

**BRICK TOWNSHIP  
MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF OCEAN, NEW JERSEY**

**ANNUAL FINANCIAL REPORT  
YEARS ENDED MARCH 31, 2016 and 2015**

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Board of Commissioners and Management**  
**March 31, 2016**

**Board of Commissioners**

George Cevasco	Chairman
James Fozman	Vice Chairman
Gregory M. Flynn	Secretary
Thomas C. Curtis	Treasurer
Susan Lydecker	Asst. Secretary/Treasurer
Maria E. Foster	Alternate

**Management**

Chris A. Theodos, P.E., P.P., C.M.E., C.P.W.M., C.F.M.	Executive Director
Stephen T. Specht, P.E.	Deputy Executive Director Director of Engineering/Operations
Joseph Maggio, P.E.	Director of Water Quality

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

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**PART I**  
**REPORT OF AUDIT OF FINANCIAL STATEMENTS**  
**AND**  
**REQUIRED SUPPLEMENTARY INFORMATION**

# FALLON & LARSEN LLP

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Certified Public Accountants

1390 Route 36, Suite 102  
Hazlet, New Jersey 07730-1716  
Telephone: (732) 888-2070  
FAX: (732) 888-6245

## INDEPENDENT AUDITORS' REPORT

The Board of Commissioners  
Brick Township Municipal Utilities Authority  
Brick, New Jersey

We have audited the accompanying financial statements of the Brick Township Municipal Utilities Authority (the "Authority") as of and for the years ended March 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the accompanying table of contents.

### Managements' 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.

### Auditors' Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Brick Township Municipal Utilities Authority as of March 31, 2016 and 2015, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-11 and pages 49-51, respectively, 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. The accompanying schedules of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is also not a required part of the basic financial statements.

The accompanying financial information listed as supplementary information in the table of contents and the schedule of expenditures of federal awards 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. 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. The schedule of expenditures of federal awards 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole. We do not express an opinion or provide any assurance on the supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Fallon & Larsen LLP*

Fallon & Larsen LLP  
Hazlet, New Jersey  
September 23, 2016

# FALLON & LARSEN LLP

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Certified Public Accountants

1390 Route 36, Suite 102  
Hazlet, New Jersey 07730-1716  
Telephone: (732) 888-2070  
FAX: (732) 888-6245

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

The Board of Commissioners  
Brick Township Municipal Utilities Authority  
Brick, New Jersey

We have audited, in accordance with the 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 the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Brick Township Municipal Utilities Authority (the "Authority"), as of and for the year ended March 31, 2016 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 23, 2016.

## **Internal Control Over Financial Reporting**

In connection with our engagement to audit the financial statements of the Brick Township Municipal Utilities Authority, 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 opinions 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 the 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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*.

## **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 prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Fallon & Larsen LLP*

Fallon & Larsen LLP  
Hazlet, New Jersey  
September 23, 2016

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY BRICK, NEW  
JERSEY**

**FISCAL YEAR APRIL 1, 2015 THROUGH MARCH 31, 2016**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This section presents management's narrative discussion and analysis of the financial activities of the Authority for the audit year ending March 31, 2016.

The Authority continues the trend of overall positive performance relative to budget. The term "Budget" in this discussion refers to the 2015/2016 budget which was approved by the Division of Local Government Services on April 9, 2016.

The Cash Management Plan adopted annually by the Board of Commissioners, the preparation of a detailed annual budget, and the five-year analysis of operations, capital, and rate projections contribute to the financial strength and direction of the Authority.

**Authority Overview**

The Authority provides sewerage collection and water treatment and distribution services for Brick Township. Additionally, the Authority sells bulk water to Point Pleasant Beach, Point Pleasant Borough and Lakewood.

The Authority's water distribution system consists of over 403 miles of water mains as well as water storage tanks and booster pumping stations that are located throughout the distribution system. The Authority treats the water supply at the William Miller Treatment Plant. The total treatment capacity of the plant is 16 million gallons per day.

The Authority's sanitary sewer system consists of over 338 miles of sewer mains, approximately 7,832 manholes, and 26 sewerage pumping stations that service the mainland and barrier island sections of Brick Township. The Authority conveys all wastewater to the Ocean County Utilities Authority (OCUA), a regional sewerage authority that provides treatment and disposal. The BTMUA is a sewer collection system only.

The user fee charged to customers is the primary source of revenue for the Authority, in addition to connection fees and bulk sales. The customer base consists primarily of approximately 31,000 residential single family water customers.

## **Financial Review and Highlights**

This section presents an overview of the Authority's financial position and activities for the fiscal year April 1, 2015 through March 31, 2016.

### **Implementation of GASB 45:**

The Authority has implemented GASB 45, which is for the disclosure of liabilities for Other Post Employment Benefits (OPEB). OPEB are non-pension benefits that a government has contractually or otherwise agreed to provide employees once they have retired. GASB 45 provides standards for calculating the OPEB cost liability being incurred. In summary, the objective is to recognize the costs being incurred today for payments that will be made in the future for today's employees eligible for the benefits.

Jefferson Solutions, Inc. prepared the analysis considering various factors including demographics, health cost, employee turnover, inflation and mortality. As can be seen below, the OPEB liability is \$20.4 million. The Authority will manage the OPEB liability and annual expenses to minimize the rate impact. The OPEB valuation was revised in March, 2015.

### **Implementation of GASB 68**

The Authority implemented GASB 68 which is for the disclosure of liabilities for the Authority's proportionate share of the state pension plan deficit. GASB 68 provides standards for calculating pension expense, which differs from the Authority's budgeted required actual contribution amount. For the year ended March 31, 2016 the Authority's share of the state pension plan deficit was \$24,927,399. By including this liability in the balance sheet unrestricted net assets decreased from approximately \$5 million to (\$19 million).

### Condensed Statements of Net Assets – March 31<sup>st</sup>:

The Statements of Net Assets present the asset / liability financial position of an organization as of a particular date. The summary chart below contains the Authority's Statements of Net Asset values as of March 31, 2016 and 2015. Net assets represent the difference between assets and liabilities.

	<u>2016</u>	<u>2015</u>
<u>Assets:</u>		
Unrestricted current assets	\$ 23,332,798	\$ 23,987,653
Restricted current assets	12,573,531	17,000,942
Restricted non-current assets	7,348,123	7,544,074
Property & equipment	91,251,419	90,530,083
Other assets	6,538,550	2,850,900
Total assets	<u>\$ 141,044,421</u>	<u>\$ 141,913,652</u>
 <u>Liabilities &amp; Net Assets:</u>		
Unrestricted current liabilities	\$ 2,280,182	\$ 2,318,003
Restricted current liabilities	22,242,078	22,815,977
Net OPEB obligation	21,464,968	20,427,251
Net state pension obligation	24,927,399	20,427,738
Other long-term liabilities	37,925,130	42,285,556
Net assets	32,204,664	33,639,127
Total liabilities & net assets	<u>\$ 141,044,421</u>	<u>\$ 141,913,652</u>

Overall, the Authority's Statements of Net Assets have remained relatively stable between fiscal years. Unrestricted current asset coverage of all current liabilities decreased from 95.4% to 95.1% in fiscal 2016. Restricted current liabilities include the \$14.5 million short term borrowing. Current restricted assets have decreased. Restricted and unrestricted asset balances were adjusted to reflect a more accurate representation of the Authority's cash balances. The debt ratio (excluding OPEB and state pensions) for 2016 and 2015 were 32.6% and 47.5%, respectively. The higher the debt ratio, the higher is the organization's financial risk.

Net capital additions and net accumulated depreciation have resulted in an increase in capital assets of \$721,336, as shown in the above chart. Long-term liabilities (excluding OPEB and state pensions) have decreased by \$4.4 million. Principal retirements for all bond issues were \$6.5 million for fiscal 2015/2016. Changes in net assets, reviewed over several accounting periods, can serve as an indicator of deteriorating or improving financial position. From March 31, 2003 to March 31, 2016, the Authority's net assets (excluding OPEB and state pensions) have increased by \$10 million. Unreserved net assets were (\$19.1 million) (including OPEB and state pension obligations of \$44 million) at fiscal year-end.

**Statements of Revenues, Expenses, and Changes in Net Assets**

The Statements of Revenues, Expenses, and Changes in Net Assets measure the financial performance of an organization for a period of time, and the impact upon net assets. The chart below summarizes operational activity for the period April 1<sup>st</sup> to March 31<sup>st</sup> each fiscal year.

	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 35,612,066	\$ 35,405,092
Operating expenses:		
Administrative expenses	8,200,061	7,813,844
Cost of providing services	16,674,770	16,563,751
Depreciation	6,526,079	6,418,619
Total operating expenses	<u>31,400,910</u>	<u>30,796,214</u>
Operating income over expenses	<u>4,211,156</u>	<u>4,608,878</u>
Total non-operating revenues/(expenses)	<u>(5,682,144)</u>	<u>(4,353,314)</u>
Net income/(loss)	(1,470,988)	255,564
Contributed capital	36,525	607,547
Net assets, beginning of year	<u>33,639,127</u>	<u>32,776,016</u>
Net assets, end of year	<u>\$ 32,204,664</u>	<u>\$ 33,639,127</u>

**Selected Expenses as a Percent of Operating Revenues – March 31<sup>st</sup>:**

Administrative Expenses	23.0%	22.1%
Cost of providing services	46.8%	46.8%
Depreciation	<u>18.3%</u>	<u>18.1%</u>
Total Operating Expenses	<u>88.2%</u>	<u>87.0%</u>

Operating revenues for fiscal 2015/2016 were \$35.6 million, increased 0.6% as compared to \$35.4 million prior fiscal year, and \$612,000 above the budgeted amount of \$35.0 million. Revenues for all classes were near budgeted amounts expect for Residential Single Family (RSF), Commercial & Industrial, and Lawn Watering. Lawn Water was \$465,000 or 30% over budget and Commercial & Industrial was \$306,000 or 10% over budget. This was partially offset by the RSF class which came in under budget by \$549,000 or 23%. Average use for the RSF class is now less than 50,000 gallons annually as compared to 60,000+ annually in the mid 1990's. The revenue variances were primarily due to the higher average use estimates utilized in the budget, while actual average use continues on an overall decline. Additionally, the number of on line customers continues to recover from the impact of Superstorm Sandy.

There were 2.557 billion billed water gallons in 2016, versus 2.490 billion in 2015. 1.751 billion sewer gallons were billed in 2016, versus 1.786 billion in 2015. 1.530 billion gallons water and 1.421 billion gallons sewer were billed for the RSF class 2015/2016. This is an approximate (1.12%) variance versus budget and a key reason for the revenue variance versus budget as noted above, and cost variances noted below.

Lawn account revenues were \$2 million, 28% above the \$1.56 million budget. 2015/2016 lawn revenues were \$406,000 above prior year revenues due to a 38.5 million gallon increase in sales. Lawn account projections can be difficult due to unpredictable weather conditions. Total bulk water revenues were \$300,000 above the 2015/2016 budget, and above the 2014/2015 revenues by \$244,000 due to a 54.5 million gallon increase in sales. Initial service charges were \$146,000 over budget at \$749,000.

Administrative expenses of \$8.2 million were 4.94% higher in 2015/2016 than prior fiscal year. Actual administrative costs were (\$345,000) below the budgeted amount of \$8.5 million. The majority of Administrative Costs were below budget. Utilities were (\$23,000) below budget. Salaries and benefits were (\$399,000) below budget as employee contributions, PERS payment, as well as the \$200,000 salary adjustment potential included in the budget contributed to the positive variance. Information Systems were (\$54,000) below budget, relating to lower than anticipated expenses for support contracts and computer software. The Authority had 152 budgeted positions in 2015/2016, including Commissioners and seasonal employees.

Cost of providing services (COPS) increased from \$16.6 million in 2014/2015 to \$16.7 million in 2015/2016. Actual expenses such for sewer treatment decreased by \$272,000 due to a decrease in treated volumes by 34.8 million gallons. The Authority also experienced an increase in chemicals expense of \$270,000 due to significant chemical process changes. There were also increases in Operating Labor of \$53,418, Repairs and maintenance of \$41,903, and Professional services of 45,736 from the prior year.

Sewerage treatment charges amounted to \$7.03 million in fiscal 2015/2016, (\$513,000) below budget. The Authority's largest single operating expense is the payment to the Ocean County Utilities Authority, amounting to \$7.01 million. The OCUA expense contributed to the positive variance for cost of providing services of (\$1.3 million) versus budget. Actual expenses relative to budget were lower as well for salaries & benefits (\$396,000), chemicals (\$44,000), and utilities (\$298,000).

Non-operating revenues and expenses for fiscal 2015/2016 were comprised of \$1.8 million in interest expense, partially offset by \$211,000 in interest income. Net loss for fiscal 2015/2016 was (\$1.5 million). The Authority went from a Net Income to a Net Loss position primarily due to the implementation of GASB 68, requiring the Authority to recognize an increase in state pension obligations of (\$2.1 million). Since the net loss calculations in the Statement of Revenues and Expenses include various non cash related items, future rate adjustments are expected to remain stable.

As noted above, the ratios of administrative, depreciation, and total operating expenses relative to operating revenues remained relatively stable in fiscal 2015/2016 as compared to last fiscal year. This can be considered a positive attribute in this case where operating revenues showed minimal growth between fiscal years. The Authority's debt service coverage (operating revenues / debt service payments) also remained fairly stable at 4.2X for fiscal 2015/2016 versus 4.0X last fiscal year.

## **Statements of Cash Flows**

The Authority's Statements of Cash Flows show net cash provided by operating activities of \$8,924,943. Cash used by financing / investing activities was \$10,610,539 which includes \$6.6 million in bond principal retirements for a net cash decrease of (\$1,685,596) for the fiscal year. In comparison, fiscal 2014/2015 had a net increase in cash of \$7,597,849. Unrestricted cash increased in 2016 by \$3,182,550 as compared to 2015.

## **Rate Determination and History**

Rates are projected on a five-year outlook basis to balance the budget. Estimates of injection from the Rate Maintenance Fund are included as needed to streamline rate change and avoid any potential rate spikes. The Authority's history of overall rate increases are as follows:

September 1, 1999:	(6.0%) *Decrease resulted from conversion to consumption based rates.
May 1, 2001:	3.5%
April 1, 2002:	8.7%
April 1, 2003:	8.8%
April 1, 2004:	8.0%
April 1, 2005:	8.5%
April 1, 2006:	5.5%
April 1, 2007:	0.0%
April 1, 2008:	5.5%
April 1, 2009:	2.8%
April 1, 2010:	4.3%
April 1, 2011:	3.9%
April 1, 2012:	3.9%
April 1, 2013:	0.0% - Amended Budget
April 1, 2014:	0.0%
April 1, 2015:	0.0%
April 1, 2016:	0.0%

Actual rate adjustments have remained reasonably consistent with five-year projections. Rate increases from 2002 through 2005 primarily resulted from increased debt service being built into base rates. This additional debt service was primarily associated with the construction of a one billion gallon reservoir, and the associated costs for the water treatment plant modifications and transmission main. The 2006 rate increase was attributed to NJEIT pump station and sewer rehabilitation debt service. For the first time in seven years, the Authority had no rate increase in fiscal 2007/2008. Due to Hurricane Sandy and associated economic conditions within the service territory, the Board of Commissioners decided not to increase rates in fiscal 2013/2014 as well. The Authority remains in a strong financial position, and does not anticipate any annual service charge rate adjustments in fiscal 2017/2018.

Five-year operational and rate planning is included as an integral portion of the Authority's budget book each fiscal year.

## **Funding of Infrastructure and Debt Management**

It has been the policy of the Brick Township Municipal Utilities Authority that funding for capital improvements, additions, or replacements be accomplished through one, or a combination, of the following methods:

- Borrowings from the New Jersey Environmental Infrastructure Trust
- Revenue bonds
- Internal Funding
- Other alternatives as needed to fund the Five Year Capital Plan

Refunding of existing debt has been periodically reviewed and completed when feasible, including both the Series 2006 and 2011 refunding issues. The Authority is currently utilizing a \$14.5 million one year Bond for capital needs. The Authority anticipates a rollover of this one year issue or a long term bonding in the winter of 2017, taking into consideration the extended capital plan. Key projects being considered include backup generators, water main replacement in conjunction with the Garden State Parkway exit 91 project, and other water and sewer main and pump station projects.

**Capital – Five-Year Planning**

The capital improvements program includes a five year projection that is revised each year. The capital projection process allows the Finance Division to appropriately analyze future impacts of capital expenditures on remaining bond funds, internal funding, potential borrowings, and rate adjustment.

The Authority reviews the five year capital plan on an ongoing basis. Future capital borrowings will likely be offset by reductions in existing debt service. It is anticipated that there will be capital related borrowing during fiscal 2016/2017. The Authority is currently reviewing both capital needs and financing alternatives.

**Auditors**

The Authority auditor for the fiscal year ending March 31, 2016 was Fallon & Larsen, LLP. Prior audits can be obtained from the office of the Brick Township Municipal Utilities Authority.

*Chris A. Theodos, PE, PP, CME, CPWM, CFM*

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 Prepared by: Chris A. Theodos, PE, PP, CME, CPWM, CFM  
 Executive Director

## **FINANCIAL STATEMENTS**

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Statements of Net Position**

**March 31,**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Unrestricted current assets:		
Cash and cash equivalents	\$ 16,888,890	\$ 13,706,340
Investments	2,690,000	6,157,000
Accounts receivable	2,971,531	3,306,884
Grants receivable	800	800
Inventory - supplies	541,173	578,959
Prepaid expenses	240,404	237,670
Total unrestricted current assets	<u>23,332,798</u>	<u>23,987,653</u>
Restricted current assets:		
Cash and cash equivalents	5,625,047	10,493,192
Investments	6,930,000	6,496,000
Accrued interest receivable	18,484	11,750
Total restricted current assets	<u>12,573,531</u>	<u>17,000,942</u>
Restricted non-current assets:		
Cash	7,271,387	7,271,388
Assets held in trust with NJ Environmental Infrastructure Trust	76,736	272,686
Total restricted non-current assets	<u>7,348,123</u>	<u>7,544,074</u>
Property and equipment, net	<u>91,251,419</u>	<u>90,530,083</u>
Total assets	<u>134,505,871</u>	<u>139,062,752</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Pension deferrals	3,938,459	-
Unamortized bond defeasement and issue costs	2,600,091	2,850,900
Total deferred outflow of resources	<u>6,538,550</u>	<u>2,850,900</u>
Total assets and deferred outflow of resources	<u>\$ 141,044,421</u>	<u>\$ 141,913,652</u>

The accompanying notes are an integral part of this statement.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Statements of Net Position**

**March 31,**

	<b>2016</b>	<b>2015</b>
<b>LIABILITIES</b>		
Unrestricted current liabilities:		
Accounts payable	\$ 511,020	\$ 488,613
Accrued expenses	135,779	222,973
Unearned income	1,633,383	1,606,417
Total unrestricted current liabilities	2,280,182	2,318,003
Restricted current liabilities:		
Accounts payable	358,150	89,846
Current portion of long-term debt	5,752,634	6,480,187
Short-term debt	14,500,000	14,500,000
Accrued interest payable	497,384	586,224
Unearned income	329,530	341,003
Unearned grant income	460,076	520,058
Developer escrow	155,489	194,642
Retainage payable	188,815	104,017
Total restricted current liabilities	22,242,078	22,815,977
Long-term liabilities:		
Long-term debt (inclusive of premiums of \$1,585,485 and \$1,746,154 and discounts of \$144,931 and \$226,249 in 2016 and 2015 respectively)	35,136,875	41,053,052
Reserve for uncompensated absences	1,269,011	1,232,504
Net OPEB obligation	21,464,968	20,427,251
Net state pension obligation	24,927,399	20,427,738
Total long-term liabilities	82,798,253	83,140,545
Total Liabilities	107,320,513	108,274,525
<b>DEFERRED INFLOW OF RESOURCES</b>		
Pension deferrals	1,519,244	-
Total liabilities and deferred inflow of resources	\$ 108,839,757	\$ 108,274,525

The accompanying notes are an integral part of this statement.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Statements of Net Position**

**March 31,**

	<u>2016</u>	<u>2015</u>
<b>NET POSITION</b>		
Investments in capital assets, net of related debt	\$ 38,917,703	\$ 31,631,989
Restricted net position:		
Debt service	6,771,388	6,771,388
Unrestricted net position:		
Reserved for renewal and replacement	500,000	500,000
Reserved for future construction	5,128,516	9,326,402
Unreserved	<u>(19,112,943)</u>	<u>(14,590,652)</u>
Total restricted and unrestricted net position	<u>(6,713,039)</u>	<u>2,007,138</u>
Total net position	<u>\$ 32,204,664</u>	<u>\$ 33,639,127</u>

The accompanying notes are an integral part of this statement.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**March 31,**

	<b>2016</b>	<b>2015</b>
Operating revenues:		
Annual service charges	\$ 33,534,870	\$ 33,378,234
Initial service charges	768,753	752,380
Tap-ins, permits, and other fees	574,821	472,372
Review and inspection fees	40,306	57,631
Interest on delinquent payments	169,453	180,831
Shared service income	68,027	76,988
Miscellaneous income	455,836	486,656
Total operating revenues	35,612,066	35,405,092
Operating expenses:		
Cost of providing services	16,674,770	16,563,751
Administrative expenses	8,200,061	7,813,844
Depreciation	6,526,079	6,418,619
Total operating expenses	31,400,910	30,796,214
Operating income over expenses	4,211,156	4,608,878
Non-operating revenue (expenses):		
Interest on investments	211,054	155,587
Interest expense	(1,767,023)	(1,992,592)
Contribution to Township of Brick	(1,000,000)	(1,000,000)
Grant revenue	300,427	157,208
Change in net OPEB obligation	(1,037,717)	(1,041,317)
Change in state pension obligation	(2,080,446)	-
Loss on disposal of assets	(8,464)	(296,759)
Reservoir sponsorship and scrap fund deposits	6,590	5,430
Amortization of debt issue costs	(183,757)	(218,063)
Amortization of loss on defeasement	(122,808)	(122,808)
Total non-operating revenue (expenses)	(5,682,144)	(4,353,314)
Net income (loss)	(1,470,988)	255,564
Restricted and unrestricted net position, April 1	2,007,138	(9,823,583)
Contributed capital	36,525	607,547
Net change in investments in capital asset, net of related debt	(7,285,714)	10,967,610
Restricted and unrestricted net position, March 31	(6,713,039)	2,007,138
Investments in capital assets, net of related debt, April 1	31,631,989	42,599,599
Net increase (decrease) in capital assets	721,336	(3,035,169)
Decrease (increase) in related debt	6,564,378	(7,932,441)
Investments in capital assets, net of related debt, March 31	38,917,703	31,631,989
Total net position, March 31	\$ 32,204,664	\$ 33,639,127

The accompanying notes are an integral part of this statement.

# BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

## Statements of Cash Flows

March 31,

	2016	2015
<b>Cash flows from operating activities</b>		
Cash received from service users	\$ 35,947,419	\$ 34,606,870
Cash paid to suppliers	(16,471,152)	(16,481,636)
Cash paid to employees	(8,880,525)	(8,790,777)
Interest received	204,320	150,598
Interest paid	(1,875,119)	(2,095,635)
Net cash flow from operating activities	8,924,943	7,389,420
<b>Cash flows from financing activities:</b>		
Payments for capital acquisitions	(7,280,310)	(3,072,662)
Proceeds from sale of assets	5,199	-
Proceeds from sale of bonds	-	14,500,000
Bond principal retirements	(6,564,378)	(6,567,559)
Proceeds from assets released from trust	195,950	158,650
Net cash flow from financing activities	(13,643,539)	5,018,429
<b>Cash flows from investing activities:</b>		
Maturities/(purchases) of investments	3,033,000	(4,810,000)
Net cash flow from investing activities	3,033,000	(4,810,000)
Net change in cash and cash equivalents	(1,685,596)	7,597,849
Cash and cash equivalents, April 1	31,470,920	23,873,071
Cash and cash equivalents, March 31	\$ 29,785,324	\$ 31,470,920
 <b>Schedule of non-cash investing and financing activities:</b>		
Capital contributions capitalized	\$ 36,525	\$ 607,547
 <b>Reconciliation to the Statements of Net Position:</b>		
Unrestricted cash and cash equivalents	\$ 16,888,890	\$ 13,706,340
Restricted current cash and cash equivalents	5,625,047	10,493,192
Restricted noncurrent cash and cash equivalents	7,271,387	7,271,388
Cash and cash equivalents, March 31	\$ 29,785,324	\$ 31,470,920

The accompanying notes are an integral part of this statement.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Statements of Cash Flows**

**March 31,**

	<u>2016</u>	<u>2015</u>
<b>Reconciliation of net loss to net cash flow from Operating activities:</b>		
Net income (loss)	\$ (1,470,988)	\$ 255,564
Items which did not use (provide) cash:		
Depreciation	6,526,079	6,418,619
Change in net OPEB obligation	1,037,717	1,041,317
Change in net state pension obligation	2,080,446	-
Loss on disposal of assets	8,464	296,759
Amortization on bond premium/discount	(79,351)	63,183
Amortization of debt issue costs	183,757	128,001
Amortization of loss on defeasement	122,808	122,808
Working capital changes which provided (used) cash:		
Accounts receivable	335,353	(798,222)
Accrued interest receivable	(6,734)	(4,989)
Inventory	37,786	3,233
Prepaid expenses	(2,734)	39,661
Accounts payable	290,711	(69,368)
Accrued expenses	(87,194)	(259,606)
Unearned income	(44,489)	124,626
Accrued interest payable	(88,840)	(73,905)
Developer escrow	(39,153)	(9,755)
Retainage payable	84,798	(19,446)
Reserve for compensated absences	36,507	130,940
Net cash flow from operating activities	<u>\$ 8,924,943</u>	<u>\$ 7,389,420</u>

The accompanying notes are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements**  
**For the years ended March 31, 2016 and 2015**

**NOTE 1: ORGANIZATION**

The Brick Township Municipal Utilities Authority (“Authority”), a public politic and corporate body, was created by virtue of an ordinance of the Township of Brick, adopted April 3, 1969, pursuant to Chapter 183 of the Municipal Utilities Authorities Laws of the State of New Jersey of 1957 (Chapter 14B of Title 40 of the Revised Statutes of New Jersey).

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

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

The Authority is a component unit of the Township of Brick. The Authority issues separate financial statements from the Township. However, if the Township presented its financial statements in accordance with GAAP, these financial statements would be included in the Township’s on a blended basis.

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

**A. Basis of Presentation and Accounting**

The financial statements of the Authority have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of state and local governments.

Revenues are recognized when earned and measurable and expenses are recognized when incurred. Interest on delinquent accounts is realized when earned. Costumers are billed on a quarterly basis for both water and sewer.

The Authority has changed its financial statement presentation to conform to generally accepted accounting standards. Changes include segregating non-current cash, deferred inflows and outflows and the inclusion of bond premiums and discounts as part of debt and interest expense. Prior year amounts have been restated to conform to the current year presentation.

**B. Budgetary Accounting**

Each year the Authority adopts a budget which is approved by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The budget may be amended by resolution of the Board of Commissioners of the Authority. The budgetary basis of accounting is utilized to determine that the Authority has sufficient cash to operate and pay debt service. As such, certain items such as the principal payments on debt are included in the budgetary expenses while depreciation is not included. A reconciliation from the budgetary basis to the statement of revenues, expenses and changes in net position is included in the Supplementary Information.

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

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

**C. Grants**

Contributions from various sources of grants are recorded in the period received. Developer financed construction is recorded in the period the projects are completed and conveyed to the Authority. The valuations of these projects are based on estimates of the entire cost of construction, including rights-of way, inspection and as-built plans as calculated by developers' engineers. Donated assets are recorded at fair market value at the date of the gift. Grants that are not externally restricted and utilized to finance operations are identified as non-operating revenues. Grants externally restricted for non-operating purposes are recorded as contributed capital and identified as grants-in-aid.

**D. Use of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**E. Inventory**

Inventory consists principally of pipes, appurtenances, meters and chemicals for water and sewer systems and various materials and supplies for the daily operation of the Authority and is stated at the average cost determined by the first-in, first-out method (FIFO).

**F. Property Plant and Equipment**

Property, plant and equipment are stated at cost. The cost of property, plant and equipment is depreciated over its estimated useful life, by the straight-line method. Major improvements to existing plant and equipment are capitalized. Repairs and maintenance that do not extend the economic life of plant and equipment are charged to expense as incurred. Upon the sale or retirement of property, plant and equipment, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and placed in operation. The assets are then transferred to the appropriate property and plant account and depreciated on a straight-line basis over the asset's estimated useful life. The Authority capitalizes all long-lived assets acquired for \$1,000 or more.

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

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

**F. Property, Plant and Equipment (continued)**

The estimated useful lives of the assets are:

Water production and distribution system	40 years
Sewer collection system	40 years
Administration complex	40 years
Equipment	10 years
Vehicles	5 years

Depreciation expense for the years ended March 31, 2016 and 2015 was \$6,526,079 and \$6,418,619 respectively.

**G. Cash and Investment Accounts**

In accordance with the 1996 bond resolution, as amended and/or supplemented, the Authority has established the following cash and investment accounts for the deposit and/or transfer, in the priority of the order listed, of all monies received by the Authority.

<u>Account</u>	<u>Amount</u>	<u>Purpose</u>
<u>Unrestricted:</u>		
Revenue Fund	All revenues received by the Authority.	Authorized operating expenses and, at least once a month, transfers to the various accounts described below.
General Fund	Any excess over expenditures in the revenue fund or accounts shall be transferred to the general fund each month if all required deposits and trustee expenses have been duly executed.	Amounts on deposit in the general fund shall be applied by the Authority to any lawful purpose of the Authority related to the sewer or water sewer systems.

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

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

**G. Cash and Investment Accounts (continued)**

<u>Restricted:</u>		
Bond Service Fund (Current debt service)	Amount needed to pay matured principal and interest due on or before the following December 1 <sup>st</sup> .	Principal and interest on bonds.
Bond Reserve Fund (Future debt service)	Amount equal to the Bond Reserve requirement.	Transfers to meet minimum levels required in the bond service or sinking accounts. Any excess may be transferred into the revenue account.
Renewal and Replacement Fund (Maintenance reserve)	An amount equal to the System Reserve requirement.	Transfers to meet the minimum levels required in the bond reserve account for major repairs, renewals and extensions of the system.
Construction fund	Amount needed to fund construction projects.	Transfers to meet costs of construction projects.

Investments are shown on the balance sheet at fair value.

**H. Capitalized Interest**

The Authority capitalizes interest on self-constructed assets during the period of construction. The amount of interest cost capitalized on qualifying assets acquired with proceeds of tax-exempt borrowings that are externally restricted to finance acquisition of specified assets is all interest cost of the borrowing less any interest earned on related interest-bearing investments acquired with such unexpended proceeds from the date of the borrowings until the assets are substantially complete and are ready for their intended use. Interest cost of tax-exempt borrowings is eligible for capitalization on other qualifying assets of the Authority when the specified qualifying assets are no longer eligible for interest capitalization. The Authority did not capitalize interest costs during the periods ended March 31, 2016 and 2015. The Authority expensed \$1,767,023 and \$1,992,592 of interest during 2016 and 2015, respectively.

**NOTE 3: PRIOR PERIOD ADJUSTMENT – IMPLEMENTATION OF GASB 68**

The Authority implemented GASB 68 as required for the year ending March 31, 2016. The March 31, 2015 statement of net position has been restated for comparative purposes.

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

**NOTE 3: PRIOR PERIOD ADJUSTMENT – IMPLEMENTATION OF GASB 68 (continued)**

GASB 68 requires that local governments report their share of the Public Employee’s Retirement System’s funding excess or deficit on their financial statements. It also allows changes and differences in the plan to be deferred and recognized over time. In this manner pension expense is “normalized”.

The changes to the March 31, 2015 statement of net position are as follows:

- The beginning year unrestricted net position decreased by \$20,427,738; the amount of accrued pension liability at April 1, 2015.
- The above adjustment reduced total net position from \$54,066,865 to \$33,639,127.

**NOTE 4: CASH AND CASH EQUIVALENTS**

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

	2016	2015
Deposits:		
Demand deposits	\$ 22,913,060	\$ 27,891,606
Certificates of deposit	6,949,000	3,852,000
Total deposits	\$ 29,862,060	\$ 31,743,606
Reconciliation to Statements of Net Position:		
Current unrestricted assets:		
Cash and cash equivalents	\$ 16,888,890	\$ 13,706,340
Current restricted assets:		
Cash and cash equivalents	5,625,047	10,493,192
Restricted non-current assets:		
Cash and cash equivalents	7,348,123	7,544,074
Total cash and cash equivalents	\$ 29,862,060	\$ 31,743,606

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Authority’s deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of March 31, 2016 and 2015, the Authority’s bank balance of \$39,482,060 and \$44,396,607, respectively, was insured or collateralized as follows:

	2016	2015
Insured	\$ 750,000	\$ 750,000
Collateralized in the Authority's name		
Under GUDPA	38,732,060	43,646,607
Total	\$ 39,482,060	\$ 44,396,607

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

**NOTE 4: CASH AND CASH EQUIVALENTS (continued)**

For the Statements of Cash Flows, the Authority combines the unrestricted cash with the restricted cash and cash equivalents. The Authority considers investments with maturities of three months or less at the time of purchase to be cash equivalents.

The Authority's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**NOTE 5: INVESTMENTS**

**A. Custodial Credit Risk**

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

**B. Investment Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Authority has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**C. Investment Credit Risk**

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

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Authority or bonds or other obligations of the local unit or units within which the Authority is located;

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

**NOTE 5: INVESTMENTS (continued)**

**C. Investment Credit Risk (continued)**

- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Authority;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section I of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

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

<u>Investment</u>	<u>Maturities</u>	<u>Rating</u>	<u>2016</u> <u>Fair Value</u>	<u>2015</u> <u>Fair Value</u>
Certificates of deposit	Various	N/A	\$9,620,000	\$12,653,000

**C. Fair Value of Investments**

Investments are shown at fair value on the balance sheet with accrued interest shown under a separate caption. Investments are summarized as follows at March 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Certificates of deposit	\$ <u>9,620,000</u>	\$ <u>12,653,000</u>
Total fair value of investments	\$ <u>9,620,000</u>	\$ <u>12,653,000</u>

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

**NOTE 6: PROPERTY, PLANT AND EQUIPMENT**

Details of property, plant and equipment as of March 31, 2016 and 2015 are as follows:

	<u>March 31, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>March 31, 2016</u>
Land and easements	\$ 4,589,415	\$ 16	\$ -	\$ 4,589,431
Administration building and warehouse	6,959,482	15,208	-	6,974,690
Water production and distribution system	83,406,920	91,327	-	83,498,247
Sewer collection system	101,852,060	87,873	-	101,939,933
Meters	2,816,880	193,711	87,736	2,922,855
Reservoir	37,303,308	-	-	37,303,308
Construction in progress - other	4,435,445	7,019,875	1,039,833	10,415,487
Equipment	19,198,041	586,132	161,694	19,622,479
Vehicles	2,807,185	306,770	210,465	2,903,490
	<u>263,368,736</u>	<u>8,300,912</u>	<u>1,499,728</u>	<u>270,169,920</u>
Subtotal				
Less: accumulated depreciation	<u>172,838,653</u>	<u>6,526,079</u>	<u>446,231</u>	<u>178,918,501</u>
Property, plant, and equipment, net	<u>\$ 90,530,083</u>	<u>\$ 1,774,833</u>	<u>\$ 1,053,497</u>	<u>\$ 91,251,419</u>

**NOTE 7: SHORT TERM DEBT**

On March 31, 2016 the Authority issued \$14,500,000 Project Bonds, Series 2016A to refund the outstanding \$14,500,000 Project Bonds, Series 2015A. The bond are payable at March 31, 2017 and have an interest rate of 1.25%.

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

**NOTE 8: LONG-TERM DEBT**

Bonds payable at March 31, 2016 and 2015 consist of the following:

	2016	2015
New Jersey Environmental Infrastructure Trust 2001(W 1506001-001), interest rate 4.00% to 5.50%, maturity dates serially beginning August 1, 2004 and ending August 1, 2021. Interest payment dates are February 1 and August 1.	\$ 1,074,102	\$ 1,216,837
New Jersey Environmental Infrastructure Fund 2001 (W 1506001-001), interest rate of 0%, semi-annual maturity dates beginning February 1, 2004 and ending August 1, 2016.	135,739	623,689
New Jersey Environmental Infrastructure Trust 2001 (S340-488-04), interest rate 4.00% to 5.50%, maturity dates serially beginning August 1, 2003 and ending August 1, 2021. Interest payment dates are February 1 and August 1.	417,116	472,614
New Jersey Environmental Infrastructure Fund 2001 (S340-488-04), interest rate of 0%, semi-annual maturity dates beginning February 1, 2003 and ending August 1, 2021.	310,364	377,675
New Jersey Environmental Infrastructure Trust 2002 (S340-488-04), interest rate 4.00% to 5.25%, maturity dates serially beginning August 1, 2006 and ending August 1, 2022. Interest payment dates are February 1 and August 1.	1,971,568	2,202,360

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

**NOTE 8: LONG-TERM DEBT (continued)**

	2016	2015
New Jersey Environmental Infrastructure Fund 2002 (S340-488-04), interest rate of 0%, semi-annual maturity dates beginning February 1, 2006 and ending August 1, 2021.	1,469,302	1,809,402
Series 2006 revenue bonds, interest rate of 4.00% to 5.00%, maturity dates serially beginning December 1, 2007 and ending December 1, 2027. Interest payment dates are June 1 and December 1. Bonds dated on or before December 1, 2016 are not subject to optional redemption prior to maturity. Bonds maturing December 1, 2017 are subject to redemption on or after December 1, 2016 in whole or in part.	20,215,000	25,315,000
New Jersey Environmental Infrastructure Trust 2010 (S340-448-07/08), interest rate of 3.00% to 5.00%, maturity dates serially beginning August 1, 2011 and ending August 1, 2029. Interest payment dates are February 1 and August 1.	415,000	435,000
New Jersey Environmental Infrastructure Trust 2010 (S340-488-07/08), interest rate of 0%, semi-annual maturity dates beginning August 1, 2010 and ending February 1, 2025. Interest payment dates are February 1 and August 1.	710,764	790,757
Series 2011 refunding bonds, interest rate of 2.00% to 4.50%, maturity dates serially beginning December 1, 2012 and ending December 1, 2032. Interest payment dates are June 1 and December 1. Bonds dated on or before December 1, 2022 are not callable; others are at any time after December 1, 2022 and prior to maturity.	12,730,000	12,770,000

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

**NOTE 8: LONG-TERM DEBT (continued)**

	2016	2015
Total long-term debt	\$ 39,448,955	\$ 46,013,334
Unamortized bond premium	1,585,485	1,746,154
Unamortized bond discount	(144,931)	(226,249)
Less: current portion	(5,752,634)	(6,480,187)
 Bonds payable, excluding current portion	 \$ 35,136,875	 \$ 41,053,052

2001 Series Bonds – New Jersey Environmental Infrastructure Trust

2001 (W15606001-001)

Description

On November 8, 2001, the Authority issued an \$18,006,813 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The “Fund” (Federal Funds) portion of the Bond Issue, \$8,946,813, was issued with no interest rate. The remaining Bonds mature semi-annually from August 1, 2011 through August 2020 at maturities ranging from \$3,148 to \$66,102. The “Loan” (State Funds) portion of the Bond Issue, \$9,060,000, the remaining bonds mature annually from August 1, 2011 through 2021 at annual maturities ranging from \$55,498 to \$80,030 and bear interest at rates ranging from 4.75% to 5.50%.

During the year ended March 31, 2008, the project was closed out and there was a reduction of the amounts due from New Jersey Environmental Infrastructure Trust and the repayment of the bonds of \$5,483,911 due to the building cost bids received and awarded by the Authority coming in well below the estimated amount bonded. During the year ended March 31, 2008, the New Jersey Environmental Infrastructure Trust refunded bonds it had outstanding, resulting in principal savings credit of \$611,799.

During the year ended March 31, 2011, the New Jersey Environmental Infrastructure Trust refunded outstanding bonds, resulting in a principal savings credit of \$40,238.

2001 (S340448-04)

Description

On November 8, 2001, the Authority also issued a \$2,646,019 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The “Fund” (Federal Funds) portion of the Bond issue, \$1,336,019, was issued with no interest rate. The remaining Bonds mature semi-annually from August 1, 2011 through August 1, 2021 at maturities ranging from \$62,249 to \$425,701. The “Loan” (State Funds) portion of the Bond issue, \$1,310,000, has remaining maturities annually from August 1, 2011 through 2021 at annual maturities ranging from \$142,735 to \$500,000 and bear interest rates ranging from 4.75% to 5.50%.

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

**NOTE 8: LONG-TERM DEBT (continued)**

2001 (S340448-04) (continued)

Description (continued)

During the year ended March 31, 2008, the project was closed out and there was a reduction of the amounts due from New Jersey Environmental Infrastructure Trust and the repayment of the bonds of \$103,443 due to the building cost bids received and awarded by the Authority coming in well below the estimated amount bonded. During the year ended March 31, 2008, the New Jersey Environmental Infrastructure Trust refunded bonds it had outstanding, resulting in a principal savings credit of \$53,943.

During the year ended March 31, 2011, the New Jersey Environmental Infrastructure Trust refunded outstanding bonds, resulting in a principal savings credit of \$5,694.

2002 Series Bonds – New Jersey Environmental Infrastructure Trust

Description

On November 7, 2002, the Authority also issued \$9,066,398 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The “Fund” (Federal Funds) portion of the Bond issue, \$4,085,366, was issued with no interest rate. The remaining Bonds mature semi-annually beginning February 1, 2006 through August 1, 2022 at maturities ranging from \$5,917 to \$248,338. The “Loan” (State Funds) portion of the Bond Issue, \$4,465,000, mature annually beginning on August 1, 2006 through 2022 at annual maturities ranging from \$80,195 to \$327,781 and bear interest at rates ranging from 4.75% to 5.25%.

During the year ended March 31, 2008, the New Jersey Environmental Infrastructure Trust refunded outstanding bonds, resulting in a principal savings credit of \$451,780.

During the year ended March 31, 2011, the New Jersey Environmental Infrastructure Trust unobligated \$463,590 of outstanding bonds but not yet funded to the Authority, resulting in an additional principal savings credit of \$54,666.

2006 Bonds

Description

The Authority issued Revenue Refunding Bonds, Series 2006, dated November 29, 2006 in the amount of \$52,055,000. The proceeds of this bond issue were used to (1) refund all of the Authority’s outstanding Series 1996 Bonds dated November 1, 1996 and (2) to advance refund certain callable maturities of the Authority’s Series 2002 Bonds. The Series 1996 and 2002 Bonds were redeemed on November 29, 2006 at a redemption price of 100% of the principal amount thereof.

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

**NOTE 8: LONG-TERM DEBT (continued)**

2006 Bonds (continued)

Description (continued)

The Bonds have remaining annual maturities ranging from \$70,000 to \$4,695,000 with principal payments due December 1, 2016 through December 1, 2027 and bear interest rates ranging from 4.00% to 5.00%.

Mandatory Sinking Fund Redemption

The 2006 Bonds maturing on December 1, 2027 are subject to mandatory redemption prior to maturity on each December 1, commencing December 1, 2025 through and including December 1, 2027 by lot at a redemption price equal to one hundred percent (100%) of the principal amount thereof plus accrued interest to the redemption date. Payment of the redemption prices for such 2006 Bonds are payable from Sinking Fund Installments which are required to be made in amounts sufficient to redeem on December 1 of each year the principal of such 2006 bonds specified for each of the years indicated below:

<u>Year</u>	<u>Sinking Fund Installments</u>
2025	\$1,710,000
2026	1,785,000
2027*	1,855,000

\* Final maturity

Optional Redemption

The Series 2006 Bonds maturing on and after December 1, 2006 are not subject to optional redemption prior to maturity. The 2006 Bonds maturing on or after December 1, 2017, shall be subject to redemption prior to their stated maturity date, at the option of the Authority, on or after December 1, 2016 as a whole at any time, or in part on any interest payment date, in such order of maturity as directed by the Authority, and by lot within maturity if less than all of such maturity is called for redemption, upon notice of redemption, at a redemption price equal to 100% of the principal amount of the 2006 Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption.

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

**NOTE 8: LONG-TERM DEBT (continued)**

2010 Series Bonds – New Jersey Environmental Infrastructure Trust

2010 (S340-448-07/08)

Description

On March 4, 2010, the Authority issued \$2,088,200 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The “Fund” (Federal Funds) portion of the Bond Issue, \$1,573,200, was issued with no interest rate. The remaining Bonds mature semi-annually from August 1, 2011 through August 1, 2029 at maturities ranging from \$26,664 to \$53,329. The “Loan” (State Funds) portion of the Bond Issue, \$515,000, the remaining bonds mature annually from August 1, 2011 through 2029 at annual maturities ranging from \$20,000 to \$40,000 and bear interest at rates ranging from 3.00% to 5.00%.

2011 Bonds

Description

The Authority issued Revenue Refunding Bonds, Series 2011, dated November 12, 2011 in the amount of \$15,990,000. The proceeds of this bond issue were used to (1) currently refund and/or defease the 1998 Refunded/Defeased Bonds and (2) to advance refund the 2002 Refunded Bonds. The Series 1998 and 2002 Bonds were redeemed on November 12, 2011 at a redemption price of 100% of the principal amount thereof. The Authority realized an economic gain of \$742,000 for these refunding bonds.

The Bonds have remaining annual maturities ranging from \$40,000 to \$2,270,000 with principal payments due December 1, 2016 through December 1, 2032 and bear interest rates ranging from 2.00% to 4.50%.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Notes to Financial Statements (continued)**

**For the years ended March 31, 2016 and 2015**

**NOTE 8: LONG-TERM DEBT (continued)**

2011 Bonds (continued)

Mandatory Sinking Fund Redemption

The Series 2011 Bonds maturing on December 1, 2027 are subject to mandatory redemption prior to maturity on each December 1, commencing December 1, 2022 through and including December 1, 2027 by lot at a redemption price equal to one hundred percent (100%) of the principal amount thereof plus accrued interest to the redemption date. Payment of the redemption prices for such Series 2011 Bonds are payable from sinking fund installments which are required to be made in amounts sufficient to redeem on December 1 of each year the principal as such Series 2011 Bonds specified for each of the years indicated on the following page.

<u>Year</u>	<u>Sinking Fund Installments</u>
2022	\$40,000
2023	45,000
2024	45,000
2025	45,000
2026	50,000
2027*	50,000

\* Final maturity

Optional Redemption

The Series 2011 Bonds maturing on or after December 1, 2022, shall be subject to redemption prior to their stated maturity date, at the option of the Authority, on or after December 1, 2021 as a whole at any time, or in part on any interest payment date, in such order of maturity as directed by the Authority, and by lot within a maturity if less than all of such maturity is called for redemption, upon notice of redemption, at the redemption price equal to 100% of the principal amount of Series 2011 Bonds to be redeemed, together with interest accrued thereon to date fixed for redemption.

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

**NOTE 8: LONG-TERM DEBT (continued)**

2011 Bonds (continued)

Schedule of Aggregate Annual Debt Service for the Next Five Years and Thereafter

Fiscal Year(s) Ending March 31,	Bond Principal	Interest	Total Debt Service
2017	\$ 5,752,634	\$ 1,598,236	\$ 7,350,870
2018	2,169,437	1,348,500	3,517,937
2019	2,261,638	1,256,863	3,518,501
2020	2,346,805	1,169,523	3,516,328
2021	2,398,776	1,074,077	3,472,853
2022-2026	9,709,665	4,062,944	13,772,609
2027-2031	10,185,000	2,188,044	12,373,044
2032-2033	4,625,000	287,075	4,912,075
Total	<u>\$ 39,448,955</u>	<u>\$ 12,985,262</u>	<u>\$ 52,434,217</u>

Changes in the outstanding debt for 2016 are as follows:

Issue	Balance Mar. 31, 2015	Issued	Paid	Balance Mar. 31, 2016
2001 NJEIT	\$ 850,289	\$ -	\$ 122,809	\$ 727,480
2001 NJEIT	1,840,526	-	630,685	1,209,841
2002 NJEIT	4,011,762	-	570,892	3,440,870
Series 2006	25,315,000	-	5,100,000	20,215,000
2010 NJEIT	1,225,757	-	99,993	1,125,764
Series 2011	12,770,000	-	40,000	12,730,000
	<u>\$ 46,013,334</u>	<u>\$ -</u>	<u>\$ 6,564,379</u>	<u>\$ 39,448,955</u>

**NOTE 9: COMPENSATED ABSENCES PAYABLE**

The Authority has a policy and express provisions in its employment contracts that allow employees to accrue unused sick and vacation days. The Authority pays all vacation time accrued upon retirement, but employees can only carry over one year of vacation into the following year, at which time the unused balance is cancelled. The Authority pays a maximum of \$15,000 of sick time accrued at retirement. Annually the Authority buys back unused sick days in excess of the allowed carryover to limit the liability they may incur upon retirement of an employee. At March 31, 2016 and 2015, an amount of \$1,269,011 and \$1,232,504, respectively, has been provided to fully fund this potential liability.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Notes to Financial Statements (continued)**

**For the years ended March 31, 2016 and 2015**

**NOTE 10: PENSIONS**

**A. Description of the System**

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

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

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

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

**B. Membership**

Membership in the PERS is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction. Since PERS covers public employees throughout the State separate records are not maintained for each reporting unit; accordingly, the actuarial data for the employees of the Authority who are members of PERS are not available.

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

**NOTE 10: PENSIONS (continued)**

**C. Contributions**

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Authority contributions to PERS amounted to \$984,660 and \$951,674 and for 2016 and 2015, respectively. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits.

The employee contribution rate was 7.06% effective July 1, 2015 and increased to 7.2% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. The Authority contribution to the plan for the past three years are as follows:

<u>Year</u>	<u>Employees</u>	<u>Authority Required Amount</u>	<u>Contribution Percentage</u>
3/31/2016	\$571,734	\$984,660	100%
3/31/2015	\$530,669	\$951,674	100%
3/31/2014	\$495,488	\$888,136	100%

All contributions were equal to the required contributions for each of the three years, respectively.

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

**NOTE 10: PENSIONS (continued)**

**D. Net Pension Liability and Pension Expense**

At March 31, 2016 and 2015, the Authority's proportionate share of the PERS net pension liability is valued to be \$24,927,399 and \$20,427,738, respectively. The net pension liabilities were measured as of June 30, 2015 and 2014, respectively. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The Authority's proportion measured as of June 30, 2015, was 0.1110450952%, which was an increase of 0.0019385042% from its proportion measured as of June 30, 2014 of .1091065910%.

Collective Balances at March 31,			
	<u>2016</u>	<u>2015</u>	Increase/ <u>(Decrease)</u>
Actuarial Valuation Date	July 1, 2015	July 1, 2014	
Net Pension Liability	\$ 24,927,399	\$ 20,427,738	\$ 4,499,661
Authority's Proportion of the Plan's Total Net Pension Liability	0.1110450952%	0.1091065910%	0.0019385042%

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

**NOTE 10: PENSIONS (continued)**

**D. Net Pension Liability and Pension Expense (continued)**

For the year ended March 31, 2016 and 2015 the Authority recognized pension expense of \$3,065,106 and \$951,674, respectively. The Authority reported deferred outflow of resources and deferred inflow of resources related to pension from the following sources:

	<u><b>Year ended March 31, 2016</b></u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 594,680	\$ -
Changes of assumptions	2,677,004	-
Changes in proportion	307,920	660,876
Payments made after measurement date	984,660	-
Net difference between projected and actual investment earning on pension plan investments	<u>-</u>	<u>1,217,382</u>
	<u><u>\$ 4,564,264</u></u>	<u><u>\$ 1,878,258</u></u>

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

**NOTE 10: PENSIONS (continued)**

**D. Net Pension Liability and Pension Expense (continued)**

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

Year ended March 31,

2017	\$ 1,251,451
2018	266,791
2019	266,791
2020	266,789
2021	<u>367,393</u>

Total	<u><u>\$ 2,419,215</u></u>
-------	----------------------------

March 31,  
2016

Deferred Outflows	\$ 3,938,459
Deferred Inflows	<u>1,519,244</u>
Net Outflows (Inflows)	<u><u>\$ 2,419,215</u></u>

**E. Actuarial Assumptions**

The collective total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

	<u>PERS</u>
Measurement date	6/30/2015
Actuarial valuation date	7/1/2014
Investment rate of return	7.90%
Salary scale	2012-2021 - 2.15-4.40% Based on Age Thereafter - 3.15-5.40% Based on Age
Inflation Rate	3.04%

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

**NOTE 10: PENSIONS (continued)**

**E. Actuarial Assumptions (continued)**

Mortality rates were based on the RP-2000 Combined Health Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**F. Long-Term Expected Rate of Return**

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 Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

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

**NOTE 10: PENSIONS (continued)**

**F. Long-Term Expected Rate of Return (continued)**

<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 US 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 US	3.50%	-0.40%
REIT	4.25%	5.12%
Total	<u>100.00%</u>	

**G. Discount Rate**

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 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.

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

**NOTE 10: PENSIONS (continued)**

**H. Sensitivity to Changes in the Discount Rate**

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90%) or 1-percentage-point higher (5.90%) than the current rate:

	<u>Decrease</u>	<u>Discount</u>	<u>Increase</u>
	<u>(3.90%)</u>	<u>(4.90%)</u>	<u>(5.90%)</u>
Authority's proportionate share of the net pension liability	\$ 19,840,175	\$ 24,927,399	\$ 30,014,623

**I. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

**NOTE 11: OTHER POST EMPLOYMENT BENEFITS**

The Brick Township Municipal Utilities Authority provides post-employment medical and prescription drug coverage to eligible retired employees and their dependents. Once Medicare age is attained by either the retired employee or spouse in the case of spousal coverage, Medicare is primary and the Authority provides supplementary medical insurance. The Brick Township Municipal Utilities Authority pays 100% of the insurance cost for the retiree.

The Brick Township Municipal Utilities Authority's annual Other Post-Employment Benefit cost is calculated based on Annual Required Contribution. The actuarial cost method used to determine the Plan's funding requirements is the "Unit Credit" method. Under this method, an actuarial accrued liability is determined as the present value of the earned benefits, which is allocated to service before the current plan year. The Plan is currently unfunded. The unfunded actuarial liability is amortized over thirty years.

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

**NOTE 11: OTHER POST EMPLOYMENT BENEFITS (continued)**

Annual OPEB Cost – The Authority’s annual required contribution (ARC), the increase or decrease in the net OPEB obligation, the net OPEB obligation, and the percentage of annual OPEB cost contribution to the plan for 2016 and 2015 are as follows:

	2016	2015
Annual Required Contribution (ARC)	\$ 1,442,957	\$ 1,442,957
Pay as You Go Cost (Existing Retirees)	(405,240)	(401,640)
Increase in net OPEB obligation	1,037,717	1,041,317
Net OPEB obligation, beginning of year	20,427,251	19,385,934
Net OPEB obligation, end of year	\$ 21,464,968	\$ 20,427,251
Percentage of Annual OPEB Cost Contributed	28.1%	27.8%

Funded Status and Funding Process – The funded status of the plan as of March 31, 2016 and 2015 are as follows:

	2016	2015
Actuarial Accrued Liability (AAL)	\$ 19,489,657	\$ 17,903,354
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 19,489,657	\$ 17,903,354
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%	0.0%

Actuarial Methods and Assumptions – Actuarial assumptions were used to value the post-retirement medical liabilities. Actuarial assumptions were based on the actual experience of the covered group, to the extent that creditable experience data was available, with an emphasis on expected long-term future trends rather than giving undue weight to recent past experience. The reasonableness of each actuarial assumption was considered independently based on its own merits, its consistency with each other assumption, and the combined impact of all assumptions.

Two economic assumptions used in the valuation are the discount rate and the health care cost trend rates. The economic assumptions are used to account for changes in the cost of benefits over time and to discount future benefit payments for the time value of money.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Notes to Financial Statements (continued)**

**For the years ended March 31, 2016 and 2015**

**NOTE 11: OTHER POST EMPLOYMENT BENEFITS (continued)**

The investment return assumption (discount rate) should be the estimated long-term investment yield on the investments that are expected to be used to finance the payments of benefits. The investments expected to be used to finance the payments of benefits would be plan assets for funded plans, assets of the employer for pay-as-you-go plans, or a proportionate combination of the two for plans that are being partially funded. We assumed a discount rate of 5.0 percent for purposes of developing the liabilities and Annual Required Contribution on the basis that the Plan would not be funded. We based medical claims on an annual average claims cost of approximately \$25,749 per covered retiree for family coverage and \$14,912 for single coverage prior to age 65. For retirees age 65 and over we have utilized an annual average claims cost of approximately \$14,094 per covered retiree for family coverage and \$7,163 for single coverage. We assumed health care costs would increase annually at a rate of 5%.

The Brick Township Municipal Utilities Authority currently has twenty-five eligible retired employees receiving retirement benefits. The net Other Post-Employment Benefit obligation to the Brick Township Municipal Utilities Authority to provide benefits to the retirees for the year ended March 31, 2016 was \$19,489,657.

**NOTE 11: DEFERRED COMPENSATION PLAN**

The Authority offers its employees a deferred compensation plan created in accordance with the provisions of N.J.S. 43:15B-1 et seq., and the Internal Revenue Code, Section 457. The plan, available to all eligible employees and administered by Hartford Life Insurance Company, permits them to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until terminations, retirement, death or unforeseeable emergency.

**NOTE 12: COMMITMENTS**

On February 27, 1973, the Authority entered into a contract with the Ocean County Utilities Authority providing for the treatment and disposal of sewerage and charges for such services. This agreement may be terminated only after the County Authority has been paid in full for all of its obligations and, subsequent thereto, has been given two years notice.

On June 23, 2014 the Authority passed a resolution to enter into a shared services agreement with the Township of Brick for a thirty six percent beneficial ownership in a solar generated electrical system. The agreement calls for the Authority to pay the Township for fifteen years based upon a Purchased Power Agreement with the supplier. After fifteen years the Authority will have a thirty six percent beneficial ownership in the revenues and operating costs of the system. Total expected payments under the shared services agreement approximate \$2,500,000 for the first fifteen years. The Authority is unable to quantify the value of the future expected benefits under this agreement and has elected to expense costs under this agreement as incurred, net of any revenues received, from the sale of generated electricity. Costs began incurring in October of 2014 and totaled \$149,551 and \$60,925 for the years ended March 31, 2016 and March 31, 2015, respectively.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Notes to Financial Statements (continued)**

**For the years ended March 31, 2016 and 2015**

**NOTE 13: RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority maintains insurance coverage for property, liability, and surety bonds. A schedule of insurance coverage can be found in the Schedule of Insurance Coverage.

**NOTE 14: SUBSEQUENT EVENTS**

In September, 2016 the Authority has applied to the Local Finance Board to refund its outstanding 2006 bonds and to permanently finance its outstanding \$14,500,000 project bonds as well as raise approximately \$10,000,000 in new money to finance existing and proposed capital budget items. The anticipated closing date is December 1, 2016.

The Authority has evaluated subsequent events occurring after March 31, 2016 through the date of September 23, 2016, which is the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Revenue Bonds Outstanding**  
**March 31, 2016**

**Schedule I**

For the 12 Months Ended March 31,	<u>NJEIT 2001</u>	<u>NJEIT 2001</u>	<u>NJEIT 2002</u>	<u>Series 2006</u>	<u>NJEIT 2010</u>	<u>Series 2011</u>	<u>Total</u>
2017	\$ 127,488	\$ 287,190	\$ 497,963	\$ 4,695,000	\$ 99,993	\$ 45,000	\$ 5,752,634
2018	131,991	155,299	507,153	1,225,000	104,993	45,000	2,169,436
2019	136,261	167,034	523,350	1,285,000	104,993	45,000	2,261,638
2020	140,722	181,235	534,854	70,000	104,993	1,315,000	2,346,804
2021	110,989	196,670	546,125	1,400,000	104,993	40,000	2,398,777
2022	80,029	222,413	503,645	1,460,000	109,993	40,000	2,416,080
2023			327,781	1,510,000	109,993	40,000	1,987,774
2024				1,575,000	109,993	45,000	1,729,993
2025				1,645,000	100,819	45,000	1,790,819
2026				1,710,000	30,000	45,000	1,785,000
2027				1,785,000	35,000	50,000	1,870,000
2028				1,855,000	35,000	50,000	1,940,000
2029					35,000	2,020,000	2,055,000
2030					40,000	2,100,000	2,140,000
2031						2,180,000	2,180,000
2032						2,270,000	2,270,000
2033						2,355,000	2,355,000
Total	\$ <u>727,480</u>	\$ <u>1,209,841</u>	\$ <u>3,440,871</u>	\$ <u>20,215,000</u>	\$ <u>1,125,763</u>	\$ <u>12,730,000</u>	\$ <u>39,448,955</u>

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Operating Revenues**  
**For the years ended March 31, 2016 and 2015**

	Total Amount	Water		Sewer	
		Number of Customers	Amount	Number of Customers	Amount
For the year ended March 31, 2015:					
Annual service charges:					
Residential:					
Single-family	\$ 23,878,984	31,275	\$ 9,567,591	30,662	\$ 14,311,393
Multi-family	1,676,789	2,475	586,393	2,493	1,090,396
Commercial and industrial	3,413,891	1,723	1,448,156	1,680	1,965,735
Schools	247,028	23	114,017	20	133,011
Municipal	55,896	42	29,353	33	26,543
Lawn watering	1,623,178	4,311	1,623,178	-	-
Bulk – Point Pleasant Beach	948,331	-	948,331	-	-
Bulk – Other	465,734	-	415,587	15	50,147
Fire protection					
Public fire districts	666,126	4	666,126	-	-
Private	<u>402,277</u>	<u>194</u>	<u>402,277</u>	<u>-</u>	<u>-</u>
Total annual service charges	33,378,234	40,047	15,801,009	34,903	\$ 17,577,225
Initial service charges	752,380	-	344,799	-	407,581
Tap-ins, permits and other fees	472,372	-	372,721	-	99,651
Review and inspection fees	57,631	-	26,885	-	30,746
Interest on delinquent payments	180,831	-	90,416	-	90,415
Shared services income	76,988	-	38,494	-	38,494
Miscellaneous income	<u>486,656</u>	<u>-</u>	<u>243,328</u>	<u>-</u>	<u>243,328</u>
Total operating revenues	\$ <u>35,405,092</u>	<u>40,047</u>	\$ <u>16,917,652</u>	<u>34,903</u>	\$ <u>18,487,440</u>
For the year ended March 31, 2016:					
Annual service charges:					
Residential:					
Single-family	\$ 23,483,117	31,295	\$ 9,529,120	30,670	\$ 13,953,997
Multi-family	1,559,602	2,512	566,522	2,530	993,080
Commercial and industrial	3,432,660	1,724	1,414,095	1,679	2,018,565
Schools	254,513	23	112,656	20	141,857
Municipal	51,360	43	25,396	33	25,964
Lawn watering	2,028,786	4,387	2,028,786	-	-
Bulk – Point Pleasant Beach	1,192,533	-	1,192,533	-	-
Bulk – Other	464,971	-	379,892	15	85,079
Fire protection					
Public fire districts	666,798	4	666,798	-	-
Private	<u>400,530</u>	<u>196</u>	<u>400,530</u>	<u>-</u>	<u>-</u>
Total annual service charges	33,534,870	40,184	16,316,328	34,947	17,218,542
Initial service charges	723,127	-	471,736	-	251,391
Tap-ins, permits and other fees	620,447	-	475,007	-	145,440
Review and inspection fees	40,306	-	20,153	-	20,153
Interest on delinquent payments	169,453	-	84,727	-	84,726
Shared services income	68,027	-	34,014	-	34,013
Miscellaneous income	<u>455,836</u>	<u>-</u>	<u>455,836</u>	<u>-</u>	<u>-</u>
Total operating revenues	\$ <u>35,612,066</u>	<u>40,184</u>	\$ <u>17,857,801</u>	<u>34,947</u>	\$ <u>17,754,265</u>

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Cost of Providing Services**  
**For the years ended March 31, 2016 and 2015**

	2016			2015		
	Total	Water	Sewer	Total	Water	Sewer
Treatment of sewerage by:						
Ocean County						
Utilities Authority	\$ 7,007,647	\$ -	\$ 7,007,647	\$ 7,279,415	\$ -	\$ 7,279,415
Toms River Municipal						
Utilities Authority	20,872	-	20,872	20,822	-	20,822
Operating labor	4,694,907	3,629,366	1,065,541	4,641,489	3,617,077	1,024,412
Employee benefits	2,228,074	1,716,762	563,312	2,279,975	1,710,462	569,513
Repairs and maintenance	421,039	311,303	109,736	379,136	257,522	121,614
Remediation/restoration expense	13,815	7,989	5,826	13,824	9,001	4,823
Vehicle expenses	89,083	34,202	54,881	128,220	51,706	76,514
Utilities	998,899	866,220	132,679	1,049,370	899,053	150,317
Other expenses:						
Supplies	261,923	205,180	56,743	231,463	193,761	37,702
Water quality testing	36,639	36,639	-	52,181	52,181	-
Chemicals	613,424	613,424	-	343,060	337,914	5,146
Information systems	44,447	44,447	-	39,549	39,549	-
Usage, fees, permits and licenses	77,206	76,876	330	64,665	64,565	100
Education, travel, exams and dues	51,043	36,010	15,033	22,534	19,390	3,144
Professional services	51,129	33,299	17,830	5,393	5,393	-
Other expenses	<u>12,623</u>	<u>11,495</u>	<u>1,128</u>	<u>12,655</u>	<u>11,894</u>	<u>761</u>
 Total cost of providing services	 \$ <u>16,674,770</u>	 \$ <u>7,623,212</u>	 \$ <u>9,051,558</u>	 \$ <u>16,563,751</u>	 \$ <u>7,269,468</u>	 \$ <u>9,294,283</u>

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Administrative Expenses**  
**For the years ended March 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Salaries	\$ 4,185,618	\$ 4,149,288
Employee benefits	2,270,907	2,332,682
Repairs and maintenance	62,587	33,488
Vehicles	17,766	20,571
Utilities	234,829	230,770
Supplies	106,100	87,545
Insurance	316,972	320,865
Information systems	167,955	95,426
Professional services	479,337	323,426
Postage	90,448	80,050
Usage, fees, permits, and licenses	2,720	4,896
Education, travel, exams, and dues	57,183	27,900
Other expenses	58,088	46,012
Shared services – solar	<u>149,551</u>	<u>60,925</u>
Total administrative expenses	\$ <u><u>8,200,061</u></u>	\$ <u><u>7,813,844</u></u>

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Operating Revenues and Expenditures Funded by Operating Revenues,**  
**Compared to Budget**  
**For the Years Ended March 31, 2016 and 2015**

**Schedule V**

	2016				2015			
	Original Budget	Final Budget	Actual	Excess/ (Deficit)	Original Budget	Final Budget	Actual	Excess/ (Deficit)
<b>Revenues</b>								
Unrestricted net position utilized	\$ 203,685	\$ 203,685	\$ -	\$ (203,685)	\$ -	\$ -	\$ -	\$ -
Operating revenues:								
Annual service charges	33,047,267	33,047,267	33,534,870	487,603	33,329,415	\$ 33,329,415	\$ 33,378,234	\$ 48,819
Initial service charges	602,784	602,784	723,127	120,343	556,353	556,353	752,380	196,027
Tap-ins, permits and other fees	406,000	406,000	620,447	214,447	446,502	446,502	472,372	25,870
Review and inspection fees	20,000	20,000	40,306	20,306	20,000	20,000	57,631	37,631
Interest on delinquent accounts	167,000	167,000	169,453	2,453	167,000	167,000	180,831	13,831
Interest on Investments	107,000	107,000	211,054	104,054	101,000	101,000	155,587	54,587
Shared service income	20,000	20,000	68,027	48,027	20,000	20,000	76,988	56,988
Miscellaneous income	437,480	437,480	455,836	18,356	426,546	426,546	486,656	60,110
Total operating revenues	<u>34,807,531</u>	<u>34,807,531</u>	<u>35,823,120</u>	<u>1,015,589</u>	<u>35,066,816</u>	<u>35,066,816</u>	<u>35,560,679</u>	<u>493,863</u>
Total Revenues	\$ <u>35,011,216</u>	\$ <u>35,011,216</u>	\$ <u>35,823,120</u>	\$ <u>811,904</u>	\$ <u>35,066,816</u>	\$ <u>35,066,816</u>	\$ <u>35,560,679</u>	\$ <u>493,863</u>
<b>Expenses:</b>								
Cost of providing services								
Payment to other authorities :								
Treatment of Sewerage	\$ 7,542,000	\$ 7,542,000	\$ 7,028,519	\$ 513,481	\$ 7,642,000	\$ 7,642,000	\$ 7,300,237	\$ 341,763
Operating labor	4,844,880	4,844,880	4,694,907	149,973	4,667,291	4,667,291	4,641,489	25,802
Employee benefits	2,525,867	2,525,867	2,280,074	245,793	2,441,057	2,441,057	2,279,975	161,082
Repairs and maintenance	450,950	450,950	421,039	29,911	406,250	406,250	379,136	27,114
Remediation/restoration expense	16,100	16,100	13,815	2,285	14,400	14,400	13,824	576
Vehicle expense	131,150	131,150	89,083	42,067	131,700	131,700	128,220	3,480
Utilities	1,296,571	1,296,571	998,899	297,672	1,297,689	1,297,689	1,049,370	248,319
Supplies	168,540	168,540	261,923	(93,383)	164,065	164,065	231,463	(67,398)
Water quality testing	44,760	44,760	36,639	8,121	40,760	40,760	52,181	(11,421)
Chemicals	657,500	657,500	613,424	44,076	407,500	407,500	343,060	64,440
Information systems	48,150	48,150	44,447	3,703	48,150	48,150	39,549	8,601
Usage fees and permits	70,550	70,550	77,206	(6,656)	64,830	64,830	64,665	165
Education, travel, exams, and dues	21,450	21,450	51,043	(29,593)	19,500	19,500	22,534	(3,034)
Professional services	20,000	20,000	51,129	(31,129)	20,000	20,000	5,393	14,607
Other	121,400	121,400	12,623	108,777	17,050	17,050	12,655	4,395
Total cost of providing services	\$ <u>17,959,868</u>	\$ <u>17,959,868</u>	\$ <u>16,674,770</u>	\$ <u>1,285,098</u>	\$ <u>17,382,242</u>	\$ <u>17,382,242</u>	\$ <u>16,563,751</u>	\$ <u>818,491</u>

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Operating Revenues and Expenditures Funded by Operating Revenues,**  
**Compared to Budget**  
**For the Years Ended March 31, 2016 and 2015**

**Schedule V(Continued)**

	2016				2015			
	Original Budget	Final Budget	Actual	Excess/ (Deficit)	Original Budget	Final Budget	Actual	Excess/ (Deficit)
Expenses (continued)								
Administrative expenses:								
Salaries	\$ 4,336,889	\$ 4,336,889	\$ 4,185,618	\$ 151,271	\$ 4,456,978	\$ 4,456,978	\$ 4,149,288	\$ 307,690
Employee benefits	2,518,202	2,518,202	2,270,907	247,295	2,534,812	2,534,812	2,332,682	202,130
Repairs and maintenance	70,000	70,000	62,587	7,413	61,700	61,700	33,488	28,212
Vehicle expenses	24,000	24,000	17,766	6,234	23,000	23,000	20,571	2,429
Utilities	257,938	257,938	234,829	23,109	260,682	260,682	230,770	29,912
Supplies	94,350	94,350	106,100	(11,750)	90,960	90,960	87,545	3,415
Insurance	338,953	338,953	316,972	21,981	315,120	315,120	320,865	(5,745)
Information systems	222,000	222,000	167,955	54,045	166,000	166,000	95,426	70,574
Professional services	478,260	478,260	479,337	(1,077)	458,100	458,100	323,426	134,674
Postage	100,000	100,000	90,448	9,552	100,000	100,000	80,050	19,950
Usage, fees, permits, and licenses	5,050	5,050	2,720	2,330	4,050	4,050	4,896	(846)
Education, travel, exams, and dues	55,050	55,050	57,183	(2,133)	54,915	54,915	27,900	27,015
Other expenses	44,850	44,850	58,088	(13,238)	54,851	54,851	46,012	8,839
Shared services - solar	-	-	149,551	(149,551)	-	-	60,925	(60,925)
Total administrative expense	<u>8,545,542</u>	<u>8,545,542</u>	<u>8,200,061</u>	<u>345,481</u>	<u>8,581,168</u>	<u>8,581,168</u>	<u>7,813,844</u>	<u>767,324</u>
Total operating expenses	<u>26,505,410</u>	<u>26,505,410</u>	<u>24,874,831</u>	<u>1,630,579</u>	<u>25,963,410</u>	<u>25,963,410</u>	<u>24,377,595</u>	<u>1,585,815</u>
Principal maturity	6,480,187	6,480,187	6,564,378	(84,191)	6,919,863	6,919,863	6,567,559	352,304
Interest expense	2,025,619	2,025,619	1,767,023	258,596	2,183,543	2,183,543	1,992,592	190,951
Total debt service	<u>8,505,806</u>	<u>8,505,806</u>	<u>8,331,401</u>	<u>174,405</u>	<u>9,103,406</u>	<u>9,103,406</u>	<u>8,560,151</u>	<u>543,255</u>
Total costs funded by operating activities	<u>35,011,216</u>	<u>35,011,216</u>	<u>33,206,232</u>	<u>1,804,984</u>	<u>35,066,816</u>	<u>35,066,816</u>	<u>32,937,746</u>	<u>2,129,070</u>
Excess/(deficit) of revenues over/(under) expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,616,888</u>	\$ <u>2,616,888</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,622,933</u>	\$ <u>2,622,933</u>

**Schedule V(Continued)**

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Operating Revenues and Expenditures Funded by Operating Revenues,**  
**Compared to Budget**  
**For the Years Ended March 31, 2016 and 2015**

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Reconciliation of budget results to net income:	2016	2015
Budget results	\$ 2,616,888	\$ 2,622,933
Principal maturity	6,564,378	6,567,559
Grant revenue	300,427	157,208
Reservoir sponsorship and scrap fund	6,590	5,430
Contribution to Township of Brick	(1,000,000)	(1,000,000)
Depreciation expense	(6,526,079)	(6,418,619)
Change in OPEB obligation	(1,037,717)	(1,041,317)
Change in state pension obligation	(2,080,446)	-
Loss on disposal of assets	(8,464)	(296,759)
Amortization of debt issue costs	(183,757)	(218,063)
Amortization of loss on defeasance	(122,808)	(122,808)
Net income (loss)	\$ (1,470,988)	\$ 255,564

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Insurance Coverage**  
**March 31, 2016**

Package Policy:	
Property and Inland Marine.....	\$150,000,000
Boiler and Machinery Systems Breakdown.....	150,000,000
Auto Fleet:	
Liability.....	10,000,000
Physical Damage.....	63,449,853
Public Officials' Liability.....	2,000,000
General Liability.....	10,000,000
Employment Practices Liability.....	3,000,000
Workers' Compensation.....	1,700,000
Cyber and Technology Combined Policy Aggregate Limit.....	6,000,000

The above schedule is presented as a memorandum only and we do not express an opinion as to the adequacy of coverage.

**PART II**  
**SINGLE AUDIT SECTION**

# FALLON & LARSEN LLP

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Certified Public Accountants

1390 Route 36, Suite 102  
Hazlet, New Jersey 07730-1716  
Telephone: (732) 888-2070  
FAX: (732) 888-6245

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*

The Board of Commissioners  
Brick Township Municipal Utilities Authority  
Brick, New Jersey

### Report on Compliance for Each Major Federal Program

We have audited the Brick Township Municipal Utilities Authority, State of New Jersey's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended March 31, 2016. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards, the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2016.

## Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Charles J. Fallon, CPA, RMA*

Charles J. Fallon  
Certified Public Accountant  
Registered Municipal Accountant #506

*Fallon & Larsen LLP*

Fallon & Larsen LLP  
Hazlet, New Jersey  
September 23, 2016

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended March 31, 2016**

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Grant Number/ Pass through Grant Number	Federal CFDA Number	Grant Period	Grant/Loan Award	Cash Received	Program Expenditures	Cumulative Expenditures
<u>U.S. Environmental Protection Agency</u>							
Pass-through programs from:							
State of New Jersey Department of Environmental Protection							
New Jersey Environmental Infrastructure Trust - 2002	042-4860-510-024	66.458	Open	\$ 4,184,603.00	\$ 12,462.00	\$ 12,462.00	\$ 4,559,123.00
Nonpoint Source Implementation Grants	042-4801-100-442	66.605	7/9/13 - 7/8/18	700,500.00	11,984.99	24,290.52	24,290.52
Total U.S. Environmental Protection Agency				<u>4,885,103.00</u>	<u>24,446.99</u>	<u>36,752.52</u>	<u>4,583,413.52</u>
<u>U.S. Department of Homeland Security</u>							
Federal Emergency Management Agency							
Pass-through programs from:							
State of New Jersey Department of Law and Public Safety							
Disaster Grants - Public Assistance (Presidentially Declared Disasters) - Hurricane Sandy	066-1200-100-A92	97.036	Various	4,944,151.40	135,529.72	1,737,486.18	3,205,103.41
State of New Jersey Office of Emergency Management							
Hazard Mitigation Grant Program:							
Flood Proofing Raw Water Pump Station	FEMA-DR-4086-NJ-092	97.039	8/24/14 - 8/25/17	99,756.00	-	39,142.99	39,142.99
Booster Stations Fixed Emergency Generators	FEMA-DR-4086-NJ-211-R	97.039	2/27/15 - 2/27/18	475,400.00	-	415,620.22	415,620.22
Booster and Pump Stations Mobile Emergency Generators	FEMA-DR-4086-NJ-185-R	97.039	4/13/15 - 4/13/18	140,000.00	-	104,513.83	104,513.83
Subtotal State of New Jersey Office of Emergency Management				<u>715,156.00</u>	<u>-</u>	<u>559,277.04</u>	<u>559,277.04</u>
Total U.S. Department of Homeland Security				<u>5,659,307.40</u>	<u>135,529.72</u>	<u>2,296,763.22</u>	<u>3,764,380.45</u>
Total Federal Expenditures				<u>\$10,544,410.40</u>	<u>\$ 159,976.71</u>	<u>\$ 2,333,515.74</u>	<u>\$ 8,347,793.97</u>

See accompanying notes to the schedule of expenditures of federal awards.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Notes to the Schedule of Federal Expenditures**

**For the Year Ended March 31, 2016**

**NOTE 1: ORGANIZATION AND BASIS OF PRESENTATION**

**A. Organization**

The Brick Township Municipal Utilities Authority is the prime sponsor and recipient of various federal and state grant funds. The Authority has delegated the administration of grant programs and the reporting function to various departments within the Authority. Substantially all grant and program cash funds are commingled with the Authority's other funds, although each grant is accounted for separately within the Authority's financial records. The Authority's Department of Finance performs the accounting functions for all grants.

**B. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Brick Township Municipal Utilities Authority. The schedule is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position or changes in fund balances of the Authority.

Pass-through entity identifying numbers are presented where available. When state account numbers (State of New Jersey identifying number) are not included in the grant agreement, the State Schedule of Financial Assistance (GN06) is reviewed to obtain the State account numbers. If no funds were received in the fiscal year, the grant will not appear on the GN06. In these instances, other identifying numbers such as the grant agreement numbers are utilized if available.

**NOTE 2: CONTINGENCIES**

Each of the grantor agencies reserves the right to conduct additional audits of the Authority's grant programs for economy, efficiency and program results. However, Authority management does not believe such audits would result in material amounts of disallowed costs.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended March 31, 2016**

**Section I - Summary of Auditors' Results**

**Financial Statements Section**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? \_\_\_\_\_ Yes   X   No

Reportable condition identified not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**a) Federal Awards**

Internal Control over major programs:

Material weakness identified? \_\_\_\_\_ Yes   X   No

Significant deficiency identified not considered to be material weakness? \_\_\_\_\_ Yes   X   None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516 (a) Section 510(a)? \_\_\_\_\_ Yes   X   No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Grant Number</u>
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters) – Hurricane Sandy	066-1200-100-A92

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as a low-risk auditee?   X   YES \_\_\_\_\_ NO

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended March 31, 2016**

**Section II – Financial Statement Findings**

None reported.

**Section III – Federal Award Findings and Questioned Costs.**

None reported.

**Section IV – Summary Schedule of Prior Audit Findings**

None.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended March 31, 2016**

None.

**PART III**  
**COMMENTS AND RECOMMENDATIONS**

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Comments and Recommendations**  
**March 31, 2016**

None.

Respectfully submitted,

*Charles J. Fallon, CPA, RMA*

Charles J. Fallon, CPA, RMA  
Fallon & Larsen LLP