

**INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP
OF INDEPENDENCE)**

COUNTY OF WARREN

February 28, 2018

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

**INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF INDEPENDENCE)**

For the Years Ended February 28, 2018 and February 28, 2017

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INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Independence)
Roster of Officials
Year Ended February 28, 2018

<u>Members of the Authority</u>	<u>Title</u>
Bernard Re	Chairman
Angelo Bolcato	Vice Chairman
Jay Woodruff	Member
Robert Pace	Member
<u>Administration of the Authority</u>	<u>Title</u>
Deborah Hrebenak	Secretary/Treasurer



Certified Public Accountants, PC

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Independent Auditors' Report

Honorable Chairman and Members
of 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 28, 2018 and 2017, 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 an opinion on these financial statements based on our audits. We conducted our audits 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 Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 respective financial position of the business-type activities of the Authority, as of February 28, 2018 and 2017, 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 Roster 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 and those prescribed by the Division of Local Government we have also issued our report dated May 31, 2018 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

May 31, 2018
Flemington, New Jersey

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY

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**Management's Discussion and Analysis
(MD&A)**

Our Management's 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 28, 2018. Please review it in conjunction with the Authority's basic financial statements.

Financial Highlights

Total assets decreased 2.74% over the course of this year's operations. This was a result of an increase in accumulated depreciation and decreases in cash balances.

Liabilities decreased by 2.62%. The increase in current liabilities due primarily to an increase in accounts payable was offset by a reduction in non-current liabilities as outstanding debt continues to decline.

During the year, the Authority's operating revenues decreased 5.39%. This is attributable to decreased water usage in the fiscal year ended 2018.

Operating expenses increased \$6,663 or 9.88% from fiscal year 2017. This is primarily due to increases in professional fees and operating supplies.

Total net position decreased \$10,199, which represents a 2.82% decrease from fiscal year 2017.

Overview of Annual Financial Report

The financial statements report information about the Authority using the accrual accounting method as utilized by similar business activities in the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities. The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; a Statement of Cash Flows; and Notes to the Financial Statements.

The Statement of Net Position presents the financial position of the Authority on a full accrual historical cost basis. The Statement of Net Position presents information on all of the assets and liabilities of the Authority; with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position present the result of the Authority's activities over the course of the fiscal year and information as to how the net position changed during the year.

The Statement of Cash Flow presents changes in cash and cash equivalents resulting from operational, financing and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The Notes to the Financial Statements provide disclosures and other information that is essential to a full understanding of material data provided in the statements. Supplementary information comparing the budget to actual revenues and expenses as well as changes in restricted accounts is provided.

Economic Factors and Next Year's Budget and Rates

The Authority's governing body considers many factors when setting the 2018 - 2019 water use rates including the economy, the rate of inflation and planned future capital projects. The water use rate for 2018 - 2019 has not increased over the 2017 - 2018 year.

Financial Analysis

The attached comparative condensed financial statements serve as the key financial data and indicators for management, monitoring and planning.

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 Management's Discussion and Analysis is based upon information that was available as of May 31, 2018.

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
Management's Discussion and Analysis
Condensed Financial Statements

Condensed Statement of Net Position

Exhibit A

	For the Fiscal Year Ended		Increase (Decrease)
	February 28, 2018	February 28, 2017	
Current assets			
Unrestricted assets	\$ 13,124	\$ 17,092	\$ (3,968)
Restricted assets	105,308	110,823	(5,515)
Capital assets, net	457,346	464,084	(6,738)
Total assets	<u>\$ 575,778</u>	<u>\$ 591,999</u>	<u>\$ (16,221)</u>
Current liabilities			
Unrestricted	\$ 20,935	\$ 14,925	\$ 6,010
Restricted	69,695	69,536	159
Long-term liabilities			
Unrestricted	133,450	145,641	(12,191)
Total liabilities	<u>\$ 224,080</u>	<u>\$ 230,102</u>	<u>\$ (6,022)</u>
Net position			
Net investment in capital assets	\$ 311,707	\$ 306,538	\$ 5,169
Restricted	35,613	41,287	(5,674)
Unrestricted	4,378	14,072	(9,694)
Total net position	<u>\$ 351,698</u>	<u>\$ 361,897</u>	<u>\$ (10,199)</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position

Exhibit B

	For the Fiscal Year Ended		Increase (Decrease)
	February 28, 2018	February 28, 2017	
Operating revenues	\$ 67,482	\$ 71,326	\$ (3,844)
Operating expenses	74,085	67,422	6,663
Operating income	<u>(6,603)</u>	3,904	(10,507)
Non-operating revenues (expenses)	<u>(3,596)</u>	(4,156)	560
(Decrease) increase in net position	(10,199)	(252)	(9,947)
Net position - beginning of year	<u>361,897</u>	<u>362,149</u>	(252)
Net position - end of year	<u>\$ 351,698</u>	<u>\$ 361,897</u>	<u>\$ (10,199)</u>

Basic Financial Statements

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Comparative Statement of Net Position

	<u>February 28,</u> <u>2018</u>	<u>February 28,</u> <u>2017</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,854	\$ 4,896
Accounts receivable	<u>11,270</u>	<u>12,196</u>
Total current assets	<u>13,124</u>	<u>17,092</u>
Restricted assets		
Cash and cash equivalents	105,308	110,823
Capital assets		
Capital assets	574,988	569,288
Less: accumulated depreciation	<u>(117,642)</u>	<u>(105,204)</u>
Net capital assets	<u>457,346</u>	<u>464,084</u>
Total assets	<u><u>\$ 575,778</u></u>	<u><u>\$ 591,999</u></u>

See accompanying notes to the financial statements.

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Comparative Statement of Net Position (continued)

	<u>February 28,</u> 2018	<u>February 28,</u> 2017
Liabilities		
Current liabilities		
Accounts payable	\$ 8,019	\$ 2,288
Payroll deductions payable	547	548
Accrued interest payable	180	184
Current portion of long-term debt	12,189	11,905
Total current liabilities	<u>20,935</u>	<u>14,925</u>
Current liabilities (payable from restricted assets)		
Customer deposits		
Reserve for Highlands Improvement	15,600	15,600
Reserve for J&W Escrow	7,726	7,708
Reserve for Pumping Station	46,369	46,228
Total current liabilities (payable from restricted assets)	<u>69,695</u>	<u>69,536</u>
Long-term debt, net of current maturities	<u>133,450</u>	<u>145,641</u>
Total liabilities	224,080	230,102
Net position		
Net investment in capital assets	311,707	306,538
Restricted	35,613	41,287
Unrestricted	4,378	14,072
Total net position	<u>351,698</u>	<u>361,897</u>
Total liabilities and net position	<u>\$ 575,778</u>	<u>\$ 591,999</u>

See accompanying notes to the financial statements.

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

	February 28, 2018	February 28, 2017
Operating revenues		
Water charges	\$ 67,141	\$ 69,707
Interest income on delinquent accounts	67	297
Miscellaneous	274	1,322
Total operating revenues	67,482	71,326
Operating expenses		
Cost of providing services	39,847	42,204
Administrative and general	21,800	12,380
Depreciation	12,438	12,838
Total operating expenses	74,085	67,422
Operating income	(6,603)	3,904
Non-operating revenues (expenses)		
Interest income	470	210
Interest expense	(4,066)	(4,366)
Total non-operating revenues (expenses)	(3,596)	(4,156)
Change in net position	(10,199)	(252)
Net position, beginning	361,897	362,149
Net position, ending	\$ 351,698	\$ 361,897

See accompanying notes to the financial statements.

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Comparative Statement of Cash Flows
For the Years Ended

	February 28, 2018	February 28, 2017
Cash flows from operating activities		
Cash received from customers	\$ 68,134	\$ 67,110
Other operating cash receipts	274	1,322
Cash payments to suppliers and employees	(55,917)	(53,066)
Net cash provided by (used for) operating activities	12,491	15,366
Cash flows from investing activities		
Interest on cash and investments	470	210
Reserve for improvement interest received	159	183
Net cash provided by investing activities	629	393
Cash flow from capital and related financing activities		
Cancellation of prior year capital expense	-	2,693
Acquisition of capital assets	(5,700)	-
Payment of debt principal	(11,907)	(11,642)
Payment of debt interest	(4,070)	(4,369)
Net cash provided by (used for) capital and related financing activities	(21,677)	(13,318)
Net increase in cash and cash equivalents	(8,557)	2,441
Cash and cash equivalents, beginning	115,719	113,278
Cash and cash equivalents, ending	\$ 107,162	\$ 115,719
Reconciliation of balance sheet		
Unrestricted cash and cash equivalents	\$ 1,854	\$ 4,896
Restricted cash and cash equivalents	105,308	110,823
Total cash and cash equivalents	\$ 107,162	\$ 115,719

See accompanying notes to the financial statements.

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Comparative Statement of Cash Flows (continued)
For the Years Ended

	February 28, 2018	February 28, 2017
Reconciliation of income from operations to net cash		
Provided (used) by operating activities		
Income from operations	\$ (6,603)	\$ 3,904
Adjustments to reconcile income from operations to		
net cash provided (used) by operating activities		
Depreciation	12,438	12,838
Change in assets and liabilities		
(Increase) decrease in accounts receivable	926	(2,894)
Increase (decrease) in accounts payable	5,731	1,500
Increase (decrease) in payroll deductions payable	(1)	18
Net cash provided (used) by operating activities	\$ 12,491	\$ 15,366

See accompanying notes to the financial statements.

Notes to the Financial Statements

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

The financial statements of the Independence Municipal Utilities Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to Governmental Units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Authority's accounting policies are described below.

Reporting entity

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 officials appointed by the Township of Independence and is responsible for the fiscal control of the operations of the utilities system.

Basis of presentation - fund accounting

The operations of the Authority are recorded in a Proprietary Fund type. Proprietary Funds are used to account for activities that are financed and operated in a manner similar to business enterprises and the intention is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis are to be financed or recovered primarily through user charges.

Basis of accounting

The Authority's financial statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

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. The net position (i.e., total assets net of total liabilities) is 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)

Basis of accounting (continued)

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of American requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent net assets and liabilities at the Statement of Net Position date and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, among other accounts. Actual results may differ from those estimates.

The accrual basis of accounting is used for measuring financial position and operating results of Proprietary Fund types. Under this method of accounting, revenues are recorded in the accounting period in which they are earned, and expenses are recorded as incurred.

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.

Income taxes

The Authority is a component unit 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>
Reserve for State Unemployment	Required employee and employer contribution to State Unemployment Insurance Fund - Reimbursement Method
Reserve for Developer's Deposits	Funds required by the Authority to assure payment of performance
Reserve for Renewals & Replacements	Renewals and replacements funded by budget appropriations

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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

Note 2 - Deposits, cash equivalents, and investments

Cash and cash equivalents include petty cash, change funds, cash and certificates of deposit in banks. As of February 28, 2018, and 2017, the Authority had no investments.

New Jersey Governmental Units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the Laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey Governmental Units. In addition, other state statutes permit investments in obligations issued by local authorities and other state agencies. The State of New Jersey does not place any limit on the amount that the District may invest with any one issuer.

New Jersey Governmental Units are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey Governmental Units.

N.J.S.A. 17:9-41 e.t. seq. establishes the requirements for the security of deposits of Governmental Units. The statute requires that no Governmental Unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both State and National banks) and saving banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Notes to the Financial Statements

Note 2 - Deposits, cash equivalents, and investments (continued)

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. The Authority does not have a policy for custodial credit risk. New Jersey statutes require cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds, employee salary withholdings, or funds that may pass to the Authority relative to the happening of a future condition.

As of February 28, 2018, and 2017, the Authority's bank balances were exposed to custodial credit risk as follows:

	2018	2017
Deposits Insured by FDIC	\$ 110,736	\$ 119,670

The Authority's carrying (Statement of Net Position) amounts were \$107,162 and \$115,719 for February 28, 2018 and 2017, respectively.

Note 3 - Authority revenues

Water charges are charged on a rate 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 4 - Capital assets

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

	Beginning Balance	Additions	Disposals	Ending Balance
<u>February 28, 2018</u>				
Building and improvements	\$ 492,138	\$ -	\$ -	\$ 492,138
Office equipment	1,614	-	-	1,614
Other equipment	75,536	5,700	-	81,236
Total capital assets	569,288	5,700	-	574,988
Accumulated depreciation	(105,204)	(12,438)	-	(117,642)
Capital assets, net	\$ 464,084	\$ (6,738)	\$ -	\$ 457,346
	Beginning Balance	Additions	Disposals	Ending Balance
<u>February 28, 2017</u>				
Building and improvements	\$ 494,831	\$ -	\$ 2,693	\$ 492,138
Office equipment	1,614	-	-	1,614
Other equipment	75,536	-	-	75,536
Total capital assets	571,981	-	2,693	569,288
Accumulated depreciation	(92,366)	(12,838)	-	(105,204)
Capital assets, net	\$ 479,615	\$ (12,838)	\$ 2,693	\$ 464,084

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Notes to the Financial Statements

Note 5 - Long-term debt

At February 28, 2018 and February 28, 2017 long-term debt consisted of the following as of:

	2018	2017
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.	\$ 36,970	\$ 42,534
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.	56,491	59,504
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.	52,178	55,508
Total long-term debt	145,639	157,546
Less current maturities of long term debt	12,189	11,905
Long-term debt, net of current maturities	\$ 133,450	\$ 145,641

As of February 28, 2018, the future minimum principal payments for the next five years and thereafter are as follows:

2019	\$	12,189
2020		12,497
2021		12,832
2022		13,190
2023		13,571
Thereafter		81,360
Total	\$	145,639

The Authority has debt authorized, but not issued, in the amount of \$216,331 as summarized below:

Debt authorized by resolution dated July 26, 2013	\$	325,000
Balance of debt issued through NJ Environmental Infrastructure Trust		(108,669)
Total debt authorized, but not issued	\$	216,331

Note 6 - Compensated absences

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

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Notes to the Financial Statements

Note 7 - 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.

Property and Liability Insurance - Risks of losses from worker's compensation, property, automobile, liability, and public official's liability are covered by the insurance held by the Township of Independence. Significant losses are covered by commercial insurance and there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current or the three prior years.

New Jersey Unemployment Compensation Insurance - The Authority has elected to fund its NJ Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Authority is required to reimburse the NJ Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Authority is billed quarterly for amounts due to the State.

The following is a summary of Authority contributions, and interest earnings, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Authority's Unemployment Trust Fund for the current and previous two years:

Fiscal Year	Authority Deposits	Interest Earnings	Employee Deposits	Amount Reimbursed	Ending Balance
2018	\$ -	\$ 1	\$ 25	\$ -	\$ 1,215
2017	-	-	38	-	1,189
2016	-	1	35	-	1,151

Note 8 - Dissolution of the Independence Municipal Utilities Authority

The Township of Independence adopted three ordinances on September 12, 2017 authorizing the dissolution and sale of the Independence Municipal Utilities Authority. The Independence Municipal Utilities Authority has appeared before the New Jersey Local Finance Board where approval was granted to proceed with dissolution and sale of the Authority.

Note 9 - Subsequent events

The Authority's management has determined that no material events or transactions occurred subsequent to February 28, 2018 and through May 31, 2018, the date of the Authority's financial statement issuance, which requires additional disclosure in the Authority's financial statements.

Supplementary Information

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Schedule of Changes in Net Position - Restricted Accounts
For the Year Ended February 28, 2018

	Reserve for Improvements			Net Position			Total
	Highlands	Pump	Forest	State	Renewals &	Total	
	Improve	Station	Ridge	Unemployment	Replacements	Net	
				Insurance		Position	
Balance at beginning of year	\$ 15,600	\$ 46,228	\$ 7,708	\$ 1,189	\$ 40,098	\$ 41,287	\$ 110,823
Additions							
Deposits received	-	-	-	25	-	25	25
Interest income	-	141	18	1	-	1	160
Total additions	-	141	18	26	-	26	185
Deductions							
Capital expenditures	-	-	-	-	5,700	5,700	5,700
Balance at end of year	<u>\$ 15,600</u>	<u>\$ 46,369</u>	<u>\$ 7,726</u>	<u>\$ 1,215</u>	<u>\$ 34,398</u>	<u>\$ 35,613</u>	<u>\$ 105,308</u>

See independent auditors' report.

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

	February 28, 2018		February 28, 2017	
	Unaudited		Unaudited	
	Budget	Actual	Budget	Actual
Revenues				
User charges and fees	\$ 69,000	\$ 67,141	\$ 68,680	\$ 69,707
Interest income on delinquent accounts	100	67	100	297
Interest income	250	470	250	210
Miscellaneous	-	274	-	1,322
Total revenues	\$ 69,350	\$ 67,952	\$ 69,030	\$ 71,536
Expenses				
Administrative and general				
Salaries and wages	\$ 7,200	\$ 5,833	\$ 6,625	\$ 5,791
Employee benefits	523	446	507	443
Professional fees	5,000	13,974	4,400	4,804
Office expense	2,000	1,033	1,800	867
Miscellaneous other expenses	500	514	250	475
Total administrative and general	15,223	21,800	13,582	12,380
Cost of providing services				
Salaries and wages	14,800	6,029	13,625	6,197
Employee benefits	1,077	466	1,043	474
Utilities	6,500	7,481	6,500	7,243
Water testing	3,600	4,521	3,600	6,359
Maintenance and repairs	7,000	16,500	7,000	18,429
Operating supplies	1,300	4,850	1,300	3,502
Total cost of providing services	34,277	39,847	33,068	42,204
Capital				
Renewals and replacements	3,872	-	6,369	6,369
Debt service				
Principal	11,905	11,907	11,638	11,642
Interest and fees	4,073	4,066	4,373	4,369
Total debt service	15,978	15,973	16,011	16,011
Total expenses	\$ 69,350	\$ 77,620	\$ 69,030	\$ 76,964

See independent auditors' 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

Honorable Chairman and Members of the
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 28, 2018 and February 28, 2017, 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 May 31, 2018.

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. 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 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

May 31, 2018
Flemington, New Jersey

INDEPENDENCE MUNICIPAL UTILITIES AUTHORITY
Schedule of General Comments and Recommendations

Significant Deficiencies

None noted.

Recommendations

No recommendations have been developed as a result of this audit.

Status of Prior Year's Audit Findings/Recommendations

A review was performed on prior year recommendations and corrective action was taken.

We would be pleased to confer on questions that might arise with respect to any matters in this report.

We wish to express our appreciation for the assistance and courtesies rendered by the Authority officials and employees during the course of the examination.

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