

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

**ANNUAL FINANCIAL REPORT  
YEARS ENDED MARCH 31, 2017 and 2016**

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Board of Commissioners and Management**  
**March 31, 2017**

**Board of Commissioners**

Gregory M. Flynn	Chairman
James Fozman	Vice Chairman
Thomas C. Curtis	Secretary
Susan Lydecker	Treasurer
Maria E. Foster	Asst. Secretary/Treasurer
William Neafsey	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
John Clifford	Chief Financial Officer

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

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**March 31, 2017 and 2016**

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

# FALLON & LARSEN LLP

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## 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, 2017 and 2016, 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.

## **Opinion**

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, 2017 and 2016, 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 Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension liability and contribution information on pages 5-11, 48-50 and 52-53, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other supplementary information, also listed as supplementary information in the table of contents is 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2017, 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 25, 2017

# FALLON & LARSEN LLP

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## 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 years ended March 31, 2017 and 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 25, 2017.

### **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 25, 2017

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

**FISCAL YEAR APRIL 1, 2016 THROUGH MARCH 31, 2017**

## **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, 2017.

The Authority continues the trend of overall positive performance relative to budget. The term "Budget" in this discussion refers to the 2016/2017 budget which was approved by the Division of Local Government Services on April 14, 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, 2016 through March 31, 2017.

### **Post Employment Benefits Liability:**

The Authority is required to show as a liability an estimated accrual 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 \$22.6 million. The Authority is aware of the potential future impact of not funding this liability and is in the process of developing a plan to reduce the future risk. The OPEB valuation was last 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, 2017 the Authority's share of the state pension plan deficit was \$34,790,454. This is a \$10 million dollar increase over the prior year. We do not expect this liability to continue to increase at that rate, however, it is also a priority issue in our planning to reduce future risk. The current state pension report estimates that the pension will last through 2034.

### **Capital Project and Debt**

The Authority has over \$56 million of bonded debt inclusive of premiums. Our five-year capital plan comprises of over \$42 million of needed infrastructure in order to improve and maintain quality services to our service area. The Authority will be applying to the New Jersey Infrastructure Trust on a regular basis to fund improvement that are too large to fund internally. At the same time, we realize the importance of managing this debt in light of OPEB and pension debts mentioned above.

**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, 2017 and 2016. Net assets represent the difference between assets and liabilities.

	<b><u>2017</u></b>	<b><u>2016</u></b>
<b><u>Assets:</u></b>		
Unrestricted current assets	\$ 27,037,619	\$ 23,332,798
Restricted current assets	15,250,566	12,573,531
Restricted non-current assets	5,117,638	7,348,123
Property & equipment	93,754,179	91,251,419
Deferred outflows	11,744,775	6,538,550
Total assets	<u>\$ 152,904,777</u>	<u>\$ 141,044,421</u>
<b><u>Liabilities &amp; Net Assets:</u></b>		
Unrestricted current liabilities	\$ 2,414,988	\$ 2,280,182
Restricted current liabilities	5,207,704	22,242,078
Net OPEB obligation	22,633,608	21,464,968
Net state pension obligation	34,790,454	24,927,399
Other long-term liabilities and inflows	55,131,149	37,925,130
Net assets	32,726,874	32,204,664
Total liabilities & net assets	<u>\$ 152,904,777</u>	<u>\$ 141,044,421</u>

Overall, the Authority’s Statements of Net Assets have improved between fiscal years as a short term note for 14.5 million was permanently financed. As a result, Unrestricted current asset coverage of all current liabilities increased from 95.1% to 354.71% in fiscal 2017. Current restricted assets have increased slightly. The debt ratio (excluding OPEB and state pensions) for 2017 and 2016 were 40.2% and 41.2%, 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 \$2,502,760, as shown in the above chart. Long-term liabilities (excluding OPEB and state pensions) have increased by \$17.2 million. Principal retirements for all bond issues were \$5.8 million for fiscal 2016/2017. The Authority refunded its 2006 Bonds for a present value savings of \$1.5 million. 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 \$9 million. Unreserved net assets were (\$20.5 million) (which includes the OPEB and state pension obligations including deferrals of \$47 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>2017</u>	<u>2016</u>
Operating revenues	\$ 37,002,230	\$ 35,612,066
Operating expenses:		
Cost of providing services	17,315,676	16,674,770
Administrative expenses	8,445,534	8,200,061
Depreciation	6,454,340	6,526,079
Total operating expenses	<u>32,215,550</u>	<u>31,400,910</u>
Operating income over expenses	4,786,680	4,211,156
Total non-operating revenues/(expenses)	<u>(6,589,629)</u>	<u>(5,682,144)</u>
Net income/(loss)	(1,802,949)	(1,470,988)
Contributed capital and capital grants	2,325,159	36,525
Net assets, beginning of year	<u>32,204,664</u>	<u>33,639,127</u>
Net assets, end of year	<u>\$ 32,726,874</u>	<u>\$ 32,204,664</u>

### **Selective Expenses as a Percent of Operating Revenues - March 31st:**

Administrative expenses	22.8%	23.0%
Cost of providing services	46.8%	46.8%
Depreciation	17.4%	18.3%
Total Operating Expenses	<u>87.1%</u>	<u>88.2%</u>

Operating revenues for fiscal 2016/2017 were \$37.0 million, increased 3.9% as compared to \$35.6 million in prior fiscal year, and \$2,132,000 above the budgeted amount of \$35.1 million. Revenues for all classes were near budgeted amounts except for Lawn Watering, which was \$425,000 or 25.8% over budget and Bulk Water Sales, which was \$298,000 or 22.2% over budget. Sewer single family residential was \$351,350 or 2.4% under budget. Average use for the average homeowner 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 2.580 billion billed water gallons in 2017, versus 2.557 billion in 2016. 1.752 billion sewer gallons were billed in 2017, versus 1.751 billion in 2016. The variances in gallons billed is less than 1% for both sewer and water, and are identical to the variances between of water and sewer usage revenue when compared to the prior year. The increase in revenues to \$37.0 million from \$35.6 million is attributed over \$1 million of addition initial service fees from new development

Administrative expenses of \$8.4 million were 2.99% higher in 2016/2017 than prior fiscal year. Actual administrative costs were (\$594,000) below the budgeted amount of \$9.0 million. All the administrative costs were below budget, except repairs and maintenance which was \$3,230 over budget. Salaries and benefits were (\$302,000) below budget as employee contributions and PERS payment contributed to the positive variance. The Authority had 152 budgeted positions in 2016/2017, including Commissioners and seasonal employees.

Cost of providing services (COPS) increased from \$16.7 million in 2015/2016 to \$17.3 million in 2016/2017. Operating Labor increased \$388,200 and Benefits increased \$212,000 which accounts for the bulk of the \$640,900 difference. The increases are a combination of salary and rate increases as well as new hires. Salaries and benefits for the prior year only increased \$50,000. The average increase of the past two years falls within normal parameters.

Sewerage treatment charges amounted to \$7.09 million in fiscal 2016/2017, (\$455,000) below budget. The Authority's largest single operating expense is the payment to the Ocean County Utilities Authority, amounting to \$7.01. The OCUA expense contributed to the positive variance for cost of providing services of (\$1.1 million) versus budget. Actual expenses relative to budget were lower as well for chemicals (\$236,000), and utilities (\$254,000).

Non-operating revenues and expenses for fiscal 2016/2017 were comprised of \$1.6 million in interest expense, partially offset by \$250,000 in interest income. Net loss for fiscal 2016/2017 was (\$1.8 million). The Authority's Net Loss position's primarily due to the increase in state pension obligations of (\$2.3 million). Since the net loss calculations in the Statement of Revenues and Expenses include various non-cash related items, the Authority's cash flow remains adequate despite the continued net losses.

As noted above, the ratios of administrative, depreciation, and total operating expenses relative to operating revenues remained relatively stable in fiscal 2016/2017 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 improved to 4.9X for fiscal 2016/2017 versus 4.2X 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%
April 1, 2017:	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, however it will visit changing its current rate structure after considering the effects of its future anticipated borrowing for capital projects and its OPEB and Pension liabilities during the preparation of its fiscal 2018/2019 budget.

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, The Authority completed a refunding of its Series 2006 Bonds in 2016. At the same time, the Authority borrowed \$10 million to fund its current capital needs in addition to rolling 14.5 million of short term debt to permanent financing. The Authority anticipates issuing more debt in the near future, taking into consideration the extended capital plan. Key projects being considered include water plant expansion, and water and sewer main replacement 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 2017/2018. The Authority is currently reviewing both capital needs and financing alternatives.

## **Auditors**

The Authority auditor for the fiscal year ending March 31, 2017 was Fallon & Larson, 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>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Unrestricted current assets:		
Cash and cash equivalents	\$ 13,038,447	\$ 16,888,890
Investments	10,000,000	2,690,000
Accounts receivable	3,091,563	2,971,531
Grants receivable	800	800
Inventory - supplies	591,835	541,173
Prepaid expenses	314,974	240,404
Total unrestricted current assets	<u>27,037,619</u>	<u>23,332,798</u>
Restricted current assets:		
Cash and cash equivalents	11,323,789	5,625,047
Investments	3,900,000	6,930,000
Accrued interest receivable	26,777	18,484
Total restricted current assets	<u>15,250,566</u>	<u>12,573,531</u>
Restricted non-current assets:		
Cash	60,138	7,271,387
Investments	5,057,500	-
Assets held in trust with NJ Environmental Infrastructure Trust	-	76,736
Total restricted non-current assets	<u>5,117,638</u>	<u>7,348,123</u>
Property and equipment, net	<u>93,754,179</u>	<u>91,251,419</u>
Total assets	<u>141,160,002</u>	<u>134,505,871</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Pension deferrals	10,469,605	3,938,459
Unamortized bond defeasement and issue costs	1,275,170	2,600,091
Total deferred outflow of resources	<u>11,744,775</u>	<u>6,538,550</u>
Total assets and deferred outflow of resources	<u>\$ 152,904,777</u>	<u>\$ 141,044,421</u>

The accompanying notes are an integral part of this statement.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Statements of Net Position**

**March 31,**

	<u>2017</u>	<u>2016</u>
<b>LIABILITIES</b>		
Unrestricted current liabilities:		
Accounts payable	\$ 474,412	\$ 511,020
Accrued expenses	239,459	135,779
Unearned income	1,701,117	1,633,383
Total unrestricted current liabilities	<u>2,414,988</u>	<u>2,280,182</u>
Restricted current liabilities:		
Accounts payable	512,886	358,150
Current portion of long-term debt	3,359,437	5,752,634
Short-term debt	-	14,500,000
Accrued interest payable	729,313	497,384
Unearned income	120,416	329,530
Unearned grant income	-	460,076
Developer escrow	245,899	155,489
Retainage payable	239,753	188,815
Total restricted current liabilities	<u>5,207,704</u>	<u>22,242,078</u>
Long-term liabilities:		
Long-term debt (inclusive of premiums of \$5,278,525 and \$1,585,485 and discounts of \$104,933 and \$144,931 in 2017 and 2016 respectively)	53,360,477	35,136,875
Reserve for uncompensated absences	1,258,642	1,269,011
Net OPEB obligation	22,633,608	21,464,968
Net state pension obligation	34,790,454	24,927,399
Total long-term liabilities	<u>112,043,181</u>	<u>82,798,253</u>
Total Liabilities	<u>119,665,873</u>	<u>107,320,513</u>
<b>DEFERRED INFLOW OF RESOURCES</b>		
Pension deferrals	<u>512,030</u>	<u>1,519,244</u>
Total liabilities and deferred inflow of resources	<u>\$ 120,177,903</u>	<u>\$ 108,839,757</u>

The accompanying notes are an integral part of this statement.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Statements of Net Position**

**March 31,**

	<u>2017</u>	<u>2016</u>
<b>NET POSITION</b>		
Investments in capital assets, net of related debt	\$ 40,090,058	\$ 38,917,703
Restricted net position:		
Debt service	4,617,638	6,771,388
Unrestricted net position:		
Reserved for renewal and replacement	500,000	500,000
Reserved for future construction	7,989,496	5,128,516
Unreserved	<u>(20,470,318)</u>	<u>(19,112,943)</u>
Total restricted and unrestricted net position	<u>(7,363,184)</u>	<u>(6,713,039)</u>
Total net position	<u>\$ 32,726,874</u>	<u>\$ 32,204,664</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,**

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Annual service charges	\$ 33,731,772	\$ 33,534,870
Initial service charges	1,781,739	768,753
Tap-ins, permits, and other fees	605,634	574,821
Review and inspection fees	226,667	40,306
Interest on delinquent payments	155,754	169,453
Shared service income	54,182	68,027
Miscellaneous income	446,482	455,836
Total operating revenues	<u>37,002,230</u>	<u>35,612,066</u>
Operating expenses:		
Cost of providing services	17,315,676	16,674,770
Administrative expenses	8,445,534	8,200,061
Depreciation	6,454,340	6,526,079
Total operating expenses	<u>32,215,550</u>	<u>31,400,910</u>
Operating income over expenses	<u>4,786,680</u>	<u>4,211,156</u>
Non-operating revenue (expenses):		
Interest on investments	250,031	211,054
Interest expense	(1,629,874)	(1,767,023)
Contribution to Township of Brick	(1,000,000)	(1,000,000)
Grant revenue	15,537	300,427
Change in net OPEB obligation	(1,168,640)	(1,037,717)
Change in state pension obligation	(2,324,695)	(2,080,446)
Loss on disposal of assets	(72,324)	(8,464)
Reservoir sponsorship and scrap fund deposits	3,280	6,590
Loss on bond defeasement	(225,626)	-
Amortization of debt issue costs	(314,510)	(183,757)
Amortization of loss on defeasement	(122,808)	(122,808)
Total non-operating revenue (expenses)	<u>(6,589,629)</u>	<u>(5,682,144)</u>
Net income (loss)	(1,802,949)	(1,470,988)
Restricted and unrestricted net position, April 1	(6,713,039)	2,007,138
Contributed capital and capital grants	2,325,159	36,525
Net change in investments in capital asset, net of related debt	(1,172,355)	(7,285,714)
Restricted and unrestricted net position, March 31	<u>(7,363,184)</u>	<u>(6,713,039)</u>
Investments in capital assets, net of related debt, April 1	38,917,703	31,631,989
Net increase (decrease) in capital assets	2,502,760	721,336
Decrease (increase) in related debt	(1,330,405)	6,564,378
Investments in capital assets, net of related debt, March 31	<u>40,090,058</u>	<u>38,917,703</u>
Total net position, March 31	<u>\$ 32,726,874</u>	<u>\$ 32,204,664</u>

The accompanying notes are an integral part of this statement.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Statements of Cash Flows**

**March 31,**

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Cash received from service users	\$ 36,882,198	\$ 35,947,419
Cash paid to suppliers	(17,328,890)	(16,471,152)
Cash paid to employees	(9,416,195)	(8,880,525)
Interest received	241,738	204,320
Interest paid	<u>(1,598,236)</u>	<u>(1,875,119)</u>
Net cash flow from operating activities	<u>8,780,615</u>	<u>8,924,943</u>
 <b>Cash flows from financing activities:</b>		
Payments for capital acquisitions	(8,867,341)	(7,280,310)
Proceeds from sale of assets	5,222	5,199
Proceeds from capital grants	2,156,854	-
Proceeds from sale of bonds	38,524,215	-
Bond principal retirements	(36,701,751)	(6,564,378)
Proceeds from assets released from trust	<u>76,736</u>	<u>195,950</u>
Net cash flow from financing activities	<u>(4,806,065)</u>	<u>(13,643,539)</u>
 <b>Cash flows from investing activities:</b>		
Maturities/(purchases) of investments	<u>(9,337,500)</u>	<u>3,033,000</u>
Net cash flow from investing activities	<u>(9,337,500)</u>	<u>3,033,000</u>
 Net change in cash and cash equivalents	(5,362,950)	(1,685,596)
Cash and cash equivalents, April 1	<u>29,785,324</u>	<u>31,470,920</u>
 Cash and cash equivalents, March 31	<u>\$ 24,422,374</u>	<u>\$ 29,785,324</u>
 <b>Schedule of non-cash investing and financing activities:</b>		
Capital contributions capitalized	<u>\$ 168,305</u>	<u>\$ 36,525</u>
 <b>Reconciliation to the Statements of Net Position:</b>		
Unrestricted cash and cash equivalents	\$ 13,038,447	\$ 16,888,890
Restricted current cash and cash equivalents	11,323,789	5,625,047
Restricted noncurrent cash and cash equivalents	<u>60,138</u>	<u>7,271,387</u>
Cash and cash equivalents, March 31	<u>\$ 24,422,374</u>	<u>\$ 29,785,324</u>

The accompanying notes are an integral part of this statement.

# BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

## Statements of Cash Flows

March 31,

	2017	2016
<b>Reconciliation of net loss to net cash flow from Operating activities:</b>		
Net income (loss)	\$ (1,802,949)	\$ (1,470,988)
Items which did not use (provide) cash:		
Depreciation	6,454,340	6,526,079
Change in net OPEB obligation	1,168,640	1,037,717
Change in net state pension obligation	2,324,695	2,080,446
Loss on disposal of assets	72,324	8,464
Amortization on bond premium/discount	(394,430)	(79,351)
Amortization of debt issue costs	107,397	183,757
Amortization of loss on defeasement	122,808	122,808
Loss on defeasement	538,088	-
Working capital changes which provided (used) cash:		
Accounts receivable	(120,032)	335,353
Accrued interest receivable	(8,293)	(6,734)
Inventory	(50,662)	37,786
Prepaid expenses	(74,570)	(2,734)
Accounts payable	118,128	290,711
Accrued expenses	103,680	(87,194)
Unearned income	(141,457)	(44,489)
Accrued interest payable	231,929	(88,840)
Developer escrow	90,410	(39,153)
Retainage payable	50,938	84,798
Reserve for compensated absences	(10,369)	36,507
Net cash flow from operating activities	\$ 8,780,615	\$ 8,924,943

The accompanying notes are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended March 31, 2017 and 2016**

**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.

**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, 2017 and 2016**

**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.

**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 \$2,000 or more.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended March 31, 2017 and 2016**

**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	5-10 years
Vehicles	5 years

Depreciation expense for the years ended March 31, 2017 and 2016 was \$6,454,340 and \$6,526,079 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, 2017 and 2016**

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

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

<u>Account</u>	<u>Amount</u>	<u>Purpose</u>
<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, 2017 and 2016. The Authority expensed \$1,629,874 and \$1,767,023 of interest during 2017 and 2016, respectively.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended March 31, 2017 and 2016**

**NOTE 3 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, 2017 and 2016, are reported at fair value.

	<u>2017</u>	<u>2016</u>
Deposits:		
Demand deposits	\$ 24,422,375	\$ 22,913,060
Certificates of deposit	-	6,949,000
Total deposits	<u>\$ 24,422,375</u>	<u>\$ 29,862,060</u>
Reconciliation to Statement of Net Position:		
Current unrestricted assets:		
Cash and cash equivalents	\$ 13,038,447	\$ 16,888,890
Current restricted assets:		
Cash and cash equivalents	11,323,789	5,625,047
Restricted non-current assets:		
Cash and cash equivalents	60,138	7,348,123
Total cash and cash equivalents	<u>\$ 24,422,374</u>	<u>\$ 29,862,060</u>

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of March 31, 2017 and 2016, the Authority's bank balance of \$43,393,143 and \$39,482,060, respectively, was insured or collateralized as follows:

	<u>2017</u>	<u>2016</u>
Insured	\$ 1,000,000	\$ 750,000
Collateralized in the Authority's name		
Under GUDPA	42,379,875	38,732,060
Total	<u>\$ 43,379,875</u>	<u>\$ 39,482,060</u>

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.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended March 31, 2017 and 2016**

**NOTE 4 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, 2017 and 2016**

**NOTE 4 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, 2017 and 2016, the Authority had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Rating</u>	<u>2017 Fair Value</u>	<u>2016 Fair Value</u>
Certificates of deposit	Various	N/A	\$18,957,500	\$9,620,000

**D. Fair Value of Investments**

Investments are shown at fair value on the balance sheet with accrued interest shown under a separate caption. Investments are summarized as follows at March 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Certificates of deposit	\$ <u>18,957,500</u>	\$ <u>9,620,000</u>
Total fair value of investments	\$ <u>18,957,500</u>	\$ <u>9,620,000</u>

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended March 31, 2017 and 2016**

**NOTE 5 PROPERTY, PLANT AND EQUIPMENT**

Details of property, plant and equipment as of March 31, 2017 and 2016 are as follows:

	<u>March 31, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>March 31, 2017</u>
Land and easements	\$ 4,589,431	\$ 528,730	\$ 9,221	\$ 5,108,940
Administration building and warehouse	6,974,690	779,864	-	7,754,554
Water production and distribution system	83,498,247	1,253,565	20,116	84,731,696
Sewer collection system	101,939,933	42,303	1,358	101,980,878
Meters	2,922,855	573,885	379,267	3,117,473
Reservoir	37,303,308	131,319	2,226	37,432,401
Construction in progress - other	10,415,487	8,344,362	4,155,714	14,604,135
Equipment	19,622,479	1,487,236	1,013,829	20,095,886
Vehicles	2,903,490	50,096	32,520	2,921,066
Subtotal	270,169,920	13,191,360	5,614,251	277,747,029
Less: accumulated depreciation	178,918,501	6,454,341	1,379,992	183,992,850
Property, plant, and equipment, net	<u>\$ 91,251,419</u>	<u>\$ 6,737,019</u>	<u>\$ 4,234,259</u>	<u>\$ 93,754,179</u>

**NOTE 6 LONG-TERM DEBT**

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

	<u>2017</u>	<u>2016</u>
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.	\$ 922,651	\$ 1,074,102
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

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended March 31, 2017 and 2016**

**NOTE 6 LONG-TERM DEBT (continued)**

	<u>2017</u>	<u>2016</u>
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.	357,666	417,116
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.	242,326	310,364
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.	1,729,980	1,971,568
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.	1,212,999	1,469,302
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
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.	365,000	415,000

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended March 31, 2017 and 2016**

**NOTE 6 LONG-TERM DEBT (continued)**

	<u>2017</u>	<u>2016</u>
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.	630,771	710,764
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.	12,685,000	12,730,000
Series 2016A revenue bonds, interest rate of 3.00% to 5.00%, maturity dates serially beginning December 1, 2017 and ending December 1, 2028. Interest payment dates are June 1 and December 1.	23,020,000	-
Series 2016B refunding bonds, interest rates of 3.00% to 5.00%, maturity dates December 1, 2017, December 1, 2018 and then serially December 1, 2020 through December 1, 2027. Interest payment dates are June 1 and December 1.	<u>10,380,000</u>	<u>-</u>
Total long-term debt	51,546,322	39,448,955
Unamortized bond premium	5,278,525	1,585,485
Unamortized bond discount	(104,933)	(144,931)
Less: current portion	<u>(3,359,437)</u>	<u>(5,752,634)</u>
Bonds payable, excluding current portion	<u>\$ 53,360,477</u>	<u>\$ 35,136,875</u>

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended March 31, 2017 and 2016**

**NOTE 6 LONG-TERM DEBT (continued)**

2001 Series Bonds – New Jersey Environmental Infrastructure Trust

2001 (W15606001-001)

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, 2017 through 2021 at annual maturities ranging from \$63,388 to \$80,030 and bear interest at rates ranging from 4.75% to 5.00%.

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)

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, 2017 through 2021 at annual maturities ranging from \$155,299 to \$222,413 and bear interest rates ranging from 4.75% to 5.00%.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended March 31, 2017 and 2016**

**NOTE 6 LONG-TERM DEBT (continued)**

2001 (S340448-04) (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

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.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended March 31, 2017 and 2016**

**NOTE 6 LONG-TERM DEBT (continued)**

2010 Series Bonds – New Jersey Environmental Infrastructure Trust

2010 (S340-448-07/08)

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, 2017 through 2029 at annual maturities ranging from \$25,000 to \$37,000 and bear interest at rates ranging from 4.00% to 5.00%.

2011 Bonds

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, 2017 through December 1, 2032 and bear interest rates ranging from 2.00% to 4.50%.

2016A Bonds

The Authority issued Revenue Refunding Bonds, Series 2016A dated December 1, 2016 in the amount of \$23,020,000. The bonds were issued to provide funds to: (1) (a) finance the planning, design, construction, acquisition and installation of various capital improvements to the Authority’s Water System and Sewerage System, and to the related buildings, structures and administrative systems, and (b) pay the principal on the Authority’s \$14,500,000 Project Bonds, Series 2015A, dated March 30, 2016, and maturing on December 1, 2016, (2) fund the Bond Reserve Fund for the Series 2016A Bonds, as necessary, to equal the Bond Reserve Requirement, and (3) pay certain costs and expenses incidental to the issuance and delivery of the Series 2016A Bonds.

The Bonds have remaining annual maturities ranging from \$760,000 to \$2,600,000 with principle payments due December 1, 2017 through December 1, 2028 and bear interest rates ranging from 3.00% to 4.00%

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended March 31, 2017 and 2016**

**NOTE 6 LONG-TERM DEBT (continued)**

2016B Bonds

The Authority issued Revenue Refunding Bonds, Series 2016B dated December 1, 2016 in the amount of \$10,380,000. The Series Bonds were issued to provide funds to: (1) currently refund all of the Authority's outstanding Revenue Refunding Bonds (Series 2006) maturing on December 1 in each of the years 2017 through 2024 and on December 1, 2027 in the aggregate principal amount of \$15,520,000 (the "Prior Bonds"); (2) fund the Bond Reserve Fund for the Series 2016B Bonds, as necessary, to equal the Bond Reserve Requirement, and (3) pay certain costs and expenses incidental to the issuance and delivery of the Series 2016B Bonds.

The Bonds have remaining annual maturities ranging from \$800,000 to \$1,290,000 with principle payments due December 1, 2017 through December 1, 2027 and bear interest rates ranging from 3.00% to 5.00%.

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
2018	\$ 3,359,437	\$ 2,281,383	\$ 5,640,820
2019	3,461,638	2,184,376	5,646,014
2020	3,614,805	2,049,076	5,663,881
2021	3,756,776	1,903,034	5,659,810
2022	3,858,080	1,717,678	5,575,758
2023-2027	17,769,586	6,030,300	23,799,886
2028-2032	13,371,000	1,975,623	15,346,623
2033	2,355,000	98,138	2,453,138
Total	<u>\$ 51,546,322</u>	<u>\$ 18,239,608</u>	<u>\$ 69,785,930</u>

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended March 31, 2017 and 2016**

**NOTE 6 LONG-TERM DEBT (continued)**

Changes in the outstanding debt for 2017 are as follows:

Issue	Balance Mar. 31, 2016	Issued (Refunded)	Paid	Balance Mar. 31, 2017
2001 NJEIT	\$ 727,480	\$ -	\$ 127,487	\$ 599,993
2001 NJEIT	1,209,841	-	287,190	922,651
2002 NJEIT	3,440,870	-	497,963	2,942,907
Series 2006	20,215,000	(15,520,000)	4,695,000	-
2010 NJEIT	1,125,764	(30,000)	99,993	995,771
Series 2011	12,730,000	-	45,000	12,685,000
Series 2016A	-	23,020,000	-	23,020,000
Series 2016B	-	10,380,000	-	10,380,000
	<u>\$ 39,448,955</u>	<u>\$ 17,850,000</u>	<u>\$5,752,633</u>	<u>\$ 51,546,322</u>

**NOTE 7 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, 2017 and 2016, an amount of \$1,258,642 and \$1,269,011, 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, 2017 and 2016**

**NOTE 8 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/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml).

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

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, 2017 and 2016**

**NOTE 8 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 \$1,043,563 and \$984,660 and for 2017 and 2016, 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 7.20% effective July 1, 2016 and increased to 7.35% effective July 1, 2017. 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:

Year	Authority	Contribution
<u>Ending</u>	<u>Required</u>	<u>Percentage</u>
<u>Employees</u>	<u>Amount</u>	
3/31/2017	\$ 1,043,563	100%
3/31/2016	\$ 984,660	100%
3/31/2015	\$ 951,674	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, 2017 and 2016**

**NOTE 8 PENSIONS (continued)**

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

At March 31, 2017 and 2016, the Authority's proportionate share of the PERS net pension liability is valued to be \$34,790,454 and \$24,927,399, respectively. The net pension liabilities were measured as of June 30, 2016 and 2015, 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, 2015, to the measurement date of June 30, 2016. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The Authority's proportion measured as of June 30, 2016, was 0.1174673320%, which was an increase of 0.0064222368% from its proportion measured as of June 30, 2015 of 0.1110450952%.

	<u>2017</u>	<u>2016</u>	<u>Increase/ (Decrease)</u>
Actuarial Valuation Date	July 1, 2016	July 1, 2015	
Net Pension Liability	\$ 34,790,454	\$ 24,927,399	\$ 9,863,055
Authority's Proportion of the Plan's Total Net Pension Liability	0.1174673320%	0.1110450952%	0.0064222368%

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended March 31, 2017 and 2016**

**NOTE 8 PENSIONS (continued)**

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

For the year ended March 31, 2017 and 2016 the Authority recognized pension expense of \$3,368,258 and \$3,065,106, respectively. The Authority reported deferred outflow of resources and deferred inflow of resources related to pension from the following sources:

	<b><u>Year ended March 31, 2017</u></b>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 646,997	\$ -
Changes of assumptions	7,206,723	-
Changes in proportion	1,289,292	512,030
Net difference between projected and actual investment earning on pension plan investments	<u>1,326,592</u>	<u>-</u>
	<u>\$ 10,469,604</u>	<u>\$ 512,030</u>

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended March 31, 2017 and 2016**

**NOTE 8 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,

	2018	\$ 2,092,744
	2019	2,092,744
	2020	2,701,430
	2021	2,281,284
	2022	<u>789,373</u>
Total		<u>\$ 9,957,575</u>

March 31,  
2017

Deferred Outflows		\$ 10,469,605
Deferred Inflows		<u>512,030</u>
Net Outflows (Inflows)		<u>\$ 9,957,575</u>

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended March 31, 2017 and 2016**

**NOTE 8 PENSIONS (continued)**

**E. Actuarial Assumptions**

The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

	<u>PERS</u>
Measurement date	6/30/2016
Actuarial valuation date	7/1/2015
Investment rate of return	7.65%
Salary increases	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Inflation Rate	3.08%

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

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended March 31, 2017 and 2016**

**NOTE 8 PENSIONS (continued)**

**E. Actuarial Assumptions (continued)**

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

**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, 2016 are summarized in the following table:

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

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended March 31, 2017 and 2016**

**NOTE 8 PENSIONS (continued)**

**G. Discount Rate**

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.68%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The local employees contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**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>(2.98%)</u>	<u>(3.98%)</u>	<u>(4.98%)</u>
Authority's proportionate share of the net pension liability	\$ 42,631,640	\$ 34,790,454	\$ 28,316,875

**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.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended March 31, 2017 and 2016**

**NOTE 9 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.

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:

	<u>2017</u>	<u>2016</u>
Annual Required Contribution (ARC)	\$ 1,634,838	\$ 1,442,957
Pay as You Go Cost (Existing Retirees)	<u>(466,198)</u>	<u>(405,240)</u>
Increase in net OPEB obligation	1,168,640	1,037,717
Net OPEB obligation, beginning of year	<u>21,464,968</u>	<u>20,427,251</u>
Net OPEB obligation, end of year	<u>\$ 22,633,608</u>	<u>\$ 21,464,968</u>
Percentage of Annual OPEB Cost Contributed	28.5%	28.1%

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended March 31, 2017 and 2016**

**NOTE 9 OTHER POST EMPLOYMENT BENEFITS (continued)**

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

	2017	2016
Actuarial Accrued Liability (AAL)	\$ 20,996,814	\$ 19,489,657
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 20,996,814	\$ 19,489,657
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.

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, 2017 was \$22,633,608.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended March 31, 2017 and 2016**

**NOTE 10 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 11 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 \$176,909 and \$149,551 for the years ended March 31, 2017 and March 31, 2016, respectively, net of revenue.

**NOTE 12 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 partial schedule of insurance coverage can be found in the Schedule of Insurance Coverage.

**NOTE 13 SUBSEQUENT EVENTS**

The Authority has evaluated subsequent events occurring after March 31, 2016 through the date of September 25, 2017, which is the date the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Operating Revenues**  
**For the years ended March 31, 2017 and 2016**

	Total Amount	Water		Sewer	
		Number of Customers	Amount	Number of Customers	Amount
For the year ended March 31, 2017:					
Annual service charges:					
Residential:					
Single-family	\$ 23,580,572	31,342	\$ 9,565,453	30,723	\$ 14,015,119
Multi-family	1,604,098	2,642	582,812	2,660	1,021,286
Commercial and industrial	3,387,548	1,734	1,393,970	1,687	1,993,578
Schools	251,222	23	110,307	20	140,915
Municipal	64,407	42	29,281	32	35,126
Lawn watering	2,072,882	4,478	2,072,882	-	-
Bulk – Point Pleasant Beach	1,187,358	-	1,187,358	-	-
Bulk – Other	506,158	-	454,902	15	51,256
Fire protection					
Public fire districts	667,759	4	667,759	-	-
Private	409,768	204	409,768	-	-
Total annual service charges	<u>33,731,772</u>	<u>40,469</u>	<u>16,474,492</u>	<u>35,137</u>	<u>17,257,280</u>
Initial service charges	1,781,739	-	957,716	-	824,023
Tap-ins, permits and other fees	605,634	-	457,736	-	147,898
Review and inspection fees	226,667	-	113,386	-	113,281
Interest on delinquent payments	155,754	-	77,877	-	77,877
Shared services income	54,182	-	54,182	-	-
Miscellaneous income	<u>446,482</u>	<u>-</u>	<u>446,482</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>\$ 37,002,230</u>	<u>40,469</u>	<u>\$ 18,581,871</u>	<u>35,137</u>	<u>\$ 18,420,359</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	400,530	196	400,530	-	-
Total annual service charges	<u>33,534,870</u>	<u>40,184</u>	<u>16,316,328</u>	<u>34,947</u>	<u>17,218,542</u>
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, 2017 and 2016**

	2017			2016		
	Total	Water	Sewer	Total	Water	Sewer
Treatment of sewerage by:						
Ocean County						
Utilities Authority	\$ 7,065,809		\$ 7,065,809	\$ 7,007,647	\$ -	\$ 7,007,647
Toms River Municipal						
Utilities Authority	21,178		21,178	20,872	-	20,872
Operating labor	5,083,085	3,919,718	1,163,367	4,694,907	3,629,366	1,065,541
Employee benefits	2,492,084	1,901,389	590,695	2,280,074	1,716,762	563,312
Repairs and maintenance	432,366	302,005	130,361	421,039	311,303	109,736
Remediation/restoration expense	10,514	5,616	4,898	13,815	7,989	5,826
Vehicle expenses	96,237	37,558	58,679	89,083	34,202	54,881
Utilities	975,396	820,013	155,383	998,899	866,220	132,679
Other expenses:						
Supplies	230,230	206,646	23,584	261,923	205,180	56,743
Water quality testing	72,038	72,038		36,639	36,639	-
Chemicals	621,110	616,221	4,889	613,424	613,424	-
Information systems	46,675	46,675		44,447	44,447	-
Usage, fees, permits and licenses	71,407	70,750	657	77,206	76,876	330
Education, travel, exams and dues	29,359	21,365	7,994	51,043	36,010	15,033
Professional services	54,769	40,307	14,462	51,129	33,299	17,830
Other expenses	13,419	12,682	737	12,623	11,495	1,128
<b>Total cost of providing services</b>	<b>\$ 17,315,676</b>	<b>\$ 8,072,983</b>	<b>\$ 9,242,693</b>	<b>\$ 16,674,770</b>	<b>\$ 7,623,212</b>	<b>\$ 9,051,558</b>

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Administrative Expenses**  
**For the years ended March 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Salaries	\$ 4,333,110	\$ 4,185,618
Employee benefits	2,416,037	2,270,907
Repairs and maintenance	80,480	62,587
Vehicles	15,557	17,766
Utilities	220,249	234,829
Supplies	99,356	106,100
Insurance	319,353	316,972
Information systems	218,420	167,955
Professional services	378,451	479,337
Postage	86,963	90,448
Usage, fees, permits, and licenses	3,264	2,720
Education, travel, exams, and dues	51,222	57,183
Other expenses	46,163	58,088
Shared services – solar	<u>176,909</u>	<u>149,551</u>
 Total administrative expenses	 <u><u>\$ 8,445,534</u></u>	 <u><u>\$ 8,200,061</u></u>

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Operating Revenues and Expenditures Funded by Operating Revenues,**  
**Compared to Budget**  
**For the Years Ended March 31, 2017 and 2016**

**Schedule V**

	2017				2016			
	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	33,215,874	33,215,874	33,731,772	515,898	33,047,267	33,047,267	33,534,870	487,603
Initial service charges	594,665	594,665	1,781,739	1,187,074	602,784	602,784	723,127	120,343
Tap-ins, permits and other fees	437,000	437,000	605,634	168,634	406,000	406,000	620,447	214,447
Review and inspection fees	40,000	40,000	226,667	186,667	20,000	20,000	40,306	20,306
Interest on delinquent accounts	167,000	167,000	155,754	(11,246)	167,000	167,000	169,453	2,453
Interest on Investments	161,000	161,000	250,031	89,031	107,000	107,000	211,054	104,054
Shared service income	70,000	70,000	54,182	(15,818)	20,000	20,000	68,027	48,027
Miscellaneous income	434,542	434,542	446,482	11,940	437,480	437,480	455,836	18,356
Total operating revenues	<u>35,120,081</u>	<u>35,120,081</u>	<u>37,252,261</u>	<u>2,132,180</u>	<u>34,807,531</u>	<u>34,807,531</u>	<u>35,823,120</u>	<u>1,015,589</u>
Total Revenues	<u>\$ 35,120,081</u>	<u>\$ 35,120,081</u>	<u>\$ 37,252,261</u>	<u>\$ 2,132,180</u>	<u>\$ 35,011,216</u>	<u>\$ 35,011,216</u>	<u>\$ 35,823,120</u>	<u>\$ 811,904</u>
<b>Expenses:</b>								
Cost of providing services								
Payment to other authorities :								
Treatment of Sewerage	\$ 7,542,000	\$ 7,542,000	\$ 7,086,987	\$ 455,013	\$ 7,542,000	\$ 7,542,000	\$ 7,028,519	\$ 513,481
Operating labor	5,012,875	5,012,875	5,083,085	(70,210)	4,844,880	4,844,880	4,694,907	149,973
Employee benefits	2,642,689	2,642,689	2,492,084	150,605	2,525,867	2,525,867	2,280,074	245,793
Repairs and maintenance	465,900	465,900	432,366	33,534	450,950	450,950	421,039	29,911
Remediation/restoration expense	14,850	14,850	10,514	4,336	16,100	16,100	13,815	2,285
Vehicle expense	133,250	133,250	96,237	37,013	131,150	131,150	89,083	42,067
Utilities	1,229,140	1,229,140	975,396	253,744	1,296,571	1,296,571	998,899	297,672
Supplies	225,300	225,300	230,230	(4,930)	168,540	168,540	261,923	(93,383)
Water quality testing	47,000	47,000	72,038	(25,038)	44,760	44,760	36,639	8,121
Chemicals	857,500	857,500	621,110	236,390	657,500	657,500	613,424	44,076
Information systems	75,000	75,000	46,675	28,325	48,150	48,150	44,447	3,703
Usage fees and permits	75,550	75,550	71,407	4,143	70,550	70,550	77,206	(6,656)
Education, travel, exams, and dues	44,100	44,100	29,359	14,741	21,450	21,450	51,043	(29,593)
Professional services	15,500	15,500	54,769	(39,269)	20,000	20,000	51,129	(31,129)
Other	16,650	16,650	13,419	3,231	121,400	121,400	12,623	108,777
Total cost of providing services	<u>\$ 18,397,304</u>	<u>\$ 18,397,304</u>	<u>\$ 17,315,676</u>	<u>\$ 1,081,628</u>	<u>\$ 17,959,868</u>	<u>\$ 17,959,868</u>	<u>\$ 16,674,770</u>	<u>\$ 1,285,098</u>

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Operating Revenues and Expenditures Funded by Operating Revenues,**  
**Compared to Budget**  
**For the Years Ended March 31, 2017 and 2016**

**Schedule V(Continued)**

	2017				2016			
	Original Budget	Final Budget	Actual	Excess/ (Deficit)	Original Budget	Final Budget	Actual	Excess/ (Deficit)
Expenses (continued)								
Administrative expenses:								
Salaries	\$ 4,488,233	\$ 4,488,233	\$ 4,333,110	\$ 155,123	\$ 4,336,889	\$ 4,336,889	\$ 4,185,618	\$ 151,271
Employee benefits	2,563,019	2,563,019	2,416,037	146,982	2,518,202	2,518,202	2,270,907	247,295
Repairs and maintenance	77,250	77,250	80,480	(3,230)	70,000	70,000	62,587	7,413
Vehicle expenses	26,000	26,000	15,557	10,443	24,000	24,000	17,766	6,234
Utilities	252,895	252,895	220,249	32,646	257,938	257,938	234,829	23,109
Supplies	109,800	109,800	99,356	10,444	94,350	94,350	106,100	(11,750)
Insurance	336,705	336,705	319,353	17,352	338,953	338,953	316,972	21,981
Information systems	301,200	301,200	218,420	82,780	222,000	222,000	167,955	54,045
Professional services	449,305	449,305	378,451	70,854	478,260	478,260	479,337	(1,077)
Postage	100,000	100,000	86,963	13,037	100,000	100,000	90,448	9,552
Usage, fees, permits, and licenses	4,600	4,600	3,264	1,336	5,050	5,050	2,720	2,330
Education, travel, exams, and dues	61,590	61,590	51,222	10,368	55,050	55,050	57,183	(2,133)
Other expenses	59,200	59,200	46,163	13,037	44,850	44,850	58,088	(13,238)
Shared services - solar	210,000	210,000	176,909	33,091	-	-	149,551	(149,551)
Total administrative expense	<u>9,039,797</u>	<u>9,039,797</u>	<u>8,445,534</u>	<u>594,263</u>	<u>8,545,542</u>	<u>8,545,542</u>	<u>8,200,061</u>	<u>345,481</u>
Total operating expenses	<u>27,437,101</u>	<u>27,437,101</u>	<u>25,761,210</u>	<u>1,675,891</u>	<u>26,505,410</u>	<u>26,505,410</u>	<u>24,874,831</u>	<u>1,630,579</u>
Principal maturity	5,752,634	5,752,634	5,752,634	0	6,480,187	6,480,187	6,564,378	(84,191)
Interest expense	1,848,236	1,848,236	1,629,874	218,362	2,025,619	2,025,619	1,767,023	258,596
Total debt service	<u>7,600,870</u>	<u>7,600,870</u>	<u>7,382,508</u>	<u>218,362</u>	<u>8,505,806</u>	<u>8,505,806</u>	<u>8,331,401</u>	<u>174,405</u>
Total costs funded by operating activities	<u>35,037,971</u>	<u>35,037,971</u>	<u>33,143,718</u>	<u>1,894,253</u>	<u>35,011,216</u>	<u>35,011,216</u>	<u>33,206,232</u>	<u>1,804,984</u>
Excess/(deficit) of revenues over/(under) expenditures	<u>\$ 82,110</u>	<u>\$ 82,110</u>	<u>\$ 4,108,543</u>	<u>\$ 4,026,433</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,616,888</u>	<u>\$ 2,616,888</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, 2017 and 2016**

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Reconciliation of budget results to net income:	<u>2017</u>	<u>2016</u>
Budget results	\$ 4,108,543	\$ 2,616,888
Principal maturity	5,752,634	6,564,378
Grant revenue	15,537	300,427
Reservoir sponsorship and scrap fund	3,280	6,590
Contribution to Township of Brick	(1,000,000)	(1,000,000)
Depreciation expense	(6,454,340)	(6,526,079)
Change in OPEB obligation	(1,168,640)	(1,037,717)
Change in state pension obligation	(2,324,695)	(2,080,446)
Loss on disposal of assets	(72,324)	(8,464)
Loss on Bond Defeasance	(225,626)	-
Amortization of debt issue costs	(314,510)	(183,757)
Amortization of loss on defeasance	<u>(122,808)</u>	<u>(122,808)</u>
Net income (loss)	<u>\$ (1,802,949)</u>	<u>\$ (1,470,988)</u>

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
Insurance Coverage  
March 31, 2017**

Package Policy:		
Blanket Building and Property.....		\$150,000,000
Boiler and Machinery/Equipment.....		150,000,000
Auto Fleet:		
Liability.....		10,000,000
Physical Damage.....		67,045,110
General Liability.....		10,000,000
Workers' Compensation.....		1,700,000

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

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

**SCHEDULE OF THE PROPORTIONATE SHARE OF  
NET PENSION LIABILITY  
Years Ended March 31, 2017 and 2016  
(Last 10 Years)\***

	<u>2017</u>	<u>2016</u>
Proportion of the net pension liability	0.1174673320%	0.1110450952%
Proportionate share of the net pension liability	\$ 34,790,454	\$ 24,927,399
Covered - employee payroll	\$ 9,416,195	\$ 8,880,525
Proportionate Share of the net pension liability as percentage of employee payroll	369.47%	280.70%
Proportionate share of plan's fiduciary net position	\$ 23,326,153	\$ 22,943,676
Plan fiduciary net position as a percentage of the total pension liability	40.14%	47.93%

**Notes to Schedule:**

\* - 2016 was the first year of implementation, therefore only two years are shown.

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

**SCHEDULE OF CONTRIBUTIONS  
Years Ended March 31, 2017 and 2016  
(Last 10 Years)\***

	2017	2016
Contractually required contribution (actuarially determined)	\$ 1,043,563	\$ 954,690
Contributions in relation to the actuarially determined contributions	\$ 1,043,563	\$ 954,690
Contribution deficiency (excess)	\$ -	\$ -
 Covered - employee payroll	 \$ 9,416,195	 \$ 8,880,525
 Contributions as a percentage of covered-employee payroll	 11.08%	 10.75%
 <b>Notes to Schedule:</b>		
Valuation date:	June 30, 2016	June 30, 2015
Inflation rate	3.08%	3.04%
Salary Increases	1.65 - 4.15% based on age	2.15 - 4.40% based on age
Thereafter	2.65 - 5.15% based on age	3.15 - 5.40% based on age
Investment rate of return	7.65%	7.90%

\* - 2015 was the first year of implementation, therefore only two years are shown.

**PART II**  
**COMMENTS AND RECOMMENDATIONS**

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF OCEAN**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
Year Ended March 31, 2017**

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

None.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF OCEAN**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
AND RECOMMENDATIONS AS PREPARED BY MANAGEMENT  
Year Ended March 31, 2016**

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

None.