

**TOWNSHIP OF LOWER  
MUNICIPAL UTILITIES AUTHORITY**

**REPORT OF AUDIT**

**WITH  
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED  
NOVEMBER 30, 2015**



**Township of Lower Municipal Utilities Authority**  
Table of Contents

<u>Exhibit No.</u>		<u>Page No.</u>
	Roster of Officials	1
	<b><u>PART I – FINANCIAL SECTION</u></b>	
	Independent Auditor's Report	3
	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	6
	Management's Discussion and Analysis	8
	<u>Basic Financial Statements</u>	
A	Statement of Net Position	15
B	Statement of Revenues, Expenses and Change in Net Position	17
C	Statement of Cash Flows	18
	Notes to Financial Statements	20
	<u>Required Supplementary Information</u>	
RSI-1	Schedule of the Authority's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS)	45
RSI-2	Schedule of the Authority Contributions Public Employees' Retirement System (PERS)	46
	Notes to Required Supplementary Information	47
	<u>Supplementary Schedules</u>	
<u>Schedule No.</u>		
1	Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and Non-Operating Appropriations Compared to Budget--Budgetary Basis Water Division	49
2	Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and Non-Operating Appropriations Compared to Budget--Budgetary Basis Sewer Division	51
3	Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and Non-Operating Appropriations Compared to Budget--Budgetary Basis	53
4	Schedule of Revenue Bonds Payable	54
5	Schedule of USDA Loans	55
	<b><u>PART II - SCHEDULE OF FINDINGS AND RECOMENDATIONS</u></b>	
	Schedule of Findings and Recommendations	60
	Summary Schedule of Prior Year Findings and Recommendations	61
	Appreciation	62

**Township of Lower Municipal Utilities Authority  
Roster of Officials  
As of November 30, 2015**

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AUTHORITY COMMISSIONERS

Brian O'Connor  
Thomas A. Frisoli, Jr  
Harrison Bitting  
Steve Sheftz  
Jacqueline Henderson

POSITION

Chairman  
Vice Chairman  
Treasurer  
Asst. Treasurer  
Board Member

OFFICIALS

Michael Chapman  
Craig Loper  
Sharon Otto  
Remington, Vernick & Walberg  
Cafiero & Kaufmann  
McManimon, Scotland & Baumann, LLC

Executive Director  
Water/Sewer Superintendent  
Board Secretary  
Engineers  
Solicitor  
Bond Counsel

**TOWNSHIP OF LOWER  
MUNICIPAL UTILITIES AUTHORITY**

**PART I**

**FINANCIAL SECTION**

**FOR THE FISCAL YEAR ENDED  
NOVEMBER 30, 2015**

## **INDEPENDENT AUDITOR'S REPORT**

The Chairman and Members of  
The Board of Directors of the  
Township of Lower Municipal Utilities Authority  
Villas, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Township of Lower Municipal Utilities Authority (a component unit of the Township of Lower), in the County of Cape May, State of New Jersey (the "Authority"), as of and for the fiscal year ended November 30, 2015 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 financial position of the business-type activities of the Township of Lower Municipal Utilities Authority (a component unit of the Township of Lower), in the County of Cape May, State of New Jersey as of November 30, 2015, and the changes in its financial position and its cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

### *Adoption of New Accounting Principles*

As discussed in note 1 to the financial statements, during the fiscal year ended November 30, 2015, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

### *Prior Period Restatement*

Because of the implementation of GASB Statements No. 68 and No. 71 and recording a previously unrecorded liability and related expense, beginning net position on the statement of revenues, expenses and changes in net position has been restated for the fiscal year ended November 30, 2014, as discussed in note 12 to the financial statements. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
October 5, 2016

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

**INDEPENDENT AUDITOR'S REPORT**

The Chairman and Members of  
The Board of Directors of the  
Township of Lower Municipal Utilities Authority  
Villas, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Township of Lower Municipal Utilities Authority (a component unit of the Township of Lower), in the County of Cape May, State of New Jersey (the "Authority"), as of and for the fiscal year ended November 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 5, 2016. Our report on the financial statements included an emphasis of matter paragraph describing the restatement of the prior period financial statements resulting from the adoption of new accounting principles.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



**Compliance and Other Matters**

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

**Purpose of this Report**

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

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
October 5, 2016

# TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY

## Management's Discussion and Analysis (MD&A) (Unaudited)

### **FINANCIAL HIGHLIGHTS**

Management believes the financial position of the Township of Lower Municipal Utilities Authority (the "Authority") is strong. Key financial highlights for the Authority's fiscal year 2015 were:

- During 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68) and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (GASB 71). As a result of the implementation of GASB 68 and 71, net position as of December 1, 2014 was decreased by \$3,294,527.00. The notes to the financial statements provide a more thorough discussion of the implementation of GASB 68 and 71 and the effects to the financial statements.
- Operating expenses were \$6,045,411.97, versus \$5,863,736.98 in 2014. The increase in 2015 versus the prior fiscal year is primarily the result of filling needed positions, purchasing of additional water distribution supplies and increased utilities and sludge disposal costs.
- Consumer accounts receivable as of November 30, 2015 and 2014 were \$680,178.44 and \$851,512.36, respectively, demonstrating the Authority's improved collection efforts.
- Service charges and connection fee revenues in 2015 were \$8,395,516.02 and \$748,842.64, respectively.
- At year-end, total assets were \$50,087,248.71; deferred outflows were \$631,289.95; liabilities were \$20,272,641.22; and deferred inflows were \$372,335.70. The resultant net position at year-end was \$30,073,561.74.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section) and pension schedules, the basic financial statements, and supplemental information.

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. As the Authority follows the accrual method of accounting, the current fiscal year's revenue and expenses are accounted for in the statement of revenues, expenses and change in net position regardless of when cash is received or paid. Net position - the difference between the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources - are a measure of the Authority's financial health or position. The statement of revenues, expenses and change in net position provides a breakdown of the various areas of revenues and expenses encountered during the current fiscal year. The statement of cash flows provides a breakdown of the various sources of cash flow, categorized into four areas: cash flows from operating activities, noncapital financing activities, capital and related financing activities and investing activities.

## **FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE**

The Authority's total net position was \$30,073,561.74 on November 30, 2015. Total assets, deferred outflows of resources, total liabilities, deferred inflows of resources, and total net position are detailed below.

<b>Township of Lower Municipal Utilities Authority</b>		
<b>Net Position</b>		
<b>As of November 30,</b>		
	<b><u>2015 *</u></b>	<b><u>2014 *</u></b> <b><u>(Restated)</u></b>
Total Unrestricted Assets	\$ 6,062,094.31	\$ 3,548,968.09
Total Restricted Assets	8,866,885.81	10,353,432.91
Capital Assets	34,144,788.44	34,853,716.99
Other Assets	<u>1,013,480.15</u>	<u>945,489.00</u>
Total Assets	50,087,248.71	49,701,606.99
Total Deferred Outflows of Resources	631,289.95	93,182.18
Total Current Liabilities		
Payable from Current Assets	619,293.59	517,747.45
Total Current Liabilities		
Payable from Restricted Assets	1,830,847.27	2,267,660.17
Long-Term Obligations	<u>17,822,500.36</u>	<u>16,249,504.92</u>
Total Liabilities	20,272,641.22	19,034,912.54
Total Deferred Inflows of Resources	372,335.70	15,104.61
Net Position		
Net Investment in Capital Assets	19,744,371.45	18,614,243.00
Restricted	3,215,450.00	3,968,740.00
Unrestricted	<u>7,113,740.29</u>	<u>8,161,789.02</u>
Total Net Position	30,073,561.74	30,744,772.02
Restatement to Record the Net Pension		
Liability, Pension Related Deferred		
Outflows & Accounts Payable per GASB 68	<u>-</u>	<u>(3,342,310.91)</u>
Net Position - November 30, Restated	<u>\$ 30,073,561.74</u>	<u>\$ 27,402,461.11</u>

\* The Authority implemented GASB 68.

## **FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (CONTINUED)**

\* These 2015 and 2014 amounts (for Long-Term Liabilities and Net Position – Unrestricted) incorporate the impact of long term pension liability associated with the State of New Jersey’s Public Employee Retirement System (PERS). Effective with the Authority’s FY15, the Governmental Accounting Standards Board (GASB), the accepted standard setting body for governmental accounting and financial reporting principles, implemented GASB 68 & 71. GASB 68 & 71 require the implementation of certain accounting standards relating to the recording of the Authority’s long term pension liability under PERS. Conceptually, GASB 68 & 71 requires the Authority to recognize its long term pension liability and the impact it has on Unrestricted Net Position. Total Net Position for FY14 has been restated to reflect the impact this liability had on the Unrestricted Net Position for that fiscal year.

The Authority realized operating income of \$3,114,753.19 for the current fiscal year. Combined with non-operating expenses of \$443,652.56, the Authority’s total change in net position for the current fiscal year was an increase of \$2,671,100.63. Major components of this activity are detailed below.

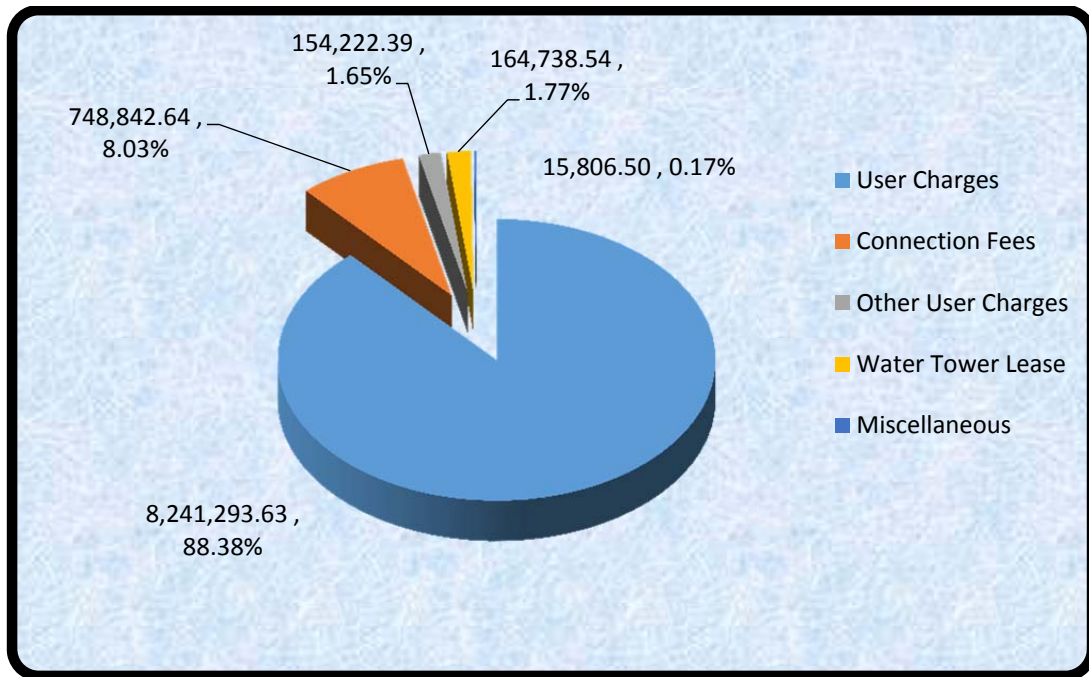
### **Township of Lower Municipal Utilities Authority Revenues, Expenses and Net Position for the Fiscal Years Ended November 30,**

	<b><u>2015 *</u></b>	<b><u>2014 *</u> <u>(Restated)</u></b>
Total Operating Revenues	\$ 9,160,165.16	\$ 9,358,346.00
Total Operating Expenses	<u>(6,045,411.97)</u>	<u>(5,863,736.98)</u>
Operating Income	3,114,753.19	3,494,609.02
Non Operating Revenues / (Expenses)	<u>(443,652.56)</u>	<u>(366,255.00)</u>
Increase in Net Position	2,671,100.63	3,128,354.02
Net Position - December 1	<u>27,402,461.11</u>	<u>27,616,418.00</u>
Net Position - November 30, Prior to Restatement	30,073,561.74	30,744,772.02
Restatement to Record the Net Pension Liability, Pension Related Deferred Outflows & Accounts Payable per GASB 68	<u>-</u>	<u>(3,342,310.91)</u>
Net Position - November 30, Restated	<u><u>\$ 30,073,561.74</u></u>	<u><u>\$ 27,402,461.11</u></u>

\* The Authority implemented GASB 68.

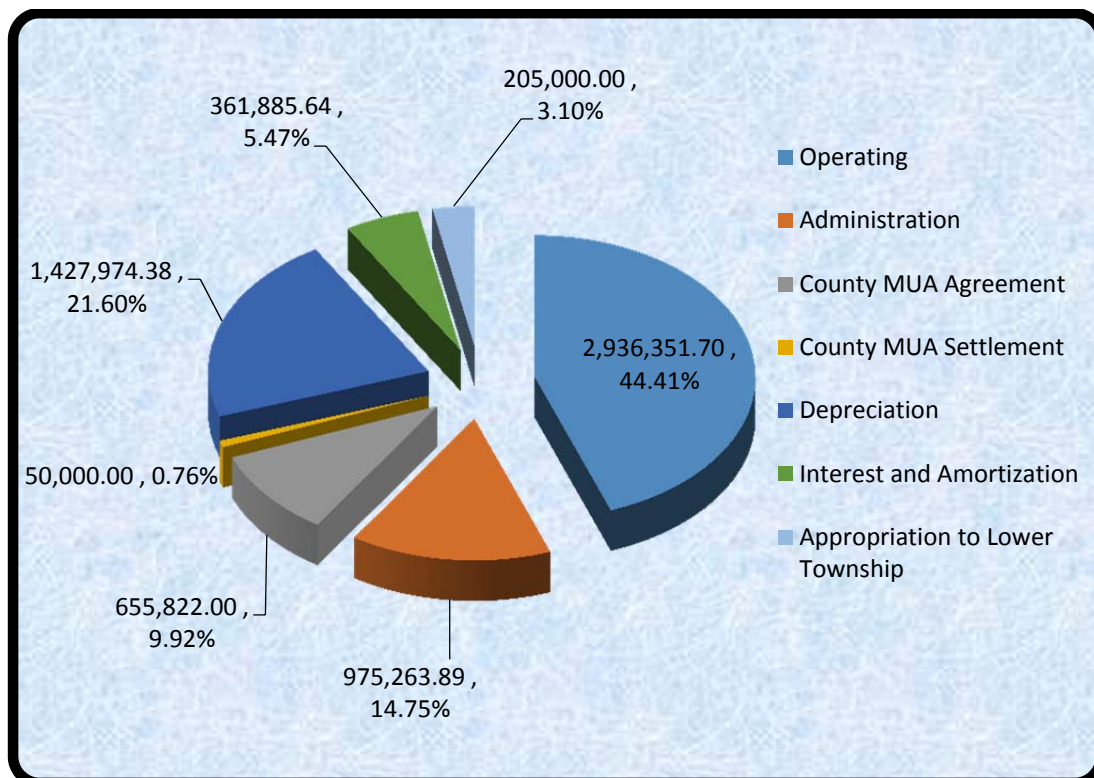
## TOTAL REVENUES

Following is a breakdown of total revenue for the fiscal year ended November 30, 2015.



## TOTAL EXPENSES

Following is a breakdown of total expenses for the fiscal year ended November 30, 2015.



## **OVERALL ANALYSIS**

The Authority's overall financial position is firm. From 2014 to 2015 the Authority experienced a 5.6% increase in service charge revenues. The revenue increase in 2015 was expected due to the increase in the number of residential water customers. The rate structure approved in January, 2011 resulted in a minimum water rate of \$62.48/quarter and the sewer rate \$320/year, which has remained unchanged.

Connection fee revenue in the current year was \$748,842.64 versus \$1,382,936.00 in 2014. The reduction in fees over this period can be attributed to the Authority completing the Townbank water project and recognizing a substantial amount of the resultant connection fees in the prior year, with a smaller number of connections occurring in 2015.

Overall, the Authority believes it is managing its financial position as efficiently as possible in spite of the challenging fiscal environment. Net position, not including the net position restatement related to the implementation of GASB 68, increased by \$2,671,100.63 in 2015 and \$3,128,354.02 in 2014. The residential and public sectors, the most stable when considering the volatility of a billing base, comprise approximately 94% and 92% of the Authority's water and sewer customers respectively. There is no particular emphasis or imbalance in the type of business enterprises within the commercial sector. Industrial users exist, but do not comprise a major portion of the Authority's billing base.

## **BUDGET VARIANCES**

The actual Water Division revenues exceeded the anticipated revenues by \$548,734.70 in 2015 [\$3,788,658.00 budgeted vs. \$4,337,392.70 actual] and \$668,359.00 in 2014 [\$3,817,288.00 budgeted vs. \$4,485,647.00 actual]. The actual Sewer Division revenues were less than the anticipated revenues by (\$9,593.85) in 2015 [\$4,995,776.00 budgeted vs. \$4,986,182.16 actual], while in 2014 the actual revenues exceeded the anticipated revenues by \$117,506.00 [\$4,962,060.00 budgeted vs. \$5,079,566.00 actual].

Connection fee revenues of \$480,000.00 were budgeted for in 2015 and \$409,600.00 were budgeted in 2014. Actual revenues collected for connection fees totaled \$748,842.64 in 2015 which was more than budgeted and \$1,382,936.00 in 2014. The investment in water infrastructure, previously in the Townbank section and currently in the East Villas section of the Township, continues to add to the users of the system thus affecting this revenue item.

Total Operating Appropriations once again came in well under our budget for 2015 in the amount of \$381,731.77 (Water Division) and \$866,891.06 (Sewer Division); as compared to 2014 the amount of \$986,814.00 (Water Division) and \$1,697,951.00 (Sewer Division).

During fiscal year 2015, the Township of Lower exercised its right to request up to 5% of the appropriated annual costs of operation of the Authority per N.J.S.A. 40A: 5A-12.1. The amount requested in 2015 totaled \$205,000.00.

## **CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

During the current fiscal year, the Authority added \$789,218.52 in capital assets, which included completed construction in progress amounts totaling \$356,905.63.

The Authority continues to maintain a proactive maintenance philosophy for its capital facilities. The Authority's 2015-16 budget includes two (2) Water Capital Projects and five (5) Sewer Capital projects along with an additional equipment purchases funded through the budget, General Fund and Renewal and Replacement Fund.

The Capital Program included in the 2015-16 budget includes 2015-16 anticipated capital costs of \$4,162,000.00 (Water Division), and \$1,552,000.00 (Sewer Division). The major line items making up a portion of the Capital Budget are:

1. Water Main Installation
2. Storage Tanks Painting, Operating Equipment
3. Sewer Main Rehabilitation
4. Rehabilitation of Pumping Stations

In connection with the most recent bond sale in February 2014, Moody's Investors Services assigned a rating of Aa3 to the Authority. The Authority does not anticipate any change in its excellent credit rating.

\$1,765,000.00 of debt service principal payments scheduled in 2015 were paid on two series of Revenue Refunding Bonds and \$157,491.12 of debt service principal payments scheduled in 2015 were paid on two series of USDA Loans.

In February 2016, the Authority adopted a resolution authorizing the issuance of its Project Notes, Series 2016 in the principal amount of not to exceed \$4,200,000.00 to temporarily finance a capital improvement project consisting of the East Villas Water Main Improvements Phase I (Project). The Authority has been approved by the USDA to permanently finance up to \$3,734,000.00 of the costs associated with the Project, and, in anticipation of the permanent financing, has determined to temporarily finance the costs of the Project with the proceeds of the Project Note. The Authority issued the Project Notes in September 2016.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide Lower Township's citizens and our customers, clients, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have questions about this report or need additional financial information, contact the Executive Director, Michael Chapman, Township of Lower Municipal Utilities Authority, 2900 Bayshore Road, Villas, NJ 08251.

## **BASIC FINANCIAL STATEMENTS**



## TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY

Statement of Net Position

As of November 30, 2015

ASSETS

## Current Assets:

## Unrestricted Assets:

Cash and Cash Equivalents	\$ 4,962,197.26
Consumer Accounts Receivable, Net of Allowance of \$118,697.42	680,178.44
Connection Fees Receivable	419,718.61
Total Unrestricted Assets	6,062,094.31

## Restricted Assets:

Cash and Cash Equivalents	8,866,885.81
Total Restricted Assets	8,866,885.81

## Total Current Assets

14,928,980.12

## Noncurrent Assets:

## Capital Assets:

Land	97,234.00
Completed (Net of Accumulated Depreciation)	33,758,565.94
Construction in Progress	288,988.50
Total Capital Assets	34,144,788.44

## Other Unrestricted Assets:

Connection Fees Receivable	1,013,480.15
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## Total Noncurrent Assets

35,158,268.59

## Total Assets

50,087,248.71

DEFERRED OUTFLOWS OF RESOURCES

Related to Pensions	545,874.08
Deferred Loss on Defeasance of Debt	85,415.87
Total Deferred Outflows of Resources	631,289.95

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**

Statement of Net Position

As of November 30, 2015

**LIABILITIES**

## Current Liabilities Payable from Unrestricted Assets:

Accounts Payable	\$ 488,594.31
Accounts Payable - Related to Pensions	127,229.00
Deposits and Reserves	3,470.28

Total Current Liabilities Payable from Unrestricted Assets	619,293.59
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## Current Liabilities Payable from Restricted Assets:

Construction Contracts Payable	85,239.00
Deposits and Reserves	12,300.71
Accrued Interest on Bonds and Loans Payable	142,006.37
Revenue Bonds Payable - Current Portion	1,430,000.00
USDA Loans Payable - Current Portion	161,301.19

Total Current Liabilities Payable from Restricted Assets	1,830,847.27
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## Long-term Liabilities:

Compensated Absences	102,103.48
Net Pension Liability	3,322,008.00
Accrued Liability - Related to Pensions	53,012.08
Revenue Bonds Payable	4,848,015.11
USDA Loans Payable	9,497,361.69

Total Long-Term Liabilities	17,822,500.36
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Total Liabilities	20,272,641.22
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**DEFERRED INFLOWS OF RESOURCES**

Related to Pensions	364,762.00
Deferred Gain on Defeasance of Debt	7,573.70

Total Deferred Inflows of Resources	372,335.70
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**NET POSITION**

Net Investment in Capital Assets	\$ 19,744,371.45
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## Restricted:

Bond Service Fund	1,593,950.00
Bond Service Reserve Fund	1,621,500.00

Unrestricted	7,113,740.29
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Total Net Position	\$ 30,073,561.74
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The accompanying Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Statement of Revenues, Expenses and Change in Net Position  
For the Fiscal Year Ended November 30, 2015

Operating Revenues:	
User Charges, Service Agreements, Fees, Penalties and Provision for Doubtful Accounts	\$ 8,395,516.02
Connection Fees	748,842.64
Other Operating Revenues	15,806.50
	<u>9,160,165.16</u>
Total Operating Revenues	<u>9,160,165.16</u>
Operating Expenses:	
Administration:	
Salaries and Wages	193,463.22
Fringe Benefits	194,141.50
Other Expenses	587,659.17
Cost of Providing Services:	
Salaries and Wages	920,850.96
Fringe Benefits	750,000.56
Other Expenses	1,971,322.18
Depreciation	1,427,974.38
	<u>6,045,411.97</u>
Total Operating Expenses	<u>6,045,411.97</u>
Operating Income	3,114,753.19
Non-Operating Revenue / (Expenses):	
Water Tower Leases	164,738.54
Appropriations to Lower Township	(205,000.00)
Investment Income	(1,328.85)
Capital Project Reserve Loss Transactions	3,052.85
Interest on Debt	(419,424.76)
Bad Debt Expense	(41,243.90)
Loss on Disposal of Assets	(1,985.56)
Amortization of Premium	57,539.12
	<u>(443,652.56)</u>
Total Non-Operating Revenue / (Expenses)	<u>(443,652.56)</u>
Increase in Net Position	<u>2,671,100.63</u>
Net Position - Beginning, as originally stated	30,744,772.02
Prior Period Adjustment (See Note 12)	<u>(3,342,310.91)</u>
Net Position - Beginning, as Restated	<u>27,402,461.11</u>
Net Position - Ending	<u><u>\$ 30,073,561.74</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Statement of Cash Flows  
For the Fiscal Year Ended November 30, 2015

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Cash Flows from Operating Activities:	
Receipts from Customers and Users	\$ 8,525,606.04
Receipts from Connection Fees	674,601.37
Payments for Other Goods or Services	(2,806,561.34)
Payments for Employee Services	(2,075,322.90)
Other Operating Receipts	<u>15,806.50</u>
Net Cash Provided by Operating Activities	<u>4,334,129.67</u>
Cash Flows from Non-Capital Financing Activities	
Water Tower Leases	164,738.54
Payment to the Township of Lower	<u>(205,000.00)</u>
Net Cash Used In Non-Capital Financing Activities	<u>(40,261.46)</u>
Cash Flows from Capital and Related Financing Activities:	
Principal Paid on Bonds	(1,765,000.00)
Principal Paid on Loans	(157,491.12)
Interest Paid on Bonds and Loans	(460,406.32)
Acquisitions of Capital Assets	<u>(717,979.15)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(3,100,876.59)</u>
Cash Flows from Investing Activities:	
Investment Income Receipts	<u>(1,327.55)</u>
Net Cash Used in Investing Activities	<u>(1,327.55)</u>
Net Change in Cash and Cash Equivalents	1,191,664.07
Cash and Cash Equivalents, December 1	<u>12,637,419.00</u>
Cash and Cash Equivalents, November 30	<u><u>\$ 13,829,083.07</u></u>

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Statement of Cash Flows  
For the Fiscal Year Ended November 30, 2015

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Reconciliation of Operating Income to Net Cash Provided	
by Operating Activities:	
Operating Income	\$ 3,114,753.19
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation Expense	1,427,974.38
Bad Debt Expense	(41,243.90)
Pension Liability Expense - GASB 68	(21,173.91)
Changes in Assets and Liabilities:	
(Increase) Decrease in Consumer Accounts Receivable	171,333.92
(Increase) Decrease in Connection Fees Receivable	(74,241.27)
Increase (Decrease) in Accounts Payable	(20,857.29)
Increase (Decrease) in Deposits and Reserves	(4,825.57)
Increase (Decrease) in Construction Contracts Payable	(221,897.13)
Increase (Decrease) in Compensated Absences	4,307.25
	<hr/>
Net Cash Provided by Operating Activities	<u><u>\$ 4,334,129.67</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

## TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY

Notes to Financial Statements  
For the Fiscal Year Ended November 30, 2015

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### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **Reporting Entity**

The Township of Lower Municipal Utilities Authority is a public body corporate and politic of the State of New Jersey and was originally created by an ordinance duly adopted on July 24, 1968 by the governing body of the Township of Lower (the "Township"), in the County of Cape May, State of New Jersey.

The Authority was created for the purpose of acquiring, constructing, maintaining, and operating water facilities for accumulating, supplying and distributing water, and acquiring, constructing, maintaining, improving, and operating sewage facilities for collecting, treating, purifying and disposing of sewage and other wastes.

#### **Component Unit**

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

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

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

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

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

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

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

The transactions of the Authority are divided into two separate activities (water and sewer) within the enterprise fund type. Each activity is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflow of resources, net position, revenues and expenditures.

**Basis of Accounting**

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

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

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

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

**Budgets and Budgetary Accounting**

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense, bond issue costs, bond discounts and deferred loss on defeasance are not included in the budget appropriations.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Budgets and Budgetary Accounting (Cont'd)**

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

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

**Cash, Cash Equivalents and Investments**

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

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

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

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



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

Inventory consists principally of chemicals for the treatment of water, sewerage and sludge and is valued at cost. The Authority has determined that the inventories are immaterial and are not recorded in the financial statements.

**Prepaid Expenses**

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the applicable fiscal year end.

**Capital Assets**

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased are stated at actual cost. Donated capital assets are recorded at their fair market value as of the date received.

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

Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$2,500.00 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

**Depreciation**

Depreciation is provided using the straight-line method over the following estimated useful life of the assets:

Land and Improvements	20 years
Buildings and Improvements	50 years
Machinery and Equipment	5 to 15 years
Infrastructure	50 years
Other	5 to 15 years

**Bond Discounts / Bond Premiums**

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Deferred Outflows and Deferred Inflows of Resources**

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the GASB standards. The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources:

**Deferred Loss on Defeasance of Debt** – Deferred loss on defeasance of debt arising from the issuance of the revenue refunding bonds is recorded as a deferred outflow of resources. It is amortized in a systematic and rational method over the duration of the related debt as a component of interest expense.

**Deferred Gain on Defeasance of Debt** – Deferred gain on defeasance of debt arising from the issuance of the revenue refunding bonds is recorded as a deferred inflow of resources. It is amortized in a systematic and rational method over the duration of the related debt as a component of interest expense.

**Defined Benefit Pension Plans** – The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Authority's proportion of expenses and liabilities to the pension as a whole, differences between the Authority's pension contribution and its proportionate share of contributions, and the Authority's pension contributions subsequent to the pension valuation measurement date.

**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 measurable and the Authority is eligible to realize the revenue.

**Pensions**

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

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

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

**Net Investment in Capital Assets** - This component of net position consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

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

**Income Taxes**

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

**Operating and Non-Operating Revenues and Expenses**

Operating revenues include all revenues derived from water treatment and sewer collection facilities (i.e., water and sewer rents) and other revenue sources. Non-operating revenues principally consist of water tower leases.

Operating expenses include expenses associated with the operation, maintenance and repair of the water treatment and sewer collection facilities and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt.

**Accounting Estimates**

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Impact of Recently Issued Accounting Policies****Recently Issued and Adopted Accounting Pronouncements**

For the fiscal year ended November 30, 2015, the Authority adopted GASB 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. As a result of adopting such Statements, the Authority was required to measure and recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their defined benefit pensions. The cumulative effect of adopting GASB Statements No. 68 and No. 71 totaled \$3,342,310.91, and was recognized as a restatement of the Authority's November 30, 2014 net position on the statement of net position (see note 12).

**Recently Issued Accounting Pronouncements**

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

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

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

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

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Recently Issued Accounting Pronouncements (Cont'd)**

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

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

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

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

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Recently Issued Accounting Pronouncements (Cont'd)**

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

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

**Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY****Compliance with Finance Related Legal and Contractual Provisions**

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

**General Bond Resolution**

The Authority is subject to the provisions and restrictions of the General Bond Resolution adopted December 4, 1972, as amended and supplemented (collectively the "Bond Resolution"). A summary of the activities of each account created by the Bond Resolution is covered below.

**Revenue Fund** - All money collected by the Authority for service charges or from any other source for operating, maintaining or repairing the system is deposited in this account. The Trustee, on the first day of each month in any fiscal year and within ten days thereafter, after reserving the amount shown by the annual budget to be required for operating expenses for the period of three consecutive calendar months beginning on said date, shall make payments into the other accounts to satisfy bond resolution or operating requirements.

**Bond Service Account** - The balance on deposit must be sufficient to enable the Trustee to withdraw amounts equal to interest due on bonds and principal amount maturing on bonds.

**Sinking Fund** - The amount of funds on deposit must be sufficient to meet the aggregate amount of all sinking fund installments payable during the next ensuing fiscal year.

**Bond Reserve Account** - The amount of funds on deposit must be maintained at a level equal to the Maximum Debt Service to ensure funds are available for payment of Debt Service.

**Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)****General Bond Resolution (Cont'd)**

**General Account** - All excess funds of the Authority are recorded in the General Account. If the Authority is not in default in the payment of bond principal or interest and all fund requirements are satisfied, the Authority may use the excess funds for any lawful purpose.

**Construction Account** - The Construction Fund is held by the Trustee and is used to pay the cost of the project and is pledged, pending application to such costs, for the security of the payment of principal and interest on the Revenue Bonds.

**Note 3: DETAIL NOTES - ASSETS****Cash and Cash Equivalents**

**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 \$250,000.00 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 November 30, 2015, the Authority's bank balances of \$13,717,276.78 were exposed to custodial credit risk as follows. \$500,000.00 is insured by FDIC and \$7,830,159.96 is covered under GUDPA as described above. The balance in the amount of \$5,387,116.82 is invested in Goldman Sachs Money Market Funds, which is a triple A Government Money Market Fund.

**Note 3: DETAIL NOTES – ASSETS (CONT'D)****Capital Assets**

During the fiscal year ended November 30, 2015, the following changes in Capital Assets occurred:

	<u>Balance</u> <u>Dec. 1, 2014</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>Nov. 30, 2015</u>
Land and Improvements	\$ 97,234.00				\$ 97,234.00
Buildings and Improvements	13,334,002.49				13,334,002.49
Machinery and Equipment	4,409,615.98	\$ 432,312.89		\$ (34,254.54)	4,807,674.33
Infrastructure	54,128,778.43		\$ 356,905.63		54,485,684.06
Other	14,835.00				14,835.00
Construction in Progress	357,175.63	288,718.50	(356,905.63)		288,988.50
	72,341,641.53	721,031.39	-	(34,254.54)	73,028,418.38
Less Accumulated Depreciation	37,487,924.54	1,427,974.38		(32,268.98)	38,883,629.94
	<u>\$34,853,716.99</u>	<u>\$ (706,942.99)</u>	<u>\$ -</u>	<u>\$ (1,985.56)</u>	<u>\$34,144,788.44</u>

Depreciation expense by major class of capital assets is:

	<u>Fiscal Year</u> <u>Ended</u> <u>Nov. 30, 2015</u>
Buildings and Improvements	\$ 189,975.87
Machinery and Equipment	164,810.73
Infrastructure	1,072,175.53
Other	1,012.25
	<u>\$ 1,427,974.38</u>

**Note 4: DETAIL NOTES – DEFERRED OUTFLOWS OF RESOURCES****Deferred Loss of Defeasance of Debt**

On May 3, 2012, the Authority issued Revenue Refunding Bonds in the amount of \$3,725,000.00 to advance refund outstanding principal amount of \$3,520,000.00 of the Revenue Bonds Series 2003B. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$122,121.20. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations as a component of interest expense over the life of the refunding bonds using the bonds outstanding method.



**Note 5: DETAIL NOTES - LIABILITIES****Long Term Liabilities**

During the fiscal year ended November 30, 2015, the following changes occurred in long-term obligations:

	(Restated) Balance December 1, 2014	Additions	Reductions	Balance November 30, 2015	Due Within One Year
<b>Bonds and Loans Payable:</b>					
Revenue Refunding Bonds, Series 2012	\$ 3,580,000.00		\$ 145,000.00	\$ 3,435,000.00	\$ 145,000.00
Revenue Refunding Bonds, Series 2014	4,400,000.00		1,620,000.00	2,780,000.00	1,285,000.00
USDA Loan - 2010	1,780,439.55		23,402.00	1,757,037.55	24,347.00
USDA Loan - 2013	8,035,714.98		134,089.65	7,901,625.33	136,954.19
Add:					
Premiums on Bonds	120,554.23		57,539.12	63,015.11	
<b>Total Bonds and Loans Payable</b>	<b>17,916,708.76</b>		<b>1,980,030.77</b>	<b>15,936,677.99</b>	<b>1,591,301.19</b>
<b>Other Liabilities:</b>					
Compensated Absences	97,796.23	\$ 4,307.25		102,103.48	
Net Pension Liability	3,137,703.00	184,305.00		3,322,008.00	
Accrued Liability - Related to Pensions	53,012.08	53,012.08	53,012.08	53,012.08	
<b>Total Other Liabilities</b>	<b>3,190,715.08</b>	<b>237,317.08</b>	<b>53,012.08</b>	<b>3,477,123.56</b>	<b>-</b>
<b>Total Long-Term Liabilities</b>	<b>\$ 21,107,423.84</b>	<b>\$ 237,317.08</b>	<b>\$ 2,033,042.85</b>	<b>\$ 19,413,801.55</b>	<b>\$ 1,591,301.19</b>

**Compensated Absences**

Authority employees earn sick and vacation time depending on their length of service. Employees are permitted to carryover the earned and unused sick and vacation time to future periods and upon termination may receive payment for any accrued time. Employees are compensated for accumulated sick leave upon retirement or resignation at their then current hourly rate of pay times the number of days accumulated, up to a maximum of \$15,000. Vacation days not used during the year may be carried forward for one year. Upon separation from the Authority, the employee will be paid for all accrued vacation time at their then current hourly rate. The accrued liability for accumulated sick leave and vacation time at November 30, 2015 is estimated at \$102,103.48.

**Retirement Systems**

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

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

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Retirement Systems (Cont'd)****General Information about the Pension Plans****Plan Descriptions**

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

**Defined Contribution Retirement Program** - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in PERS after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

**Vesting and Benefit Provisions**

**Public Employees' Retirement System** - The vesting and benefit provisions are set by N.J.S.A. 43:15A 43:3B. The 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 the PERS.

The following represents the membership tiers for PERS:

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

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

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Retirement Systems (Cont'd)****General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

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

**Contributions**

**Public Employees' Retirement System** - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over seven years beginning in July 2012. The member contribution rate was 6.92% in State fiscal year 2015. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employers' contributions are based on an actuarially determined amount which includes the normal cost and unfunded accrued liability.

The Authority's contractually required contribution rate for the fiscal year ended November 30, 2015 was 15.67% of the Authority's covered-employee payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$127,229.00 for the fiscal year ended November 30, 2015. Employee contributions were \$60,130.00 for the fiscal year ended November 30, 2015.

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

For the fiscal year ended November 30, 2015, there was one employee participating in the Defined Contribution Retirement Program.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Retirement Systems (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Public Employees' Retirement System** – At November 30, 2015, the Authority reported a liability of \$3,322,008.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Authority's proportion was 0.0147986848%, which was a decrease of 0.0019600994% from its proportion measured as of June 30, 2014.

For the fiscal year ended November 30, 2015, the Authority recognized pension expense of \$164,767.00.

At November 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b><u>Deferred Outflow of Resources</u></b>	<b><u>Deferred Inflow of Resources</u></b>
Differences between Expected and Actual Experience	\$ 79,251.00	\$ -
Changes of Assumptions	356,757.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	53,412.00
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	56,854.00	311,350.00
Authority Contributions Subsequent to the Measurement Date	53,012.00	-
	<u>\$ 545,874.00</u>	<u>\$ 364,762.00</u>

The deferred outflows of resources related to pensions totaling \$53,012.00 will be included as a reduction of the net pension liability in the year ended November 30, 2016.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Retirement Systems (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**Public Employees' Retirement System (Cont'd)** - The Authority will amortize the other deferred outflows of resources and deferred inflows of resources 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	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
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
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Retirement Systems (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

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

<b>Fiscal Year Ended November 30,</b>	
2016	\$ 17,247.00
2017	17,247.00
2018	17,249.00
2019	63,993.00
2020	12,364.00
	<u>\$ 128,100.00</u>

**Actuarial Assumptions**

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

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

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

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Retirement Systems (Cont'd)****Actuarial Assumptions (Cont'd)**

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

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

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

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Retirement Systems (Cont'd)****Sensitivity of Authority's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

The following presents the Authority's proportionate share of the net pension liability at June 30, 2015 calculated using a discount rate of 4.90%, 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% lower or 1% higher than the current rates used:

	<b>PERS</b>		
	<b>1% Decrease (3.90%)</b>	<b>Current Discount Rate (4.90%)</b>	<b>1% Increase (5.90%)</b>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 4,128,850.00</u>	<u>\$ 3,322,008.00</u>	<u>\$ 2,645,558.00</u>

**Pension Plan Fiduciary Net Position**

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

**Post-Employment Benefits**

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The Authority provides postemployment health care benefits, at its cost, to all Authority retirees who at the date of retirement have not less than twenty-five (25) years of service credit in a State locally administered retirement system or who retire upon or after the age of 62 with fifteen (15) or more years of service credits. Benefits provided include health insurance, dental coverage, and prescription coverage for retirees and their dependents only during the retired employees' life.

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

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Authority on a monthly basis. The Authority funds these benefits on a pay-as-you-go basis.



**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Post-Employment Benefits (Cont'd)**

The Authority's contribution to SHBP for the fiscal year ended November 30, 2015 was \$277,641.00, which equaled the required contribution for the year. There were approximately 12 retired participants eligible at November 30, 2015.

**Lease Obligations**

At November 30, 2015, the Authority had lease agreements in effect for the following:

Operating: Pitney Bowes Mailing Machine  
Lease of a Parcel of Land

Operating Leases – Future minimum rental payments under operating lease agreements are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 8,160.00
2017	6,160.00
2018	2,160.00
2019	2,160.00
2020	2,160.00
2021-2025	10,800.00
2026-2029	7,380.00

Rental payments for the lease of a parcel of land are subject to increase in accordance with the percentage increase in the Philadelphia-Wilmington-Trenton consumer price index.

Current Year payments under operating leases totaled \$8,482.73.

**Bonds Payable**

At November 30, 2015, the Authority has the following bonds payable:

Revenue Refunding Bonds, Series 2012 – On May 3, 2012, the Authority issued \$3,725,000.00 in Revenue Refunding Bonds, with interest rates ranging from 2.375% to 3.000%. The purpose of the bonds is to provide funds to advance refund all or a portion of the outstanding principal amount of Revenue Bonds, Series 2003B and to pay for the costs of issuance. The final maturity of the bonds is December 1, 2032. The balance remaining at November 30, 2015 is \$3,435,000.00.

Revenue Refunding Bonds, Series 2014 – On February 26, 2014, the Authority issued \$4,400,000.00 in Revenue Refunding Bonds, with interest rates ranging from 2% to 3%. The purpose of the bonds is to provide funds to currently refund all or a portion of the Revenue Bonds, Series 2003 C&D and to pay the costs of issuance. The final maturity of the bonds is December 1, 2017. The balance remaining at November 30, 2015 is \$2,780,000.00.

**USDA Loans Payable**

\$1,875,000.00 principal amount of USDA Loans dated 2010, due in semi-annual installments beginning August 25, 2010, through February 25, 2049, bearing interest rate at a rate of 4% per annum. The balance remaining as of November 30, 2015 is \$1,757,037.55.

\$8,167,000.00 principal amount of USDA Loans dated 2013, due in semi-annual installments beginning March 19, 2014, through September 19, 2053, bearing interest rate at a rate of 2.125% per annum. The balance remaining as of November 30, 2015 is \$7,901,625.33.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**

The following schedule reflects the Debt Requirements until 2053.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,591,301.19	\$ 401,176.27	\$ 1,992,477.46
2017	1,660,210.92	359,816.92	2,020,027.84
2018	474,222.16	328,805.30	803,027.46
2019	333,339.24	317,713.52	651,052.76
2020	342,563.52	309,129.15	651,692.67
2021-2025	1,850,207.99	1,404,630.37	3,254,838.36
2026-2030	2,123,987.06	1,124,184.05	3,248,171.11
2031-2035	1,940,355.32	809,407.30	2,749,762.62
2036-2040	1,382,099.11	610,538.21	1,992,637.32
2041-2045	1,567,503.57	425,134.43	1,992,638.00
2046-2050	1,729,791.10	212,268.76	1,942,059.86
2051-2053	878,081.70	32,903.64	910,985.34
	15,873,662.88	\$ 6,335,707.92	\$ 22,209,370.80
Current Maturities	(1,591,301.19)		
Premium on Bonds	63,015.11		
	\$ 14,345,376.80		

**Note 6: DETAIL NOTES – DEFERRED INFLOWS OF RESOURCES****Deferred Gain on Defeasance of Debt**

On February 26, 2014, the Authority issued Revenue Refunding Bonds in the amount of \$4,400,000.00 to currently refund outstanding principal amount of \$4,750,000.00 of the Revenue Bonds Series 2003C and 2003D. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$18,870.06. This difference, reported in the accompanying financial statements as a deferred inflow of resources, is being charged to operations as a component of interest expense over the life of the refunding bonds using the bonds outstanding method.

**Note 7: DETAIL NOTES – NET POSITION****Net Position Appropriated**

As of November 30, 2015, the Authority had an unrestricted net position balance of \$7,113,740.29; however, \$943,537.00 has been appropriated and included as support in the operating budgets for the fiscal year ending November 30, 2016.

**Net Position Designated**

As of November 30, 2015, \$4,199,832.00 of the balance in unrestricted net position has been designated for Capital Improvements.

**Note 7: DETAIL NOTES – NET POSITION (CONT'D)****Unrestricted/Undesignated Net Position**

The balance of unrestricted net position as of November 30, 2015 is comprised of the following:

Unrestricted and Undesignated Net Position	\$5,291,508.29
Amount Related to Pensions (GASB 68 and 71)	( 3,321,137.00)
Net Position Designated for Capital Improvements	4,199,832.00
Appropriated in the FY2016 Budget	<u>943,537.00</u>
Unrestricted Net Position	<u>\$7,113,740.29</u>

**Note 8: INTERGOVERNMENTAL CONTRACTS****Township of Lower Service Contract**

A Service Contract was entered into on November 19, 1968 between the Authority and the Township. Under the Service Contract, the Township agrees to pay any shortfall the Authority may encounter in making payments for either Operating Expenses and/or Debt Service (Annual Charges).

The purpose of this contract is to grant temporary relief to the Authority should it experience difficulty in meeting its obligations. The contract calls for the Township to be reimbursed for any Annual Charges paid by the Township when the Authority's operations permit. Ultimately, all Operating Expenses and Debt Service of the Authority are borne by revenues of the system.

**Note 9: CONTINGENCIES****Litigation**

The Authority is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Authority, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

**Cape May County MUA Settlement**

The Township of Lower Municipal Utilities Authority has been treating sewage from the Schellenger's Landing area of the Township of Lower. However, the New Jersey Department of Environmental Protection (NJDEP) rendered a decision that the Cape May County Municipal Utilities Authority (CMCMUA) is the appropriate entity to treat this sewage. In a settlement reached November 17, 1998, CMCMUA agreed to transfer the treatment of this area's sewage to the Township of Lower Municipal Utilities Authority in exchange for a total dollar amount of \$1,020,000.00.

The total amount paid through November 30, 2015 is \$970,000.00 with the last payment, totaling \$50,000.00 due on January 1, 2016.

**Note 10: DEFERRED COMPENSATION**

The Authority offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Authority or its creditors. Since the Authority does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Authority's financial statements.

**Note 11: RISK MANAGEMENT**

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

Property and Physical Damage  
Workers Compensation  
Excess Liability  
Boiler and Machinery  
General and Automobile Liability

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

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

New Jersey Utility Authorities Joint Insurance Fund  
9 Campus Drive, Suite 16  
Parsippany, New Jersey 07054-4412

**Note 12: RESTATEMENT OF NET POSITION****GASB 68**

As indicated in Note 1 to the financial statements, in fiscal year 2015, the Authority adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. As a result of implementing this new GASB statement, it was necessary to adjust unrestricted net position in the financial statements, for the Authority's proportionate share of the Public Employees' Retirement System (PERS) net pension liability.

**Other**

The Authority is restated its November 30, 2014 Net Position to reflect a previously unrecorded liability and related expense.

**Note 12: RESTATEMENT OF NET POSITION (CONT'D)**

The cumulative effect on the financial statements as reported for November 30, 2014 is as follows:

GASBS 68 and 71 Implementation							
	As Previously Reported November 30, 2014	Deferred Outflows (1)	Accounts Payable and Accrued Expense (2)	Net Pension Liability (3)	Deferred Inflows (4)	Other	As Restated November 30, 2014
Net Position:							
Net Investment in Capital Assets	\$ 18,614,243.00						\$ 18,614,243.00
Restricted Bond Service Fund	1,984,370.00						1,984,370.00
Restricted Bond Service Reserve Fund	1,984,370.00						1,984,370.00
Unrestricted (Deficit)	8,161,789.02	\$ 221,335.08	\$ (191,169.08)	\$ (3,137,703.00)	\$ (186,990.00)	\$ (47,783.91)	4,819,478.11
Total Net Position	\$ 30,744,772.02	\$ 221,335.08	\$ (191,169.08)	\$ (3,137,703.00)	\$ (186,990.00)	\$ (47,783.91)	\$ 27,402,461.11

(1) Represents the Authority's Proportionate Share of the PERS Plan Total Deferred Outflows of Resources at June 30, 2014 plus an Accrual for the Authority's June 30, 2015 PERS Plan Required Contribution (April 1, 2016 PERS Pension Invoice), Contribution Subsequent to the Measurement Date.

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

(3) Represents the Authority's Proportionate Share of the PERS, June 30, 2014 Net Pension Liability.

(4) Represents the Authority's Proportionate Share of the PERS Plan Total Deferred Inflows of Resources at June 30, 2014.

**Note 13: SUBSEQUENT EVENTS**

In February 2016, the Authority adopted a resolution authorizing the issuance of its Project Notes, Series 2016 in the principal amount of not to exceed \$4,200,000.00 to temporarily finance a capital improvement project consisting of the East Villas Water Main Improvements Phase I (Project). The Authority has been approved by the USDA to permanently finance up to \$3,734,000.00 of the costs associated with the Project, and, in anticipation of the permanent financing, has determined to temporarily finance the costs of the Project with the proceeds of the Project Note. The Authority issued the Project Notes in September 2016.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Required Supplementary Information  
 Schedule of the Authority's Proportionate Share of the Net Pension Liability  
 Public Employees' Retirement System (PERS)  
 Last Three Fiscal Years

	<u>Measurement Date Ending June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability	0.0147986848%	0.0167587842%	0.0163273172%
Authority's Proportionate Share of the Net Pension Liability	\$ 3,322,008.00	\$ 3,137,703.00	\$ 3,120,475.00
Authority's Covered-Employee Payroll	\$ 1,011,664.00	\$ 1,158,336.00	\$ 1,126,292.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	328.37%	270.88%	277.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	47.72%

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

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Required Supplementary Information  
 Schedule of the Authority Contributions  
 Public Employees' Retirement System (PERS)  
 Last Three Fiscal Years

	<b>Fiscal Year Ended November 30,</b>		
	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Contractually Required Contribution	\$ 127,229.00	\$ 138,157.00	\$ 123,023.00
Contributions in Relation to the Contractually Required Contribution	<u>(127,229.00)</u>	<u>(138,157.00)</u>	<u>(123,023.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered-Employee Payroll	\$ 811,920.00	\$ 973,028.00	\$ 1,151,898.00
Contributions as a Percentage of Authority's Covered-Employee Payroll	15.67%	14.20%	10.68%

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



**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**

Notes to Required Supplementary Information  
For the Fiscal Year Ended November 30, 2015

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**Note 1: POSTEMPLOYMENT BENEFITS - PENSION**

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

*Changes in Benefit Terms* - None

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

## **SUPPLEMENTARY SCHEDULES**

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and  
Non-Operating Appropriations Compared to Budget--Budgetary Basis  
Water Division  
For the Fiscal Year Ended November 30, 2015

	<u>Original Budget</u>	<u>Transfers/ Modifications</u>	<u>Adopted Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues:					
Service Charges	\$ 3,072,373.00	\$ -	\$ 3,072,373.00	\$ 3,336,772.32	\$ 264,399.32
Connection Fees	480,000.00	-	480,000.00	725,327.64	245,327.64
Other Operating Revenues	48,585.00	-	48,585.00	111,218.62	62,633.62
Total Operating Revenues	3,600,958.00	-	3,600,958.00	4,173,318.58	572,360.58
Non-Operating Revenues:					
Investment Income	500.00	-	500.00	(664.43)	(1,164.43)
Water Tower Leases	187,200.00	-	187,200.00	164,738.54	(22,461.46)
Total Anticipated Revenues	3,788,658.00	-	3,788,658.00	4,337,392.70	548,734.70
Operating Appropriations:					
Administration:					
Salaries and Wages	113,000.00	-	113,000.00	96,731.53	16,268.47
Fringe Benefits	174,250.00	-	174,250.00	93,291.45	80,958.55
Other Expenses:					
Professional Services	188,000.00	(15,000.00)	173,000.00	128,089.04	44,910.96
Meter Reading, Billing & Collections	90,000.00	-	90,000.00	68,490.65	21,509.35
Insurance	58,000.00	-	58,000.00	51,958.05	6,041.95
Equipment Rental	4,000.00	-	4,000.00	1,500.00	2,500.00
Other Employee Expenses	500.00	-	500.00	0.00	500.00
Dues and Memberships	1,500.00	-	1,500.00	230.00	1,270.00
Conferences & Seminars	2,500.00	-	2,500.00	375.50	2,124.50
Office Expense	5,000.00	-	5,000.00	2,628.74	2,371.26
Public Advertising	2,500.00	15,000.00	17,500.00	7,192.39	10,307.61
Printing	4,500.00	-	4,500.00	5,824.61	(1,324.61)
Postage	20,000.00	-	20,000.00	19,193.32	806.68
Computer Maintenance & Upgrade	20,000.00	-	20,000.00	8,103.52	11,896.48
Software Licenses and Internet/Website	6,000.00	-	6,000.00	5,171.09	828.91
Miscellaneous	6,000.00	-	6,000.00	2,801.71	3,198.29
Other Expenses	408,500.00	-	408,500.00	301,558.62	106,941.38
Total Administration	695,750.00	-	695,750.00	491,581.60	204,168.40

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and  
Non-Operating Appropriations Compared to Budget--Budgetary Basis  
Water Division  
For the Fiscal Year Ended November 30, 2015

	<u>Original Budget</u>	<u>Transfers/ Modifications</u>	<u>Adopted Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Appropriations (Cont'd):					
Cost of Providing Service:					
Operations					
Salaries and Wages	\$ 453,600.00	\$ -	\$ 453,600.00	\$ 465,407.07	\$ (11,807.07)
Fringe Benefits	433,250.00	-	433,250.00	353,258.38	79,991.62
Other Expenses:					
Chemical Costs - Treatment Plant	20,500.00	-	20,500.00	134.51	20,365.49
Utility Costs	147,500.00	-	147,500.00	141,660.16	5,839.84
Lease Agreement	3,000.00	-	3,000.00	2,482.73	517.27
Water Distribution Supplies	250,000.00	-	250,000.00	212,465.01	37,534.99
Well Parts & Supplies	40,000.00	-	40,000.00	28,596.75	11,403.25
Maintenance - Well / Tank	25,000.00	(5,000.00)	20,000.00	0.00	20,000.00
Laboratory Analysis	10,000.00	-	10,000.00	6,759.50	3,240.50
Transportation - Gasoline and Diesel	19,000.00	-	19,000.00	13,886.66	5,113.34
Permits and Other Fees	25,000.00	5,000.00	30,000.00	28,185.00	1,815.00
Safety	2,000.00	-	2,000.00	1,914.91	85.09
Tools	2,000.00	-	2,000.00	990.09	1,009.91
Training and Seminars	2,500.00	-	2,500.00	1,919.68	580.32
Uniforms	3,000.00	-	3,000.00	2,790.60	209.40
Miscellaneous	2,000.00	-	2,000.00	336.00	1,664.00
Total Other Expenses	551,500.00	-	551,500.00	442,121.60	109,378.40
Total Cost of Providing Service	1,438,350.00	-	1,438,350.00	1,260,787.05	177,562.95
Principal Payments on Debt Service in Lieu of Depreciation	1,269,442.00	-	1,269,442.00	1,269,441.58	0.42
Total Operating Appropriations	3,403,542.00	-	3,403,542.00	3,021,810.23	381,731.77
Non-Operating Appropriations:					
Interest on Debt	379,239.00	-	379,239.00	352,968.59	26,270.41
Renewal & Replacement Reserves	500,000.00	-	500,000.00	32,927.54	467,072.46
Municipal Appropriation	-	90,000.00	90,000.00	90,000.00	-
Total Non-Operating Appropriations	879,239.00	90,000.00	969,239.00	475,896.13	493,342.87
Net Total Appropriations	4,282,781.00	90,000.00	4,372,781.00	3,497,706.36	875,074.64
Excess (Deficit) in Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations	\$ (494,123.00)	\$ (90,000.00)	\$ (584,123.00)	\$ 839,686.34	\$ 1,423,809.34

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and  
Non-Operating Appropriations Compared to Budget--Budgetary Basis  
Sewer Division  
For the Fiscal Year Ended November 30, 2015

	<u>Original Budget</u>	<u>Transfers/ Modifications</u>	<u>Adopted Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues:					
Service Charges	\$ 4,955,476.00	\$ -	\$ 4,955,476.00	\$ 4,904,521.31	\$ (50,954.69)
Connection Fees	4,800.00	-	4,800.00	23,515.00	18,715.00
Other Operating Revenues	35,000.00	-	35,000.00	58,810.27	23,810.27
Total Operating Revenues	4,995,276.00	-	4,995,276.00	4,986,846.58	(8,429.42)
Non-Operating Revenues:					
Investment Income	500.00	-	500.00	(664.43)	(1,164.43)
Total Anticipated Revenues	4,995,776.00	-	4,995,776.00	4,986,182.16	(9,593.85)
Operating Appropriations:					
Administration:					
Salaries and Wages	113,000.00	-	113,000.00	96,731.69	16,268.31
Fringe Benefits	174,250.00	-	174,250.00	94,996.05	79,253.95
Other Expenses:					
Professional Services	188,000.00	(15,000.00)	173,000.00	92,782.86	80,217.14
Meter Reading, Billing & Collections	60,000.00	-	60,000.00	53,630.21	6,369.79
Insurance	87,000.00	-	87,000.00	85,545.20	1,454.80
Equipment Rental	7,000.00	-	7,000.00	4,500.00	2,500.00
Other Employee Expenses	3,000.00	-	3,000.00	0.00	3,000.00
Dues and Memberships	2,000.00	-	2,000.00	230.00	1,770.00
Conferences & Seminars	5,000.00	-	5,000.00	2,459.59	2,540.41
Office Expense	6,000.00	-	6,000.00	2,613.84	3,386.16
Public Advertising	2,500.00	15,000.00	17,500.00	6,764.21	10,735.79
Printing	3,000.00	-	3,000.00	1,930.86	1,069.14
Postage	14,000.00	-	14,000.00	13,325.88	674.12
Computer Maintenance & Upgrade	20,000.00	-	20,000.00	14,074.34	5,925.66
Software Licenses and Internet/Website	12,500.00	-	12,500.00	5,680.12	6,819.88
Miscellaneous	17,500.00	-	17,500.00	2,563.44	14,936.56
Total Other Expenses	427,500.00	-	427,500.00	286,100.55	141,399.45
Total Administration	714,750.00	-	714,750.00	477,828.29	236,921.71

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and  
Non-Operating Appropriations Compared to Budget--Budgetary Basis  
Sewer Division  
For the Fiscal Year Ended November 30, 2015

	<u>Original Budget</u>	<u>Transfers/ Modifications</u>	<u>Adopted Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Appropriations (Cont'd):					
Cost of Providing Service:					
Operations					
Salaries and Wages	\$ 487,300.00	\$ -	\$ 487,300.00	\$ 455,443.89	\$ 31,856.11
Fringe Benefits	438,250.00	-	438,250.00	375,986.18	62,263.82
Other Expenses:					
Cape May County MUA Agreement	700,000.00	-	700,000.00	655,822.00	44,178.00
Cape May County MUA Settlement	50,000.00	-	50,000.00	50,000.00	-
Chemical Costs - Treatment Plant	120,000.00	-	120,000.00	107,577.10	12,422.90
Buildings and Grounds	28,500.00	-	28,500.00	11,245.49	17,254.51
Utility Costs	298,500.00	-	298,500.00	201,947.15	96,552.85
Collection Materials & Supplies	200,000.00	-	200,000.00	68,446.79	131,553.21
Sludge Handling and Disposal	180,000.00	-	180,000.00	198,479.19	(18,479.19)
Laboratory Analysis	20,000.00	-	20,000.00	15,116.50	4,883.50
Laboratory Operations	12,000.00	-	12,000.00	5,676.61	6,323.39
Materials and Supplies	200,000.00	-	200,000.00	98,909.57	101,090.43
Permits and Other Fees	45,000.00	-	45,000.00	26,449.48	18,550.52
Safety	15,000.00	-	15,000.00	12,794.72	2,205.28
Tools	15,000.00	-	15,000.00	2,172.66	12,827.34
Fuel and Transportation	166,000.00	-	166,000.00	63,711.39	102,288.61
Training and Seminars	5,000.00	-	5,000.00	4,307.43	692.57
Uniforms	7,000.00	-	7,000.00	4,475.50	2,524.50
Miscellaneous	3,000.00	-	3,000.00	2,069.00	931.00
Total Other Expenses	2,065,000.00	-	2,065,000.00	1,529,200.58	535,799.42
Total Cost of Providing Service	2,990,550.00	-	2,990,550.00	2,360,630.65	629,919.35
Principal Payments on Debt Service in Lieu of Depreciation	653,100.00	-	653,100.00	653,050.00	50.00
Total Operating Appropriations	4,358,400.00	-	4,358,400.00	3,491,508.94	866,891.06
Non-Operating Appropriations:					
Interest on Debt	81,200.00	-	81,200.00	66,220.77	14,979.23
Renewal & Replacement Reserves	750,000.00	-	750,000.00	507,604.50	242,395.50
Municipal Appropriation	0.00	115,000.00	115,000.00	115,000.00	-
Total Non-Operating Appropriations	831,200.00	115,000.00	946,200.00	688,825.27	257,374.73
Net Total Appropriations	5,189,600.00	115,000.00	5,304,600.00	4,180,334.21	1,124,265.79
Excess (Deficit) in Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations	\$ (193,824.00)	\$ (115,000.00)	\$ (308,824.00)	\$ 805,847.94	\$ 1,114,671.95

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and  
Non-Operating Appropriations Compared to Budget--Budgetary Basis  
For the Fiscal Year Ended November 30, 2015

Reconciliation of Excess (Deficit) Anticipated Revenues  
Over Operating, Principal Payments and Non-Operating  
Appropriations to Operating Income

	<u>Water Division</u>	<u>Sewer Division</u>	<u>Total</u>
Excess in Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations	\$ 839,686.34	\$ 805,847.94	\$ 1,645,534.28
Add:			
Water Tower Leases	(164,738.54)		(164,738.54)
Investment Income	664.43	664.43	1,328.85
Debt Service Principal Payments	1,269,441.58	653,050.00	1,922,491.58
Interest on Debt	352,968.59	66,220.77	419,189.36
Renewal and Replacement Reserves - Capitalized	32,927.54	507,604.50	540,532.04
Contribution to Lower Township Per N.J.S.A. 40A:5A-1	90,000.00	115,000.00	205,000.00
	<u>2,420,949.93</u>	<u>2,148,387.64</u>	<u>4,569,337.57</u>
Less:			
Depreciation			1,427,974.38
Difference of GAAP Pension Expense vs. Budgetary Basis			<u>26,610.00</u>
			<u>1,454,584.38</u>
Operating Income (Exhibit B)			<u>\$ 3,114,753.19</u>

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Revenue Bonds Payable  
For the Fiscal Year Ended November 30, 2015

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance December 1, 2014</u>	<u>Paid or Amortized</u>	<u>Balance November 30, 2015</u>
			<u>Date</u>	<u>Amount</u>				
Revenue Refunding Bonds, Series 2012	05/30/12	\$ 3,725,000.00	12/01/15	\$ 145,000.00	3.000%			
			12/01/16	150,000.00	3.000%			
			12/01/17	155,000.00	3.000%			
			12/01/18	160,000.00	3.000%			
			12/01/19	165,000.00	2.375%			
			12/01/20	165,000.00	2.625%			
			12/01/21	175,000.00	2.875%			
			12/01/22	180,000.00	3.250%			
			12/01/23	185,000.00	3.250%			
			12/01/24	190,000.00	3.250%			
			12/01/25	195,000.00	3.250%			
			12/01/26	205,000.00	3.250%			
			12/01/27	210,000.00	3.250%			
			12/01/28	215,000.00	3.375%			
			12/01/29	220,000.00	3.375%			
			12/01/30	230,000.00	3.375%			
			12/01/31	240,000.00	3.375%			
			12/01/32	250,000.00	3.375%			
				<u>3,435,000.00</u>		\$ 3,580,000.00	\$ 145,000.00	\$ 3,435,000.00
Revenue Refunding Bonds, Series 2014	03/14/14	4,400,000.00	12/01/15	1,285,000.00	2.000%			
			12/01/16	1,345,000.00	3.000%			
			12/01/17	150,000.00	3.000%			
				<u>8,355,000.00</u>		4,400,000.00	1,620,000.00	2,780,000.00
						7,980,000.00	1,765,000.00	6,215,000.00
Premium on Bonds						120,670.61	57,655.50	63,015.11
						<u>\$ 8,100,670.61</u>	<u>\$ 1,822,655.50</u>	<u>\$ 6,278,015.11</u>



**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of USDA Loans  
For the Fiscal Year Ended November 30, 2015

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance</u>	<u>Paid</u>	<u>Balance</u>
			<u>Date</u>	<u>Amount</u>		<u>December 1, 2014</u>		<u>November 30, 2015</u>
USDA Loan - 2010	01/15/10	\$ 1,875,000.00	02/25/16	\$ 12,053.00	4.000%			
			08/25/16	12,294.00	4.000%			
			02/25/17	12,540.00	4.000%			
			08/25/17	12,791.00	4.000%			
			02/25/18	13,047.00	4.000%			
			08/25/18	13,307.00	4.000%			
			02/25/19	13,574.00	4.000%			
			08/25/19	13,845.00	4.000%			
			02/25/20	14,122.00	4.000%			
			08/25/20	14,404.00	4.000%			
			02/25/21	14,693.00	4.000%			
			08/25/21	14,986.00	4.000%			
			02/25/22	15,286.00	4.000%			
			08/25/22	15,592.00	4.000%			
			02/25/23	15,904.00	4.000%			
			08/25/23	16,222.00	4.000%			
			02/25/24	16,546.00	4.000%			
			08/25/24	16,877.00	4.000%			
			02/25/25	17,215.00	4.000%			
			08/25/25	17,559.00	4.000%			
			02/25/26	17,910.00	4.000%			
			08/25/26	18,268.00	4.000%			
			02/25/27	18,634.00	4.000%			
			08/25/27	19,006.00	4.000%			
			02/25/28	19,386.00	4.000%			
			08/25/28	19,774.00	4.000%			
			02/25/29	20,170.00	4.000%			
			08/25/29	20,573.00	4.000%			
			02/25/30	20,985.00	4.000%			
			08/25/30	21,404.00	4.000%			
			02/25/31	21,832.00	4.000%			
			08/25/31	22,269.00	4.000%			
			02/25/32	22,714.00	4.000%			
			08/25/32	23,169.00	4.000%			
			02/25/33	23,632.00	4.000%			
			08/25/33	24,105.00	4.000%			
			02/25/34	24,587.00	4.000%			
			08/25/34	25,078.00	4.000%			

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of USDA Loans  
For the Fiscal Year Ended November 30, 2015

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance</u>	<u>Paid</u>	<u>Balance</u>
			<u>Date</u>	<u>Amount</u>		<u>December 1, 2014</u>		<u>November 30, 2015</u>
USDA Loan - 2010 (Continued)	01/15/10	\$ 1,875,000.00	02/25/35	\$ 25,580.00	4.000%			
			08/25/35	26,092.00	4.000%			
			02/25/36	26,613.00	4.000%			
			08/25/36	27,146.00	4.000%			
			02/25/37	27,689.00	4.000%			
			08/25/37	28,242.00	4.000%			
			02/25/38	28,807.00	4.000%			
			08/25/38	29,383.00	4.000%			
			02/25/39	29,971.00	4.000%			
			08/25/39	30,571.00	4.000%			
			02/25/40	31,182.00	4.000%			
			08/25/40	31,806.00	4.000%			
			02/25/41	32,442.00	4.000%			
			08/25/41	33,091.00	4.000%			
			02/25/42	33,752.00	4.000%			
			08/25/42	34,427.00	4.000%			
			02/25/43	35,116.00	4.000%			
			08/25/43	35,818.00	4.000%			
			02/25/44	36,535.00	4.000%			
			08/25/44	37,265.00	4.000%			
			02/25/45	38,011.00	4.000%			
			08/25/45	38,771.00	4.000%			
			02/25/46	39,546.00	4.000%			
			08/25/46	40,337.00	4.000%			
			02/25/47	41,144.00	4.000%			
			08/25/47	41,967.00	4.000%			
			02/25/48	42,806.00	4.000%			
			08/25/48	43,662.00	4.000%			
			02/25/49	44,535.00	4.000%			
			08/26/49	45,426.00	4.000%			
			02/25/50	42,952.00	4.000%			
				<u>1,757,038.00</u>		\$ 1,780,439.00	\$ 23,401.45	\$ 1,757,037.55

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of USDA Loans  
 For the Fiscal Year Ended November 30, 2015

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance</u>	<u>Paid</u>	<u>Balance</u>
			<u>Date</u>	<u>Amount</u>		<u>December 1, 2014</u>		<u>November 30, 2015</u>
USDA Loan - 2013	09/19/13	\$ 8,167,000.00	03/19/16	\$ 68,115.23	2.125%			
			09/19/16	68,838.96	2.125%			
			03/19/17	69,570.37	2.125%			
			09/19/17	70,309.55	2.125%			
			03/19/18	71,056.59	2.125%			
			09/19/18	71,811.57	2.125%			
			03/19/19	72,574.57	2.125%			
			09/19/19	73,345.67	2.125%			
			03/19/20	74,124.97	2.125%			
			09/19/20	74,912.55	2.125%			
			03/19/21	75,708.49	2.125%			
			09/19/21	76,512.90	2.125%			
			03/19/22	77,325.85	2.125%			
			09/19/22	78,147.43	2.125%			
			03/19/23	78,977.75	2.125%			
			09/19/23	79,816.89	2.125%			
			03/19/24	80,664.94	2.125%			
			09/19/24	81,522.01	2.125%			
			03/19/25	82,388.18	2.125%			
			09/19/25	83,263.55	2.125%			
			03/19/26	84,148.23	2.125%			
			09/19/26	85,042.30	2.125%			
			03/19/27	85,945.88	2.125%			
			09/19/27	86,859.06	2.125%			
			03/19/28	87,781.93	2.125%			
			09/19/28	88,714.61	2.125%			
			03/19/29	89,657.21	2.125%			
			09/19/29	90,609.81	2.125%			
			03/19/30	91,572.54	2.125%			
			09/19/30	92,545.50	2.125%			
			03/19/31	93,528.80	2.125%			
			09/19/31	94,522.54	2.125%			
			03/19/32	95,526.84	2.125%			
			09/19/32	96,541.82	2.125%			
			03/19/33	97,567.57	2.125%			
			09/19/33	98,604.23	2.125%			
			03/19/34	99,651.90	2.125%			
			09/19/34	100,710.70	2.125%			

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of USDA Loans  
For the Fiscal Year Ended November 30, 2015

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance</u>	<u>Paid</u>	<u>Balance</u>
			<u>Date</u>	<u>Amount</u>		<u>December 1, 2014</u>		<u>November 30, 2015</u>
USDA Loan - 2013 (Continued)	09/19/13	\$ 8,167,000.00	03/19/35	\$ 101,780.75	2.125%			
			09/19/35	102,862.17	2.125%			
			03/19/36	103,955.08	2.125%			
			09/19/36	105,059.60	2.125%			
			03/19/37	106,175.86	2.125%			
			09/19/37	107,303.98	2.125%			
			03/19/38	108,444.09	2.125%			
			09/19/38	109,596.30	2.125%			
			03/19/39	110,760.76	2.125%			
			09/19/39	111,937.60	2.125%			
			03/19/40	113,126.93	2.125%			
			09/19/40	114,328.91	2.125%			
			03/19/41	115,543.65	2.125%			
			09/19/41	116,771.30	2.125%			
			03/19/42	118,012.00	2.125%			
			09/19/42	119,265.88	2.125%			
			03/19/43	120,533.08	2.125%			
			09/19/43	121,813.74	2.125%			
			03/19/44	123,108.01	2.125%			
			09/19/44	124,416.03	2.125%			
			03/19/45	125,737.96	2.125%			
			09/19/45	127,073.92	2.125%			
			03/19/46	128,424.08	2.125%			
			09/19/46	129,788.59	2.125%			
			03/19/47	131,167.59	2.125%			
			09/19/47	132,561.25	2.125%			
			03/19/48	133,969.71	2.125%			
			09/19/48	135,393.14	2.125%			
			03/19/49	136,831.69	2.125%			
			09/19/49	138,285.53	2.125%			
			03/19/50	139,754.81	2.125%			
			09/19/50	141,239.71	2.125%			
			03/19/51	142,740.38	2.125%			
			09/19/51	144,256.99	2.125%			
			03/19/52	145,789.72	2.125%			
			09/19/52	147,338.74	2.125%			
			03/19/53	148,904.21	2.125%			
			09/19/53	149,052.10	2.125%			
				<u>7,901,625.33</u>		\$ 8,035,715.00	\$ 134,089.67	\$ 7,901,625.33
						<u>\$ 9,816,154.00</u>	<u>\$ 157,491.12</u>	<u>\$ 9,658,662.88</u>

**TOWNSHIP OF LOWER  
MUNICIPAL UTILITIES AUTHORITY**

**PART II**

**FINDINGS AND RECOMMENDATIONS**

**FOR THE FISCAL YEAR ENDED  
NOVEMBER 30, 2015**

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Findings and Recommendations  
For the Fiscal Year Ended November 30, 2015

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***Schedule of Financial Statement Findings***

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

None.

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Summary Schedule of Prior Year Audit Findings  
and Recommendations as Prepared by Management

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This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

**FINANCIAL STATEMENT FINDINGS**

None.

30300

**APPRECIATION**

I express my appreciation for the assistance and courtesies rendered by the Township of Lower Municipal Utilities Authority officials during the course of the audit.

Respectfully submitted,

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

A handwritten signature in black ink, appearing to read "Carol A. McAllister". The signature is fluid and cursive, with the first name "Carol" and last name "McAllister" clearly distinguishable.

Carol A. McAllister  
Certified Public Accountant  
Registered Municipal Accountant



