	(34,431)	6,445,668
Building, water treatment plant, and improvements	14,427,415	-	-	14,427,415
Meters	<u>3,764,654</u>	<u>699,261</u>	<u>(420,347)</u>	<u>4,043,568</u>
Total capital assets being depreciated	<u>120,051,623</u>	<u>3,944,343</u>	<u>(867,826)</u>	<u>123,128,140</u>
Less: accumulated depreciation:	<u>(46,191,580)</u>	<u>(3,556,993)</u>	<u>631,796</u>	<u>(49,116,777)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>73,860,043</u>	<u>387,350</u>	<u>(236,030)</u>	<u>74,011,363</u>
Total capital assets, net	<u>\$ 82,427,886</u>	<u>\$14,822,889</u>	<u>\$ (4,052,559)</u>	<u>\$ 93,198,216</u>

**NOTE 7: LIABILITIES**

During the years ended December 31, 2018 and 2017, the following changes occurred in long-term obligations:

	<b>Balance December 31, 2017</b>	<b>Accrued/ increases</b>	<b>Retired/ decreases</b>	<b>Balance December 31, 2018</b>	<b>Due within One Year</b>
Bonds payable					
Bonds payable	\$ 3,025,000	\$ -	380,000	\$ 2,645,000	\$ 395,000
Bonds payable	<u>3,025,000</u>	<u>-</u>	<u>380,000</u>	<u>2,645,000</u>	<u>395,000</u>
Loans payable:					
Loans payable – NJIB	7,583,576	-	652,547	6,931,029	665,230
Loans payable – other	<u>240,000</u>	<u>-</u>	<u>30,000</u>	<u>210,000</u>	<u>30,000</u>
Loans payable	<u>7,823,576</u>	<u>-</u>	<u>682,547</u>	<u>7,141,029</u>	<u>695,230</u>
Compensated absences	219,572	-	38,952	180,620	-
Net pension liability	7,176,555	-	827,766	6,348,789	-
Net OPEB liability	11,091,694	-	2,468,944	8,622,750	-
Construction loans	<u>1,815,778</u>	<u>13,608,425</u>	<u>-</u>	<u>15,424,203</u>	<u>-</u>
Total	<u>\$ 31,152,175</u>	<u>\$13,608,425</u>	<u>\$ 4,398,209</u>	<u>\$ 40,362,391</u>	<u>\$ 1,090,230</u>

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**NOTE 7: LIABILITIES (continued)**

**Net Pension Liability**

For details on the net pension liability, see the Pension Obligations in Note 9. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

**Net OPEB Liability**

For details on the net pension liability, see the Pension Obligations in Note 10.

**Construction Loans 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 NJIB in 2016 to be utilized as work progresses through the completion of such construction. As of December 31, 2018, the amount borrowed and outstanding under such loan was \$6,337,076. As of December 31, 2018, the entire amount is reflected as a current liability, however, once payment terms are identified, a portion will be reflected as long-term debt.

In order to finance the Western Water Main Extension the Authority has been drawing down on a construction loan granted by NJIB in 2018 to be utilized as work in progresses through the completion of such construction. As of December 31, 2018, the amount borrowed and outstanding under such loan was \$4,002,011. As of December 31, 2018, the entire amount is reflected as a current liability, however, once payment terms are identified, a portion will be reflected as long-term debt.

In order to Finance the Six Flags Great Adventure Water Treatment Plant replacement the Authority has been drawing down on a construction loan granted by NJIB in 2018 to be utilized as work in progresses through the completion of such construction. As of December 31, 2018, the amount borrowed and outstanding under such loan was \$5,085,116. As of December 31, 2018, the entire amount is reflected as a current liability, however, once payment terms are identified, a portion will be reflected as long-term debt.

**Bonds and Loans Payable**

Bonds and NJIB loans payable at December 31, 2018 consist of the following:

	<u><b>2018</b></u>
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 semiannually on June 1 and December 1. Bonds are subject to redemption at the option of the Authority prior to their stated maturity.	\$ 2,645,000
2007 New Jersey Environmental Trust Fund loan of \$5,901,000 (Fund Loan) maturity dates semiannually beginning August 1, 2008 and ending, August 1, 2027, no interest payable	2,838,615
2007 New Jersey Infrastructure Bank (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.	3,119,000



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**NOTE 7: LIABILITIES (continued)**

**Bonds and Loans Payable (continued)**

2013 (CW) New Jersey Environmental Infrastructure Bank loan, maturity Trust loan of \$142,099 (Trust loan) and \$409,901 (Fund loan) varying interest rates of 2.18% to 3.32% on the semiannually 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. 400,989

2013 (DW) New Jersey Infrastructure Bank 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 paid semiannually on February 1 and August 1, on the Trust loan and no interest payable on the Fund loan. 572,425

Subtotal	9,576,029
Less: current portion	<u>(1,060,230)</u>
Loans payable – long-term portion	<u>\$ 8,515,799</u>

Reconciliation to Statement of Net Position:

	<b><u>2018</u></b>
Current Portion:	
Bonds payable	\$ 395,000
Loans payable – NJIB	<u>665,230</u>
Total current portion	<u>1,060,230</u>
Long-term portion:	
Bonds payable	2,250,000
Loans payable – NJIB	<u>6,265,799</u>
Total long-term portion	<u>8,515,799</u>
Total	<u>\$ 9,576,029</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.

Schedule of annual debt service for principal and interest for bonds and loans payable, over the next five years and thereafter are as follows:

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**NOTE 7: LIABILITIES (continued)**

<b>For the Year Ended</b>				
<b><u>December 31,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>	
2019	\$ 1,060,230	\$ 283,989	\$ 1,344,219	
2020	1,091,619	252,234	1,343,853	
2021	1,121,439	218,609	1,340,048	
2022	1,161,212	183,439	1,344,651	
2023	1,199,383	145,863	1,345,246	
Thereafter	<u>3,942,146</u>	<u>251,937</u>	<u>4,194,083</u>	
Total	<u>\$ 9,576,029</u>	<u>\$ 1,336,071</u>	<u>\$ 10,912,100</u>	

**Loan Payable – other**

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, 2018, the balance due is \$210,000, which will be paid in annual installments of \$30,000 due August 1 of each year. 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 balance of the loan payable - other at December 31, 2018 was:

Current Portion:

Loans payable – other	<u>\$ 30,000</u>
Total current portion	<u>30,000</u>

Long-term portion:

Loans payable – other	<u>180,000</u>
Total long-term portion	<u>180,000</u>
Total	<u>\$ 210,000</u>

Schedule of annual debt service for principal and interest for Six Flags Great Adventure, over the next five years and thereafter are as follows:

<b>For the year ended</b>				
<b><u>December 31,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>	
2019	\$ 30,000	\$ -	\$ 30,000	
2020	30,000	-	30,000	
2021	30,000	-	30,000	
2022	30,000	-	30,000	
2023	30,000	-	30,000	
Thereafter	<u>60,000</u>	<u>-</u>	<u>60,000</u>	
Total	<u>\$ 210,000</u>	<u>\$ -</u>	<u>\$ 210,000</u>	

*\*As of December 31, 2018, 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%.*

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**NOTE 7: LIABILITIES (continued)**

**Refunding of 2007 New Jersey Infrastructure Trust Loan**

On November 10, 2015, the Authority issued Series 2015A-R1 NJIB Refunding Bonds in the amount of \$3,646,000. The proceeds of this issuance were utilized to refund the 2007 NJIB trust loan outstanding. The Refunding Bonds issued resulted in a net gain on refunding of \$524,000 in the year ended December 31, 2015. The refunding is expected to produce a new savings of approximately \$593,373 over the life of the new bond series. The entire amount of \$524,000 was recorded as a deferred inflow and as of December 31, 2018, deferred inflows totaled \$436,000.

**NOTE 8: 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 deficiency in the amount of \$153,183 for the year ended December 31, 2018. Credits are recorded as revenue when received and deficiencies are recorded as expenses when billed.

**NOTE 9: PENSION OBLIGATIONS**

**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 <http://www.nj.gov/treasury/pensions/financial-reports.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

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**NOTE 9: PENSION OBLIGATIONS (continued)**

**Public Employees' Retirement System (PERS) (continued)**

Service retirement benefits of 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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 with 25 or more years of service credit before age 62 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.

**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 2018, 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. For the year ended December 31, 2018, the Authority's contractually required contribution to PERS plan was \$320,729.

**Components of Net Pension Liability** – At December 31, 2018, the Authority's proportionate share of the PERS net pension liability was \$6,348,789. The net pension liability was measured as of June 30, 2018. 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, 2017, which was rolled forward to June 30, 2018.

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**NOTE 9: PENSION OBLIGATIONS (continued)**

**Public Employees' Retirement System (PERS) (continued)**

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, 2018. The Authority's proportion measured as of June 30, 2018, was 0.0322445400% which was an increase of 0.0014152982% from its proportion measured as of June 30, 2017.

**Balances at December 31, 2018 and December 31, 2017**

	<u>12/31/2018</u>	<u>12/30/2017</u>
Actuarial valuation date (including roll forward)	June 30, 2018	June 30, 2017
Deferred Outflows of Resources	\$ 1,701,410	\$ 2,051,888
Deferred Inflows of Resources	2,243,477	1,632,167
Net Pension Liability	6,348,789	7,176,555
Authority's portion of the Plan's total Net Pension Liability	0.03224%	0.03083%

**Pension Expense and Deferred Outflows/Inflows of Resources** – At December 31, 2018, the Authority's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2018 measurement date is \$454,765. At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between Expected and Actual Experience	\$ 121,072	\$ 32,736
Changes of Assumptions	1,406,175	2,030,005
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	59,552
Changes in Proportion and Differences between Authority's Contributions and Proportion Share of Contributions	<u>534,163</u>	<u>121,184</u>
	<u>\$ 1,701,410</u>	<u>\$ 2,243,477</u>

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**NOTE 9: PENSION OBLIGATIONS (continued)**

**Public Employees' Retirement System (PERS) (continued)**

The Authority will amortize the above sources of deferred outflows and inflows related to PERS over the following number of years:

	<b><u>Deferred Outflow of Resources</u></b>	<b><u>Deferred Inflow of Resources</u></b>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	5.63	-
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
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	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
Changes in Proportion and Differences between the Authority's 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
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63

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**NOTE 9: PENSION OBLIGATIONS (continued)**

**Public Employees' Retirement System (PERS) (continued)**

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2019	\$ 10,956
2020	(13,485)
2021	(86,921)
2022	(375,815)
2023	<u>(76,802)</u>
	<u>\$ (542,067)</u>

**Actuarial Assumptions** – The total pension liability for the June 30, 2018 measurement date was determined by using an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation	2.25%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%
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.

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**NOTE 9: PENSION OBLIGATIONS (continued)**

**Public Employees' Retirement System (PERS) (continued)**

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, 2017 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 (7.00% at June 30, 2018) 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 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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long –Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	



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**NOTE 9: PENSION OBLIGATIONS (continued)**

**Public Employees' Retirement System (PERS) (continued)**

**Discount Rate** – The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% 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 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 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 proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.66%) or 1-percentage-point higher (6.66%) than the current rate:

	<b>1 % Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b><u>(4.66%)</u></b>	<b><u>(5.66%)</u></b>	<b><u>(6.66%)</u></b>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 7,982,871</u>	<u>\$ 6,348,789</u>	<u>\$ 4,977,899</u>

**NOTE 10: POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**General Information about the OPEB Plan**

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

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**NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)**

**General Information about the OPEB Plan (continued)**

The Plan provides medical and prescription drug to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

**Basis of Presentation**

The schedule of employer and nonemployer allocations and the schedule of OPEB amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of its participating employers or the State as a nonemployer contributing entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the participating employers or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the Plan 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.

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**NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Allocation Methodology**

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2018 were \$6,338,578,586 and \$9,642,524,641, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2017 through June 30, 2018. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

**Net OPEB Liability**

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases*:	
Through 2026	1.65% - 8.98% based on age
Thereafter	2.65% - 9.98% based on age

\* Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

**OPEB Obligation and OPEB Expense**

The Authority's proportionate share of the total Other Post-Employment Benefits Obligations was \$8,622,750.

The OPEB Obligation was measured as of June 30, 2018, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The State's proportionate share of the OPEB Obligation associated with the Authority was based on projection of the State's long-term contributions to the OPEB plan associated with the Authority

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**NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)**

**OPEB Obligation and OPEB Expense (continued)**

relative to the projected contributions by the State associated with all participating Municipalities, actuarially determined. At June 30, 2018, the State proportionate share of the OPEB Obligation attributable to the Authority was 0.055039%, which was an increase of 0.000710% from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2018, the State of New Jersey recognized an OPEB expense in the amount of \$229,608 for the State's proportionate share of the OPEB expense attributable to the Authority. This OPEB expense was based on the OPEB plans June 30, 2018 measurement date.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

100% of active members are considered to participate in the Plan upon retirement.

*Health Care Trend Assumptions*

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

*Discount Rate*

The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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**NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Sensitivity of Net OPEB Liability to Changes in the Discount Rate**

The following presents the collective net OPEB liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	<b>June 30, 2018</b>		
	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
State of New Jersey's proportionate share of total OPEB obligations associated with the Authority	\$ 10,116,765	\$ 8,622,750	\$ 7,429,370
State of New Jersey's total Net OPEB Liability	\$18,381,085,096	\$15,666,618,141	\$13,498,373,388

**Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate:**

The following presents the net OPEB liability as of June 30, 2018, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<b>June 30, 2018</b>		
	<u>1% Decrease</u>	<u>Health Care Trend Rate *</u>	<u>1% Increase</u>
State of New Jersey's proportionate share of total OPEB obligations associated with the Authority	\$ 7,192,756	\$ 8,622,750	\$ 10,473,375
State of New Jersey's total Net OPEB Liability	\$13,068,471,450	\$15,666,618,141	\$19,029,006,023

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**NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Additional Information** – The following is a summary of the deferred outflows of resources, deferred inflows of resources, and net OPEB liability balances as of June 30, 2018:

**Balances at December 31, 2018 and December 31, 2017**

	<u>12/31/2018</u>	<u>12/30/2017</u>
Actuarial valuation date (including roll forward)	June 30, 2018	June 30, 2017
Deferred Outflows of Resources	\$ 145,792	\$ 1,901
Deferred Inflows of Resources	4,697,630	2,116,482
Net OPEB Liability	8,622,750	11,091,694
Authority's portion of the Plan's total Net OPEB Liability	0.05504%	0.05433%

**OPEB Deferred Outflows/Inflows of Resources** – At December 31, 2018, the Authority's proportionate share of the OPEB outflows and inflows, calculated by the plan as of the June 30, 2018 measurement date is \$145,792 and \$4,697,630, respectively. At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference between expected and actual experience on OPEB Plan Investments	\$ -	\$ 1,750,726
Change in proportions	141,235	759,631
Change in assumptions	-	2,187,273
Net differences between expected and actual earnings on OPEB Plan Investments	<u>4,557</u>	<u>-</u>
	<u>\$ 145,792</u>	<u>\$ 4,697,630</u>

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**NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)**

**OPEB Deferred Outflows/Inflows of Resources (continued)**

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to OPEB that will be recognized in future periods:

<b>Fiscal year ending December 31,</b>	
2019	\$ (681,276)
2020	(681,276)
2021	(681,275)
2022	(681,751)
2023	(682,535)
Thereafter	<u>(1,143,725)</u>
	<u>\$ (4,551,838)</u>

**Changes in Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.14 and 8.04 years for the 2018 and 2017 amounts, respectively.

**Plan Membership**

At June 30, 2017, the Program membership consisted of the following:

	<b><u>June 30, 2017</u></b>
Active Plan Members	61,789
Inactive Plan Members or Beneficiaries currently receiving benefits	<u>26,277</u>
	<u><u>88,066</u></u>

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**NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Changes in the Total OPEB Liability**

The change in the State's Total OPEB liability for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

Service Cost	\$ 896,235,148
Interest on total OPEB liability	764,082,232
Differences between expected and actual experience	(3,626,384,047)
Changes in assumptions	(2,314,240,675)
Contributions from the employer	(421,194,662)
Contributions from non-employer contributing entity	(53,548,285)
Net investment income	(2,320,422)
Administrative expenses	<u>8,200,113</u>
Net change in total Net OPEB Liability	(4,749,170,598)
Total OPEB liability (beginning)	<u>20,415,788,739</u>
Total OPEB liability (ending)	<u>\$ 15,666,618,141</u>

**NOTE 11: 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, 2018 are not reflected on the Authority’s statements of net position.

**NOTE 12: 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.



**JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)**  
**Notes to Financial Statements**  
**For the year ended December 31, 2018**

**NOTE 12: COMPENSATED ABSENCES (continued)**

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, 2018, accumulated compensated absences amount to \$186,620 and are reported as non-current liabilities on the statements of net position.

**NOTE 13: 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 year ending December 31, 2018, these non-cash connection fees which are recognized as revenues amounted to \$862,708. The corresponding assets are recorded in construction in progress until they are received.

**NOTE 14: 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 2018, 2017, or 2016.

**NOTE 15: CONSTRUCTION COMMITMENTS**

On August 9, 2017, the Authority entered into a contract with Eagle Constructions Services, Inc. to finish the Manhattan Street Complex warehouse and water storage improvements, previously defaulted by KM Construction Corporation. The total amount of the contract was \$6,551,554. Payments through December 31, 2018 totaled \$4,727,775 resulting in a remaining balance left on the contract of \$1,823,779.

On February 22, 2018, the Authority entered into a contract with P&A Construction for the western water main extension. The total amount of the contract was \$5,479,343. Payments through December 31, 2018 totaled \$2,755,786 resulting in a remaining balance left on the contract of \$2,723,557.

On February 22, 2018, the Authority entered into a contract with Coppola Services, Inc. for the Six Flags Great Adventure water treat replacement. The total amount of the contract was \$13,538,890. Payments through December 31, 2018 totaled \$3,014,728 and change order decreases totaled \$67,137, resulting in a remaining balance left on the contract of \$10,457,025.

**JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)**  
**Notes to Financial Statements**  
**For the year ended December 31, 2018**

**NOTE 16: PENDING LITIGATION**

There are actions, which have been instituted against the Board. The outcomes of these cases cannot be determined at the present. The final outcomes if unavailable to the Board, will be covered through insurance or the budgetary process.

**NOTE 17: PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION**

Net position as of January 1, 2018 has been restated as follows for the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions - an Amendment of GASB Statement No. 45, 57, & 74.

Net position as previously reported at December 31, 2017	\$ 73,134,518
Implementation of GASB 75:	
Net other postemployment benefit liability (measurement date as of June 30, 2017)	(11,091,694)
Deferred inflows of resources related to other postemployment benefits (measurement date as of June 30, 2017)	(2,116,482)
Deferred outflows of resources related to other postemployment benefits (measurement date as of June 30, 2017)	<u>1,901</u>
Total prior period adjustment	<u>(13,206,275)</u>
Net position as restated January 1, 2018	<u>\$ 59,928,243</u>

**NOTE 18: DEFICIT UNRESTRICTED NET POSITION**

The Authority had a deficit in unrestricted net position in the amount of \$(8,673,733) at December 31, 2018. The primary cause of this deficit is due to the recording of the net pension liability and other net postemployment benefit liability, as required by generally accepted accounting principle. If this was not required, the unrestricted net position before the net pension liability and net other postemployment benefit liability and deferred outflows and inflows related to pensions and other postemployment benefits would be \$11,391,711 as of December 31, 2018. This deficit in unrestricted net position does not indicate that the Authority is facing financial difficulties.

**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 Six Fiscal Years \***

	Measurement Date Ended June 30,					
	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability (asset)	0.03224%	0.03082%	0.03060%	0.02848%	0.03057%	0.02950%
Authority's proportionate share of the net pension liability (asset)	\$ 6,348,789	\$ 7,176,555	\$ 9,064,242	\$ 7,176,555	\$ 5,724,411	\$ 5,637,973
Authority's covered-employee payroll	\$ 2,259,915	\$ 2,111,404	\$ 2,073,896	\$ 1,971,536	\$ 2,099,873	\$ 2,022,428
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	280.93%	339.89%	437.06%	364.01%	272.61%	278.77%
Plan fiduciary net position as a percentage of the total pension liability	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

\* 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.

**Schedule II**

**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 Six Fiscal Years \***

	<b>Year Ended December 31,</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Contractually required contribution	\$ 320,729	\$ 285,600	\$ 271,888	\$ 244,861	\$ 252,053	\$ 222,274
Contributions in relation to the contractually required contribution	<u>(320,729)</u>	<u>(285,600)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 2,153,895	\$ 2,259,915	\$ 2,111,404	\$ 2,073,896	\$ 1,971,536	\$ 2,099,873
Contributions as a percentage of covered-employee payroll	14.89%	12.64%	12.88%	11.81%	12.78%	10.59%

\* 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**  
**Schedule of the Authority's Proportionate Share of the Net Other Postemployment Benefit Liability**  
**Local Government Retired Employees Plan**  
**Last Three Fiscal Years \***

	<u>Measurement Date Ended June 30,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's proportion of the other postemployment benefit liability (asset)	0.055039%	0.054329%	0.058985%
Authority's proportionate share of the net other postemployment benefit liability (asset)	\$ 8,622,750	\$ 11,091,694	\$ 12,810,046
Authority's covered-employee payroll	\$ 2,259,915	\$ 2,111,404	\$ 2,073,896
Authority's proportionate share of the net other postemployment benefit liability (asset) as a percentage of its covered-employee payroll	381.55%	525.32%	617.68%
Plan fiduciary net position as a percentage of the total other postemployment benefit liability	1.97%	1.03%	0.69%

\* 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)**  
**Notes to the Required Supplementary Information**  
**For the year ended December 31, 2018**

**Public Employees' Retirement System (PERS)**

*Changes of Benefit Terms*

None.

*Changes of Assumptions*

The discount rate changed from 5.00% as of June 30, 2017, to 5.66% as of June 30, 2018.

**State Health Benefit Local Retired Employees Plan (OPEB)**

*Changes of Benefit Terms*

None.

*Changes of Assumptions*

The discount rate changed from 3.58% as of June 30, 2017, to 3.87% as of June 30, 2018.

**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, 2018**

	Original Water Budget	Original Sewer Budget	Original Budget Total	Final Budget Total	Actual	Variance Favorable/ (Unfavorable)
<b>Revenues:</b>						
Water and sewer charges	\$ 6,588,675	\$ 5,515,562	\$ 12,104,237	\$ 12,104,237	10,960,388	\$ (1,143,849)
Connection fees	951,220	394,350	1,345,570	1,345,570	1,109,696	(235,874)
Antenna lease	164,926	164,926	329,852	329,852	321,965	(7,887)
Miscellaneous	96,950	38,900	135,850	135,850	275,492	139,642
<b>Total operating revenues</b>	<b>7,801,771</b>	<b>6,113,738</b>	<b>13,915,509</b>	<b>13,915,509</b>	<b>12,667,541</b>	<b>(1,247,968)</b>
<b>Cost of Providing Services:</b>						
<b>Operation Control:</b>						
Ads and notices	7,500	3,500	11,000	8,772	7,491	1,281
Bank and other fees	10,335	4,500	14,835	16,933	16,932	1
Chemicals	153,800	45,000	198,800	191,800	145,606	46,194
Communications costs	37,050	15,950	53,000	56,520	56,519	1
Community relations	5,000	1,500	6,500	6,375	4,351	2,024
Dues/subscriptions/membership	7,500	3,300	10,800	10,800	9,887	913
Education and training	15,000	7,000	22,000	28,429	28,428	1
Employee benefits	1,028,864	434,513	1,463,377	1,502,727	1,373,632	129,095
Pension expense	100,000	42,856	142,856	142,856	142,856	-
Equipment rental	10,000	1,700	11,700	11,700	-	11,700
Insurance	111,300	47,700	159,000	159,000	151,772	7,228
Laboratory services	37,200	1,220	38,420	38,054	22,159	15,895
License permits	25,000	1,000	26,000	26,366	23,109	3,257
Meter testing	2,500	-	2,500	2,518	2,518	-
NJA Sewer fees	-	19,000	19,000	19,000	14,855	4,145
OCUA Regional Sewer fee	-	2,891,400	2,891,400	3,060,273	3,060,272	1
Toms River Sewer fees	-	25,000	25,000	25,000	20,940	4,060
Outside services	84,102	33,143	117,245	111,949	106,988	4,961
Penalty and fines	500	100	600	600	300	300
Personal safety equipment	6,000	3,000	9,000	16,949	16,948	1
Postage	27,000	11,880	38,880	38,880	37,488	1,392
Professional fees	82,645	30,500	113,145	113,555	95,396	18,159
Repairs and maintenance	221,000	190,500	411,500	392,286	296,586	95,700
Shipping	2,500	1,500	4,000	3,708	2,096	1,612
Supplies	52,000	19,000	71,000	77,033	63,168	13,865
Taxes - Water use	11,000	-	11,000	11,000	9,375	1,625
Transportation	60,600	48,050	108,650	110,469	89,238	21,231
Trustee fees - Administration	7,955	2,195	10,150	11,150	11,150	-
Uniforms	11,025	4,725	15,750	15,750	14,912	838

**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, 2018**

	Original Water Budget	Original Sewer Budget	Original Budget Total	Final Budget Total	Actual	Variance Favorable/ (Unfavorable)
Cost of Providing Services:						
Operation Control (continued):						
Utilities	425,000	95,500	520,500	520,500	451,536	68,964
Write-offs	5,000	5,000	10,000	11,904	11,904	-
Payroll Taxes	188,150	89,325	277,475	238,617	199,333	39,284
Administration Control:						
Salaries	381,256	163,395	544,651	543,444	531,044	12,400
Sick/vacation buyback	7,000	3,000	10,000	11,206	11,206	-
Executive (Management) Control:						
Salaries	197,669	84,715	282,384	290,526	290,526	-
Member Salaries	14,700	6,300	21,000	21,000	21,000	-
Field Control:						
Salaries	1,298,279	556,406	1,854,685	1,742,954	1,612,754	130,200
Sick/vacation buyback	26,270	9,000	35,270	37,528	37,528	-
Water Six Flags Great Adventure Control:						
Chemicals	20,000	8,000	28,000	28,197	23,607	4,590
Equipment rental	1,000	-	1,000	795	-	795
Laboratory services	17,685	-	17,685	18,303	16,273	2,030
License permits	450	610	1,060	456	1,074	(618)
Outside services	1,020	550	1,570	1,564	1,175	389
OCUA Regional sewer fee	-	500	500	500	-	500
Repairs and maintenance	20,000	15,000	35,000	35,000	5,194	29,806
Shipping	250	100	350	350	31	319
Supplies	500	150	650	650	-	650
Taxes - Water use	1,500	-	1,500	1,437	908	529
Utilities	1,200	100	1,300	1,363	1,263	100
Maple Glen Control:						
Ads and notices	-	250	250	250	-	250
Chemicals	-	200	200	200	-	200
Laboratory services	-	4,877	4,877	4,877	4,167	710
License permits	-	4,000	4,000	4,000	3,402	598
Outside services	-	600	600	600	80	520
Repairs and maintenance	-	8,000	8,000	9,943	9,942	1
Shipping	-	130	130	130	32	98
Supplies	-	1,000	1,000	1,000	872	128
Utilities	-	21,200	21,200	21,200	14,400	6,800
Wastewater and sludge removal	-	4,000	4,000	4,000	1,315	2,685
<b>Total Costs of Providing Services</b>	<b>4,724,305</b>	<b>4,971,640</b>	<b>9,695,945</b>	<b>9,762,946</b>	<b>9,075,538</b>	<b>687,408</b>



**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, 2018**

	Original Water Budget	Original Sewer Budget	Original Budget Total	Final Budget Total	Actual	Variance Favorable/ (Unfavorable)
Other Costs Funded By Revenues:						
Principal Maturity	891,048	171,499	1,062,547	1,062,547	1,062,547	-
Total Costs Funded By Operating Revenues	5,615,353	5,143,139	10,758,492	10,825,493	10,138,085	687,408
Net Operating Revenues	2,186,418	970,599	3,157,017	3,090,016	2,529,456	(560,560)
Non-Operating Revenues/(Expenses):						
Interest Income and Other Income	23,860	27,240	51,100	51,100	168,181	117,081
Interest Expense and Other Expense	(289,085)	(45,082)	(334,167)	(334,166)	(326,591)	7,575
Depreciation and Amortization	(2,592,940)	(1,302,874)	(3,895,814)	(3,828,814)	(3,556,993)	271,821
Amortization of gain on refunding	-	-	-	-	45,000	45,000
NJIB loan issuance costs	-	-	-	-	(217,568)	(217,568)
Loss on disposal of assets	-	-	-	-	(103,887)	(103,887)
Refund of Six Flags Great Adventure closure account	-	-	-	-	(250,000)	(250,000)
Total Non-Operating Revenues/(Expenses):	(2,858,165)	(1,320,716)	(4,178,881)	(4,111,880)	(4,241,858)	(129,978)
Deficiency Revenues Over Expenses	\$ (671,747)	\$ (350,117)	\$ (1,021,864)	\$ (1,021,864)	\$ (1,712,402)	\$ (690,538)

Reconciliation of Budgetary Basis to Net Income

Deficiency Revenues Over Credits/(Expenses)	\$ (1,712,402)
Adjustments to Budgetary Basis:	
Principal Maturities	1,062,547
Unbudgeted Pension Credit/(Expense)	(26,295)
Unbudgeted OPEB Credit/(Expense)	31,687
Net Income/(Loss) Before Contributions	\$ (644,463)

**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, 2018**

Series 2004A			
For the year ended December 31,	Principal	Interest	Total
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
Total	\$ 2,645,000	\$ 443,918	\$ 3,088,918

**Schedule VI**

**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, 2018**

<b>NJIB 2007 Loans Payable</b>			
<b>For the year ended December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	\$ 2,838,616	\$ -	\$ 2,838,616

**Schedule VI  
(continued)**

**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, 2018**

<b>NJIB 2013 Loans Payable - CW</b>			
<b>For the year ended December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	\$ 400,989	\$ 25,543	\$ 426,532

Schedule VI  
(continued)

**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, 2018**

**NJIB 2013 Loans Payable - DW**

<b>For the year ended December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	43,050	441	43,491
<b>Total</b>	<b>\$ 572,425</b>	<b>\$ 36,462</b>	<b>\$ 608,887</b>

**Schedule VI  
(continued)**

**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, 2018**

<b>NJIB 2015 Loans Payable</b>			
<b>For the year ended December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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
Total	\$ 3,119,000	\$ 830,144	\$ 3,949,144



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

Honorable Chairman and Members of the  
Jackson Township Municipal Utilities Authority  
County of Ocean  
Jackson Township, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and 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, the 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 (herein referred to as “the Authority”) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated August 17, 2019.

**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* and 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 in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

August 17, 2019  
Toms River, New Jersey





HOLMAN | FRENIA  
ALLISON, P.C.

Certified Public Accountants & Consultants

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY NEW JERSEY OMB  
CIRCULAR 15-08**

Honorable Chairman and Members  
of the Jackson Township Municipal Utilities Authority  
County of Ocean  
Jackson Township, New Jersey

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

We have audited the Jackson Township Municipal Utilities Authority, a component unit of the Township of Jackson, County of Ocean, State of New Jersey's compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Authority's major state programs for the fiscal year ended December 31, 2018. The Jackson Township Municipal Utilities Authority's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Jackson Township Municipal Utilities Authority's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*; and the audit requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards and New Jersey OMB's Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Authority's compliance.

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

In our opinion, the Jackson Township Municipal Utilities Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2018.

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

Management of the Jackson Township Municipal Utilities Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB's Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey OMB's Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

August 17, 2019  
Toms River, New Jersey

**JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)  
**Schedule of Expenditures of State Financial Assistance**  
For the year ended December 31, 2018

State Grantor/ Program Title	Agency or Pass-through Number	Total Award Amount	Grant Award Period	Program Receipts	Disbursements/ Expenditures	Cumulative Disbursements/ Expenditures	Passed Through to Subrecipients
State of New Jersey Department of Environmental Protection	NJEIT-W1511001-010	\$ 6,909,069	10/21/2016 - 12/31/2018	\$ 4,611,609	\$ (4,611,609)	\$ 5,947,736	\$ -
	NJEIT-W1511001-012	6,249,866	05/11/2018 - 12/31/2018	1,967,129	(1,967,129)	1,967,129	-
New Jersey Infrastructure Bank - Fund	NJEIT-W1511001-013	15,449,276	05/11/2018 - 12/31/2018	3,006,148	(3,006,148)	3,006,148	-
		<u>\$ 28,608,211</u>		<u>\$ 9,584,886</u>	<u>\$ (9,584,886)</u>	<u>\$ 10,921,013</u>	<u>\$ -</u>

**JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)**  
**Notes to Schedule of Expenditures of State Financial Assistance**  
**For the year ended December 31, 2018**

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of state financial assistance presents the activity of all state financial assistance programs of the Jackson Township Municipal Utilities Authority. The Authority is defined in Note 1 of the basic financial statements. The information in this schedule is presented in accordance with the requirements of New Jersey OMB’s Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. All state awards received directly from state agencies, as well as state financial assistance passed through other government agencies is included on the schedule of expenditures of state financial assistance.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of state financial assistance is presented using the budgetary basis of accounting. This basis of accounting is described in Note 1 to the Authority’s basic financial statements. The information in this schedule is presented in accordance with the requirements of New Jersey OMB’s Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

The basic financial statements are presented on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made. Amounts reported in the accompanying schedule agree with the amounts reported in the Authority’s financial statements as follows:

	<u>State</u>	<u>Total</u>
Fund:		
Proprietary Fund	\$ 9,584,886	\$ 9,584,886
Total	<u>\$ 9,584,886</u>	<u>\$ 9,584,886</u>

**NOTE 4: RELATIONSHIP TO STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedule agree with the amounts reported in the related state financial reports.

**NOTE 5: STATE LOANS OUTSTANDING**

The Jackson Township Municipal Utilities Authority had outstanding state loan balances of \$22,355,232 as of December 31, 2018. The entire balance of outstanding state loans was owed to the New Jersey Infrastructure Bank.

**JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)**  
**Schedule of Findings and Questioned Costs**  
**For the year ended December 31, 2018**

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

**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified?        Yes   X   None reported

2) Significant deficiency(ies) identified?        Yes   X   None reported

Noncompliance material to financial statements noted?        Yes   X   None reported

**State Financial Assistance**

Dollar threshold used to determine Type A programs \$750,000

Auditee qualified as low-risk auditee?   X   Yes        No

Internal control over major programs:

1) Material weakness(es) identified?        Yes   X   None reported

2) Significant deficiency(ies) identified?        Yes   X   None reported

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

Any audit findings disclosed that are required to be reported  
in accordance with New Jersey OMB's Circular 15-08?        Yes   X   None reported

Identification of major programs:

<b><u>State Grant/Project Number(s)</u></b>	<b><u>Name of State Program</u></b>
NJIB-W1511001-010	New Jersey Infrastructure Bank - Fund
NJIB-W1511001-012	New Jersey Infrastructure Bank - Fund
NJIB-W1511001-013	New Jersey Infrastructure Bank - Fund

**JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Township of Jackson, County Ocean, State of New Jersey)**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the year ended December 31, 2018**

**Section II – Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with 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.

None.

**Section III – State Financial Assistance Findings & Questioned Costs**

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major state programs, as required by New Jersey OMB's Circular 15-08.

**FINANCIAL STATEMENT FINDINGS**

No current year findings.

**JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Township of Jackson, County Ocean, State of New Jersey)**  
**Summary Schedule of Prior Year Audit Findings and**  
**Questioned Costs as Prepared by Management**  
**For the year ended December 31, 2018**

This section identifies the status of prior year findings related to the financial statements, state financial assistance that are required to be reported in accordance with New Jersey OMB's Circular 15-08.

**FINANCIAL STATEMENT FINDINGS**

No Prior Year findings.

**STATE FINANCIAL ASSISTANCE**

N/A – No State Single Audit in prior year.



**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, 2018**

William J. Allmann ..... Chairman  
Vicki Rickabaugh ..... Vice-Chairwoman  
Carol Blake ..... Secretary  
Clara Glory ..... Treasurer  
Geneva Clayton ..... Assistant Secretary/Treasurer  
Todd Porter ..... Alternate  
David Harpell ..... Executive Director  
James R. Diaz ..... Assistant Executive Director/Director of Finance



Honorable Chairman and Members  
of the Jackson Township Municipal Utilities Authority  
County of Ocean  
Jackson Township, New Jersey

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, 2018. 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 \$17,500, except by contract or agreement.

The Authority does not have a qualified purchasing agent on staff and therefore may award contracts up to \$17,500 without competitive bids.

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 and awarded by resolution for the following items: Skid Mounted Valve Exerciser, Western Water Main Extension, Six Flags Great Adventure Water Treatment Plant and Rehabilitation of Well No. 9.

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*.

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

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

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$2,625 "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).

The supporting documentation indicated that quotes were requested for all items that required them.

### **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**

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

### **Property, Plant & Equipment**

The property, plant and equipment subsidiary ledger was maintained properly and a reconciliation between the physical and perpetual inventory records was performed at year-end.

### **Budget Adoption**

The State of New Jersey requires that the Authority's operating and capital budgets be approved and adopted for each fiscal year. The Authority approved its operating budget on October 19, 2017 and adopted its operating budget on November 16, 2017.

### **Follow-Up of Prior Years' Findings**

In accordance with *Government Auditing Standards* and audit requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, our procedures included a review of all prior year findings. There were no prior year findings.

**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 concerning our comments or recommendations, or should you desire any assistance in implementing our recommendations, please call us.

Respectfully Submitted,

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

August 17, 2019  
Toms River, New Jersey