

**INDEPENDENCE MUNICIPAL
UTILITIES AUTHORITY**

COUNTY OF WARREN

February 29, 2016 and February 28, 2015

**BEDARD, KUROWICKI & CO., CPA'S, PC
CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENCE MUNICIPAL
UTILITIES AUTHORITY**

**For the Years Ended February 29, 2016
And February 28, 2015**

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Bedard, Kurowicki & Co.
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Independent Auditors' Report

To the Board of Trustees
Independence Municipal Utilities Authority
Township of Independence, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Independence Municipal Utilities Authority (the Authority), a component unit of the Township of Independence, as of and for the years ended February 29, 2016 and February 28, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of February 29, 2016 and February 28, 2015, and the respective changes in financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Changes in Net Position - Restricted is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Changes in Net Position - Restricted is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Changes in Net Position - Restricted is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 22, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC

August 22, 2016
Flemington, New Jersey

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Management's Discussion and Analysis
For the Year Ended February 29, 2016

Our discussion and analysis of the financial performance of Independence Municipal Utilities Authority (the Authority) provides an overview of the Authority's financial activities for the year ended February 29, 2016. Please review it in conjunction with the Authority's basic financial statements which begin on page 6.

Financial Highlights

Total net position increased \$11,498, which represents a 3.28% increase from 2015.

The amount raised by water charges was \$73,881 or 98.2% of all revenue and other funding sources. During the year, the Authority's operating revenues increased 6.37%. This is attributable to fiscal year 2016 being the first full year of a 6% water rate increase approved by the governing body in February 2014.

Total expenditures have decreased \$6,315 or 9.66% from 2015. Although water testing expenses were higher, there was a decrease in various costs, including but not limited to repairs and maintenance, operating supplies, insurance, and professional fees.

Operating revenues over (under) operating expenses decreased by 205.78%. The Authority completed a project for renovation and rehabilitation of the Autumn Lane Well House in fiscal year 2015 at a cumulative cost of \$332,003. The Authority received the remaining balance of \$24,582 on its Environmental Infrastructure Trust Fund (the Trust) loan totaling \$262,000 for financing these costs. The trust forgave one half of the loan principal totaling \$131,000 in fiscal year 2015.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 7 - 9) provide information about the activities of the Authority as a whole. These statements tell how these services were financed. The Statement of Cash Flows (on pages 10 - 11) shows the sources and uses of cash.

Reporting the Authority as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the Authority as a whole begins on page 6. One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better-off or worse-off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Authority as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the Authority's net position and changes to them.

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Management's Discussion and Analysis
For the Year Ended February 29, 2016

You can think of the Authority's net position (the difference between assets and liabilities) as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating.

The Authority as a Whole

The Authority's total net position increased \$11,498 to \$362,149 or 3.28 % increase. Details of the changes are reflected on page 6.

Final Budget versus Actual Results

As reflected on page 17 the Authority operated within budgetary constraints. Actual revenues were over the final budget by \$6,875 while actual expenses were over the final budget by \$5,097.

Capital Assets

At the fiscal year ended February 29, 2016, the Authority had \$571,981 at cost in total capital assets.

Condensed Comparative Information

	<u>2016</u>	<u>2015</u>	Increase (Decrease)
Assets			
Current and other assets	\$ 122,580	\$ 113,336	\$ 9,244
Capital assets	479,615	489,487	(9,872)
Total assets	<u>\$ 602,195</u>	<u>\$ 602,823</u>	<u>\$ (628)</u>
Liabilities	<u>\$ 240,046</u>	<u>\$ 252,172</u>	<u>\$ (12,126)</u>
Net Position			
Unreserved	\$ 16,842	\$ 15,100	\$ 1,742
Investment in capital assets	310,427	308,914	1,513
Restricted	34,880	26,637	8,243
Total net position	<u>\$ 362,149</u>	<u>\$ 350,651</u>	<u>\$ 11,498</u>
Change in net position			
Revenue	\$ 75,225	\$ 70,720	\$ 4,505
Non-operating revenue	-	131,000	(131,000)
Expenditures	63,727	69,935	6,208
Change in net position	<u>\$ 11,498</u>	<u>\$ 131,785</u>	<u>\$ 120,287</u>

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Management's Discussion and Analysis
For the Year Ended February 29, 2016

Economic Factors and Next Year's Budget and Rates

The Authority's governing body considers many factors when setting the 2016 - 2017 water use rates including the economy, the rate of inflation and planned future capital projects. The water use rate for 2016-2017 has not increased over the 2015 - 2016 year.

Contacting the Authority's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. This discussion and analysis is based upon information that was available as of August 22, 2016.

If you have questions about this report or need additional financial information, contact the Independence Municipal Utilities Authority office located at 286-B Route 46, Great Meadows, NJ 07838.

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Statements of Net Position

ASSETS

	<u>February 29, 2016</u>	<u>February 28, 2015</u>
Current unrestricted assets		
Cash and investments	\$ 9,045	\$ 8,419
Accounts receivable	9,302	9,099
Total unrestricted assets	<u>18,347</u>	<u>17,518</u>
Non-current restricted assets		
Customer deposits		
Cash	69,353	69,181
Trust Fund		
Cash	1,151	1,115
Other		
Cash	33,729	25,522
Total restricted assets	<u>104,233</u>	<u>95,818</u>
Capital assets		
Capital assets	571,981	571,981
Less: Accumulated depreciation	(92,366)	(82,494)
Net capital assets	<u>479,615</u>	<u>489,487</u>
Total assets	<u><u>\$ 602,195</u></u>	<u><u>\$ 602,823</u></u>

See accompanying notes to the financial statements.

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Statements of Net Position (continued)

LIABILITIES AND NET POSITION

	February 29, 2016	February 28, 2015
Current liabilities (payable from unrestricted assets)		
Accounts payable	\$ 788	\$ 1,686
Payroll deductions payable	530	542
Accrued interest payable	187	190
Current portion of long-term debt	11,638	11,382
	13,143	13,800
Current liabilities (payable from restricted assets)		
Customer deposits		
Reserve for improvements	69,353	69,181
Total current liabilities	82,496	82,981
Long term debt, net of current maturities	157,550	169,191
Total liabilities	240,046	252,172
Net position		
Unrestricted	16,842	15,100
Net investment in capital assets	310,427	308,914
Restricted	34,880	26,637
Total net position	362,149	350,651
Total liabilities and net position	\$ 602,195	\$ 602,823

See accompanying notes to the financial statements.

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended:

	February 29, 2016	February 28, 2015
Operating Revenues		
Water charges	\$ 73,881	\$ 69,459
Interest on delinquent accounts	699	729
Miscellaneous	567	456
Total operating revenues	75,147	70,644
Operating expenses		
Salaries and wages	11,378	11,900
Utilities	7,160	6,764
Repairs and maintenance	17,291	19,604
Operating supplies	847	2,690
Water testing	4,013	2,243
Payroll taxes	871	910
Worker's compensation insurance	-	1,314
General insurance	-	2,497
Office expense	2,026	910
Miscellaneous	648	558
Professional fees	4,966	6,751
Depreciation	9,872	9,246
Total operating expenses	59,072	65,387
Operating income	16,075	5,257
Non-operating revenues (expenses)		
Interest income	78	76
Interest expense	(4,655)	(4,548)
Forgiveness of debt	-	131,000
Total non-operating revenues (expenses)	(4,577)	126,528
Increase in net position	11,498	131,785
Net position - beginning of year	350,651	218,866
Net position - end of year	\$ 362,149	\$ 350,651

See accompanying notes to the financial statements.

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Statements of Cash Flows
For the Years Ended:

	<u>February 29, 2016</u>	<u>February 28, 2015</u>
Cash flows from operating activities		
Cash received from customers	\$ 74,377	\$ 73,465
Other operating cash receipts	567	456
Cash payments to vendors for goods or services	(40,597)	(57,074)
Cash payments to employees for services	(9,513)	(9,513)
	<hr/>	<hr/>
Net cash provided by operating activities	24,834	7,334
Cash flows from investing activities		
Interest on cash and investments	78	76
Reserve for improvement interest received	172	173
	<hr/>	<hr/>
		249
Net cash provided by investing activities	250	249
Cash flow from capital and related financing activities:		
Proceeds from NJ Environmental trust loan	-	24,582
Payment of debt principal	(11,385)	(8,163)
Payment of debt interest	(4,658)	(4,358)
Purchase of capital assets	-	(72,779)
	<hr/>	<hr/>
Net cash used for capital and related Financing activities	<hr/> (16,043) <hr/>	<hr/> (60,718) <hr/>
Net increase (decrease) in cash and investments	9,041	(53,135)
Cash and cash equivalents - beginning of year	<hr/> 104,237 <hr/>	<hr/> 157,372 <hr/>
Cash and cash equivalents - end of year	<hr/> <u>\$ 113,278</u> <hr/>	<hr/> <u>\$ 104,237</u> <hr/>
Reconciliation of balance sheet:		
Unrestricted cash and cash equivalents	\$ 9,045	\$ 8,419
Restricted cash and cash equivalents	104,233	95,818
	<hr/>	<hr/>
Total cash	<hr/> <u>\$ 113,278</u> <hr/>	<hr/> <u>\$ 104,237</u> <hr/>

See accompanying notes to the financial statements.

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Statements of Cash Flows (continued)
For the Years Ended:

	February 29, 2016	February 28, 2015
Reconciliation of income from operations to net cash		
Provided by operating activities		
Income from operations	\$ 16,075	\$ 5,257
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation	9,872	9,246
Change in assets and liabilities		
Increase in accounts receivable	(203)	(534)
Decrease in prepaid expenses	-	3,811
Decrease in accounts payable	(898)	(10,501)
Increase (decrease) in payroll deductions payable	(12)	55
Net cash provided by operating activities	\$ 24,834	\$ 7,334

See accompanying notes to the financial statements.

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

Nature of activities

The Authority (a component unit of the Township of Independence) was created in accordance with the State Municipal Utilities Authorities Law (PL 1957, Chapter 183) by ordinance of the Township of Independence in 1975 to acquire, construct, maintain, operate and improve facilities for the collection, treatment, purification and disposal of sewage and other waste, and for the accumulation, supply and distribution of water, and to exercise such other power as may heretofore and hereafter be granted to the municipal authority under the laws of the State of New Jersey.

The Authority consists of five appointed officials and is responsible for the fiscal control of the operations of the utilities system. Since the Authority issues its own financial statements its financial activity is not included in the financial statements of the Township of Independence.

Financial reporting/principles of accounting

The accompanying financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to enterprise funds of governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

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

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

Budget and budgetary accounting

At least 60 days prior to the Authority's year-end (February 28), the Authority must file its operating budget with the Director of the Division of Local Government Services for approval. Within 45 days after receipt of the Authority's budget the Director shall either approve or notify the Authority of the reasons for non-approval of the budget and to state the conditions upon which the approval will be granted. After approval, the Authority will formally adopt the budget. The budget is prepared based on the accounting principles and practices as prescribed by the Division of Local Government Services.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash in bank and money market funds.

Capital assets

Capital assets are recorded as expenditures at the time of purchase and the related assets are capitalized at cost, which includes direct construction costs and other expenditures related to construction. It is the Authority's policy to capitalize assets with costs in excess of \$1,000 and an estimated useful life in excess of one year. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	40 - 50 years
Other equipment	10 - 15 years
Office equipment	5 years

Depreciation on assets acquired with grants-in-aid is recorded as a reduction of contributed capital.

Donated facilities

On April 12, 1979, the Authority had entered into an agreement with Highland Properties, Inc. whereby, Highland Properties, Inc. was to construct a water supply system, consisting of wells, storage facilities, mains, laterals and other appurtenant facilities (the "Water System") for the supply of potable water to the homes in the Highland Development on Russling Road in Independence Township.

Highland Properties, Inc. conveyed the water system upon its completion, to the Authority who agreed to operate and maintain the water system in accordance with the provisions of the ordinance creating the Authority.

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

Donated facilities (continued)

In 1977, the Authority entered into a similar agreement with First Morris Construction Company to acquire the Rockefeller Estates Water Supply System.

A valuation on the donated facilities has not been determined and the assets are therefore not reflected in these statements.

Income taxes

The Authority is a component of the Township of Independence and is not required to file tax returns. Accordingly, no provision for income taxes has been made in the financial statements.

Restricted assets

The Authority has restricted the below summarized accounts which may only be utilized for the purposes indicated:

<u>Account</u>	<u>Use for which Restricted</u>
Customer's Deposits	Monies required by the Authority to assure payment or performance
Trust Fund	Required employee and employer contribution to State Unemployment Insurance Fund - Reimbursement Method
Other	Renewals and replacements funded by budget appropriations

Note 2 - Concentration of credit risk

The Authority maintains its cash balances in three financial institutions. These cash balances are insured by Federal Deposit Insurance Corporation, (FDIC). The funds in excess of the FDIC limit are insured by the State of New Jersey's Governmental Unit Deposit Protection Act.

Note 3 - Capital assets

A summary of changes in capital assets and accumulated depreciation is as follows:

February 29, 2016:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Building and improvements	\$ 494,831	\$ -	\$ -	\$ 494,831
Office equipment	1,614	-	-	1,614
Other equipment	75,536	-	-	75,536
Total capital assets	571,981	-	-	571,981
Accumulated depreciation	(82,494)	(9,872)	-	(92,366)
Capital assets, net	<u>\$ 489,487</u>	<u>\$ (9,872)</u>	<u>\$ -</u>	<u>\$ 479,615</u>

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Notes to the Financial Statements

Note 3- Capital assets- continued

February 28, 2015:	Beginning Balance	Additions	Dispositions	Ending Balance
Construction in progress	\$ 277,349	\$ 54,654	\$ 332,003	\$ -
Building and improvements	162,828	332,003	-	494,831
Office equipment	1,614	-	-	1,614
Other equipment	57,411	18,125	-	75,536
Total capital assets	499,202	404,782	332,003	571,981
Accumulated depreciation	(73,248)	(9,246)	-	(82,494)
Capital assets, net	<u>\$ 425,954</u>	<u>\$ 395,536</u>	<u>\$ 332,003</u>	<u>\$ 489,487</u>

Depreciation expense for the years ended February 29, 2016 and February 28, 2015 was \$9,872 and \$9,246, respectively.

Note 4 - Long-term debt

At February 29, 2016 and February 28, 2015 long-term debt consisted of the following as of:

	February 29, 2016	February 28, 2015
Mortgage with a bank, due in monthly installments for principal and interest of \$621 through October 2023, interest at 4.715%, secured by real property.	\$ 47,844	\$ 52,904
New Jersey Environmental Infrastructure Trust loan, due in annual installments of \$2,995 to \$4,288 through August 1, 2033, interest from 0.19% to 3.30%, secured by a pledge on future revenue.	62,505	65,500
New Jersey Environmental Infrastructure Trust Fund loan, due in semi-annual installments of \$3,330 through August 1, 2033, with no interest, secured by a pledge of future revenue.	58,839	62,169
Total long term debt	169,188	180,573
Less current matures of long term debt	11,638	11,382
Long term debt, net of current maturities	<u>\$ 157,550</u>	<u>\$ 169,191</u>

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Notes to the Financial Statements

Note 4 - Long term debt (continued)

As of February 29, 2016, the future minimum principal payments for the next five years and thereafter are as follows:

2017	\$ 11,638
2018	11,905
2019	12,189
2020	12,497
2021	12,832
Thereafter	108,127

The Authority has debt authorized, but not issued, in the amount of \$194,000 as summarized below:

Debt authorized by resolution dated July 26, 2013	\$ 325,000
Debt issued through NJ Environmental Infrastructure Trust	<u>131,000</u>
Total debt authorized, but not issued	<u>\$ 194,000</u>

Note 5 - Authority revenues

Water charges are charged on a rate as approved annually by the governing body. Bills are payable in quarterly installments and delinquent accounts may be included as part of the Township of Independence's annual tax sale.

Note 6 - Compensated absences

The Authority does not have a policy which allows employees to accrue unused vacation and sick pay.

Note 7 - Contingent liabilities

In the opinion of the Authority's management there are no matters pending that will have a material adverse effect on the financial position of the Authority.

Note 8 - Subsequent events

The Authority's management has determined that no material events or transactions occurred subsequent to February 29, 2016 and through August 22, 2016, the date of the Authority's financial statement issuance, which require additional disclosure in the Authority's financial statements.

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Schedule of Budgetary Comparison Information
For the Years Ended:

	February 29, 2016		February 28, 2015	
	Budget	Actual	Budget	Actual
Revenues				
User charges and fees	\$ 68,000	\$ 73,881	\$ 68,000	\$ 69,459
Delinquent penalties	100	699	100	729
Interest on investments and deposits	250	78	250	76
Miscellaneous	-	567	-	456
	<u>\$ 68,350</u>	<u>\$ 75,225</u>	<u>\$ 68,350</u>	<u>\$ 70,720</u>
Expenses				
Personnel				
Salaries and wages	\$ 19,500	\$ 11,378	\$ 18,260	\$ 11,900
Payroll taxes	1,500	871	1,450	2,224
Administration & general expenses				
Office expenses	1,800	2,026	1,800	910
Miscellaneous	500	648	750	558
Insurance	-	-	4,500	2,497
Professional fees	4,400	4,966	4,800	6,751
Operating & maintenance costs				
Utilities	6,500	7,160	6,300	6,764
Water testing	3,599	4,013	3,675	2,243
Repairs and maintenance	5,000	17,291	6,725	19,604
Operating supplies	1,300	847	1,260	2,690
Debt service				
Principal on mortgage notes payable	11,381	11,385	4,830	8,163
Interest on mortgage notes payable	3,826	4,655	2,620	4,548
Loan loss reserve fee	640	-	-	-
NJEIT Fee	197	-	-	-
Capital				
Renewals and replacements	8,207	8,207	11,380	11,380
	<u>\$ 68,350</u>	<u>\$ 73,447</u>	<u>\$ 68,350</u>	<u>\$ 80,232</u>

See independent auditor's report.

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Schedule of Officials
February 29, 2016

<u>Members of the Authority</u>	<u>Title</u>
Jay Woodruff	Chairperson
Deborah Streeter	Vice Chairperson
Angelo Bolcato	
Kim Best	
<u>Administration of the Authority</u>	<u>Title</u>
Deborah Hrebenak	Secretary/Treasurer

See independent auditor's report.



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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

To the Board of Trustees
Independence Municipal Utilities Authority
Independence Township, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements as of and for the year ended February 29, 2016 and February 28, 2015 and the related notes to the financial statements, which collectively comprise the Independence Municipal Utilities Authority's (the Authority) (a component unit of the Township of Independence) basic financial statements, and have issued our report thereon dated August 22, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. (2016-01)

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

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC

August 22, 2016
Flemington, New Jersey

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Findings and Responses

SIGNIFICANT DEFICIENCIES

2016 - 001 Segregation of Duties

Condition: An overall lack of segregation of duties in all accounting control processes.

Criteria: Internal controls should be in place to ensure that there is a decreased risk of errors, and any errors that do occur get detected.

Cause: The small size of the Authority's administrative staff.

Effect: Because of the lack of segregation of duties, errors in accounting control processes could be made and not be detected.

Recommendation: Procedures should be implemented by the Authority to reduce the risk of errors occurring and going undetected.

Views of Responsible Officials and Planned Corrective Action (unaudited):

The management of the Company has determined that the Authority is effectively and efficiently served with a single individual performing these functions. The Authority has implemented compensating controls and continues to consider risk assessment as it relates to the likelihood of misstatement of financial statement amounts due to error or fraud.

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Schedule of Changes in Net Position - Restricted
For the Year Ended February 29, 2016

	Reserve for Improvements			Net Position			Total
	Highlands	Pump	Forest	State	Renewals &	Total	
	Improve	Station	Ridge	Unemploy- ment Ins	Replacements	Net Position	
Balance at beginning of year	\$ 15,600	\$ 45,913	\$ 7,668	\$ 1,115	\$ 25,522	\$ 26,637	\$ 95,818
Additions							
Deposits received	-	-	-	35	8,207	8,242	8,242
Interest income	-	153	19	1	-	1	173
Total additions	-	153	19	36	8,207	8,243	8,415
Deductions:							
Disbursements	-	-	-	-	-	-	-
Balance at end of year	\$ 15,600	\$ 46,066	\$ 7,687	\$ 1,151	\$ 33,729	\$ 34,880	\$ 104,233

See independent auditor's report.