

**BID FOR THE PURCHASE OF THE
WATER UTILITY SYSTEM**

**PRESENTED TO
BOROUGH OF HIGH BRIDGE,
NEW JERSEY**

BY

AQUA NEW JERSEY, INC.



DATE June 14, 2017



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CD ROM COPY OF BID.....Included with Bid

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June 14, 2017

Adam Young
Acting Clerk
Borough of High Bridge
97 West Main Street
High Bridge, NJ 08829

Dear Mr. Young,

In accordance with the terms and conditions of the Invitation to Bid on the Sale of the Borough of High Bridge's Water Utility System issued on May 5, 2017, Aqua New Jersey, Inc. ("Aqua New Jersey") submits this response for consideration by the Borough of High Bridge ("Borough"). Aqua New Jersey's parent, Aqua America, Inc. ("Aqua") is one of the nation's largest publicly-traded water and waste water utilities.

- Aqua has a long history of technically and financially owning, managing, operating and maintaining systems, while efficiently providing clean, safe and adequate water and wastewater service within eleven (11) counties throughout the State of New Jersey.
- Aqua commits to implementing the appropriate level of capital needed to address the processes, including safety and security, as well as an appropriate maintenance plan that will enable the systems to be maintained within federal and state regulatory compliance.
- Aqua is a financially stable company with 130 years of experience and environmental expertise in owning, operating and maintaining systems similar to that owned by the Borough.

Company Experience and Strength

Aqua is a long standing water and wastewater utility owner and operator that possess financial strength, management experience and environmental expertise in the operation and maintenance of water and wastewater systems and in the integration of systems in to its operations. With 130 years of experience in owning, maintaining, repairing and replacing the components of systems throughout multiple states, the citizens of the Borough of High Bridge will uniquely benefit with Aqua as a partner in the community.

Aqua New Jersey is headquartered in Hamilton, New Jersey and a subsidiary of Aqua America, one of the largest publically traded water and wastewater companies in the United States. Aqua's subsidiaries provide water and wastewater service to almost 3 million residents in 8 states. In New Jersey, Aqua provides drinking water and wastewater services to approximately 174,000 people throughout 30 municipalities across the Garden State. The utility delivers approximately 13 million gallons of drinking water a day to its



customers. Within both the environmental and rate regulatory fields throughout the 8 states in which it operates, Aqua is a well-respected utility whose primary business is the provision of safe and reliable service. It is a highly regarded service provider by the United States Environmental Protection Agency, the New Jersey Board of Public Utilities and the New Jersey Department of Environmental Protection.

Aqua is led by its Chief Executive Officer, Christopher Franklin. Aqua has acquired over 300 water and wastewater utilities, including 25 municipally held water and wastewater utilities. As a result of these acquisitions, not only does Aqua have operational excellence, it also possesses a vast amount of experience in preparing, executing, and obtaining regulatory approval of acquisition applications. As such, Aqua believes that it will be able to achieve closure within a satisfactory time frame, while at the same time preparing for a smooth transition for the employees and customers of the systems. Aqua's experience in regulatory matters and integrating the operations of systems into its operations is unparalleled.

Capital Planning, Environmental Compliance and Operations

Aqua is committed to implementing the appropriate level of capital needed to address the systems in concert with the Borough, as well as establishing an appropriate maintenance plan that will enable the systems to be maintained within federal and state regulatory compliance, with the goal of providing clean, safe, adequate and reliable service to the customers served by the systems.

Aqua appreciates the opportunity to provide the enclosed response to the Borough's Invitation to Bid. Because of the expertise, talent, and experience that Aqua's employees collectively bring, and because of the financial strength and stability of Aqua, we believe that we are the best choice for the Borough of High Bridge.

Should you have any questions, please contact me at 609-587-4080 ext. 56529.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "John Hildabrant".

John Hildabrant
President

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BOROUGH OF HIGH BRIDGE
BID PACKAGE: SALE OF BOROUGH WATER SYSTEM
BID OPENING DATE: JUNE 14, 2017 AT 11:00 AM

BID PROPOSAL FORM

BASE BID

THE UNDERSIGNED, as bidder, declares that the only persons or parties interested in the Bid as principals are named; that the Bid is in all respects fair and without collusion or fraud; that he has carefully examined the annexed proposed form of Contract, the Specifications, the Contract Drawings, and the Information for Bidders, that he, or his representative, has made a personal inspection of the site of the proposed work; and that he proposes and agrees that if this Bid is accepted, he will contract with the Borough of High Bridge in the form of contract hereto annexed, to purchase the Borough Water System in accordance with the RFP for the assets described herein:

Lump Sum Payment for the Borough of High Bridge Potable Water System:

Three Million Nine Hundred Thousand Dollars LS
Lump Sum Base Bid Amount in **Words**

\$ 3,900,000.00 LS
Lump Sum Base Bid Amount in **Numbers**

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BOROUGH OF HIGH BRIDGE
 BID PACKAGE: SALE OF BOROUGH WATER SYSTEM
 BID OPENING DATE: JUNE 14, 2017 AT 11:00 AM

Failure to provide the following items, as checked, **SHALL** result in your bid being disqualified. These are **MANDATORY** requirements of this bid package:

	✓	<u>Initials</u>
Checklist of Required Documents, signed below	✓	JH
Bid Proposal Forms	✓	JH
Hard copy of bid proposal on the proposal forms contained in bid package and supporting documentation	✓	JH
Bid Bond (Cashier, Certified Check) Deposit	✓	JH
Consent of Surety (Letter of Bonding Capability)	✓	JH
Power of Attorney	✓	JH
Acknowledgement of Addenda (as applicable)	✓	JH
Affirmative Action Certification	✓	JH
Equal Employment Opportunity	✓	JH
Americans With Disabilities Act	✓	JH
Disclosure of Ownership	✓	JH
Bidders to Visit Site Certification	✓	JH
Responsible Bidder Certification	✓	JH
False Statement Penalties Certification	✓	JH
CD Rom copy of bid proposal on the proposal forms contained in bid package and supporting documentation formatted in PDF	✓	JH
Affidavit of Non-Collusion	✓	JH
Taxpayer Identification (W-9) Completed	✓	JH
Customer Rate Information Sheet	✓	JH
Iran Certification	✓	JH

EACH REQUIRED ITEM MUST BE INITIALED ON THIS FORM IN THE SPACE PROVIDED. THIS CHECKLIST MUST BE SIGNED AND SUBMITTED WITH THE BID PACKAGE.

Aqua New Jersey, Inc.
 COMPANY / BIDDER'S NAME

6/14/17
 DATE


 AUTHORIZED SIGNATURE

John Hildabrant President
 NAME (PRINT) TITLE

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BOROUGH OF HIGH BRIDGE
 BID PACKAGE: SALE OF BOROUGH WATER SYSTEM
 BID OPENING DATE: JUNE 14, 2017 AT 11:00 AM

BID BOND

**BOROUGH OF HIGH BRIDGE BIDDING & CONTRACT REQUIREMENTS
 BID BOND**

Aqua New Jersey, Inc. as Principal,
 and Travelers Casualty and Surety Company of America a corporation of the
 State of _____ as Surety, are held and firmly bound unto the Borough of High Bridge, as Obligee, in the amount
 of ten percent (10%) of the amount of the base bid, not to exceed \$20,000 for the payment of which Principal and Surety bind
 themselves, their heirs, executors, administrators, successors and assigns, jointly and severally, to this agreement.

Principal has submitted to Obligee a bid to enter into a written contract, for
 Bid Project Number: _____ Bid Title: Sale of Borough Water System
 in accordance with bidding documents for the project, which contract is by reference made a part hereof and is hereinafter
 referred to as "the Contract".

THE CONDITION OF THIS OBLIGATION is that if Principal, upon acceptance by Obligee of its bid within the period of
 time specified for acceptance, shall comply with all post award requirements as required by the terms of the bid within the
 time specified after date of the Notice of Award, or in the event of the failure to comply with all post award requirements,
 the Principal shall pay the Obligee the amount of this bond as liquidated damages.

Surety hereby agrees that its obligation shall not be impaired by any extensions of time for Obligee's acceptance or
 compliance with post award requirements. Surety hereby waives notice of such extensions.

Signed and sealed this 14th day of June, 20 17

AQUA NEW JERSEY, INC.

TRAVELERS CASUALTY AND SURETY COMPANY

BY [Signature]
 CONTRACTOR
 SIGNATURE

BY [Signature]
 SURETY OF AMERICA
 OFFICER OF THE SURETY

Title: President

Daniel P. Dunigan, Attorney in Fact

ATTEST: [Signature]
 CORPORATE SECRETARY (Corporations only)

JURAT (Notary's Statement Authenticating Signature)

STATE OF Pennsylvania

COUNTY OF Chester

I, Theresa Bassett, a Notary Public in and for said county, do hereby certify that

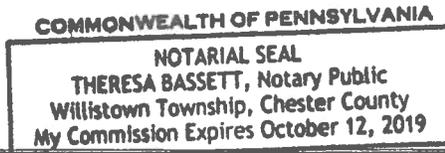
Daniel P. Dunigan

(INSERT NAME OF ATTORNEY-IN FACT FOR SURETY)

who is personally known to me to be the same person whose name is subscribed to the foregoing instrument on behalf of
 SURETY, appeared before me this day in person and acknowledged respectively, that he/she signed, sealed, and delivered
 said instrument as his/her free and voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this 14th day of June, 20 17

My Commission Expires 10/12/19 Notary Signature [Signature]



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BOROUGH OF HIGH BRIDGE
BID PACKAGE: SALE OF BOROUGH WATER SYSTEM
BID OPENING DATE: JUNE 14, 2017 AT 11:00 AM

CONSENT OF SURETY

A performance bond will be required from the successful contractor on this project, and consequently, all bidders shall submit, with their bid, a Consent of Surety in substantially the following form:

To: BOROUGH OF HIGH BRIDGE
(Owner)

Re: AQUA NEW JERSEY, INC.
(Contractor)
Sale of Borough Water System
(Project Description)

This is to certify that Travelers Casualty and Surety Company of America
(Surety Company)

will provide to Aqua New Jersey, Inc.
a performance bond in the full amount of awarded contract in the event that said contractor is awarded a contract for the above project.

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA
(Contractor)


(Authorized Agent of Surety Company) Daniel P. Dunigan, Attorney in Fact

June 14, 2017
Date

**CONSENT OF SURETY MUST BE SIGNED BY AN AUTHORIZED AGENT
OR REPRESENTATIVE OF A SURETY COMPANY.**

**NOT BY THE INDIVIDUAL OR COMPANY REPRESENTATIVE
SUBMITTING THE BID.**

SURETY DISCLOSURE STATEMENT AND CERTIFICATION

pursuant to N.J.S.A. 2A:44-143

(for use when surety(ies) have a certificate from U.S. Secretary of the Treasury in accordance with 31 U.S.C. Section 9305)

The Travelers Indemnity Company, St. Paul Fire and Marine Insurance Company, Travelers Casualty and Surety Company, United States Fidelity and Guaranty Company, The Standard Fire Insurance Company, Travelers Casualty Insurance Company of America, Farmington Casualty Company, St. Paul Mercury Insurance Company, Fidelity and Guaranty Insurance Underwriters, Inc., St. Paul Guardian Insurance Company, Fidelity and Guaranty Insurance Company, Travelers Casualty and Surety Company of America, surety(ies) on the attached bond, hereby certifies(y) the following:

- 1) Each surety meets the applicable capital and surplus requirements of R.S.17:17-6 or R.S.17:17-7 as of the surety's most current annual filing with the New Jersey Department of Insurance.
- 2) The capital and surplus, as determined in accordance with the applicable laws of this State, of the surety(ies) participating in the issuance of the attached bond is (are) in the following amounts as of the calendar year ended **December 31, 2015** (most recent calendar year for which capital and surplus amounts are available), which amounts have been certified by ***KPMG LLP***, located at One Financial Plaza, Hartford, CT 06103-4103, in the Annual Audited Combined Financial Statements for the first eleven (11) companies below, and on a Stand-alone Annual Audited Financial Statement for the twelfth (12th) company below, all on file with the New Jersey Department of Insurance, 20 West State Street CN-325, Trenton, New Jersey 08625-0325.

<u>Surety Company</u>	<u>Capital</u>	<u>Surplus</u>
The Travelers Indemnity Company	\$ 10,790,700	\$6,844,590,214
St. Paul Fire and Marine Insurance Company	\$ 20,000,000	\$5,563,272,481
Travelers Casualty and Surety Company	\$ 25,000,000	\$6,376,266,631
United States Fidelity and Guaranty Company	\$ 35,214,075	\$1,408,920,456
The Standard Fire Insurance Company	\$ 5,000,000	\$1,185,543,409
Travelers Casualty Insurance Company of America	\$ 6,000,000	\$585,954,715
Farmington Casualty Company	\$ 6,000,000	\$291,328,350
St. Paul Mercury Insurance Company	\$ 4,230,000	\$124,945,285
Fidelity and Guaranty Insurance Underwriters, Inc.	\$13,434,900	\$86,204,853
St. Paul Guardian Insurance Company	\$ 4,200,000	\$25,211,330
Fidelity and Guaranty Insurance Company	\$ 5,000,000	\$19,291,926
Travelers Casualty and Surety Company of America	\$ 6,480,000	\$2,103,595,788

- 3) With respect to each surety participating in the issuance of the attached bond that has received from the U.S. Secretary of the Treasury a certificate of authority pursuant to 31 U.S.C. Section 9305, the underwriting limitation established therein on **July 1, 2016** (most recent calendar year available) is as follows:

<u>Surety Company</u>	<u>Limitation</u>
The Travelers Indemnity Company	\$684,459,000
St. Paul Fire and Marine Insurance Company	\$386,393,000
Travelers Casualty and Surety Company	\$398,134,000
United States Fidelity and Guaranty Company	\$140,892,000
The Standard Fire Insurance Company	\$118,554,000
Travelers Casualty Insurance Company of America	\$58,595,000
Farmington Casualty Company	\$29,133,000
St. Paul Mercury Insurance Company	\$12,495,000
Fidelity and Guaranty Insurance Underwriters, Inc.	\$8,620,000
St. Paul Guardian Insurance Company	\$2,521,000
Fidelity and Guaranty Insurance Company	\$1,929,000
Travelers Casualty and Surety Company of America	\$210,360,000

- 4) If, by virtue of one or more contracts of reinsurance, the amount of the bond indicated under Item 5 below exceeds the total underwriting limitation of all sureties on the bond as set forth in Item 3 above, then for each such contract of reinsurance:

- a) The name and address of each such reinsurer under that contract and the amount of the reinsurer's participation in the contract is as follows:

<u>Reinsurer</u>	<u>Address</u>	<u>Amount</u>
------------------	----------------	---------------

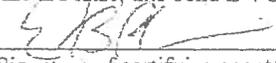
The amount of the bond indicated under Item 5 below *does not* exceed the total underwriting limitation of all sureties on the bond as set forth in Item 3 above.

and;

- b) Each surety that is party to such contract of reinsurance certifies that each reinsurer listed under Item 4(a) satisfies the credit for reinsurance requirement established under P.L.1993, c. 243 (C.17:51B-1 *et seq.*) and any applicable regulations in effect as of the date on which the bond to which this statement and certification is attached shall have been filed with the appropriate public agency.

CERTIFICATE

I, Eric B. Bruder, as Attorney-in-Fact for the companies herein listed, corporations domiciled in Connecticut, Iowa, Maryland, Minnesota and Wisconsin, DO HEREBY CERTIFY that, to the best of my knowledge, the foregoing statements made by me are true, and ACKNOWLEDGE that, if any of those statements made by me are false, this bond is VOIDABLE.



 (Signature of certifying agent/officer)

Eric B. Bruder

 (Print name of certifying agent/officer)

Vice President, Finance
Chief Financial Officer, Bond & Financial Products

 (Title of certifying agent/officer)

Date: 6/14/17

10% of Total Bid, Not to

- 5) The amount of the bond to which the statement and certification is attached is \$ Exceed \$20,000., which *does not* exceed the total underwriting limitation of all sureties on the bond as set forth in Item 3 above

CERTIFICATE

I, Daniel P. Dunigan (name of agent), as Attorney in Fact (title of agent) for the companies herein listed, corporations domiciled in Connecticut, Iowa, Maryland, Minnesota and Wisconsin, DO HEREBY CERTIFY that, to the best of my knowledge, the foregoing statement made by me is true, and ACKNOWLEDGE that, if the statement made by me is false, this bond is VOIDABLE.



 (Signature of certifying agent/officer)

Daniel P. Dunigan

 (Print name of certifying agent/officer)

Attorney in Fact

 (Title of certifying agent/officer)

Date: 6/14/17

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POWER OF ATTORNEY

Farmington Casualty Company
Fidelity and Guaranty Insurance Company
Fidelity and Guaranty Insurance Underwriters, Inc.
St. Paul Fire and Marine Insurance Company
St. Paul Guardian Insurance Company

St. Paul Mercury Insurance Company
Travelers Casualty and Surety Company
Travelers Casualty and Surety Company of America
United States Fidelity and Guaranty Company

Attorney-In Fact No. 214220

Certificate No. 006886886

KNOW ALL MEN BY THESE PRESENTS: That Farmington Casualty Company, St. Paul Fire and Marine Insurance Company, St. Paul Guardian Insurance Company, St. Paul Mercury Insurance Company, Travelers Casualty and Surety Company, Travelers Casualty and Surety Company of America, and United States Fidelity and Guaranty Company are corporations duly organized under the laws of the State of Connecticut, that Fidelity and Guaranty Insurance Company is a corporation duly organized under the laws of the State of Iowa, and that Fidelity and Guaranty Insurance Underwriters, Inc., is a corporation duly organized under the laws of the State of Wisconsin (herein collectively called the "Companies"), and that the Companies do hereby make, constitute and appoint

William F. Simkiss, Daniel P. Dunigan, Richard J. Decker, Joseph W. Kolok, Jr., Brian C. Block, and James L. Hahn

of the City of Paoli, State of Pennsylvania, their true and lawful Attorney(s)-in-Fact, each in their separate capacity if more than one is named above, to sign, execute, seal and acknowledge any and all bonds, recognizances, conditional undertakings and other writings obligatory in the nature thereof on behalf of the Companies in their business of guaranteeing the fidelity of persons, guaranteeing the performance of contracts and executing or guaranteeing bonds and undertakings required or permitted in any actions or proceedings allowed by law.

IN WITNESS WHEREOF, the Companies have caused this instrument to be signed and their corporate seals to be hereto affixed, this 13th day of July, 2016.

Farmington Casualty Company
Fidelity and Guaranty Insurance Company
Fidelity and Guaranty Insurance Underwriters, Inc.
St. Paul Fire and Marine Insurance Company
St. Paul Guardian Insurance Company

St. Paul Mercury Insurance Company
Travelers Casualty and Surety Company
Travelers Casualty and Surety Company of America
United States Fidelity and Guaranty Company



State of Connecticut
City of Hartford ss.

By: Robert L. Raney, Senior Vice President

On this the 13th day of July, 2016, before me personally appeared Robert L. Raney, who acknowledged himself to be the Senior Vice President of Farmington Casualty Company, Fidelity and Guaranty Insurance Company, Fidelity and Guaranty Insurance Underwriters, Inc., St. Paul Fire and Marine Insurance Company, St. Paul Guardian Insurance Company, St. Paul Mercury Insurance Company, Travelers Casualty and Surety Company, Travelers Casualty and Surety Company of America, and United States Fidelity and Guaranty Company, and that he, as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing on behalf of the corporations by himself as a duly authorized officer.

In Witness Whereof, I hereunto set my hand and official seal. My Commission expires the 30th day of June, 2021.



Marie C. Tetreault
Marie C. Tetreault, Notary Public

This Power of Attorney is granted under and by the authority of the following resolutions adopted by the Boards of Directors of Farmington Casualty Company, Fidelity and Guaranty Insurance Company, Fidelity and Guaranty Insurance Underwriters, Inc., St. Paul Fire and Marine Insurance Company, St. Paul Guardian Insurance Company, St. Paul Mercury Insurance Company, Travelers Casualty and Surety Company, Travelers Casualty and Surety Company of America, and United States Fidelity and Guaranty Company, which resolutions are now in full force and effect, reading as follows:

RESOLVED, that the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President, any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary may appoint Attorneys-in-Fact and Agents to act for and on behalf of the Company and may give such appointee such authority as his or her certificate of authority may prescribe to sign with the Company's name and seal with the Company's seal bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking, and any of said officers or the Board of Directors at any time may remove any such appointee and revoke the power given him or her; and it is

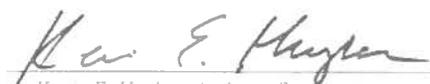
FURTHER RESOLVED, that the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President may delegate all or any part of the foregoing authority to one or more officers or employees of this Company, provided that each such delegation is in writing and a copy thereof is filed in the office of the Secretary; and it is

FURTHER RESOLVED, that any bond, recognizance, contract of indemnity, or writing obligatory in the nature of a bond, recognizance, or conditional undertaking shall be valid and binding upon the Company when (a) signed by the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary and duly attested and sealed with the Company's seal by a Secretary or Assistant Secretary; or (b) duly executed (under seal, if required) by one or more Attorneys-in-Fact and Agents pursuant to the power prescribed in his or her certificate or their certificates of authority; or by one or more Company officers pursuant to a written delegation of authority; and it is

FURTHER RESOLVED, that the signature of each of the following officers: President, any Executive Vice President, any Senior Vice President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Secretary, and the seal of the Company may be affixed by facsimile to any Power of Attorney or to any certificate relating thereto appointing Resident Vice Presidents, Resident Assistant Secretaries or Attorneys-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and any such Power of Attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding on the Company in the future with respect to any bond or understanding to which it is attached.

I, Kevin E. Hughes, the undersigned, Assistant Secretary, of Farmington Casualty Company, Fidelity and Guaranty Insurance Company, Fidelity and Guaranty Insurance Underwriters, Inc., St. Paul Fire and Marine Insurance Company, St. Paul Guardian Insurance Company, St. Paul Mercury Insurance Company, Travelers Casualty and Surety Company, Travelers Casualty and Surety Company of America, and United States Fidelity and Guaranty Company do hereby certify that the above and foregoing is a true and correct copy of the Power of Attorney executed by said Companies, which is in full force and effect and has not been revoked.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the seals of said Companies this 7th day of June, 20 17.


Kevin E. Hughes, Assistant Secretary



To verify the authenticity of this Power of Attorney, call 1-800-421-3330 or contact us at www.travelersbond.com. Please refer to the Attorney-In-Fact number, the above-named individuals and the details of the bond to which the power is attached.

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ACKNOWLEDGEMENT OF ADDENDA

a. Receipt of Changes to Bid Documents Form

Pursuant to N.J.S.A. 40A:11-23.1a, the undersigned hereby acknowledges receipt of the following notices, revisions, or addenda to the bid advertisement, specifications or bid documents. By indicating date of receipt, bidder acknowledges the submitted bid takes into account the provisions of the notice, revision or addendum. Note that the local unit's record of notice to bidders shall take precedence and that failure to include provisions of changes in a bid proposal may be subject for rejection of the bid.

b. Note:

Clarifications issued in response to Q&A are *NOT* considered addenda as they do not substantially change the bid documents, and *NOT* required to be reported on this form. Directives in the "Technical Specifications" requiring submittals are not mandatory **UNLESS** they are included in the "Checklist of Required Document" Pages Q-1&2.

<u>Addendum Number</u>	<u>How Received (mail, fax, pick-up, etc.)</u>	<u>Date Received</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Company/Bidder: Aqua New Jersey, Inc.

By Authorized Representative: John Hildabrant

Signature: 

Printed Name and Title: John Hildabrant, President

Date: 06/14/2017

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AFFIRMATIVE ACTION CERTIFICATION

This form is a summary of the successful bidder's requirement to comply with the requirements of N.J.S.A. 10:5-31 and N.J.A.C. 17:27.

The successful bidder shall submit to the public agency, after notification of award but prior to execution of this contract, one of the following three documents as forms of evidence:

(a) A photocopy of a valid letter that the Contractor is operating under an existing Federally approved or sanctioned affirmative action program (good for one year from the date of the letter);

OR

(b) A photocopy of a Certificate of Employee Information Report approval, issued in accordance with N.J.A.C. 17:27-4;

OR

(c) A photocopy of an Employee Information Report (Form AA302) provided by the Division and distributed to the public agency to be completed by the Contractor in accordance with N.J.A.C. 17:27-4.

The successful vendor may obtain the Affirmative Action Employee Information Report (AA302) from the contracting unit during normal business hours.

The successful vendor(s) must submit the copies of the AA302 Report to the Division of Contract Compliance and Equal Employment Opportunity in Public Contracts (Division). The Public Agency copy is submitted to the public agency, and the vendor copy is retained by the vendor.

The undersigned vendor certifies that he/she is aware of the commitment to comply with the requirements of N.J.S.A. 10:5-31 and N.J.A.C. 17:27 and agrees to furnish the required forms of evidence.

The undersigned vendor further understands that his/her bid shall be rejected as non-responsive if said Contractor fails to comply with the requirements of N.J.S.A. 10:5-31 and N.J.A.C. 17:27.

Aqua New Jersey, Inc.

Company / Bidder's Name

609-587-4080

Telephone

Authorized Signature

John Hildabrant
Name (print)

President
Title

06/14/2017

Date

CERTIFICATE OF EMPLOYEE INFORMATION REPORT

RENEWAL

This is to certify that the contractor listed below has submitted an Employee Information Report pursuant to N.J.A.C. 17:27-1.1 et. seq. and the State Treasurer has approved said report. This approval will remain in effect for the period of ~~15-SEP-2015~~ to ~~15-SEP-2018~~



AQUA NEW JERSEY, INC.
10 BLACK FOREST ROAD
HAMILTON

NJ 08691



A handwritten signature in cursive script, reading "Robert A. Romano".

Robert A. Romano,
Acting State Treasurer

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(REVISED 4/10)

EQUAL EMPLOYMENT OPPORTUNITY
N.J.S.A. 10:5-31 et seq. (P.L. 1975, C. 127)
N.J.A.C. 17:27

CONSTRUCTION CONTRACTS

During the performance of this contract, the contractor agrees as follows:

The contractor or subcontractor, where applicable, will not discriminate against any employee or applicant for employment because of age, race, creed, color, national origin, ancestry, marital status, affectional or sexual orientation, gender identity or expression, disability, nationality or sex. Except with respect to affectional or sexual orientation and gender identity or expression, the contractor will ensure that equal employment opportunity is afforded to such applicants in recruitment and employment, and that employees are treated during employment, without regard to their age, race, creed, color, national origin, ancestry, marital status, affectional or sexual orientation, gender identity or expression, disability, nationality or sex. Such equal employment opportunity shall include, but not be limited to the following: employment, up-grading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Public Agency Compliance Officer setting forth provisions of this nondiscrimination clause.

The contractor or subcontractor, where applicable will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to age, race, creed, color, national origin, ancestry, marital status, affectional or sexual orientation, gender identity or expression, disability, nationality or sex.

The contractor or subcontractor will send to each labor union, with which it has a collective bargaining agreement, a notice, to be provided by the agency contracting officer, advising the labor union or workers' representative of the contractor's commitments under this act and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

The contractor or subcontractor, where applicable, agrees to comply with any regulations promulgated by the Treasurer, pursuant to N.J.S.A. 10:5-31 et seq., as amended and supplemented from time to time and the Americans with Disabilities Act.

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When hiring or scheduling workers in each construction trade, the contractor or subcontractor agrees to make good faith efforts to employ minority and women workers in each construction trade consistent with the targeted employment goal prescribed by N.J.A.C. 17:27-7.2; provided, however, that the Division may, in its discretion, exempt a contractor or subcontractor from compliance with the good faith procedures prescribed by the following provisions, A, B and C, as long as the Division is satisfied that the contractor or subcontractor is employing workers provided by a union which provides evidence, in accordance with standards prescribed by the Division, that its percentage of active "card carrying" members who are minority and women workers is equal to or greater than the targeted employment goal established in accordance with N.J.A.C. 17:27-7.2. The contractor or subcontractor agrees that a good faith effort shall include compliance with the following procedures:

(A) If the contractor or subcontractor has a referral agreement or arrangement with a union for a construction trade, the contractor or subcontractor shall, within three business days of the contract award, seek assurances from the union that it will cooperate with the contractor or subcontractor as it fulfills its affirmative action obligations under this contract and in accordance with the rules promulgated by the Treasurer pursuant to N.J.S.A. 10:5-31 et. seq., as supplemented and amended from time to time and the Americans with Disabilities Act. If the contractor or subcontractor is unable to obtain said assurances from the construction trade union at least five business days prior to the commencement of construction work, the contractor or subcontractor agrees to afford equal employment opportunities minority and women workers directly, consistent with this chapter. If the contractor's or subcontractor's prior experience with a construction trade union, regardless of whether the union has provided said assurances, indicates a significant possibility that the trade union will not refer sufficient minority and women workers consistent with affording equal employment opportunities as specified in this chapter, the contractor or subcontractor agrees to be prepared to provide such opportunities to minority and women workers directly, consistent with this chapter, by complying with the hiring or scheduling procedures prescribed under (B) below; and the contractor or subcontractor further agrees to take said action immediately if it determines that the union is not referring minority and women workers consistent with the equal employment opportunity goals set forth in this chapter.

(B) If good faith efforts to meet targeted employment goals have not or cannot be met for each construction trade by adhering to the procedures of (A) above, or if the contractor does not have a referral agreement or arrangement with a union for a construction trade, the contractor or subcontractor agrees to take the following actions:

- (1) To notify the public agency compliance officer, the Division, and minority and women referral organizations listed by the Division pursuant to N.J.A.C. 17:27-5.3, of its workforce needs, and request referral of minority and women workers;
- (2) To notify any minority and women workers who have been listed with it as awaiting available vacancies;

Initials 



- (3) Prior to commencement of work, to request that the local construction trade union refer minority and women workers to fill job openings, provided the contractor or subcontractor has a referral agreement or arrangement with a union for the construction trade;
- (4) To leave standing requests for additional referral to minority and women workers with the local construction trade union, provided the contractor or subcontractor has a referral agreement or arrangement with a union for the construction trade, the State Training and Employment Service and other approved referral sources in the area;
- (5) If it is necessary to lay off some of the workers in a given trade on the construction site, layoffs shall be conducted in compliance with the equal employment opportunity and non-discrimination standards set forth in this regulation, as well as with applicable Federal and State court decisions;
- (6) To adhere to the following procedure when minority and women workers apply or are referred to the contractor or subcontractor:
- (i) The contractor or subcontractor shall interview the referred minority or women worker.
 - (ii) If said individuals have never previously received any document or certification signifying a level of qualification lower than that required in order to perform the work of the construction trade, the contractor or subcontractor shall in good faith determine the qualifications of such individuals. The contractor or subcontractor shall hire or schedule those individuals who satisfy appropriate qualification standards in conformity with the equal employment opportunity and non-discrimination principles set forth in this chapter. However, a contractor or subcontractor shall determine that the individual at least possesses the requisite skills, and experience recognized by a union, apprentice program or a referral agency, provided the referral agency is acceptable to the Division. If necessary, the contractor or subcontractor shall hire or schedule minority and women workers who qualify as trainees pursuant to these rules. All of the requirements, however, are limited by the provisions of (C) below.
 - (iii) The name of any interested women or minority individual shall be maintained on a waiting list, and shall be considered for employment as described in (i) above, whenever vacancies occur. At the request of the Division, the contractor or subcontractor shall provide evidence of its good faith efforts to employ women and minorities from the list to fill vacancies.
 - (iv) If, for any reason, said contractor or subcontractor determines that a minority individual or a woman is not qualified or if the individual qualifies as an advanced trainee or apprentice, the contractor or subcontractor shall inform the individual in writing of the reasons for the determination, maintain a copy of the determination in its files, and send a copy to the public agency compliance officer and to the Division.

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BOROUGH OF HIGH BRIDGE
BID PACKAGE: SALE OF BOROUGH WATER SYSTEM
BID OPENING DATE: JUNE 14, 2017 AT 11:00 AM

(7) To keep a complete and accurate record of all requests made for the referral of workers in any trade covered by the contract, on forms made available by the Division and submitted promptly to the Division upon request.

(C) The contractor or subcontractor agrees that nothing contained in (B) above shall preclude the contractor or subcontractor from complying with the union hiring hall or apprenticeship policies in any applicable collective bargaining agreement or union hiring hall arrangement, and, where required by custom or agreement, it shall send journeymen and trainees to the union for referral, or to the apprenticeship program for admission, pursuant to such agreement or arrangement. However, where the practices of a union or apprenticeship program will result in the exclusion of minorities and women or the failure to refer minorities and women consistent with the targeted county employment goal, the contractor or subcontractor shall consider for employment persons referred pursuant to (B) above without regard to such agreement or arrangement; provided further, however, that the contractor or subcontractor shall not be required to employ women and minority advanced trainees and trainees in numbers which result in the employment of advanced trainees and trainees as a percentage of the total workforce for the construction trade, which percentage significantly exceeds the apprentice to journey worker ratio specified in the applicable collective bargaining agreement, or in the absence of a collective bargaining agreement, exceeds the ratio established by practice in the area for said construction trade. Also, the contractor or subcontractor agrees that, in implementing the procedures of (B) above, it shall, where applicable, employ minority and women workers residing within the geographical jurisdiction of the union.

After notification of award, but prior to signing a construction contract, the contractor shall submit to the public agency compliance officer and the Division an initial project workforce report (Form AA 201) electronically provided to the public agency by the Division, through its website, for distribution to and completion by the contractor, in accordance with N.J.A.C. 17:27-7. The contractor also agrees to submit a copy of the Monthly Project Workforce Report once a month thereafter for the duration of this contract to the Division and to the public agency compliance officer.

The contractor agrees to cooperate with the public agency in the payment of budgeted funds, as is necessary, for on-the-job and/or off-the-job programs for outreach and training of minorities and women.

(D) The contractor and its subcontractors shall furnish such reports or other documents to the Division of Public Contracts Equal Employment Opportunity Compliance as may be requested by the Division from time to time in order to carry out the purposes of these regulations, and public agencies shall furnish such information as may be requested by the Division of Public Contracts Equal Employment Opportunity Compliance for conducting a compliance investigation pursuant to **Subchapter 10 of the Administrative Code (N.J.A.C. 17:27)**.

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AMERICANS WITH DISABILITIES ACT
Equal Opportunity for Individuals with Disabilities

The Contractor and the Borough of High Bridge do hereby agree that the provision of Title II of the Americans With Disabilities Act of 1990 (the "ADA") (42 U.S.C. Section 12101 et seq.), which prohibits discrimination on the basis of disability by public entities in all services, programs and activities provided or made available by public entities, and the rules and regulations promulgated pursuant thereto, are made a part of this contract. In providing any aid, benefit or service on behalf of the Borough pursuant to this contract, the Contractor agrees that the performance shall be in strict compliance with the ADA. In the event that the Contractor, its agents, servants, employees or subcontractors violate or are alleged to have violated the ADA during the performance of this contract, the Contractor shall defend the Borough in any action or administrative proceeding commenced pursuant to this ADA. The Contractor shall indemnify, protect and save harmless the Borough, its agents, servants and employees from and against any and all suits, claims, losses, demands or damages of whatever kind or nature arising out of or claimed to arise out of the alleged violation. The Contractor shall, at its own expense, appear, defend and pay any and all charges for legal services and any and all costs and other expenses arising from such action or administrative proceeding or incurred in connection therewith. In any and all complaints brought pursuant to the Borough grievance procedure, the Contractor agrees to abide by any decision of the Borough which is rendered pursuant to said grievance procedure. If any action or administrative proceeding results in an award of damages against the Borough or if the Borough incurs any expense to cure a violation of the ADA which has been brought pursuant to its grievance procedure, the Contractor shall satisfy and discharge the same at its own expense.

The Borough shall, as soon as practicable after a claim has been made against it, give written notice thereof to the Contractor along with full and complete particulars of the claim. If any action or administrative proceeding is brought against the Borough or any of its agents, servants, and employees, the Borough shall expeditiously forward or have forwarded to the Contractor every demand, complaint, notice, summons, pleading or other process received by the Borough or its representatives.

It is expressly agreed and understood that any approval by the Borough of the services provided by the Contractor pursuant to this contract will not relieve the Contractor of the obligation to comply with the ADA and to defend, indemnify, protect, and save harmless the Borough pursuant to this paragraph.

It is further agreed and understood that the Borough assumes no obligation to indemnify or save harmless the Contractor, its agents, servants, employees and subcontractors for any claim which may arise out of their performance of this agreement. Furthermore, the Contractor expressly understands and agrees that the provisions of this indemnification clause shall in no way limit the Contractor's obligations assumed in this agreement, nor shall they be construed to relieve the Contractor from any liability, nor preclude the Borough from taking any other actions available to it under any other provisions of this agreement or otherwise by law.

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DISCLOSURE OF OWNERSHIP

Contractor's Statement of Experience and Financial Condition Disclosure of Ownership
N.J.S.A. 52:25-24.2

Failure to submit the required information is cause for automatic rejection.

Check One

- I certify that the list below contains the names and addresses of all owners who own an interest of 10% or more in the Applicant.
- I certify that no one owner owns an interest of 10% or more in the Applicant.

LEGAL NAME OF APPLICANT: Aqua New Jersey, Inc.

Check which business entity applies:

- Limited Partnership Corporation (for-profit) Limited Liability Company
- Limited Liability Partnership Corporation(non-profit) Sole Proprietorship
- Partnership Other _____

Complete if the Applicant is a for-profit or non-profit corporation:

Date Incorporated: 7-9-1885 Where Incorporated: New Jersey

Tax ID Number: 22-1914760 Date Business Formed: 7-9-1885

Has there been any change in control of the company within the past two years? (If yes, explain on separate signed page.) Yes No

Is the company or its owners connected with other companies as a subsidiary, parent, holding or affiliate Yes No

If yes, please list the names of said companies and the relationship with the Applicant:

Aqua America, Inc.

Business Address:

10 Black Forest Road Hamilton NJ 08691
Street Address City State Zip

609-587-4080 609-587-0689 JHildabrant@aquaamerica.com
Telephone # Fax# Email

Note: any sections which do not apply shall be marked "N/A".



- Business Registration Certificate Yes No
- Public Works Contractor Certification Yes No
- Affirmative Action Certificate (AA302) Yes No
- Minority or Women Owned Business Yes No
- Has the firm ever been prohibited from entering into a contract with a public entity. Please list dates, name of Public Body, and reasons on a separate sheet. Be thorough and complete Yes, No
- Has the *firm and/or its executive officers and/or owners* ever Registered for Public Works (PWCR) with the New Jersey Department of Labor and Workforce Development under a different name or different certificate number? Yes, List Below No
- Has the *firm and/or its executive officers and/or owners* ever been granted a licensed in New Jersey under a different name or different Business Registration Certificate (BRC) number? Yes, List Below No

If yes, list all name(s) and Certificate number(s), attach additional sheets if necessary:

N/A

Listed below are the names and addresses of all owners who own an interest of 10% or more in the Applicant. Disclosure shall be continued until the names and addresses of every owner exceeding the 10% ownership criteria established in N.J.S.A. 52:25-24.2 has been listed. (Not to be completed by non-profit corporations.)

N/A

Name	Address	Shared (%) Owned
N/A		

CONTINUED ON ADDITIONAL SHEET (IF NECESSARY): YES NO

Corporate Officers, Partners, Proprietor, Owners, Supervisors: not listed above who have decision making capability, not necessarily those who own more than 10% who will be in charge of project being bid.

Name	Position	Years w/Firm	% of Ownership
John Hildabrant	President	12	0



BOROUGH OF HIGH BRIDGE
 BID PACKAGE: SALE OF BOROUGH WATER SYSTEM
 BID OPENING DATE: JUNE 14, 2017 AT 11:00 AM

In what type of projects do you specialize? _____ N/A _____

What was the largest amount of work completed in one year?

Dollar Amount	Number of Jobs	Year	Largest Job	Amount
\$ N/A				\$

I/We hereby allow Borough of High Bridge to contact the government agencies enclosed to discuss my work performed under another agencies contract.

Signed: _____ N/A _____

Name/Title: _____

Date: _____

Aqua New Jersey, Inc.
 Company / Bidder's Name


 Authorized Signature

06/14/17
 Date

John Hildabrant President
 Name (print) Title

Borough Use Only:

Verified by: _____ on _____

License Clear: Yes No



STATE OF NEW JERSEY BUSINESS REGISTRATION CERTIFICATE

Taxpayer Name: AQUA NEW JERSEY, INC

Trade Name:

Address: 10 BLACK FOREST ROAD
HAMILTON, NJ 08691

Certificate Number: 0414213

Date of Issuance: December 02, 2004

For Office Use Only:

20041202142744067

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BOROUGH OF HIGH BRIDGE
BID PACKAGE: SALE OF BOROUGH WATER SYSTEM
BID OPENING DATE: JUNE 14, 2017 AT 11:00 AM

DISCLOSURE OF INVESTMENT ACTIVITIES IN IRAN

Pursuant to Public Law 2012, c. 25, any person or entity that submits a bid or proposal or otherwise proposes to enter into or renew a contract must complete the certification below to attest, under penalty of perjury, that the person or entity, or one of the person or entity's parents, subsidiaries, or affiliates, is not identified on a list created and maintained by the Department of the Treasury as a person or entity engaging in investment activities in Iran. If the Director finds a person or entity to be in violation of the principles which are the subject of this law, s/he shall take action as may be appropriate and provided by law, rule or contract, including but not limited to, imposing sanctions, seeking compliance, recovering damages, declaring the party in default and seeking debarment or suspension of the person or entity.

I certify, pursuant to Public Law 2012, c. 25, that the person or entity listed above for which I am authorized to bid/renew:

is not providing goods or services of \$20,000,000 or more in the energy sector of Iran, including a person or entity that provides oil or liquefied natural gas tankers, or products used to construct or maintain pipelines used to transport oil or liquefied natural gas, for the energy sector of Iran; **AND**

is not a financial institution that extends \$20,000,000 or more in credit to another person or entity, for 45 days or more, if that person or entity will use the credit to provide goods or services in the energy sector in Iran.

In the event that a person or entity is unable to make the above certification because it or one of its parents, subsidiaries, or affiliates has engaged in the above-referenced activities, a detailed, accurate and precise description of the activities must be provided in part 2 below to the Division of Purchase under penalty of perjury. Failure to provide such will result in the proposal being rendered as non-responsive and appropriate penalties, fines and/or sanctions will be assessed as provided by law.

PART 2: PLEASE PROVIDE FURTHER INFORMATION RELATED TO INVESTMENT ACTIVITIES IN IRAN

You must provide, accurate and precise description of the activities of the bidding person/entity, or one of its parents, subsidiaries or affiliates, engaging in the investment activities in Iran outlined above by completing the boxes below.

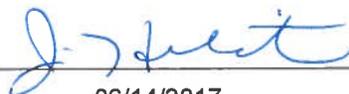
Name: _____ Relationship to Bidder/Offeror: _____

Description of Activities: _____

Duration of Engagement: _____ Anticipated Cessation Date: _____

Bidder/Offeror Contact Name: _____ Contact Phone Number: _____

Certification: I, being duly sworn upon my oath, hereby represent and state that the foregoing information and any attachments thereto to the best of my knowledge are true and complete. I attest that I am authorized to execute this certification on behalf of the above-referenced person or entity. I acknowledge that Borough of High Bridge is relying on the information contained herein and thereby acknowledge that I am under a continuing obligation from the date of this certification through the completion of any contracts with the Borough to notify the Borough in writing of any changes to the answers of information contained herein. I acknowledge that I am aware that it is a criminal offense to make a false statement or misrepresentation in this certification, and if I do so, I recognize that I am subject to criminal prosecution under the law and that it will also constitute a material breach of my agreement(s) with Borough of High Bridge, New Jersey and that the Borough at its option may declare any contract(s) resulting from this certification void and unenforceable.

Full Name (Print): John Hildabrant Signature: 

Title: President Date: 06/14/2017

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BOROUGH OF HIGH BRIDGE
BID PACKAGE: SALE OF BOROUGH WATER SYSTEM
BID OPENING DATE: JUNE 14, 2017 AT 11:00 AM

BIDDERS TO VISIT SITE

All bidders or their representative(s) shall visit the Borough of High Bridge Water System, including but not limited to treatment facilities, wells, storage tanks and distribution system and examine the Water System. Bidders shall thoroughly investigate the Borough of High Bridge Water System in order to become informed as to the magnitude and character of the Water System for the complete execution of the contract.

The Bidder shall attest by signing below that he has physically examined the Borough of High Bridge Water System prior to the submission of this proposal.

06/14/2017
Date


Signature of Representative

President
Title

John Hildabrant
Bidder's Name

AFFIDAVIT OF NON-COLLUSION

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BOROUGH OF HIGH BRIDGE
 BID PACKAGE: SALE OF BOROUGH WATER SYSTEM
 BID OPENING DATE: JUNE 14, 2017 AT 11:00 AM

RESPONSIBLE BIDDER CERTIFICATION

A copy of this certification must be included with the Bid and must be fully completed, signed by at least one general partner, owner, or officer authorized to legally obligate the Applicant and notarized.

The Bidder recognizes that the information submitted in the questionnaire herein is for the express purpose of inducing the Borough to award a contract to the Bidder. The Bidder has read and understands the requirements of this Bid, and has read and understands the instructions for completing the Bid. The Bidder acknowledges that he/she is duly authorized to provide the information contained in this Bid and that answering the questions in this bid is entirely within his/her control.

DECLARATION

I, John Hildabrant am the
(print name)
President of Applicant.
(title)

I certify that I have read and understood the questions contained in the attached bid, and that to the best of my knowledge and belief all information contained herein and submitted concurrently or in supplemental documents with this bid is complete, current, and true. I further acknowledge that any false, deceptive or fraudulent statements on the bid may result in non-award of contract. I authorize the Borough to contact any entity named herein, or any other internal or outside resource, for the purpose of verifying information provided in the questionnaire or to develop other information deemed relevant by the Borough.

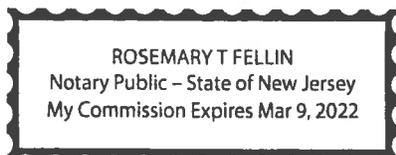
[Handwritten Signature]
 Signature

Sworn and subscribed to before me on

this 14 day of
June, 2017

[Handwritten Signature]
 Signature of Notary

Notary seal



ROSEMARY T. FELLIN
 Print Name

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BOROUGH OF HIGH BRIDGE
BID PACKAGE: SALE OF BOROUGH WATER SYSTEM
BID OPENING DATE: JUNE 14, 2017 AT 11:00 AM

FALSE STATEMENT PENALTIES CERTIFICATION
N.J.S.A. 40A:11-34

Any person who makes or causes to be made, a false, deceptive or fraudulent statement in the statement or answers in response to the questionnaire, or in the course of any hearing hereunder, shall be guilty of a misdemeanor, and upon conviction shall be punishable by a fine of not less than \$100.00 nor more than \$1,000.00, and shall be permanently disqualified from bidding on all public work or contracts of the contracting unit which submitted the questionnaire; or, in the case of an individual or an officer or employee charged with the duty of responding to the questionnaire for a person, firm, co-partnership, association or corporation, by such fine or by imprisonment, not exceeding 6 months, or both.

John Hildabrant

Print Name


Signature of Preparer or
Officer of the Applicant

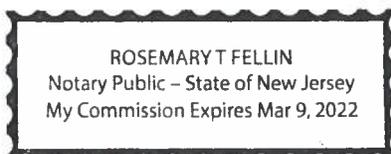
Sworn and subscribed to before me on

this 14 day of

June, 20 17


Signature of Notary

Notary seal



ROSEMARY T. FELLIN
Print Name

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The undersigned, being duly sworn according to law, deposes and says:

1. I reside at 10 Black Forest Road
Hamilton, NJ 08691

2. The name of the within bidder is Aqua New Jersey, Inc.

- 1. I execute the said bid on behalf of the bidder with full authority to do so.
- 2. The bidder has not directly or indirectly entered into any agreement, participated in any collusion or otherwise taken any action in restraint of free competitive bidding in connection with the contract.
- 3. All statements contained in the Qualification Statement and Bid and in this Affidavit are true and correct and were made with the full knowledge that the Borough of High Bridge, County of Somerset, its officers and employees, relies upon the truth of the statements therein made in awarding the contract.
- 4. I further warrant that no person or selling agency has been employed or retained to solicit or service such contract upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, except bonafide employees of or bonafide established commercial selling agencies maintained by the bidder.

John Hildabrant
 Print Name

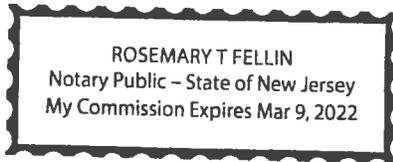
[Handwritten Signature]
 Signature of Bidder

Sworn and subscribed to before me on

this 14 day of
June, 20 17

[Handwritten Signature]
 Signature of Notary

Notary seal



ROSEMARY T. FELLIN
 Print Name

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Request for Taxpayer Identification Number and Certification

**Give Form to the
 requester. Do not
 send to the IRS.**

Print or type See Specific Instructions on page 2.	Name (as shown on your income tax return) Aqua New Jersey, Inc.	
	Business name/disregarded entity name, if different from above	
	Check appropriate box for federal tax classification: <input type="checkbox"/> Individual/sole proprietor <input checked="" type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ _____ <input type="checkbox"/> Other (see instructions) ▶ _____	Exemptions (see instructions): Exempt payee code (if any) _____ Exemption from FATCA reporting code (if any) _____
	Address (number, street, and apt. or suite no.) 10 Black Forest Road	Requester's name and address (optional)
	City, state, and ZIP code Hamilton, NJ 08691	
List account number(s) here (optional)		

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Note. If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Social security number	
[] [] [] - [] [] - [] [] [] []	
Employer identification number	
2 2 - 1 9 1 4 7 6 0	

Part II Certification

Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
- I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
- I am a U.S. citizen or other U.S. person (defined below), and
- The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 3.

Sign Here	Signature of U.S. person ▶	Date ▶ 6/14/17
------------------	----------------------------	-----------------------

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. The IRS has created a page on IRS.gov for information about Form W-9, at www.irs.gov/w9. Information about any future developments affecting Form W-9 (such as legislation enacted after we release it) will be posted on that page.

Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, payments made to you in settlement of payment card and third party network transactions, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

- Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
- Certify that you are not subject to backup withholding, or
- Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income, and

4. Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting, is correct.

Note. If you are a U.S. person and a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

Definition of a U.S. person. For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax under section 1446 on any foreign partners' share of effectively connected taxable income from such business. Further, in certain cases where a Form W-9 has not been received, the rules under section 1446 require a partnership to presume that a partner is a foreign person, and pay the section 1446 withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid section 1446 withholding on your share of partnership income.

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CUSTOMER RATE INFORMATION SHEET

By submission of this bid, it is hereby understood that the sale is based on the Borough of High Bridge service area being rolled into the existing customer base of the successful bidder so that the customers in the Borough of High Bridge will be charged the same rate as the existing customers of the bidder. Additionally, to aid the Borough in its review of bids, the bidder must indicate on the Bid Form, in the space provided, the rate of the current customer base per 1,000 gallons, and the impact, if any, the inclusion of the Borough of High Bridge service area will have on the rate schedule applicable to the decision making purposes. The Borough understands the rate may fluctuate subject to periodic review and approval by Board of Public Utilities (BPU) pending the successful bidder's rate change application to the BPU. Also, it is hereby understood that customer rate information is a part of the Bid Form and is a consideration in the review of the bids for award.

Quarterly Service Charge \$ 42.99

Rate of Current Customer Base
(per 1,000 gallons) \$ 5.805

Anticipated impact to rate of Customer Base due to Purchase (differential per 1,000 gallons)

Increase \$ 0

Decrease \$ 0

Rate of Fire Hydrant Charge \$ 306 /hydrant

Describe any other charges that Borough of High Bridge customer base may be subject to, or in the alternate, attach current rate schedule.

Aqua agrees to freeze the water rates for two years following closing.

Describe time, schedule for, and proposed amount, of next bidder rate increase request to the BPU.

Aqua agrees to freeze the water rates for two years following closing. The next possible rate increase request after the two year freeze would be the beginning of year 2021 with any rate increase taking place in the fall of 2022. The amount of any rate increase would be determined by the BPU.

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SECTION 19 – CONDITIONS OF BID

The bid submitted is premised upon the understanding that the Scope/General Conditions for Sale of Assets are terms to be incorporated into a final contract that will become binding as stated in the *EXECUTION OF CONTRACT* section and that such have the following meaning or clarifications:

- 1) The required deposit (as opposed to bid bond) shall be due upon such final contract becoming binding (or if required earlier that the failure to approve the contract by the Borough shall operate as refund of the deposit);
- 2) The only assumed contract for liability purposes pursuant to TS.7 is “*QC Labs for water testing – year to year contract*”;
- 3) The applicable termination provision for the terms and conditions shall be TS 49, and that the time period for the termination if the Closing has not occurred within 180 days (subject to a six month extension) shall run from no earlier than the date of final Borough approval of the transaction as stated in Execution of Contract section.

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SECTION 20 - INTRODUCTION

Aqua America, Inc

At Aqua America, we know that water is a precious resource – one that plays a critical role in sustaining life. We take seriously our responsibility to protect and provide this essential resource.

Aqua is one of the largest U.S.-based, publicly traded water and wastewater utilities, serving nearly three million people in Pennsylvania, Ohio, North Carolina, Texas, Illinois, New Jersey, Indiana and Virginia. Aqua is listed on the New York stock exchange under the ticker symbol WTR. Aqua provides drinking water to 3.0 million people, owns and/or operates **1,447** public water systems, provides wastewater service to 250,000 people and owns and/or operates **187** wastewater treatment plants and collection systems.

At Aqua, we are committed to renewing and improving our water and wastewater infrastructure through thoughtful and continuous capital investment. This commitment not only ensures reliable service and quality water for our current and future customers, but it demonstrates a more fiscally-efficient approach to ensuring the sustainability of our business, the industry and the environment. As a steward of Earth's most recycled resource, Aqua takes equal care in preparing fresh water for drinking as it does treating wastewater for its return to Earth. For nearly 130 years, we've successfully employed engineering, technology and sophisticated business principles to grow Aqua into one of the nation's most efficient utilities.

In 2016, Aqua invested more than \$300 million for the fourth straight year to improve infrastructure across all of its regulated operations as part of its capital investment program. Over the next three years, the company projects investing an additional \$1 billion in pipe replacement to improve its distribution network; upgrade plants to enhance water quality; and make service reliability improvements for our customers.

Aqua has won multiple awards for innovative programs including the Energy Solutions Center Partnership Award for Innovative Energy Solutions recognizing the implementation of compressed natural gas (CNG) technology used in company vehicles and fueling stations throughout Southeastern Pennsylvania. Aqua was also awarded the National Association of Water Companies' (NAWC) 2013 Management Innovation Award for its pursuit of maximizing performance in electricity load response programs.

Aqua has 1,600 employees nationwide. Our employees are driven by the same concern our founders had for access to clean drinking water. Although it is seemingly ubiquitous, surface water—the primary source of drinking water—makes up just 0.007 percent of Earth's total water according to the United States Geological Survey. That is why water is Earth's most recycled — and valuable— natural resource.

At Aqua we take seriously our role as environmental stewards and understand that the cleaner our fresh water resources are, the less treatment is required at our plants. That is one of the reasons our wastewater operations strive to assure that treated wastewater is returned to the environment in full compliance with all environmental laws.

In addition to the primary environmental and public health benefits of our business, we also understand the impact that reliable water and wastewater service has on the economy. Businesses of all sizes require reliable water and wastewater service to operate. In recent years, we have seen increasing evidence of the need for a significant infusion of capital to restore our nation’s utility infrastructure. Such an investment, spearheaded by companies like Aqua, renews crucial infrastructure while positively impacting the nation’s economy by creating living-wage jobs.

Aqua has a deep “bench” of operation and engineering resources to support operations, planning, design and construction management for the High Bridge Borough’s water system. Aqua has more than 50 engineering professionals throughout Aqua’s office locations. This staff includes all key disciplines for water and wastewater projects, and water and wastewater “practice leaders” who help disperse technical information and technology advances throughout the company. The following table summarizes our areas of technical proficiencies:

Water	Wastewater	Environmental
Distribution Systems	Collection Systems	Compliance Management
Storage Facilities	Interceptors	Water Quality Management
Transmission Mains	Pump Stations	Environmental Site Assessments
Treatment Plants	Treatment Facilities	Right-to-Know Reporting
Pump Stations	Facility Plans	Waste Management
Groundwater	Infiltration/Inflow Studies	Industrial Pre-Treatment
SCADA/Instrumentation	Hydraulic Modeling	Air Quality Management
Hydraulic Modeling	Residuals Management	Wetlands Delineations
Residuals Management	Pressure Sewers	GIS/GPS
Metering	Drip Irrigation	
Funding Applications/ Management	Funding Applications/ Management	Emergency Response Plans
Impoundments/Dams	SCADA/Instrumentation	Environmental Mgmt. Database
	Activated Sludge Modeling	
Design	Energy	Construction
Civil/Structural	Energy Analysis Reports	Value Engineering
Mechanical	Fuel Contracts & Rates	Design/Build
Electrical	Alternative Energy	Construction Management
Architectural	Utility Rate Analysis	Site Supervision/Oversight
Process	Grant Applications	Cost Estimating
“Green” Design	Life Cycle Costing	Construction Scheduling

Aqua's professional staff is active in industry associations, such as American Water Works Association (AWWA), New Jersey Rural Water Association (IRWA), and the Water and Environment Federation (WEF), at both the local and national levels. We also utilize industry standard technologies, such as CADD, GIS, and WaterGEMS and SewerGEMS hydraulic models to support engineering planning and design efforts. This engineering team, supported by a wide range of national and regional engineering consultants, has performed and coordinated design and construction efforts for Aqua's \$300 million per year capital improvement program.

Compliance management is at the forefront of Aqua's priorities, and is closely coordinated with our engineering activities. Our focus is on quickly identifying current and potential compliance needs and working with operational personnel to ensure ongoing compliance with permits and environmental regulations. Compliance status is reviewed regularly with senior Aqua management, and if capital improvements are needed, compliance personnel work closely with our engineering staff to plan, budget, design and construct the needed improvements. We thrive to be proactive rather than reactive.

Aqua New Jersey, Inc.

Aqua New Jersey is a member of the Aqua family of companies, one of the largest publicly-owned water and wastewater utility holding companies in the United States, with subsidiaries providing water and wastewater service to approximately 3 million residents in 8 states (Pennsylvania, New Jersey, Virginia, North Carolina, Ohio, Indiana, New Jersey and Texas). Aqua is a publicly traded Corporation on the New York Stock Exchange under the ticker symbol of WTR.

Aqua New Jersey and its predecessors have a long history in New Jersey. The Peoples Water Company of Phillipsburg, the Hamilton Square Water Company and the Blackwood Water Company, all predecessors to Aqua New Jersey were all started in the 1880's. Aqua New Jersey has grown throughout the years through a combination of internal growth and acquisitions. Aqua New Jersey provides water and wastewater service to more than 174,000 residents in 30 municipalities across the Garden State. Aqua New Jersey's corporate offices are located in Hamilton Township, Mercer County, New Jersey and we also have offices in Erial, Gloucester County and Phillipsburg, Warren County.

Since 1995 Aqua America, Inc. ("Aqua") has added 716,000 customers due greatly to the acquisition of over 300 municipal or private utility systems. Aqua's core business for the past 130 years is the water and wastewater industry. Just like any successful business, strategic growth is the key component to sustainability and longevity. Strategic growth through acquisitions allows operational costs to be spread out over a larger base of customers therefore stabilizing rates for our new and existing customers.

Every acquisition is analyzed thoroughly for its impact on our operations. Aqua believes the acquisition of the assets and the strategic location of High Bridge fits well into our existing New Jersey operations. The customer base of High Bridge will complement Aqua New Jersey's existing 58,000 plus customer connections. The increased customer base of High Bridge will enhance Aqua New Jersey's economies of scale which will be a direct benefit to the residents of High Bridge.

Aqua New Jersey has continued to grow through acquisition each of the following years as opportunities presented themselves. Recent major acquisitions include the 1999 acquisition of the Woolwich Water Company and Woolwich Sewer Company. In March 1999, CNJ's parent company, Consumers Water Company, merged with Philadelphia Suburban Corporation (PSC). In January 2004, PSC changed its name to Aqua America, Inc. and changed the name of CNJ to Aqua New Jersey.

In November 2005, Aqua acquired the assets of the Berkeley Water Company, the company's first venture into Ocean County. In July 2009, Aqua acquired the Lawrenceville Water Company in Lawrence Township, expanding the company's existing footprint in Mercer County. In October 2014, Aqua acquired Spartan Village Water Company in Burlington County and in May 2015, Seaview Harbor Water Company in Atlantic County an Byram Home Owners Association, Cliffside Park, and Oakwood Village Sewer in 2016

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SECTION 21 – BUYER’S FINANCIAL CAPABILITY

Aqua America, Inc. is one of the nation’s largest publicly traded water and wastewater utilities serving nearly 3 million people across eight states. With total assets of nearly \$5.5 billion and annual revenues of nearly \$815 million reported in 2015, Aqua America and its subsidiary Aqua New Jersey have the financial resources to successfully complete the purchase of the Borough of High Bridge’s Water System.

Aqua stock is publicly traded on the NYSE under the ticker symbol of “WTR” Our financial strength is excellent which gives Aqua the unique ability to invest required capital as needed. The attached financial reports should answer any questions pertaining to our financial condition and ability.

With 130 years of experience owning and operating water and wastewater systems, Aqua has grown to one of the largest investor owned public utility companies in the United States through acquisitions of other public and private water and wastewater utilities. Since 1995, Aqua has successfully completed the purchase of over 300 water or wastewater utility systems adding over 700,000 connections or customers.

In the past five years, Aqua has invested nearly \$1.7 billion in capital restoration of water and wastewater assets, Aqua possess a clear commitment in maintaining the infrastructure that it owns and to keeping its commitment to the communities that it serves. Aqua is solely positioned to bring certainty of closing, reliable and low-cost capitalization, and a vast amount of experience in acquiring and integrating water and wastewater systems.

Aqua attributes its financial strength to excellent customer service, attracting and developing top talent; the strategic growth of our company; investing in technology and infrastructure.

Annual Audited Statements

We have provided the 2016, 2015, and 2014 audited financial statements for Aqua America, Inc. and Aqua New Jersey, Inc. in this document. They are attached on the CD ROM.

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SECTION 22- ADEQUACY OF PERSONNEL

The system will be managed from the Aqua New Jersey's Northern Division headquarters located in Phillipsburg, NJ, approximately 25 miles from High Bridge. Additional operating support will be provided from the Aqua America headquarters in Bryn Mawr PA and from Aqua New Jersey's Hamilton office. High Bridge will be an excellent fit with Aqua's existing systems serving people in Hunterdon, Warren and Morris counties.

Aqua New Jersey has an experienced and dedicated staff that will be responsible for the operation and maintenance of the High Bridge water system

Management Staff:

Responsibility	Name	Educational Degrees	Licenses	Years of Experience
Operations:	Joe Mingle	Bachelor of Science in Civil Engineering	T2, W3	30
Engineering:	Kaitlyn Vitt	Masters in Chemical Engineering	NJ PE	3
Laboratory	Carol Theresa Storms	Bachelor of Science in Biology	T4, W4	>40

(Resumes are attached for all management staff)

Person ID	Full Name	Location	Business Card Title	Certification Code	Certification Level	Certification Description	Achieved Date	Expiration Date
51214	Ricciardella, Michael A	Bayville, NJ	Operator II	WD	W2	Water Distribution	5/1/01	9/30/17
51214	Ricciardella, Michael A	Bayville, NJ	Operator II	WT	T2	Water Treatment	8/3/01	9/30/17
80413	DeAngelis, Frank	Erial, NJ	Utility Field Service Worker II	WD	W2	Water Distribution	4/22/15	9/30/17
80781	Hanratty, Matt	Erial, NJ	Utility Field Service Worker II	WT	T-3	Water Treatment		9/30/17
80781	Hanratty, Matt	Erial, NJ	Utility Field Service Worker II	WD	W3	Water Distribution	4/22/15	9/30/17
80781	Hanratty, Matt	Erial, NJ	Utility Field Service Worker II	WWC	C2	Wastewater Collection	8/24/12	9/30/17
52564	Hart, Clifford A	Erial, NJ	Foreman	WD	W2	Water Distribution	4/25/02	9/30/17
52564	Hart, Clifford A	Erial, NJ	Foreman	WT	T2	Water Treatment	4/25/02	9/30/17
52564	Hart, Clifford A	Erial, NJ	Foreman	WWC	C2	Wastewater Collection	8/1/02	9/30/17
52566	Hopkins, Jr., William M	Erial, NJ	Utility Field Service Worker II	WD	W2	Water Distribution	12/10/10	9/30/17
52566	Hopkins, Jr., William M	Erial, NJ	Utility Field Service Worker II	WT	T2	Water Treatment	3/1/14	9/30/17
52566	Hopkins, Jr., William M	Erial, NJ	Utility Field Service Worker II	WWC	C2	Wastewater Collection	4/18/16	9/30/17
52025	Kiernan, John	Erial, NJ	Utility Field Service Worker II	WD	W2	Water Distribution	5/3/07	9/30/17
52025	Kiernan, John	Erial, NJ	Utility Field Service Worker II	WT	T2	Water Treatment	5/8/09	9/30/17
52025	Kiernan, John	Erial, NJ	Utility Field Service Worker II	WWC	C2	Wastewater Collection	5/7/10	9/30/17
51256	Kilkier, Jackson C	Erial, NJ	Utility Field Service Worker II	WD	W2	Water Distribution	5/16/12	9/30/17
51256	Kilkier, Jackson C	Erial, NJ	Utility Field Service Worker II	WT	T2	Water Treatment	3/1/14	9/30/17
51256	Kilkier, Jackson C	Erial, NJ	Utility Field Service Worker II	WWC	C1	Wastewater Collection	3/1/13	9/30/17
52412	Morris, Kenneth J	Erial, NJ	Plant Operator II	WWC	C2	Wastewater Collection	5/7/13	9/30/17
52412	Morris, Kenneth J	Erial, NJ	Plant Operator II	WD	W3	Water Distribution	4/29/14	9/30/17
52412	Morris, Kenneth J	Erial, NJ	Plant Operator II	WT	T3	Water Treatment	1/3/15	9/30/17
52589	Roy, Christopher S	Erial, NJ	Plant Operator II	WD	W3	Water Distribution	6/1/13	9/30/17
52589	Roy, Christopher S	Erial, NJ	Plant Operator II	WT	T3	Water Treatment	6/1/13	9/30/17
52589	Roy, Christopher S	Erial, NJ	Plant Operator II	WWC	C2	Wastewater Collection	6/1/13	9/30/17
50212	Stephens, Michael A	Erial, NJ	Plant Operator II	WWO	S1	Wastewater Operator	12/1/01	9/30/17
50212	Stephens, Michael A	Erial, NJ	Superintendent	IDWWTP	N3	Industrial WWTP Operator	12/18/01	9/30/17
50212	Stephens, Michael A	Erial, NJ	Superintendent	WD	W4	Water Distribution	5/1/01	9/30/17
50212	Stephens, Michael A	Erial, NJ	Superintendent	WT	T4	Water Treatment	12/12/00	9/30/17
50212	Stephens, Michael A	Erial, NJ	Superintendent	WWO	S2	Wastewater Operator	8/10/94	9/30/17
50212	Stephens, Michael A	Erial, NJ	Superintendent	WWC	C4	Wastewater Collection	12/12/07	9/30/17
50182	Storms, Carol T	Erial, NJ	Manager of Water Quality and Wastewater	WD	W4	Water Distribution	4/29/99	9/30/17
50182	Storms, Carol T	Erial, NJ	Manager of Water Quality and Wastewater	WT	T4	Water Treatment	1/1/80	9/30/17
52018	Belmont, Michael	Hamilton, NJ	Foreman	WD	W3	Water Distribution	8/6/93	9/30/17
52018	Belmont, Michael	Hamilton, NJ	Foreman	WT	T3	Water Treatment	9/14/84	9/30/17

52176	Doan, Dale	Hamilton, NJ	Utility Field Service Worker II	WD	W1	Water Distribution	12/18/02	9/30/17
52176	Doan, Dale	Hamilton, NJ	Utility Field Service Worker II	WT	T1	Water Treatment	12/18/02	9/30/17
52338	Hassan, William R	Hamilton, NJ	Utility Field Service Worker II	WD	W2	Water Distribution	5/7/09	9/30/17
52338	Hassan, William R	Hamilton, NJ	Utility Field Service Worker II	WT	T2	Water Treatment	12/10/10	9/30/17
50191	Hildabrant, John	Hamilton, NJ	Manager of Operations	WD	W3	Water Distribution	5/3/11	9/30/17
50191	Hildabrant, John	Hamilton, NJ	Manager of Operations	WT	T3	Water Treatment	8/29/06	9/30/17
50191	Hildabrant, John	Hamilton, NJ	Manager of Operations	WWO	C1	Wastewater Operator	1/9/07	9/30/17
52019	Hiles, William	Hamilton, NJ	Utility Field Service Worker II	WD	W1	Water Distribution	1/1/87	9/30/17
52020	Holden, John	Hamilton, NJ	Operator II	WD	W2	Water Distribution	12/15/05	9/30/17
52020	Holden, John	Hamilton, NJ	Operator II	WT	T3	Water Treatment	12/14/10	9/30/17
100573	Lowcher, Mark W	Hamilton, NJ	Operator II	WWC	C2	Wastewater Collection	10/18/84	9/30/17
100573	Lowcher, Mark W	Hamilton, NJ	Operator II	WWO	S2	Wastewater Operator	8/12/81	9/30/17
50217	Suto, Ronald G	Hamilton, NJ	Superintendent	IDWWTP	N4	Industrial WWTP Operator	12/15/05	9/30/17
50217	Suto, Ronald G	Hamilton, NJ	Superintendent	WD	W4	Water Distribution	7/3/10	9/30/17
50217	Suto, Ronald G	Hamilton, NJ	Superintendent	WT	T4	Water Treatment	4/29/11	9/30/17
50217	Suto, Ronald G	Hamilton, NJ	Superintendent	WWC	C4	Wastewater Collection	3/14/14	9/30/17
50217	Suto, Ronald G	Hamilton, NJ	Superintendent	WWO	S4	Wastewater Operator	12/3/93	9/30/17
52346	Wiggins, Alton M	Hamilton, NJ	Utility Field Service Worker I	DOT	DOT Physical Certification	Wastewater Operator	6/24/08	9/30/17
52346	Wiggins, Alton M	Hamilton, NJ	Utility Field Service Worker I	CDL	Commercial Drivers License	Water Distribution	8/16/04	9/30/17
100581	Zaborney, James J	Hamilton, NJ	Utility Field Service Worker II	WD	W2	Water Distribution	8/12/09	9/30/17
100581	Zaborney, James J	Hamilton, NJ	Utility Field Service Worker II	WT	T2	Water Treatment	8/11/08	9/30/17
100581	Zaborney, James J	Hamilton, NJ	Utility Field Service Worker II	WWC	C2	Wastewater Collection	12/6/95	9/30/17
52008	Baker, David L	Phillipsburg, NJ	Utility Field Service Worker II	WD	W1	Water Distribution	4/27/00	9/30/17
52010	Edwards, John J	Phillipsburg, NJ	Utility Field Service Worker II	WD	W1	Water Distribution	8/6/93	9/30/17
51238	Garren, Paul H	Phillipsburg, NJ	Utility Field Service Worker II	WD	W2	Water Distribution	8/15/12	9/30/17
51238	Garren, Paul H	Phillipsburg, NJ	Utility Field Service Worker II	WT	T1	Water Treatment	12/14/09	9/30/17
51238	Garren, Paul H	Phillipsburg, NJ	Utility Field Service Worker II	WWC	C1	Wastewater Collection	5/11/10	9/30/17
52337	Goldsmith, Larry	Phillipsburg, NJ	Superintendent	WD	T4	Water Treatment	12/18/14	9/30/17
52337	Goldsmith, Larry	Phillipsburg, NJ	Superintendent	WD	W2	Water Distribution	12/3/13	9/30/17
52337	Hull, Raymond G	Phillipsburg, NJ	Utility Field Service Worker II	WD	W2	Water Distribution	5/8/09	9/30/17
52337	Hull, Raymond G	Phillipsburg, NJ	Utility Field Service Worker II	WT	T1	Water Treatment	12/11/08	9/30/17
52399	Johnson, Christian M	Phillipsburg, NJ	Utility Field Service Worker II	WD	W2	Water Distribution	8/15/12	9/30/17
52017	Lore, John	Phillipsburg, NJ	Foreman	WD	W2	Water Distribution	8/10/07	9/30/17
52017	Lore, John	Phillipsburg, NJ	Foreman	WT	T1	Water Treatment	4/27/00	9/30/17
52017	Lore, John	Phillipsburg, NJ	Foreman	WWC	C1	Wastewater Collection	5/10/06	9/30/17

693954	Eric Reinhart	Phillipsburg, NJ	Operator II	WD	W1	Water Distribution	8/18/2015	9/30/17
655037	Eric Reinhart	Phillipsburg, NJ	Operator II	WT	T1	Water Treatment	12/19/2014	9/30/17
550891	Edmunds, Matt	Phillipsburg, NJ	Operator II	WT	N3	Industrial WWTP Operator	8/4/2011	9/30/17
557407	Edmunds, Matt	Phillipsburg, NJ	Operator II	WMO	S3	Wastewater Operator	8/4/2011	9/30/17
564422	Edmunds, Matt	Phillipsburg, NJ	Operator II	WMO	C3	Wastewater Collection	12/8/2011	9/30/17
469219	Edmunds, Matt	Phillipsburg, NJ	Operator II	WT	T2	Water Treatment	12/17/2008	9/30/17
467929	Edmunds, Matt	Phillipsburg, NJ	Operator II	WD	W1	Water Distribution	12/18/2008	9/30/17

Joseph H. Mingle
40 W. Ferndale Drive
Runnemede, NJ 08078
(609) 217-9961
email: jmce45@gmail.com

Education

Camden County Vocational and Technical School 1979-1983
Drexel University 2003-2009, Bachelor of Science - Civil Engineering (3.29 GPA)

Achievements and Awards

Four years Machine Drafting Design
Graduated high school as Most Outstanding Student in Machine Drafting, 1983
All South Jersey Student Craftsman's Fair-first place in Machine Drafting Design, 1981
Completed short course in Underground Storage Tanks Technical and Regulatory Training at Rutgers University-Cook College
Completed short course in Booster Pumping Station Design at Rutgers University
Attended various NJDEP seminars and courses including Safe Drinking Water Reauthorization Act and New Jersey Environmental Infrastructure Trust Fund Seminars
New Jersey Class T-2 Licensed Water Operator, License #738968
Recently approved to sit for New Jersey Professional Engineer's Exam

Associations

South Jersey Water Professionals Associations
American Water Works Association
New Jersey Energy Coalition

Work and Experience

Advanced GeoServices Corporation, West Chester, PA, 2015 – Present

Associate Project Consultant:

- In December 2015, Advanced GeoServices Corp. (AGC) purchased the engineering business of GPM Associates, Inc. AGC immediately employed Joseph Mingle as its new Associate Project Consultant to assist in managing the Cherry Hill, NJ engineering office. Other responsibilities include maintaining existing client base, marketing and sales, generating new business, managing the engineering staff including licensed Professional Engineers, CADD Operators and Technical Aides, preparation of proposals, lead project management on water and wastewater improvement projects and overseeing project budgets and schedules.
- Lead designer and project manager on water and wastewater engineering projects located throughout New Jersey, for both small utility companies and larger municipally run utility companies including the City of Bridgeton, NJ, City of Millville, NJ, City of Vineland, NJ and Township of Burlington, NJ.

Work and Experience (cont.)

- Completion of environmental permit acquisitions for both private and public water and wastewater utility companies.
- Completion of project staff scheduling, project budgeting, marketing literature, proposals and contract administration services.

G.P.M. Associates, Inc., Cherry Hill, NJ 08003, 1984-2015

Senior Project Manager:

- Preparation of environmental permitting for water and wastewater projects including New Jersey Department of Environmental Protection (“NJDEP”) Water Allocation Permits for new and existing groundwater diversions, NJPDES Pollution Discharge Elimination permitting for industrial, commercial and municipal entities, NJDEP Air Quality permitting for emergency power generation systems, New Jersey Pinelands certifications and NJDEP Bureau of Radiation permitting for radioactive material handling licensing required for radium removal treatment facilities. Work experience includes attending meetings at various agencies, aquifer pumping test plan approvals, preparation of hydrogeologic and engineer’s reports to accompany Bureau of Water Allocation Permits and other accompanying engineering reports for various environmental permits.
- Supervision of various well construction projects and aquifer and well pumping tests. Performing analysis of well pumping tests using Aqtesolv and other groundwater modeling software.
- Design of water storage and booster pumping station facilities, water distribution systems, wells and potable water treatment plants including retrofit projects which required preparing record drawings of existing facilities from field dimensions and investigations.
- Project Manager on large scale design and construction projects including water treatment facilities, booster pumping stations, water storage facilities and water and sewer distribution system infrastructure and rehabilitation projects in New Jersey.
- Project Manager for design, contract administration and construction management for Supervisory Control and Data Acquisition (“SCADA”) systems for water utilities.
- Completion of water master plans for water utilities including performing field flow tests and analysis, conducting Hardy Cross hydraulic modeling, and preparing final reports and recommendations.

Work and Experience (cont.)

- Preparation of applications for New Jersey Environmental Infrastructure Trust Fund Loans for both municipal and investor owned water utilities, including attending various meetings with the NJDEP and the New Jersey Environmental Trust, preparing all specifications and plans to meet the NJDEP and New Jersey Environmental Trust requirements for obtaining SRF loans, preparing all required application forms and handling all correspondence with the clients and the NJDEP and NJEIT.
- Preparation of Engineer's Reports, Technical Specifications and permitting applications to the NJDEP Bureau of Safe Drinking Water and Bureau of Water Systems and Well Permitting for various engineering projects such as water storage and booster pumping stations, water distribution systems and potable water supply wells and water treatment facilities.
- Project Management on various engineering projects from beginning of project design through construction phase including all correspondence with client and contractors and start-up assistance.
- Preparation of proposals and engineer's project cost estimates.
- Preparation of Capital Improvement Plans for Water and Sewer Systems
- Water and sewer public utility company operations experience including daily maintenance of treatments facilities, distribution and collections systems, pump stations and storage facilities and customer relations. Field experience also includes conducting water distribution system flow tests, installation, servicing and reading of water meters; locating underground water and sewer pipelines by using a metal detector and M-Scope pipe locator; assisting foreman on field crew in repairing water main breaks and installation of customer water services; organization of water company billing rates and supervision of water and sewer company billing clerks and handling customer complaints in office.
- Drafting of water and wastewater treatment and distribution facilities under the supervision of a Professional Engineer.
- Management of CAD department including interviewing and hiring CAD operators, training of CAD operators for design project and overall supervision of the CAD and drafting departments.

Computer Skills: MicroStation, AutoCad, Excel, SuperCalc, WaterCAD, EPANet, D-BASE III & IV, Windows (all versions), Microsoft Office (all programs), WordPerfect (DOS, Windows and UNIX Based) and various graphics and communications software. Groundwater modeling software including latest versions of Aqtesolv (for pump test analysis) and Flowpath and Modflow (2-D and 3-D groundwater modeling). Extremely proficient in Microsoft Excel, Word, WordPerfect, Aqtesolv, WaterCAD, EPANet.

Kaitlyn Vitt P.E.
(860) 401-8656 / kvitt@aquaamerica.com

Experience

Aqua New Jersey, Inc

10 Black Forest Rd, Hamilton, NJ 08691

State Engineer - June 2014 to Present

- Responsible for Aqua New Jersey capital budget including \$20M+ including all distribution system capital repair projects, water and sewer treatment installation, and new growth projects.
- Successfully managed \$8.9M in main replacement projects in New Jersey
- Assisted design and permitting for a new well to support growth opportunities in 2016.
- Supervised design, permitting, and building a new 0.83 MGD treatment facility for three wells under the direct influence of surface water to conform to the groundwater rule in 2016. Treatment included 1M cartridge filters, UV disinfection, corrosion inhibitor, pH adjustment, and chlorine. This project resulted in the removal of purchased water and a significant cost savings.
- Hydraulic distribution system analysis for small public community water system in North Hanover TWP. Supervised installation of water main, services and contact piping to support 4-log virus inactivation.
- Developed hydraulic sewer system model in Bentley SewerGEMS to evaluate capacity and new development in North Carolina.
- As part of an aquifer analysis, evaluated new and existing wells for specific yield, and specific capacity in Woolwich TWP. Calculated pump head necessary for the supply well using pumping level and accepting tank elevation.

General Dynamics Electric Boat - Reactor Plant Fluids Group

75 Eastern Point Road, Groton, CT 06340

Security Clearance – Secret

Senior Engineer, Engineer II and Engineer I - January 2010 to February 2013

- Lead Systems Engineer for new class design propulsion plant fresh water (PPFW) cooling system. Developed PPFW hydraulic flow model networks in Flowmaster software to ensure system capability and reliability in eight system operating conditions.
- Developed PPFW concept design PFDs, P&IDs and system model proposal.
- Worked with arrangement and component engineers to decrease system cost by \$2.1MM per boat and reduced the system footprint by 20% by minimizing the pump station size.

Education

Cornell University, Ithaca NY

- Master's Degree in Chemical Engineering - GPA: 3.31
- Bachelor's Degree in Chemical Engineering - GPA: 3.68

Skills/Training

- Professional Engineer, State of New Jersey
- Bentley WaterGEMS, SewerGEMS, Flowmaster, Aspen Engineering Suite, AutoCAD

CAROL THERESA STORMS

**522 Mackey Avenue
Belford, NJ 07718
Cell: 609-209-0947**

Work

**Aqua NJ Inc
10 Black Forest Road
Hamilton, NJ 08691
609-587-4080 Ext 56526**

SUMMARY OF QUALIFICATIONS

Background encompasses over thirty years of professional experience in water and wastewater compliance, treatment, source water protection, management & supervision, and laboratory management.

PROFESSIONAL EXPERIENCE

Aqua America, Inc. July, 2013-Present
Manager-Water Quality and Wastewater
New Jersey and NE Pennsylvania

- Responsible for providing technical direction on quality, treatment, and regulatory compliance issues – both water and wastewater.
- Interface with regulatory agencies in New Jersey and Pennsylvania.
- Maintain an up-to-date knowledge of both State and Federal regulations.
- New and renewal of wastewater discharge permit applications;
- Compliance with wastewater discharge permit limitations;

Aqua New Jersey 2004-July, 2013
Manager-Water Quality and Wastewater

- Responsible for the overall management and coordination of water quality and wastewater functions.
- Responsible for providing technical direction on quality, treatment, and regulatory compliance issues – both water and wastewater.
- Interface with regulatory agencies;
- Maintain an up-to-date knowledge of regulations.
- Plan implementation and training on new regulations.
- Develop and implement quality control policies and procedures to optimize water quality and ensure wastewater compliance.
- Develop water and wastewater monitoring schedules.
- Monitor all activities to ensure compliance with federal/state standards.
- Supervise, train and direct activities of employees to ensure that company objectives are achieved.

New Jersey-American Water Company, Shrewsbury, NJ

1978-2004

Manager - Water Quality

- Responsible for the overall management and coordination of water quality functions for New Jersey and Long Island encompassing both surface and groundwater.
- Responsible for maintaining water quality and providing technical direction on water quality, treatment, and regulatory compliance issues.
- Responsible for all operational and compliance reporting functions including preparation and submission.
- Interface with regulatory agencies to maintain an up-to-date knowledge of regulations.
- Monitor all activities to ensure compliance with federal/state standards.
- Oversee and direct all day-to-day laboratory functions.
- Conduct public presentations for various professional and community organizations.
- Supervise, train and direct activities of employees to ensure that departmental objectives are achieved.

Water Quality Superintendent/Supervisor/Chemist, 1978-2003

- Responsible for plant management, water treatment, chemical dosages, compliance and sampling.
- Responsible for performing a wide variety of laboratory functions including atomic absorption spectrophotometry, gas chromatography, microbiology and limited chemistry.

EDUCATION/LICENSURE

New Jersey T-4 and W-4 Water Licenses

Bachelors - Biology, 1973

ACCOMPLISHMENTS

PROFESSIONAL:

- Member New Jersey *Drinking Water Quality Institute* - representing the drinking water purveyors;
- Member-New Jersey (NJ) Board of License Examiners;
- Member – NJ Section American Water Works Association (AWWA) –Chair- 2011-12; George W. Fuller Award Winner – 2015;
- AWWA Water Resource and Source Water Technical Advisory Workgroup (TAW) Chair;
- Member of AWWA Radionuclide TAW; Lead & Copper TAW
- Former Instructor-Advanced Water Operations;

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QUALIFICATIONS TO OPERATE SYSTEMS

Aqua has a vast amount of experience in owning/operating systems of similar size to the Borough's system. Aqua presently serves approximately 3 million people with water and/or wastewater services, while continuing to add new communities. Below is a list of water and/or sewer utilities with more than 2,000 customers which Aqua has acquired since 1995:

Name & State	Population Served	Customer Connections	Water or Sewer	Public or IOU
Media Borough Water, PA	39,000	13,000	Water	Municipal
Hatboro Municipal Authority, PA	13,218	4,406	Water	Municipal
Utility Group Services, PA	7,800	2,600	Water	IOU
Bristol Borough, PA	30,000	10,000	Water	Municipal
Town of West Chester, PA	23,400	7,800	Water	Municipal
Consumers Water Co. (5 states)	690,000	230,000	Water	IOU
Bensalem, PA	45,000	15,000	Water	Municipal
Fawn Lake Forest Water Co.	17,400	5,800	Water and Sewer	IOU
Media Borough Sewer, PA	19,899	6,633	Sewer	Municipal
Piedmont Water, NC	9,900	3,300	Water	IOU
National Utilities, PA	9,000	3,000	Water	IOU
Aquasource (10 states)	390,000	130,000	Water and Sewer	IOU
Heater Utilities, NC	157,500	52,500	Water and Sewer	IOU
Florida Water Services, FL	39,000	13,000	Water and Sewer	IOU
Berkeley Water Co. NJ	12,000	4,000	Water	IOU
New York Water Service	135,000	45,000	Water	IOU
Aquarion Water Co. NY	13,200	4,400	Water	IOU
Village of Manteno, IL	11,100	3,700	Water	Municipal
South Haven, IN	12,000	4,000	Sewer	IOU
Lawrenceville Water Co., NJ	7,965	2,655	Water	IOU
Treasure Lake, PA	12,000	4,179	Water and Sewer	IOU
Gray Utilities, TX	6,288	2,096	Water and Sewer	IOU
Texas American	15,900	5,300	Water and Sewer	IOU
Ohio American	171,246	57,082	Water and Sewer	IOU
Village of Glenview, IL	22,000	7,200	Water and Sewer	Muni
Superior Water Company, PA	11,000	3,800	Water	IOU

Aqua New Jersey Systems

Aqua New Jersey provides water and wastewater service to more than 174,000 people in 29 municipalities and ten counties across New Jersey. From Sussex County in northern New Jersey to Atlantic County in southern New Jersey, Aqua operates 24 water systems and 8 wastewater systems serving 52,000 water accounts, 6,000 wastewater accounts, 88 wells and 683 miles of main. Aqua New Jersey's systems are divided into four divisions:

Northern Division serving: the Town of Phillipsburg, Pohatcong Township, Lopatcong Township, Alpha Township, Greenwich Township, Harmony Township, Holland Township, Lebanon Township, Borough of Califon, Borough of Bloomsbury, Fredon Township, Vernon Township, and Green Township, Hardyston Township, Readington Township, Stockholm Borough, and Byram Township. The average demand in this district is 3.6 million gallons per day (MGD).

Central Division serving: the Town of Crosswicks, North Hanover Township, Hamilton Square, Mercerville, and Yardville in Hamilton Township, Robbinsville Township, Lawrence Township, Upper Freehold Township, Chesterfield Township, Wrightstown Borough, and Howell Township. The average demand in this district is 5.1 MGD.

Southern Division serving: Blackwood, Laurel Springs, Sicklerville and Clementon in Gloucester Township and Woolwich Township. The average demand in this district is 4.2 MGD.

Eastern Division serving Berkeley Township. The average demand in this district is 0.8 MGD.

Proximity to Aqua's Current Operations

Aqua New Jersey's Northern Division's headquarter is located 20 miles from High Bridge in Phillipsburg. High Bridge is ideally located near our existing operations in Bloomsbury Borough, Califon Borough, Holland Township, and Lebanon Township. Aqua could use resources from its various operations if needed to handle any special operational situations including Aqua New Jersey's headquarters, located in Hamilton.

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SECTION 24 - BENEFITS

In addition to the financial value described in this Bid, Aqua can provide other significant benefits to High Bridge. These benefits are summarized below:

A. Certainty of Closing.

Aqua America is one of the largest and most respected regulated water and wastewater companies in both New Jersey and the United States. Aqua America has been operating regulated water and wastewater systems for 130 years. With its stability, financial strength, and regulatory relationships, Aqua has been able to provide high-quality service and substantially grow its business. For example, over the course of the past 18 years, Aqua America has completed over 300 acquisitions of regulated assets and other growth ventures and grown its customer base by approximately 700,000 customers. Aqua New Jersey has closed 25 acquisitions since 1999, serving approximately 33,000 additional residents. All of these transactions required regulatory approval similar to the one contemplated by the sale of High Bridge. In all instances, Aqua received regulatory approval with limited or no conditions—financial or otherwise. Aqua is a financially strong and well respected water and wastewater company that possesses a vast amount of experience in bringing transactions to prompt and successful completion.

Aqua provides an opportunity for the High Bridge customers to have their water assets owned and managed by a team with unmatched experience and financial strength.

B. Compatibility

It is clear from our review of the documents provided to date that there is a strong link between the way the current management of the Borough and Aqua views the critical success factors for successful water and wastewater operations. An emphasis on quality, customer service and long-term sustainability are key components to success, and these foundations would be continued and strengthened by a sale of the Borough of High Bridge's water assets to Aqua New Jersey.

Aqua is devoted to customer service and community involvement. Aqua owns and operates water systems similar in size to High Bridge's water utility systems. Aqua also owns systems smaller and larger ranging from less than 100 customers to more than 337,000 customers. No two communities are alike, yet Aqua understands this by operationally treating every system individually. The water and wastewater utility industry is customer oriented, and if customer service is not our top priority, Aqua would not be an industry leader with a history dating back over 130 years. Community involvement is important to Aqua, and we are a long term partner in each community we serve. Aqua employees are encouraged to and do participate in many local civic organizations. A successful community cannot thrive without a dependable sustainable water and wastewater utility. Through our many years of service and experience, Aqua is proud to be an excellent partner ensuring that all of the communities in which it operates thrive.

C. A Structured and Participatory Transition Process

How a transaction is implemented may be as important to the success of the overall transaction as the deal itself. Through the many acquisitions completed by Aqua, we feel we have identified the critical factors that must be addressed to make the implementation of the transaction work effectively, and we have developed a structured approach to ensure a successful transition. We intend to appoint a transition team comprised of the highest level of management to ensure that the positive benefits of the Transaction are realized through the implementation process.

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SECTION 25 - TRANSITION PLAN

Due to Aqua America successfully closing over 300 acquisitions we have vast experience in smooth transitioning of operations. Aqua New Jersey will provide for a seamless transition. Once Aqua New Jersey and the Borough of High Bridge execute an Asset Purchase Agreement, Aqua New Jersey will then submit a Petition to the New Jersey Board of Public Utilities seeking approval of the Transaction. All expenses associated with the filing will be the responsibility of Aqua New Jersey. During the following several months Aqua New Jersey's focus will be on the BPU approval process by filing testimony, and answering data requests submitted by the BPU staff. Aqua's senior management staff and our experienced legal counsel work together ensuring this is a smooth and expedited process.

Aqua will assemble a transition team made up of at a minimum:

- Senior Management (President)
- Legal Counsel (Aqua in house Counsel)
- Accounting (State Controller)
- Operations Division Manager
- Human Resources Management
- Information Technology & Account Management

Aqua's Transition Team will schedule weekly meetings with the Borough's appointed team. This team is typically led by the Borough Manager or Administrator. These meetings would start approximately 90-120 days from anticipated closing. Employee transition meetings may start earlier, if necessary. At these meetings Aqua and the Borough will give status updates and address all aspects of a smooth operational transition, including billing, customer service, collections, and employees. We typically try to schedule the closing around existing meter reading cycles.

A smooth operational transition at closing comes from both the Borough and Aqua New Jersey communicating and sharing necessary data and other operational information. Although the Borough will be part of the BPU approval which includes being copied on all correspondence and proceedings associated with the case of approval, Aqua New Jersey will stay in constant communications with the Borough regarding this process.

The Transition Team will set schedules. Typically, approximately 60-90 days from the anticipated close date, Aqua New Jersey will request a complete customer list with meter information in an electronic format so Aqua's billing department can convert to Aqua's billing system. The list is tested to insure accuracy and a successful conversion.

Aqua New Jersey is hopeful that some or all of the employees dedicated to the High Bridge system will become part of our Aqua family. We understand that current employees will be

concerned and unsure due to the unknown of working for a new employer. Aqua will meet with these individuals in a group or individually as often as needed to discuss the transition. Our employees are very important to us. Details and dates of the transition will be discussed at length by the Transition Team of both parties.

Employees / Employment

Aqua will interview and consider for employment all current water utility, wastewater utility, and laboratory employees. Aqua will require all new employees to pass a drug screening and a background check before transition to the Aqua family.

Customer Service

Aqua's has three national customer service call centers. Our call centers will handle general customer service calls. Aqua is available 24 hours for emergency service as needed with Supervisors and Technicians "on call" and ready to respond as needed in any weather condition.

Aqua America operates a website (AquaAmerica.com) to provide exceptional customer service. On the website customers can:

- Pay their bill
- Sign up for alerts to be delivered directly to their email or phone
- Query alerts and outages
- Download water quality reports
- Access rate information

Customers can also use Facebook and Twitter as an alternative to the company's website for useful information. Customers have become the beneficiaries of frequent, useful and timely tips through the Aqua Facebook page and have begun to embrace Twitter as an alternative to contacting the call center for quick information about everything from service appointments to questions about specific infrastructure projects. Aqua's recently refreshed website is infused with many new features including "WaterSmart," an interactive program to help customers conserve water in their homes and learn about the water treatment process. The interactive program is rooted in an illustration of a home, with clickable elements in each room that provide practical tips for water conservation. Aqua website visitors can learn how water travels from a source to the tap, with downloadable diagrams that explain the processes to treat surface water, groundwater and wastewater.

SECTION 25 - TRANSITION PLAN

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SECTION 26 - SUMMARY

Aqua New Jersey believes that the Borough of High Bridge would benefit from the sale of their waste systems to us. Aqua New Jersey proposes that the Borough would receive cash in exchange for all of the water assets of the Borough of High Bridge's Utility system. Thereafter, Aqua New Jersey would own, operate, and maintain the system—all with regulatory oversight from the New Jersey Board of Public Utilities ("BPU") and the New Jersey Department of Environmental Protection Agency ("NJDEP"). With 130 years of experience owning and operating water and wastewater systems, Aqua brings unique industry expertise to this process. Having historically devoted in excess of \$300 million annually to capital restoration of water and wastewater assets, Aqua possesses a clear commitment to maintaining the infrastructure that it owns and to keeping its commitment to the communities that it serves. Aqua is solely positioned to bring certainty of closing, reliable and low-cost capitalization, and a vast amount of experience in acquiring and integrating water and wastewater systems

As such, Aqua New Jersey is uniquely situated to submit this Bid and bring its financial strength and experience in the acquisition and integration of wastewater operations to the Transaction. Aqua New Jersey believes it can proceed expeditiously to develop a mutually agreeable transaction that will benefit the customers of High Bridge, the employees, and the community that it serves. Based on this experience, and Aqua's management, financial capacity, and reputation, we believe that the Transaction will be promptly approved by all necessary regulatory authorities, including the BPU.

ATTACHMENTS

1. Aqua New Jersey, Inc. Audit 2016
2. Aqua New Jersey, Inc. Audit 2015
3. Aqua New Jersey, Inc. Audit 2014

AQUA NEW JERSEY, INC.

(A wholly-owned subsidiary of Aqua America, Inc.)

Financial Statements

As of and for the years ended

December 31, 2014 and 2013



Independent Auditor's Report

To the Board of Directors and Stockholder of Aqua New Jersey, Inc.

We have audited the accompanying financial statements of Aqua New Jersey, Inc. (the "Company", a wholly owned subsidiary of Aqua America, Inc.), which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of income, of cash flows and of common stockholder's equity for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 our 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, we consider internal control relevant to the Company'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 Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aqua New Jersey, Inc. at December 31, 2014 and December 31, 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 31, 2015

AQUA NEW JERSEY, INC.
Balance Sheets
(In thousands of dollars, except for share amounts)
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>
Assets			Liabilities and Common Stockholder's Equity		
Utility plant, net of accumulated depreciation	\$ 204,611	\$ 191,057	Common stockholder's equity:		
Construction work-in-progress	1,264	1,585	Common stock, \$5 par value, 800,000		
Utility plant acquisition adjustment, net of			shares authorized, 720,625 shares		
accumulated amortization	<u>1,156</u>	<u>1,146</u>	issued and outstanding, respectively	\$ 3,603	\$ 3,603
Net utility plant	<u>207,031</u>	<u>193,788</u>	Capital in excess of par value	30,742	31,869
			Retained earnings	<u>37,748</u>	<u>32,965</u>
			Total common stockholder's equity	<u>72,093</u>	<u>68,437</u>
Current assets:			Long-term debt, excluding current portion	56,907	55,149
Cash and cash equivalents	300	392	Current liabilities:		
Accounts receivable, less allowance for			Current portion of long-term debt	564	554
doubtful accounts of \$86 and \$107	3,059	3,338	Accounts payable	685	129
Accounts receivable-affiliates	603	665	Accounts payable-affiliates	330	2,414
Unbilled revenues	1,854	1,531	Accrued interest	173	295
Materials and supplies	1,134	879	Taxes payable	1,060	193
Deferred Tax Asset	16	-	Deferred tax liability	-	115
Prepayments and other current assets	<u>410</u>	<u>403</u>	Other current liabilities	<u>1,528</u>	<u>1,771</u>
Total current assets	<u>7,376</u>	<u>7,208</u>	Total current liabilities	<u>4,340</u>	<u>5,471</u>
Deferred charges and other non-current assets:			Deferred credits and other non-current liabilities:		
Debt issuance expense, net of			Customers' advances for construction	22,383	18,151
accumulated amortization	1,869	1,980	Deferred income taxes	23,266	19,988
Regulatory assets	1,795	1,556	Regulatory liabilities	3,418	3,029
Funds restricted for construction activity	47	47	Other non-current liabilities	<u>46</u>	<u>310</u>
Goodwill	237	237	Total deferred credits and other		
Other non-current assets	<u>345</u>	<u>308</u>	non-current liabilities	<u>49,113</u>	<u>41,478</u>
Total deferred charges and other			Contributions in aid of construction	<u>36,247</u>	<u>34,589</u>
non-current assets	<u>4,293</u>	<u>4,128</u>			
	<u>\$ 218,700</u>	<u>\$ 205,124</u>		<u>\$ 218,700</u>	<u>\$ 205,124</u>

The accompanying notes are an integral part of these financial statements.

AQUA NEW JERSEY, INC.
 Statements of Income
 (In thousands of dollars)
 Years ended December 31, 2014 and 2013

	2014	2013
Operating revenues	\$ 39,346	\$ 37,382
Operating expenses:		
Operations and maintenance	14,345	14,727
Depreciation	6,432	5,977
Amortization	462	712
Taxes other than income taxes	5,594	5,581
Total operating expenses	26,833	26,997
Operating income	12,513	10,385
Other expense:		
Interest on long-term debt	2,904	2,866
Allowance for funds used during construction	(150)	(90)
Income before income taxes	9,759	7,609
Provision for income taxes	3,526	2,617
Net income	\$ 6,233	\$ 4,992

The accompanying notes are an integral part of these financial statements.

AQUA NEW JERSEY, INC.
Statements of Cash Flows
(In thousands of dollars)
Years ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Net income	\$ 6,233	\$ 4,992
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,894	6,689
Deferred income taxes and investment tax credits	3,459	1,709
Provision for doubtful accounts	141	76
Stock based compensation	65	69
Allowance for funds used during construction	(113)	(67)
Change in current assets and current liabilities:		
Receivables, unbilled revenues, materials and supplies and prepayments	(1,271)	12,685
Accounts payable and other current liabilities	529	(7,892)
Accrued interest	(122)	(6)
Other	(1,798)	(1,774)
Net cash provided by operating activities	14,017	16,481
Cash flows from investing activities:		
Construction expenditures	(11,869)	(14,485)
Increase in funds restricted for construction activity	-	515
Allowance for funds used during construction	(37)	(23)
Net cash used in investing activities	(11,906)	(13,993)
Cash flows from financing activities:		
Customers' advances and contributions in aid of construction	334	50
Repayments of customers' advances	(533)	(620)
Proceeds from long-term debt	7,000	-
Debt issuance costs paid	(3)	(49)
Repayments of long-term debt	(7,551)	(481)
Dividends paid - common stock	(1,450)	(2,275)
Net cash used in financing activities	(2,203)	(3,375)
Net change in cash	(92)	(887)
Cash and cash equivalents beginning of year	392	1,279
Cash and cash equivalents end of year	\$ 300	\$ 392

Cash paid for interest, net of amounts capitalized, was \$2,872 and \$2,807 in 2014 and 2013, respectively.

Cash paid for income taxes was \$0 and \$0 in 2014 and 2013, respectively.

See Note 1 - Summary of Significant Accounting Policies - Customers' Advances for Construction and Contributions in Aid of Construction.

Non-cash financing activity - Return of capital contribution from Parent was \$1,193 in 2014.

Capital contributions from Parent was \$13,361 in 2013.

The accompanying notes are an integral part of these financial statements.

AQUA NEW JERSEY, INC.
Statements of Common Stockholder's Equity
(In thousands of dollars, except for share amounts)
Years ended December 31, 2014 and 2013

	Common Stock	Capital in excess of par value	Retained Earnings	Total Common Stockholder's Equity
Balance at December 31, 2012	3,603	18,439	30,248	52,290
Net income	-	-	4,992	4,992
Common stock dividends, \$3.16 per share	-	-	(2,275)	(2,275)
Stock based compensation	-	69	-	69
Capital contribution to Aqua America, Inc.	-	13,361	-	13,361
Balance at December 31, 2013	3,603	31,869	32,965	68,437
Net income	-	-	6,233	6,233
Common stock dividends, \$2.01 per share	-	-	(1,450)	(1,450)
Stock based compensation	-	65	-	65
Return of Capital Contributions from Aqua America, Inc.	-	(1,192)	-	(1,192)
Balance at December 31, 2014	<u>\$ 3,603</u>	<u>\$ 30,742</u>	<u>\$ 37,748</u>	<u>\$ 72,093</u>

The accompanying notes are an integral part of these financial statements.

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
Years ended December 31, 2014 and 2013

1. Summary of Significant Accounting Policies

Nature of Operations

Aqua New Jersey, Inc. (the “Company”) is a regulated public utility that supplies water to residential, commercial and industrial customers. All of the Company's customers are located in New Jersey. The Company is also engaged in providing wastewater services. No single customer accounted for more than one percent of the Company's operating revenues in 2014 or 2013. The Company is a wholly-owned subsidiary of Aqua America, Inc. (the “Parent”).

Basis of Presentation

The Company's financial statements are presented in accordance with U.S. generally accepted accounting principles.

The Company has evaluated the period from December 31, 2014, the date of the financial statements, through March 31, 2015, the date the financial statements were available for issuance, for subsequent events and determined that no material subsequent events occurred that would affect the information presented in these financial statements or require additional disclosure.

Use of Estimates in Preparation of Financial Statements

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.

Recognition of Revenues

Operating revenues include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the latest billing to the end of the accounting period.

Regulation

As a regulated public water utility, the Company is subject to regulation by the New Jersey Board of Public Utilities (“NJBP”), which has jurisdiction with respect to rates, service, accounting procedures, acquisitions and other matters. The Company defers certain costs and credits as regulatory assets and liabilities when it is probable that such amounts will be recognized in the rate making process in a period different from the period in which they would have been reflected in income by an unregulated company.

Utility Plant and Depreciation

Utility plant is stated at cost which includes contracted cost, direct labor and fringe benefits, materials, overheads, and for certain utility plant, an allowance for the cost of funds used during construction. Water systems acquired are recorded at estimated original cost when first devoted to utility service and the applicable depreciation is recorded in accumulated depreciation.

Utility plant acquisition adjustments represent the difference between the estimated original cost, less applicable depreciation, and the purchase price of utility plant assets acquired through business acquisitions.

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
Years ended December 31, 2014 and 2013

1. Summary of Significant Accounting Policies (continued)

Utility Plant and Depreciation (continued)

Utility plant included a positive acquisition adjustment balance of \$1,156 and \$1,146 in 2014 and 2013, respectively, of which \$1,675 and \$1,685 were the 2014 and 2013 respective unamortized balances of the net negative utility plant acquisition adjustment which is being amortized over a range of 2 to 24 years. There was a positive acquisition adjustment balance of \$2,831 and \$2,831 in 2014 and 2013, respectively, not currently subject to amortization.

Expenditures for maintenance and repairs, including minor renewals and betterments, are charged to operating expenses in accordance with the uniform system of accounts prescribed by the NJBPU. The cost of new units of property and betterments are capitalized.

When units of utility property are replaced, retired or abandoned, the recorded value thereof is credited to the asset account and such value, together with the net cost of removal, is charged to accumulated depreciation. The Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates.

The cost of software upgrades and enhancements are capitalized if they result in added functionality which enable the software to perform tasks it was previously incapable of performing. Certain information technology costs associated with major system installations, conversions and improvements, such as software training, data conversion and business process reengineering costs, are deferred as a regulatory asset if the Company expects to recover these costs in future rates. If these costs are not deferred then they are charged to operating expenses when incurred. As of December 31, 2014, \$292 of costs have been incurred and deferred, since the last rate proceeding, as a regulatory asset, and the deferral is reported as a component of net property, plant and equipment.

The straight-line remaining life method is used to compute depreciation on utility plant. The straight-line method is used with respect to transportation and mechanical equipment. Depreciation is recorded over the estimated useful lives of the assets which range from 6 to 83 years for utility plant.

Long-lived assets of the Company, which consist primarily of utility plant in service and regulatory assets, are reviewed for impairment when changes in circumstances or events occur. There has been no change in circumstances or events that have occurred that require adjustments to the carrying values of these assets.

As of December 31, 2014 and 2013, property, plant and equipment additions purchased at the period end, but not yet paid for are \$891 and \$100, respectively.

Allowance for Funds Used During Construction

The allowance for funds used during construction ("AFUDC") is a non-cash credit to income which represents the estimated cost of funds used to finance the construction of utility plant. AFUDC is applied to construction projects requiring more than one month to complete. No AFUDC is applied to projects funded by customer advances for construction or contributions in aid of construction. AFUDC includes the net cost of borrowed funds and a rate of return on other funds when used, and is recovered through water rates as the utility plant is depreciated. The amount of AFUDC related to equity funds was \$113 and \$67 in 2014 and 2013, respectively.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less, which are not restricted for construction activity, to be cash equivalents.

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
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1. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are recorded at the invoiced amounts. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in our existing accounts receivable, and is determined based on historical write-off experience and the aging of account balances. The Company reviews the allowance for doubtful accounts quarterly. When utility customers request extended payment terms, credit is extended based on regulatory guidelines and collateral is not required.

Deferred Charges

Deferred bond issuance expenses are amortized over the life of the related issuance.

Funds Restricted for Construction Activity

The proceeds received from certain financings for construction and capital improvement of utility facilities are held in escrow until the designated expenditures are incurred. These amounts are reported as funds restricted for construction activity and are expected to be released over time as the capital projects are funded.

Goodwill

Goodwill represents the excess cost over the fair value of net tangible and identifiable intangible assets acquired through acquisitions. Goodwill is not amortized but is tested for impairment annually, or more often, if circumstances indicate a possible impairment may exist. When testing goodwill for impairment, we may assess qualitative factors to determine whether it's more likely than not that the fair value of our reporting unit is less than its carrying amount. Alternatively, we may bypass this qualitative assessment and perform a quantitative goodwill impairment test. If we perform a quantitative test and determine that the reporting unit's fair value is less than its carrying amount, we would determine the reporting unit's implied fair value of its goodwill and compare it with the carrying amount of its goodwill to measure such impairment. The Company tested the goodwill attributable for its reporting unit for impairment as of July 31, 2014, in conjunction with the timing of its annual strategic business plan, and concluded that the reporting unit's estimated fair value exceeded its carrying amount, indicating that the Company's goodwill was not impaired.

Other Comprehensive Income ("OCI")

For the periods presented, the Company does not have any OCI and therefore, comprehensive income equals net income. In addition, there is no accumulated comprehensive income.

Income Taxes

The Company accounts for certain income and expense items in different time periods for financial reporting than for tax reporting purposes. Deferred income taxes are provided on the temporary differences between the tax basis of the assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates expected to be in effect when such temporary differences are projected to reverse.

The Company's earnings are included with those of the Parent and affiliated companies for purposes of filing a consolidated Federal income tax return. The allocation of the Federal income tax to the Company is computed on a stand-alone basis. The liability for Federal income taxes is remitted to the Parent.

Investment tax credits have been deferred and are amortized over the estimated useful lives of the related properties.

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
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1. Summary of Significant Accounting Policies (continued)

Judgment is required in evaluating the Company's federal and state tax positions. Despite management's belief that the Company's tax return positions are fully supportable, the Company may establish reserves when it believes that certain tax positions are likely to be challenged and it may not fully prevail in these challenges. The Company's provision for income taxes includes interest, penalties and reserves for uncertain tax positions.

In 2014, the Company changed its tax method of accounting for qualifying utility system repairs effective with the tax year ended December 31, 2014. The tax accounting method was changed on qualifying utility asset improvement costs (the "Repair Change") which reduces the amount of taxes currently payable.

Customers' Advances for Construction

Water mains or, in some instances, cash advances to reimburse the Company its costs to construct water mains, are contributed to the Company by customers, real estate developers and builders in order to extend water service to their properties. The value of these contributions is recorded as customers' advances for construction. The Company makes refunds on these advances over a specific period of time based on operating revenues related to the main or as new customers are connected to and take service from the main. After all refunds are made, any remaining balance is transferred to contributions in aid of construction. Customers' advances for construction non-cash property has been received, generally from developers, of \$5,353 in 2014 and \$280 in 2013. Additionally, the Company recorded an adjustment to Customers' Advances for Construction to recognize \$7,891 of advances or contributions received in periods prior to 2013.

Contributions in Aid of Construction

Contributions in aid of construction include direct non-refundable contributions and the portion of customers' advances for construction that have become non-refundable. Contributions in aid of construction and customers' advances for construction are deducted from the Company's rate base for rate-making purposes. Contributions in aid of construction non-cash property has been received, generally from developers, of \$612 in 2014 and \$0 in 2013.

Materials and Supplies

Materials and supplies are stated at cost under the first-in, first-out method.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued updated accounting guidance on recognizing revenue from contracts with customers, which outlines a single comprehensive model that an entity will apply to determine the measurement of revenue and timing of recognition. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The updated guidance also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. The updated guidance is effective retrospectively for reporting periods beginning after December 15, 2016. The Company is currently evaluating the requirements of the updated guidance to determine the impact of adoption.

In August 2014, the FASB issued an accounting standard that will require management to assess an entity's ability to continue as a going concern for each annual and interim reporting period and to provide related footnote disclosures in circumstances in which substantial doubt exists. The accounting standard will be effective for the Company's reporting period beginning January 1, 2017. The Company does not expect the provisions of this accounting standard to have an impact on its results of operations or financial position.

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
Years ended December 31, 2014 and 2013

2. Utility Plant

Utility plant is composed of the following:

	December 31,		Approximate range of useful lives
	2014	2013	
Utility plant in service			
Mains and accessories	\$ 109,451	\$ 103,325	47 years
Services, hydrants, treatment plants and reservoirs	74,541	69,710	14 to 83 years
Operations structures and water tanks	13,528	13,500	33 to 62 years
Miscellaneous pumping and purification equipment	16,550	16,537	17 to 67 years
Meters, data processing, transportation and operating equipment	44,976	41,883	6 to 38 years
Land and other non-depreciable assets	7,165	2,803	-
Utility plant in service	266,211	247,758	
Utility construction work in progress	1,264	1,585	
Net utility plant acquisition adjustment	1,156	1,146	2 to 24 years
Total utility plant	268,631	250,489	
Accumulated depreciation	(61,600)	(56,701)	
Utility plant, net of accumulated depreciation	<u>\$ 207,031</u>	<u>\$ 193,788</u>	

3. Income Taxes

The provision for income taxes is composed of the following:

	Year ended December 31,	
	2014	2013
Current	\$ 67	\$ 908
Deferred	3,459	1,709
Total federal income tax expense	<u>\$ 3,526</u>	<u>\$ 2,617</u>

The statutory Federal tax rate is 35% for 2014 and 2013. The Company does not pay New Jersey state taxes; however, it does pay gross receipts and franchise taxes at a rate of 14% of taxable gross receipts.

The reasons for the differences between amounts computed by applying the statutory Federal income tax rate to income before income tax expense are as follows:

	Year ended December 31,	
	2014	2013
Computed Federal tax expense at statutory rate	\$ 3,416	\$ 2,662
Amortization of investment tax credits	(54)	(54)
Stock-based compensation	-	(3)
Other, net	164	12
Actual income tax expense	<u>\$ 3,526</u>	<u>\$ 2,617</u>

AQUA NEW JERSEY, INC.
Notes to Financial Statements
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3. Income Taxes (continued)

The tax effects of temporary differences between book and tax accounting that give rise to the deferred tax assets and deferred tax liabilities are as follows:

	December 31,	
	2014	2013
Deferred tax assets:		
Customers' advances for construction	\$ 3,600	\$ 3,600
Deferred taxes associated with the gross-up of revenues necessary to recover, in rates	146	-
Total deferred tax assets	3,746	3,600
Deferred tax liabilities:		
Utility plant, principally due to depreciation and differences in the basis of fixed assets due to variation in tax and book accounting	26,561	23,289
Costs deducted for tax but not expensed for books, principally accrued expenses and bad debt reserves	177	242
Deferred taxes associated with the gross-up of revenues necessary to recover, in rates	-	10
Investment tax credit	107	162
Other	151	-
Total deferred tax liabilities	26,996	23,703
Net deferred tax liability	\$ 23,250	\$ 20,103

As of December 31, 2014, the Parent's Federal income tax returns for all years through 2011 have been closed. For Federal income tax purposes, tax years 2012 through 2014 remain open for examination.

4. Regulatory Assets and Liabilities

Regulatory assets represent costs that are expected to be fully recovered in future rates.

The portion related to postretirement benefits other than pensions represents costs that were deferred during the period between the adoption of the accrual method of accounting for these benefits in 1993 and the recognition of the accrual method in the Company's rates in 1994.

The portion of the regulatory asset related to rate case filing expenses represents the costs associated with filing for rate increases that are deferred and amortized over 24 months.

The portion of the regulatory asset related to tank painting represents the costs that were incurred by the Company and are currently being recovered in rates at \$300 per year.

The portion of the regulatory asset related to radium treatment represents the costs incurred by the Company for treatment of certain wells in order to be in compliance with environmental regulations. These radium treatment costs were deferred as incurred and currently recognized in rates over 2 years.

The AFUDC is the income tax gross up of the equity portion of AFUDC and is amortized over the life of the related capital asset.

AQUA NEW JERSEY, INC.
Notes to Financial Statements
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4. Regulatory Assets and Liabilities (continued)

The balance of the regulatory asset related to purchased waste water treatment represents the under-recovery of sewer service in rates for the calendar year ending 2014 and 2013 in the amount of \$144 and \$110, respectively in the Company's Wallkill Sewer Division. A Wallkill Sewer Purchased Sewer Treatment Adjustment Clause had not been filed as of December 31, 2014.

The regulatory asset for accrued vacation represents costs that would otherwise be charged to operations and maintenance expense for vacation that is earned by employees, which is recovered as a cost of service.

A deferral for bad debt and collection costs was set up by the Company in 2012 to capture the costs associated with collecting some overdue accounts. The total amount deferred on the books of the Company was \$91 in 2014. The balance is currently being amortized over a 5 year period. In 2013, the \$315 balance was comprised of \$290 in legal fees and \$25 in bad debt expense. The 2013 was not being amortized.

	December 31,	
	2014	2013
Postretirement benefits other than pensions	\$ -	\$ 30
Rate case filing expenses	298	135
Tank painting	927	632
Radium treatment	87	197
AFUDC	136	98
Purchased waste water treatment	144	110
Hurricane Sandy deferral	33	39
Accrued vacation	85	0
Deferred bad debt and collection costs	85	315
Regulatory assets	\$ 1,795	\$ 1,556

Regulatory liabilities represent costs to be refunded to customers in future rates or amounts recovered from customers in advance of incurring the costs. The portion of the regulatory liability related to purchased waste water treatment represents the under-recovery of sewer service in rates in the amount of \$26 in 2014 and over-recovery of \$74 in 2013 in the Company's Maxim Division. Each year a Purchased Sewer Treatment Adjustment Clause is filed with the NJBPU to request recovery in rates. As of December 31, 2014, a Maxim Division purchased sewer treatment adjustment clause had been filed and approved by the NJBPU for the 2013 actual, plus 2014 projected over-recovery of \$35. Rates are effective January 1, 2015. The \$74 deferral related to the 2013 Maxim purchased waste water deferral will be amortized for 12 months.

Items giving rise to a portion of deferred Federal income taxes related to certain differences between tax and book depreciation expense, are recognized in the rate setting process on a cash or flow-through basis and will be refunded to customers as they reverse.

Utility plant retirement costs represent amounts recovered through rates during the life of the associated asset and before costs are incurred.

	December 31, December 31,	
	2014	2013
Purchased waste water treatment	\$ 48	\$ 124
Income tax	418	135
Utility plant retirement costs	2,952	2,770
Regulatory liabilities	\$ 3,418	\$ 3,029

AQUA NEW JERSEY, INC.
Notes to Financial Statements
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4. Commitments and Contingencies

Rent expense was \$10 and \$12 for the years ended December 31, 2014 and 2013, respectively, and is included in operating expenses. Future minimum rental payments are \$9 in 2015, \$6 in 2016, \$2 in 2017, \$1 in 2018, and \$1 in 2019 and \$0 thereafter.

Purchased water was \$ 1,229 and \$1,235 for the calendar year ending 2014 and 2013, respectively. The Company has commitments to purchase water with minimums of \$1,235 in 2015, \$1,272 in 2016, \$777 in 2017, \$801 in 2018, \$825 in 2019 and \$2,626 thereafter.

In 2007, the Company entered into service agreements for a 20 year term for the removal of radium present in two wells in its water system. Additional service agreements were signed in 2008 and one in 2009 to commence treatment on two additional wells for 20 year terms each. The Company has a contractual obligation for the use of treatment equipment and media used to reduce radium concentrations from certain wells in its water system. The future contractual cash obligation related to this equipment is \$631 in 2015, \$650 in 2016, \$669 in 2017, \$689 in 2018, \$710 in 2019 and \$7,595 thereafter.

The Company is routinely involved in condemnation procedures and legal matters during the ordinary course of business. Although the results of legal proceedings cannot be predicted with certainty, there are no pending legal proceedings to which the Company is a party or to which any of its properties is the subject that are material or are expected to have a material effect on the Company's financial position, results of operations or cash flows.

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Notes to Financial Statements
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6. Long-term Debt and Loans Payable

The long-term debt and loans outstanding as of December 31, 2014 and 2013 are summarized as follows:

Issuer Name	Series	Issue Date	Mature Date	Original Amount	% Rate	Long Term Debt Including Current Portion at December 31, 12/31/2014	% Rate	Long Term Debt Including Current Portion at December 31, 12/31/2013
GE Financial Assurance	K	11/21/1995	11/1/2025	\$7,500	8.14%	\$7,500	8.14%	\$7,500
New Jersey Environmental Infrastructure Trust	L	1/1/2000	11/1/2020	\$1,880	5.40%	\$667	5.38%	\$910
New Jersey Environmental Infrastructure Trust	L	1/1/2000	11/1/2020	\$1,594	0.00%	\$514	0.00%	\$599
New Jersey Economic Development Authority	N	4/15/2003	9/1/2032	\$5,330	5.10%	\$0	5.10%	\$5,330
New Jersey Economic Development Authority	O	4/16/2003	9/1/2032	\$1,670	5.00%	\$0	5.00%	\$1,670
New Jersey Environmental Infrastructure Trust	P	11/04/2004	8/01/2024	\$1,300	5.15%	\$800	5.05%	\$865
New Jersey Environmental Infrastructure Trust	Q	11/04/2004	8/01/2024	\$1,135	0.00%	\$603	0.00%	\$665
Mutual Of Omaha	R	12/23/2004	12/01/2019	\$5,000	5.14%	\$5,000	5.14%	\$5,000
Mutual Of Omaha	S	12/15/2006	12/15/2036	\$6,000	6.23%	\$6,000	6.23%	\$6,000
United of Omaha Life Insurance	T	12/12/2007	12/12/2037	\$3,800	5.80%	\$3,800	5.80%	\$3,800
New Jersey Environmental Infrastructure Trust	U	11/6/2008	8/1/2028	\$985	5.15%	\$810	5.15%	\$850
New Jersey Environmental Infrastructure Trust	V	11/6/2008	8/1/2028	\$971	0.00%	\$581	0.00%	\$632
New Jersey Environmental Infrastructure Trust	W	12/2/2009	8/1/2029	\$295	4.17%	\$255	4.20%	\$265
New Jersey Environmental Infrastructure Trust	X	12/2/2009	8/1/2029	\$294	0.00%	\$224	0.00%	\$239
New Jersey Environmental Infrastructure Trust	Y	3/1/2010	8/1/2029	\$230	4.17%	\$190	4.21%	\$200
New Jersey Environmental Infrastructure Trust	Z	3/1/2010	8/1/2029	\$236	0.00%	\$180	0.00%	\$192
New Jersey Environmental Infrastructure Trust	AA	12/1/2010	8/1/2030	\$430	3.92%	\$385	3.89%	\$400
New Jersey Environmental Infrastructure Trust	BB	10/1/2010	8/1/2030	\$213	0.00%	\$173	0.00%	\$184
New Jersey Environmental Infrastructure Trust	DD	3/28/2012	8/1/2031	\$855	0.00%	\$739	0.00%	\$782
New Jersey Environmental Infrastructure Trust	CC	5/3/2012	8/1/2031	\$780	4.52%	\$735	4.47%	\$760
Aqua America, Inc.		5/20/2008	5/20/2016	\$3,465	5.40%	\$3,465	5.40%	\$3,465
Aqua America, Inc.		5/20/2008	5/20/2017	\$3,465	5.40%	\$3,465	5.40%	\$3,465
Aqua America, Inc.		5/20/2008	5/20/2021	\$1,485	5.40%	\$1,485	5.40%	\$1,485
Aqua America, Inc.		5/20/2008	5/20/2022	\$1,485	5.40%	\$1,485	5.40%	\$1,485
Aqua America, Inc.		6/24/2010	6/24/2028	\$6,740	5.22%	\$6,740	5.22%	\$2,350
Aqua America, Inc.		6/14/2012	6/14/2027	\$11,675	3.57%	\$11,675	3.57%	\$6,610
Total				<u>\$68,813</u>		<u>\$57,471</u>		<u>\$55,703</u>

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6. Long-term Debt and Loans Payable (continued)

Annual sinking fund payments are required for issues of First Mortgage Bonds. During the next five years, the following debt maturities, including sinking funds, are due:

First Mortgage Bonds secured by utility plant:	2015	2016	2017	2018	2019	Thereafter
Non-interest bearing	\$ 191	\$ 192	\$ 191	\$ 191	\$ 191	\$ 1,544
3.00% to 3.99% Series, due 2020 to 2030	218	204	216	216	224	488
4.00% to 4.99% Series, due 2024 to 2029	50	55	55	60	60	900
5.00% to 5.99% Series, due 2019 to 2037	105	110	115	120	5,125	4,835
6.00% to 6.99% Series, due 2036	-	-	-	-	-	6,000
8.00% to 8.99% Series, due 2025	-	-	-	-	-	7,500
Total First Mortgage Bonds	564	561	577	587	5,600	21,267
Unsecured affiliate debt:						
5.40% Series, due 2016	-	3,465	-	-	-	-
5.40% Series, due 2017	-	-	3,465	-	-	-
5.40% Series, due 2021	-	-	-	-	-	1,485
5.40% Series, due 2022	-	-	-	-	-	1,485
5.22% Series, due 2028	-	-	-	-	-	6,740
3.57% Series, due 2027	-	-	-	-	-	11,675
Total	\$ 564	\$ 4,026	\$ 4,042	\$ 587	\$ 5,600	\$ 42,652

The mortgage indenture as supplemented restricts the ability of the Company to declare dividends with respect to certain issues of the First Mortgage Bonds. As of December 31, 2014, approximately \$35,742 of reinvested earnings was free of such restrictions. The Company's loan agreements contain restrictions on minimum net assets. As of December 31, 2014 there were restrictions on \$45,227 in net assets of the total net assets \$71,750.

In March 2014, the Company entered into a debt agreement with the Parent to borrow \$9,455 at 4.74%. The proceeds from the new debt were used to pay down two existing loans totaling \$7,000. The debt obligations are unsecured and are due and payable on June 24, 2028.

In 2012, the Company entered into two loan agreements with the New Jersey Environmental Infrastructure Trust totaling \$1,635. The proceeds of these loans were used for three rehabilitation projects. These loans are to be paid back over 20 years, with \$855 at 0% interest and \$780 at 4.41% interest. The 0% loan assumes principal forgiveness of \$428. As of December 31, 2014, the trustee holds \$47 of these funds which is reported on the balance sheet as funds restricted for construction activity. An application will be made to refund the balance.

At December 31, 2014 and 2013, the Company had unsecured short-term lines of credit available totaling \$6,500 in both years. Funds borrowed under these lines are classified as loans payable and are used primarily for temporary financing of utility plant additions. As of December 31, 2014 and 2013, funds borrowed under these short-term lines of credit were \$0. The average borrowing under the lines was \$0 during 2014 and 2013. The maximum amount outstanding at the end of any one month was \$0 for 2014 and 2013 respectively.

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7. Fair Value of Financial Instruments

The carrying amount of current assets and liabilities that are considered financial instruments approximates their fair values as of the dates presented. The carrying amount of the Company's long-term debt, including current portion, as of December 31, 2014 and 2013 is \$57,471 and \$55,703, respectively. The estimated fair value of the Company's long-term debt as of December 31, 2014 and 2013 is \$62,446 and \$57,618 respectively. The fair value of long-term debt has been determined by discounting the future cash flows using current market interest rates for similar financial instruments of the same duration.

The Company's customer advances for construction has a carrying value of \$22,383 and \$18,151 at December 31, 2014 and 2013 respectively. Their relative fair values cannot be accurately estimated since future refund payments depend on several variables, including new customer connections, customer consumption levels and future rate increases. Portions of these non-interest bearing instruments are refundable, under certain circumstances, either wholly or in part over varying periods of time, and amounts not paid by the contract expiration dates become non-refundable. The fair value of these amounts would, however, be less than their carrying value due to the non-interest bearing feature.

8. Pension Benefits

The Company participates in a noncontributory qualified defined benefit pension plan sponsored by the Parent covering non-union employees hired prior to April 1, 2003. Benefits under the plan are based on the participant's average compensation, defined as the beginning-of-year base rate of pay of the five consecutive years producing the highest average pay multiplied by the years of credited service not to exceed 35 years.

In August 2014, the Parent announced changes to the way it will provide future retirement benefits to employees acquired through prior acquisition. Effective January 1, 2015, the Parent will provide future retirement benefits for those employees through its defined contribution plan. As a result, no further service will be considered in future accruals in the qualified defined benefit pension plan after December 31, 2014.

In the first quarter of 2014, the Parent offered a one-time voluntary lump sum window to certain eligible terminated vested participants in an effort to reduce its long-term obligations and plan volatility for its qualified defined benefit pension plan. In May 2014, the plan paid \$11,471 to participants who elected to receive a lump sum distribution, which was funded from existing plan assets.

The funding amount for the Pension Plan for the Aqua America, Inc. Retirement Income Plan will be determined each year based on the recommendation of management and subject to approval by the Parent's Pension Committee. The funding amount will be an amount greater than or equal to the minimum required contribution and less than or equal to the maximum tax deductible contribution. The Company made a cash contribution of \$299 to the Parent's plan in 2014 and \$326 in 2013. The Company's policy is to recognize net periodic pension cost based on amounts determined by an independent actuary. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level.

The Company recorded pension expense of \$46 and \$299 for 2014 and 2013, respectively.

9. Postretirement Benefits Other Than Pensions

The Company participates in a postretirement benefit plan sponsored by the Parent that provides medical and prescription drug benefits, or a cash contribution towards such benefits, and life insurance benefits. Employees may become eligible for these benefits after age 55 if they have completed at least twenty years of service or attaining age 62 with five years of service or age plus service greater than or equal to 95. Pre-65 plan benefits are self-insured by the Parent. Post-65 retirees who are eligible for Medicare receive Company contributions in the form of a premium reimbursement account.

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9. Postretirement Benefits Other Than Pensions (continued)

The Company's funding policy is to contribute the lower of the other postretirement benefits cost or the maximum amount allowed by the Internal Revenue Code. The Company recorded postretirement benefits other than pension credit of \$10 and \$11 for 2014 and 2013, respectively. The Company funded postretirement benefits other than pensions of \$0 in 2014 and \$0 in 2013. The Company's policy is to recognize other postretirement benefit cost based on amounts determined by an independent actuary. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level.

The Parent has 401(k) savings plans that cover substantially all employees. The Company makes matching contributions that are invested in Aqua America, Inc. common stock based on a percentage of an employee's contribution, subject to certain limitations. The portion of the Company's matching contribution and annual profit-sharing contribution, recorded as compensation expense, is \$83 and \$91 for 2014 and 2013, respectively.

10. Employee Stock and Incentive Plan

The Company's employees participate in an Equity Compensation Plan sponsored by the Parent. Under the Aqua America, Inc. 2009 Omnibus Equity Compensation Plan, as approved by the Parent's shareholders to replace the 2004 Equity Compensation Plan, stock options, stock units, stock awards, stock appreciation rights, dividend equivalents, and other stock-based awards may be granted to the Company's employees, non-employee directors, and consultants and advisors equal to the market price of the stock on the day of the grant.

Stock options are based upon the common stock of the Parent. Options are exercisable in installments of 33% annually, starting one year from the date of the grant and expire 10 years from the date of the grant. The Parent accounts for stock-based compensation using fair value. The fair value of each stock option is amortized into compensation expense on a straight-line basis over their respective 36 month vesting period, net of estimated forfeitures. Compensation expense recognized by the Parent is allocated to its subsidiaries based on actual employee costs. Since the Company is not obligated to reimburse the Parent for stock-based compensation costs incurred, the Company records these liabilities resulting from compensation costs to paid-in capital.

There were no stock options granted during the years ended December 31, 2014 and 2013.

Restricted stock awards provide the grantee with the rights of a shareholder, including the right to receive dividends and to vote such shares, but not the right to sell or otherwise transfer the shares during the restriction period. Restricted stock awards result in compensation expense which is equal to the fair market value of the stock on the date of the grant and is amortized ratably over the restriction period.

During 2014 and 2013, the Company granted performance share units ("PSU"). A PSU represents the right to receive a share of the Parent's common stock if specified performance goals are met over the three year performance period specified in the grant. The fair value of each PSU grant is amortized into compensation expense on a straight-line basis over their respective 36 month vesting period. During the year ended December 31, 2014, the Company recorded stock based compensation related to PSUs as a component of operations and maintenance expense of \$65, and recorded an income tax benefit of \$23. During the year ended December 31, 2013, the Company recorded stock-based compensation related to PSUs as a component of operations and maintenance expense of \$69, and recorded an income tax benefit of \$24. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense.

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
Years ended December 31, 2014 and 2013

11. Acquisitions

In 2014, the Company acquired the water utility assets of the Summit Water Company for \$11 and the Spartan Village Water and Sewer Companies for \$6. The acquisitions were funded by an equity contribution from Parent. Operating revenues included in the financial statements of the Company in 2014 were \$20.

12. Water and Wastewater Rates

In January 2014, the Company filed an application with the NJBPU requesting a \$3,899 or 11.16% increase in annual water revenues. In August 2014, the NJBPU approved the rate filing designed to increase the Company's annual water revenues by \$1,150 or 3.27% effective September 1, 2014.

In July 2013, the Company filed an application with the NJBPU requesting a \$752 or 62.50% increase in annual wastewater revenues. In February 2014, the NJBPU approved the 2013 rate filing designed to increase the Company's annual wastewater revenues by \$617 or 47.70% effective March 1, 2014.

13. Affiliated Company Transactions

The Company has service agreements with the Parent and subsidiaries of the Parent ("other affiliates"). The types of services rendered between these entities relate to general supervision and administrative functions, long-range planning, tax, accounting, financing, engineering, legal and other specialized support. Expenditures recorded for these services by the Parent amounted to approximately \$3,321 and \$3,128 for 2014 and 2013, respectively.

Amounts owed to the Parent and other affiliates by the Company amounted to \$330 and \$2,414 at December 31, 2014 and 2013, respectively. Amounts owed to the Parent and other affiliates are reflected in the accompanying balance sheet.

Amounts due from the Parent and other affiliates to the Company amounted to \$603 and \$665 at December 31, 2014 and 2013, respectively. Amounts due from the Parent and other affiliates are reflected in the accompanying balance sheet.

The Company made non-cash refunds of equity contributions to the Parent of \$1,192 in 2014 and received non-cash equity contributions from the Parent of \$13,361 in 2013. Both are reported on the Statement of Common Stockholder's Equity. In 2013 the non-cash equity contributions relate to the contribution by the Parent for the settlement of certain net inter-company payables due to the Parent or subsidiary of the Parent.

AQUA NEW JERSEY, INC.

(A wholly-owned subsidiary of Aqua America, Inc.)

Financial Statements

As of and for the years ended
December 31, 2015 and 2014



Independent Auditor's Report

To the Board of Directors and Stockholder of Aqua New Jersey, Inc.

We have audited the accompanying financial statements of Aqua New Jersey, Inc. (the "Company", a wholly owned subsidiary of Aqua America, Inc.), which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of income, of cash flows and of common stockholder's equity for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 our 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, we consider internal control relevant to the Company'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 Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aqua New Jersey, Inc., at December 31, 2015 and December 31, 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 30, 2016

AQUA NEW JERSEY, INC.
Balance Sheets
(In thousands of dollars, except for share amounts)
December 31, 2015 and 2014

Assets	2015	2014	Liabilities and Common Stockholder's Equity	2015	2014
Utility plant, net of accumulated depreciation	\$ 221,092	\$ 204,611	Common stockholder's equity:		
Construction work-in-progress	1,675	1,264	Common stock, \$5 par value, 800,000		
Utility plant acquisition adjustment, net of			shares authorized, 720,625 shares		
accumulated amortization	(1,670)	1,156	issued and outstanding, respectively	\$ 3,603	\$ 3,603
Net utility plant	<u>221,097</u>	<u>207,031</u>	Capital in excess of par value	35,322	30,742
			Retained earnings	<u>43,661</u>	<u>37,748</u>
			Total common stockholder's equity	<u>82,586</u>	<u>72,093</u>
Current assets:			Long-term debt, excluding current portion	56,277	56,907
Cash and cash equivalents	299	300	Current liabilities:		
Accounts receivable, less allowance for			Current portion of long-term debt	496	564
doubtful accounts of \$141 and \$86	3,064	3,059	Accounts payable	835	685
Accounts receivable-affiliates	-	603	Accounts payable-affiliates	959	330
Unbilled revenues	1,889	1,854	Accrued interest	164	173
Materials and supplies	912	1,134	Taxes payable	3,550	1,060
Deferred Tax Asset	-	16	Other current liabilities	<u>1,896</u>	<u>1,528</u>
Prepayments and other current assets	<u>403</u>	<u>410</u>	Total current liabilities	<u>7,900</u>	<u>4,340</u>
Total current assets	<u>6,567</u>	<u>7,376</u>	Deferred credits and other non-current liabilities:		
Deferred charges and other non-current assets:			Customers' advances for construction	23,002	22,383
Debt issuance expense, net of			Deferred income taxes	23,568	23,266
accumulated amortization	1,710	1,869	Regulatory liabilities	3,317	3,418
Regulatory assets	1,209	1,795	Other non-current liabilities	<u>2</u>	<u>46</u>
Funds restricted for construction activity	-	47	Total deferred credits and other		
Goodwill	3,020	237	non-current liabilities	<u>49,889</u>	<u>49,113</u>
Other non-current assets	<u>228</u>	<u>345</u>	Contributions in aid of construction	<u>37,179</u>	<u>36,247</u>
Total deferred charges and other					
non-current assets	<u>6,167</u>	<u>4,293</u>			
	<u>\$ 233,831</u>	<u>\$ 218,700</u>		<u>\$ 233,831</u>	<u>\$ 218,700</u>

The accompanying notes are an integral part of these financial statements.

AQUA NEW JERSEY, INC.
 Statements of Income
 (In thousands of dollars)
 Years ended December 31, 2015 and 2014

	2015	2014
Operating revenues	\$ 42,981	\$ 39,346
Operating expenses:		
Operations and maintenance	15,167	14,345
Depreciation	7,037	6,432
Amortization	613	462
Taxes other than income taxes	5,859	5,594
	28,676	26,833
Total operating expenses		
Operating income	14,305	12,513
Other expense:		
Interest on long-term debt	2,919	2,904
Allowance for funds used during construction	(123)	(150)
	11,509	9,759
Income before income taxes		
Provision for income taxes	3,946	3,526
	7,563	6,233
Net income	\$ 7,563	\$ 6,233

The accompanying notes are an integral part of these financial statements.

AQUA NEW JERSEY, INC.
Statements of Cash Flows
(In thousands of dollars)
Years ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Net income	\$ 7,563	\$ 6,233
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,650	6,894
Deferred income taxes and investment tax credits	289	3,459
Provision for doubtful accounts	172	141
Stock based compensation	80	65
Allowance for equity funds used during construction	(93)	(113)
Change in current assets and current liabilities:		
Receivables, unbilled revenues, materials and supplies and prepayments	4,879	813
Accounts payable and other current liabilities	3,515	(1,555)
Accrued interest	(9)	(122)
Other	(1,620)	(1,798)
Net cash provided by operating activities	22,426	14,017
Cash flows from investing activities:		
Construction expenditures	(19,499)	(11,869)
Decrease in funds restricted for construction activity	25	-
Allowance for borrowed funds used during construction	(30)	(37)
Net cash used in investing activities	(19,504)	(11,906)
Cash flows from financing activities:		
Customers' advances and contributions in aid of construction	252	334
Repayments of customers' advances	(1,016)	(533)
Proceeds from long-term debt	-	7,000
Debt issuance costs paid	-	(3)
Repayments of long-term debt	(509)	(7,551)
Dividends paid - common stock	(1,650)	(1,450)
Net cash used in financing activities	(2,923)	(2,203)
Net change in cash	(1)	(92)
Cash and cash equivalents beginning of year	300	392
Cash and cash equivalents end of year	\$ 299	\$ 300

Cash paid for interest, net of amounts capitalized, was \$1,631 and \$2,872 in 2015 and 2014, respectively. Cash paid for income taxes was \$1,153 and \$0 in 2015 and 2014, respectively.

See Note 1 - Summary of Significant Accounting Policies - Customers' Advances for Construction and Contributions in Aid of Construction.

Non-cash financing activity - Capital contribution from Parent was \$4,486 in 2015.

Return of capital contributions from Parent was \$1,201 in 2014.

The accompanying notes are an integral part of these financial statements.

AQUA NEW JERSEY, INC.
 Statements of Common Stockholder's Equity
 (In thousands of dollars, except for share amounts)
 Years ended December 31, 2015 and 2014

	Common Stock	Capital in excess of par value	Retained Earnings	Total Common Stockholder's Equity
Balance at December 31, 2013	3,603	31,869	32,965	68,437
Net income	-	-	6,233	6,233
Common stock dividends, \$2.01 per share	-	-	(1,450)	(1,450)
Stock based compensation	-	74	-	74
Return of capital contributions to Aqua America, Inc.	-	(1,201)		(1,201)
Balance at December 31, 2014	3,603	30,742	37,748	72,093
Net income	-	-	7,563	7,563
Common stock dividends, \$2.29 per share	-	-	(1,650)	(1,650)
Stock based compensation	-	94	-	94
Capital contributions from Aqua America, Inc.	-	4,486	-	4,486
Balance at December 31, 2015	<u>\$ 3,603</u>	<u>\$ 35,322</u>	<u>\$ 43,661</u>	<u>\$ 82,586</u>

The accompanying notes are an integral part of these financial statements.

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
Years ended December 31, 2015 and 2014

1. Summary of Significant Accounting Policies

Nature of Operations

Aqua New Jersey, Inc. (the “Company”) is a regulated public utility that supplies water to residential, commercial and industrial customers. All of the Company's customers are located in New Jersey. The Company is also engaged in providing wastewater services. No single customer accounted for more than one percent of the Company's operating revenues in 2015 or 2014. The Company is a wholly-owned subsidiary of Aqua America, Inc. (the “Parent”).

Basis of Presentation

The Company's financial statements are presented in accordance with U.S. generally accepted accounting principles.

The Company has evaluated the period from December 31, 2015, the date of the financial statements, through March 30, 2016, the date the financial statements were available for issuance, for subsequent events and determined that no material subsequent events occurred that would affect the information presented in these financial statements or require additional disclosure.

Use of Estimates in Preparation of Financial Statements

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.

Recognition of Revenues

Operating revenues include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the latest billing to the end of the accounting period.

Regulation

As a regulated public water utility, the Company is subject to regulation by the New Jersey Board of Public Utilities (“NJBP”), which has jurisdiction with respect to rates, service, accounting procedures, acquisitions and other matters. The Company defers certain costs and credits as regulatory assets and liabilities when it is probable that such amounts will be recognized in the rate making process in a period different from the period in which they would have been reflected in income by an unregulated company.

Utility Plant and Depreciation

Utility plant is stated at cost which includes contracted cost, direct labor and fringe benefits, materials, overheads, and for certain utility plant, an allowance for the cost of funds used during construction. Water systems acquired are recorded at estimated original cost when first devoted to utility service and the applicable depreciation is recorded in accumulated depreciation.

Utility plant acquisition adjustments represent the difference between the estimated original cost, less applicable depreciation, and the purchase price of utility plant assets acquired through business acquisitions.

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
Years ended December 31, 2015 and 2014

1. Summary of Significant Accounting Policies (Continued)

Utility Plant and Depreciation (Continued)

Utility plant included a negative acquisition adjustment balance of \$1,670 in 2015, and a positive acquisition adjustment balance of \$1,156 in 2014. The unamortized balances of the net negative utility plant acquisition adjustment were \$1,718 and \$1,675 in 2015 and 2014, respectively. The balances are being amortized over a range of 2 to 23 years. There was a positive acquisition adjustment balance of \$48 and \$2,831 in 2015 and 2014, respectively, not subject to amortization. In 2015, \$2,783 of the utility plant acquisition adjustment was reclassified from utility plant to Goodwill.

Expenditures for maintenance and repairs, including minor renewals and betterments, are charged to operating expenses in accordance with the uniform system of accounts prescribed by the NJBPU. The cost of new units of property and betterments are capitalized.

When units of utility property are replaced, retired or abandoned, the recorded value thereof is credited to the asset account and such value, together with the net cost of removal, is charged to accumulated depreciation. The Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates.

The cost of software upgrades and enhancements are capitalized if they result in added functionality which enable the software to perform tasks it was previously incapable of performing. Certain information technology costs associated with major system installations, conversions and improvements, such as software training, data conversion and business process reengineering costs, are deferred as a regulatory asset if the Company expects to recover these costs in future rates. If costs are not deferred then they are charged to operating expenses when incurred. As of December 31, 2015, \$484 of costs have been incurred and deferred, since the last rate proceeding, as a regulatory asset, and the deferral is reported as a component of net property, plant and equipment.

The straight-line remaining life method is used to compute depreciation on utility plant. The straight-line method is used with respect to transportation and mechanical equipment. Depreciation is recorded over the estimated useful lives of the assets which range from 2 to 83 years for utility plant.

Long-lived assets of the Company, which consist primarily of utility plant in service and regulatory assets, are reviewed for impairment when changes in circumstances or events occur. There has been no change in circumstances or events that have occurred that require adjustments to the carrying values of these assets.

As of December 31, 2015 and 2014, property, plant and equipment additions purchased at the period end, but not yet paid for are \$1,026 and \$891, respectively.

Allowance for Funds Used During Construction

The allowance for funds used during construction ("AFUDC") is a non-cash credit to income which represents the estimated cost of funds used to finance the construction of utility plant. AFUDC is applied to construction projects requiring more than one month to complete. No AFUDC is applied to projects funded by customer advances for construction or contributions in aid of construction. AFUDC includes the net cost of borrowed funds and a rate of return on other funds when used, and is recovered through water rates as the utility plant is depreciated. The amount of AFUDC related to equity funds was \$93 and \$113 in 2015 and 2014, respectively.

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
Years ended December 31, 2015 and 2014

1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less, which are not restricted for construction activity, to be cash equivalents.

Accounts Receivable

Accounts receivable are recorded at the invoiced amounts. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in our existing accounts receivable, and is determined based on historical write-off experience and the aging of account balances. The Company reviews the allowance for doubtful accounts quarterly. When utility customers request extended payment terms, credit is extended based on regulatory guidelines and collateral is not required.

Deferred Charges

Deferred bond issuance expenses are amortized over the life of the related issuance.

Funds Restricted for Construction Activity

The proceeds received from certain financings for construction and capital improvement of utility facilities are held in escrow until the designated expenditures are incurred. These amounts are reported as funds restricted for construction activity and are expected to be released over time as the capital projects are funded.

Goodwill

Goodwill represents the excess cost over the fair value of net tangible and identifiable intangible assets acquired through acquisitions. Goodwill is not amortized but is tested for impairment annually, or more often, if circumstances indicate a possible impairment may exist. When testing goodwill for impairment, we may assess qualitative factors to determine whether it's more likely than not that the fair value of our reporting unit is less than its carrying amount. Alternatively, we may bypass this qualitative assessment and perform a quantitative goodwill impairment test. If we perform a quantitative test and determine that the reporting unit's fair value is less than its carrying amount, we would determine the reporting unit's implied fair value of its goodwill and compare it with the carrying amount of its goodwill to measure such impairment. The Company tested the goodwill attributable for its reporting unit for impairment as of July 31, 2015, in conjunction with the timing of its annual strategic business plan, and concluded that the reporting unit's estimated fair value exceeded its carrying amount, indicating that the Company's goodwill was not impaired.

Other Comprehensive Income ("OCI")

For the periods presented, the Company does not have any OCI and therefore, comprehensive income equals net income. In addition, there is no accumulated comprehensive income.

Income Taxes

The Company accounts for certain income and expense items in different time periods for financial reporting than for tax reporting purposes. Deferred income taxes are provided on the temporary differences between the tax basis of the assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates expected to be in effect when such temporary differences are projected to reverse.

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
Years ended December 31, 2015 and 2014

1. Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The Company's earnings are included with those of the Parent and affiliated companies for purposes of filing a consolidated Federal income tax return. The allocation of the Federal income tax to the Company is computed on a stand-alone basis. The liability for Federal income taxes is remitted to the Parent.

Investment tax credits have been deferred and are amortized over the estimated useful lives of the related properties.

Judgment is required in evaluating the Company's federal and state tax positions. Despite management's belief that the Company's tax return positions are fully supportable, the Company may establish reserves when it believes that certain tax positions are likely to be challenged and it may not fully prevail in these challenges. When reserves are established, the associated interest and penalties are recorded as a component of the Company's income tax provision.

Customers' Advances for Construction

Water mains or, in some instances, cash advances to reimburse the Company its costs to construct water mains, are contributed to the Company by customers, real estate developers and builders in order to extend water service to their properties. The value of these contributions is recorded as customers' advances for construction. The Company makes refunds on these advances over a specific period of time based on operating revenues related to the main or as new customers are connected to and take service from the main. After all refunds are made, any remaining balance is transferred to contributions in aid of construction. Customers' advances for construction non-cash property has been received, generally from developers, of \$2,143 in 2015 and \$5,353 in 2014.

Contributions in Aid of Construction

Contributions in aid of construction include direct non-refundable contributions and the portion of customers' advances for construction that have become non-refundable. Contributions in aid of construction and customers' advances for construction are deducted from the Company's rate base for rate-making purposes. Contributions in aid of construction non-cash property has been received, generally from developers, of \$0 in 2015 and \$612 in 2014.

Materials and Supplies

Materials and supplies are stated at cost under the first-in, first-out method.

Recent Accounting Pronouncements

In February 2016, the FASB issued updated accounting guidance on accounting for leases, which requires lessees to establish a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. For income statement purposes, leases will be classified as either operating or finance. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern. The updated accounting guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption available. The Company is evaluating the requirements of the updated guidance to determine the impact of adoption.

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
Years ended December 31, 2015 and 2014

Recent Accounting Pronouncements (Continued)

In November 2015, the FASB issued updated accounting guidance on the balance sheet classification of deferred tax assets and liabilities, which requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. Previously, deferred taxes were presented as a net current asset or liability and net noncurrent asset or liability, which required a jurisdiction-by-jurisdiction analysis based on the classification of the assets and liabilities to which the underlying temporary differences relate, or, in the case of tax loss carryforwards, based on the period in which the attribute is expected to be realized. The updated guidance is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years, with early adoption available, and the guidance may be applied either prospectively or retrospectively. The Company has elected to early adopt the updated guidance, prospectively, for its fiscal year ended December 31, 2015, and has not retrospectively adjusted the prior period consolidated balance sheet. If the Company had adopted the updated guidance retrospectively, the December 31, 2014 deferred income taxes of \$16 classified as current assets would have been reported as a partial reduction to the deferred income taxes and investment tax credits reported in the deferred credits and other liabilities section of the consolidated balance sheet.

In September 2015, the FASB issued updated accounting guidance on simplifying measurement-period adjustments in business combinations, which eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment. The updated guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, with early adoption available. The Company does not expect the provisions of this accounting standard to have a material impact on its results of operations or financial position.

In April 2015, the FASB issued updated accounting guidance on simplifying the presentation of debt issuance costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. Previously, debt issuance costs were presented in the balance sheet as a deferred charge. The accounting standard is effective for reporting periods beginning after December 15, 2015, and will be applied retrospectively. The Company does not expect the provisions of this accounting standard to have a material impact on its results of operations or financial position.

In August 2014, the FASB issued an accounting standard that will require management to assess an entity's ability to continue as a going concern for each annual and interim reporting period and to provide related footnote disclosures in circumstances in which substantial doubt exists. The accounting standard is effective in the first annual reporting period beginning after December 15, 2016. The Company does not expect the provisions of this accounting standard to have an impact on its results of operations or financial position.

In May 2014, the Financial Accounting Standards Board ("FASB") issued updated accounting guidance on recognizing revenue from contracts with customers, which outlines a single comprehensive model that an entity will apply to determine the measurement of revenue and timing of recognition. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The updated guidance also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. In July 2015, the FASB approved a one year deferral to the original effective date of this guidance. The updated guidance is effective retrospectively for reporting periods beginning after December 15, 2017. The Company is evaluating the requirements of the updated guidance to determine the impact of adoption.

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
Years ended December 31, 2015 and 2014

2. Utility Plant

Utility plant is composed of the following:

	December 31,		Approximate range of useful lives
	2014	2013	
Utility plant in service			
Mains and accessories	\$ 120,748	\$ 109,451	47 years
Services, hydrants, treatment plants and reservoirs	81,994	74,541	14 to 83 years
Operations structures and water tanks	13,731	13,528	33 to 62 years
Miscellaneous pumping and purification equipment	16,986	16,550	17 to 67 years
Meters, data processing, transportation and operating equipment	47,232	44,976	6 to 38 years
Land and other non-depreciable assets	5,807	7,165	-
Utility plant in service	286,498	266,211	
Utility construction work in progress	1,675	1,264	
Net utility plant acquisition adjustment	(1,670)	1,156	2 to 24 years
Total utility plant	286,503	268,631	
Accumulated depreciation	(65,406)	(61,600)	
Utility plant, net of accumulated depreciation	\$ 221,097	\$ 207,031	

3. Income Taxes

The provision for income taxes is composed of the following:

	Year ended December 31,	
	2015	2014
Current	\$ 3,657	\$ 67
Deferred	289	3,459
Total federal income tax expense	\$ 3,946	\$ 3,526

The statutory Federal tax rate is 35% for 2015 and 2014. The Company does not pay New Jersey state taxes; however, it does pay gross receipts and franchise taxes at a rate of 14% of taxable gross receipts.

The reasons for the differences between amounts computed by applying the statutory Federal income tax rate to income before income tax expense are as follows:

	Year ended December 31,	
	2015	2014
Computed Federal tax expense at statutory rate	\$ 4,028	\$ 3,416
Amortization of investment tax credits	(54)	(54)
Stock-based compensation	(2)	-
Other, net	(26)	164
Actual income tax expense	\$ 3,946	\$ 3,526

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
Years ended December 31, 2015 and 2014

3. Income Taxes (Continued)

The tax effects of temporary differences between book and tax accounting that give rise to the deferred tax assets and deferred tax liabilities are as follows:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Deferred tax assets:		
Customers' advances for construction	\$ 3,600	\$ 3,600
Deferred taxes associated with the gross-up of revenues necessary to recover, in rates	136	146
Total deferred tax assets	<u>3,736</u>	<u>3,746</u>
Deferred tax liabilities:		
Utility plant, principally due to depreciation and differences in the basis of fixed assets due to variation in tax and book accounting	27,023	26,561
Costs deducted for tax but not expensed for books, principally accrued expenses and bad debt reserves	71	177
Investment tax credit	53	107
Other	157	151
Total deferred tax liabilities	<u>27,304</u>	<u>26,996</u>
Net deferred tax liability	<u>\$ 23,568</u>	<u>\$ 23,250</u>

As of December 31, 2015, the Parent's Federal income tax returns for all years through 2011 have been closed. For Federal income tax purposes, tax years 2012 through 2015 remain open for examination.

4. Regulatory Assets and Liabilities

Regulatory assets represent costs that are expected to be fully recovered in future rates.

The portion of the regulatory asset related to rate case filing expenses represents the costs associated with filing for rate increases that are deferred and amortized over 24 months.

The portion of the regulatory asset related to tank painting represents the costs that were incurred by the Company and are currently being recovered in rates at \$300 per year.

The portion of the regulatory asset related to radium treatment represents the costs incurred by the Company for treatment of certain wells in order to be in compliance with environmental regulations. These radium treatment costs were deferred as incurred and currently recognized in rates over 2 years.

The AFUDC is the income tax gross up of the equity portion of AFUDC and is amortized over the life of the related capital asset.

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
Years ended December 31, 2015 and 2014

4. Regulatory Assets and Liabilities (Continued)

The balance of the regulatory asset related to purchased waste water treatment represents the under-recovery of sewer service in rates for the calendar year ending 2015 and 2014 in the amount of \$50 and \$144, respectively in the Company's Walkkill Sewer division, and \$3 in the Company's Maxim's division in 2015. As of December 31, 2015, a purchased sewer treatment adjustment clause had been filed and approved by the NJBPU for both the Walkkill and Maxim Wastewater divisions. Rates are effective January 1, 2016. In 2015, a \$110 adjustment was recorded on the books of the Company to write-off the 2011 through 2013 deferred Walkkill purchased waste water balance that was not recovered in the filing. The \$31 deferral related to the 2014 Walkkill purchased wastewater will be amortized for 12 months. The portion of the regulatory asset related to Maxim purchased wastewater treatment represents the under-recovery of sewer service in rates in the amount of \$36 in 2015 and the over-recovery of \$33 in 2014. The \$33 deferral related to the 2014 will be amortized for 12 months.

The regulatory asset for accrued vacation represents costs that would otherwise be charged to operations and maintenance expense for vacation that is earned by employees, which is recovered as a cost of service.

A deferral for bad debt and collection costs was set up by the Company in 2012 to capture the costs associated with collecting some overdue accounts. The total amount deferred on the books of the Company was \$91 in 2014. The balance is currently being amortized over a 5 year period.

	December 31,	
	2015	2014
Rate case filing expenses	148	298
Tank painting	644	927
Radium treatment	35	87
AFUDC	165	136
Purchased waste water treatment	53	144
Hurricane Sandy deferral	0	33
Accrued vacation	97	85
Deferred bad debt and collection costs	67	85
 Regulatory assets	 \$ 1,209	 \$ 1,795

Regulatory liabilities represent costs to be refunded to customers in future rates or amounts recovered from customers in advance of incurring the costs.

Items giving rise to a portion of deferred Federal income taxes related to certain differences between tax and book depreciation expense are recognized in the rate setting process on a cash or flow-through basis and will be refunded to customers as they reverse.

Utility plant retirement costs represent amounts recovered through rates during the life of the associated asset and before costs are incurred.

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
Years ended December 31, 2015 and 2014

4. Regulatory Assets and Liabilities (Continued)

The portion of the regulatory liability related to purchased waste water treatment represents the under-recovery of sewer service in rates in the amount of \$26 in 2014 and the over-recovery of \$74 in 2013 in the Company's Maxim division. Each year a Purchased Sewer Treatment Adjustment Clause is filed with the NJBPU to request recovery in rates. The \$74 deferral related to the 2013 Maxim purchased waste water deferral was amortized for 12 months in 2015. The 2014 under-recovery of sewer service in rates of \$26 was reclassified to a regulatory asset account in 2015.

	December 31,	
	2015	2014
Purchased waste water treatment	\$ -	\$ 48
Income tax	388	418
Utility plant retirement costs	2,929	2,952
Regulatory liabilities	\$ 3,317	\$ 3,418

5. Commitments and Contingencies

Rent expense was \$10 and \$10 for the years ended December 31, 2015 and 2014, respectively, and is included in operating expenses. Future minimum rental payments are \$2 in 2016, \$2 in 2017, \$2 in 2018, \$2 in 2019, and \$0 in 2020 and \$0 thereafter.

Purchased water was \$ 1,250 and \$1,229 for the calendar year ending 2015 and 2014, respectively. The Company has commitments to purchase water with minimums of \$1,279 in 2016, \$791 in 2017, \$791 in 2018, \$791 in 2019, \$791 in 2020 and \$1,583 thereafter.

In 2007, the Company entered into service agreements for a 20 year term for the removal of radium present in two wells in its water system. Additional service agreements were signed in 2008 and one in 2009 to commence treatment on two additional wells for 20 year terms each. The Company has a contractual obligation for the use of treatment equipment and media used to reduce radium concentrations from certain wells in its water system. The future contractual cash obligation related to this equipment is \$796 in 2016, \$796 in 2017, \$796 in 2018, \$796 in 2019, \$796 in 2020 and \$6,511 thereafter.

The Company is routinely involved in condemnation procedures and legal matters during the ordinary course of business. Although the results of legal proceedings cannot be predicted with certainty, there are no pending legal proceedings to which the Company is a party or to which any of its properties is the subject that are material or are expected to have a material effect on the Company's financial position, results of operations or cash flows.

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
Years ended December 31, 2015 and 2014

6. Long-term Debt and Loans Payable

The long-term debt and loans outstanding as of December 31, 2015 and 2014 are summarized as follows:

Issuer Name	Series	Mature Date	Original Amount	% Rate	Long Term Debt	%	Long Term Debt
					Including Current Portion at December 31, 12/31/2015	Rate	Including Current Portion at December 31, 12/31/2014
GE Financial Assurance	K	11/1/2025	\$7,500	8.14%	\$7,500	8.14%	\$7,500
New Jersey Environmental Infrastructure Trust	L	11/1/2020	\$1,880	2.50%	\$554	5.38%	\$667
New Jersey Environmental Infrastructure Trust	L	11/1/2020	\$1,594	0.00%	\$429	0.00%	\$514
New Jersey Environmental Infrastructure Trust	P	8/01/2024	\$1,300	5.27%	\$615	5.05%	\$800
New Jersey Environmental Infrastructure Trust	Q	8/01/2024	\$1,135	0.00%	\$542	0.00%	\$603
Mutual Of Omaha	R	12/01/2019	\$5,000	5.14%	\$5,000	5.14%	\$5,000
Mutual Of Omaha	S	12/15/2036	\$6,000	6.23%	\$6,000	6.23%	\$6,000
United of Omaha Life Insurance	T	12/12/2037	\$3,800	5.80%	\$3,800	5.80%	\$3,800
New Jersey Environmental Infrastructure Trust	U	8/1/2028	\$985	5.16%	\$770	5.15%	\$810
New Jersey Environmental Infrastructure Trust	V	8/1/2028	\$971	0.00%	\$532	0.00%	\$581
New Jersey Environmental Infrastructure Trust	W	8/1/2029	\$295	4.13%	\$245	4.20%	\$255
New Jersey Environmental Infrastructure Trust	X	8/1/2029	\$294	0.00%	\$210	0.00%	\$224
New Jersey Environmental Infrastructure Trust	Y	8/1/2029	\$230	4.13%	\$180	4.21%	\$190
New Jersey Environmental Infrastructure Trust	Z	8/1/2029	\$236	0.00%	\$168	0.00%	\$180
New Jersey Environmental Infrastructure Trust	AA	8/1/2030	\$430	3.97%	\$365	3.89%	\$385
New Jersey Environmental Infrastructure Trust	BB	8/1/2030	\$213	0.00%	\$162	0.00%	\$173
New Jersey Environmental Infrastructure Trust	DD	8/1/2031	\$855	0.00%	\$681	0.00%	\$739
New Jersey Environmental Infrastructure Trust	CC	8/1/2031	\$780	4.59%	\$705	4.47%	\$735
Aqua America, Inc.		5/20/2016	\$3,465	5.40%	\$3,465	5.40%	\$3,465
Aqua America, Inc.		5/20/2017	\$3,465	5.40%	\$3,465	5.40%	\$3,465
Aqua America, Inc.		5/20/2021	\$1,485	5.40%	\$1,485	5.40%	\$1,485
Aqua America, Inc.		5/20/2022	\$1,485	5.40%	\$1,485	5.40%	\$1,485
Aqua America, Inc.		6/24/2028	\$6,740	5.22%	\$6,740	5.22%	\$6,740
Aqua America, Inc.		6/14/2027	\$11,675	3.57%	\$11,675	3.57%	\$11,675
Total			<u>\$61,813</u>		<u>\$56,773</u>		<u>\$57,471</u>

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
Years ended December 31, 2015 and 2014

6. Long-term Debt and Loans Payable (Continued)

Annual sinking fund payments are required for issues of First Mortgage Bonds. During the next five years, the following debt maturities, including sinking funds, are due:

First Mortgage Bonds secured by utility plant:	2016	2017	2018	2019	2020	Thereafter
Non-interest bearing	\$ 192	\$ 189	\$ 189	\$ 192	\$ 188	\$ 1,345
3.00% to 3.99% Series, due 2020 to 2030	204	202	214	214	221	293
4.00% to 4.99% Series, due 2024 to 2029	55	55	55	60	60	845
5.00% to 5.99% Series, due 2019 to 2037	45	110	120	5,125	125	4,660
6.00% to 6.99% Series, due 2036	-	-	-	-	-	6,000
8.00% to 8.99% Series, due 2025	-	-	-	-	-	7,500
Total First Mortgage Bonds	496	556	578	5,591	594	20,643
Unsecured affiliate debt:						
5.40% Series, due 2016	3,465	-	-	-	-	-
5.40% Series, due 2017	-	3,465	-	-	-	-
5.40% Series, due 2021	-	-	-	-	-	1,485
5.40% Series, due 2022	-	-	-	-	-	1,485
5.22% Series, due 2028	-	-	-	-	-	6,740
3.57% Series, due 2027	-	-	-	-	-	11,675
Total	\$ 3,961	\$ 4,021	\$ 578	\$ 5,591	\$ 594	\$ 42,028

The mortgage indenture as supplemented restricts the ability of the Company to declare dividends with respect to certain issues of the First Mortgage Bonds. As of December 31, 2015, approximately \$41,998 of reinvested earnings was free of such restrictions. The Company's loan agreements contain restrictions on minimum net assets. As of December 31, 2015 there were restrictions on \$48,776 in net assets of the total net assets \$82,586.

In 2014, the Company entered into a debt agreement with the Parent to borrow \$9,455 at a weighted average of 4.74%. The proceeds from the new debt were used to pay down two existing loans totaling \$7,000. The debt obligations are unsecured and are due and payable on June 14, 2027 and June 24, 2028.

At December 31, 2015 and 2014, the Company had unsecured short-term lines of credit available totaling \$6,500 in both years. Funds borrowed under these lines are classified as loans payable and are used primarily for temporary financing of utility plant additions. As of December 31, 2015 and 2014, funds borrowed under these short-term lines of credit were \$0. The average borrowing under the lines was \$0 during 2015 and 2014. The maximum amount outstanding at the end of any one month was \$0 for 2015 and 2014 respectively.

7. Fair Value of Financial Instruments

The carrying amount of current assets and liabilities that are considered financial instruments approximates their fair values as of the dates presented. The carrying amount of the Company's long-term debt, including current portion, as of December 31, 2015 and 2014 is \$56,773 and \$57,471, respectively. The estimated fair value of the Company's long-term debt as of December 31, 2015 and 2014 is \$62,986 and \$62,446 respectively. The fair value of long-term debt has been determined by discounting the future cash flows using current market interest rates for similar financial instruments of the same duration.

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
Years ended December 31, 2015 and 2014

8. Pension Benefits

The Company participates in a noncontributory qualified defined benefit pension plan sponsored by the Parent covering non-union employees hired prior to April 1, 2003. Benefits under the plan are based on the participant's average compensation, defined as the beginning-of-year base rate of pay of the five consecutive years producing the highest average pay multiplied by the years of credited service not to exceed 35 years.

In August 2014, the Parent announced changes to the way it will provide future retirement benefits to employees acquired through prior acquisition. Effective January 1, 2015, the Parent will provide future retirement benefits for those employees through its defined contribution plan. As a result, no further service will be considered in future accruals in the qualified defined benefit pension plan after December 31, 2014.

In the first quarter of 2014, the Parent offered a one-time voluntary lump sum window to certain eligible terminated vested participants in an effort to reduce its long-term obligations and plan volatility for its qualified defined benefit pension plan. In May 2014, the plan paid \$11,471 to participants who elected to receive a lump sum distribution, which was funded from existing plan assets. Effective July 1, 2015, the Company added a permanent lump sum option to the form of benefit payments offered to participants of the qualified defined benefit pension plan upon retirement or termination. The plan paid \$5,329 during the second half of 2015 to participants who elected this option.

The funding amount for the Pension Plan for the Aqua America, Inc. Retirement Income Plan will be determined each year based on the recommendation of management and subject to approval by the Parent's Pension Committee. The funding amount will be an amount greater than or equal to the minimum required contribution and less than or equal to the maximum tax deductible contribution. The Company made a cash contribution of \$39 to the Parent's plan in 2015 and \$299 in 2014.

The Company's policy is to recognize net periodic pension cost based on amounts determined by an independent actuary. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. The Company recorded pension expense of \$6 and \$46 for 2015 and 2014, respectively.

9. Postretirement Benefits Other Than Pensions

The Company participates in a postretirement benefit plan sponsored by the Parent that provides medical and prescription drug benefits, or a cash contribution towards such benefits, and life insurance benefits. Employees may become eligible for these benefits after age 55 if they have completed at least twenty years of service or attaining age 62 with five years of service or age plus service greater than or equal to 95. Pre-65 plan benefits are self-insured by the Parent. Post-65 retirees who are eligible for Medicare receive Company contributions in the form of a premium reimbursement account.

The Company's funding policy is to contribute the lower of the other postretirement benefits cost or the maximum amount allowed by the Internal Revenue Code. The Company recorded postretirement benefits other than pension credits of \$19 and \$10 for 2015 and 2014, respectively. The Company funded postretirement benefits other than pensions of \$0 in 2015 and \$0 in 2014. The Company's policy is to recognize other postretirement benefit cost based on amounts determined by an independent actuary. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level.

The Parent has 401(k) savings plans that cover substantially all employees. The Company makes matching contributions that are invested in Aqua America, Inc. common stock based on a percentage of an employee's contribution, subject to certain limitations. The portion of the Company's contribution, recorded as compensation expense, is \$218 and \$83 for 2015 and 2014, respectively.

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
Years ended December 31, 2015 and 2014

10. Employee Stock and Incentive Plan

The Company's employees participate in an Equity Compensation Plan sponsored by the Parent. Under the Aqua America, Inc. 2009 Omnibus Equity Compensation Plan, as approved by the Parent's shareholders to replace the 2004 Equity Compensation Plan, stock options, stock units, stock awards, stock appreciation rights, dividend equivalents, and other stock-based awards may be granted to the Company's employees, non-employee directors, and consultants and advisors equal to the market price of the stock on the day of the grant.

Stock options are based upon the common stock of the Parent. Options are exercisable in installments of 33% annually, starting one year from the date of the grant and expire 10 years from the date of the grant. The Parent accounts for stock-based compensation using fair value. The fair value of each stock option is amortized into compensation expense on a straight-line basis over their respective 36 month vesting period, net of estimated forfeitures. Compensation expense recognized by the Parent is allocated to its subsidiaries based on actual employee costs. Since the Company is not obligated to reimburse the Parent for stock-based compensation costs incurred, the Company records these liabilities resulting from compensation costs to paid-in capital.

There were no stock options granted during the years ended December 31, 2015 and 2014.

For the year ended December 31, 2015, the Company's stock-based compensation related to stock options resulted in the following: operations and maintenance expense of \$0 and recorded an income tax benefit of \$2. For the year ended December 31, 2014, the Company's stock-based compensation related to stock options resulted in the following: operations and maintenance expense of \$0 and recorded an income tax benefit of \$0.

Restricted stock awards provide the grantee with the rights of a shareholder, including the right to receive dividends and to vote such shares, but not the right to sell or otherwise transfer the shares during the restriction period. Restricted stock awards result in compensation expense which is equal to the fair market value of the stock on the date of the grant and is amortized ratably over the restriction period. For the years ended December 31, 2015 and 2014, there was no restricted stock based compensation related to restricted stock awards.

During 2015 and 2014, the Company granted performance share units ("PSU"). A PSU represents the right to receive a share of the Parent's common stock if specified performance goals are met over the three year performance period specified in the grant. The fair value of each PSU grant is amortized into compensation expense on a straight-line basis over their respective 36 month vesting period. During the year ended December 31, 2015, the Company recorded stock based compensation related to PSUs as a component of operations and maintenance expense of \$80, and recorded an income tax benefit of \$28. During the year ended December 31, 2014, the Company recorded stock-based compensation related to PSUs as a component of operations and maintenance expense of \$65, and recorded an income tax benefit of \$23. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense.

11. Acquisitions

In 2015, the Company acquired the water utility assets of Seaview Harbor Water Company for \$227. The acquisition was funded by an equity contribution from Parent. Operating revenue included in the financial statements related to the acquisition for 2015 was \$87.

In 2014, the Company acquired the water utility assets of the Summit Water Company for \$11 and the Spartan Village Water and Sewer Companies for \$6. The acquisitions were funded by an equity contribution from Parent. Operating revenue included in the financial statements related to these acquisitions for 2015 and 2014 was \$20 and \$163, respectively.

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
Years ended December 31, 2015 and 2014

12. Water and Wastewater Rates

In January 2014, the Company filed an application with the NJBPU requesting a \$3,899 or 11.16% increase in annual water revenues. In August 2014, the NJBPU approved the rate filing designed to increase the Company's annual water revenues by \$1,150 or 3.27% effective September 1, 2014.

13. Affiliated Company Transactions

The Company has service agreements with the Parent and subsidiaries of the Parent ("other affiliates"). The types of services rendered between these entities relate to general supervision and administrative functions, long-range planning, tax, accounting, financing, engineering, legal and other specialized support. Expenditures recorded for these services by the Parent amounted to approximately \$3,428 and \$3,321 for 2015 and 2014, respectively.

Amounts owed to the Parent and other affiliates by the Company amounted to \$959 and \$330 at December 31, 2015 and 2014, respectively. Amounts owed to the Parent and other affiliates are reflected in the accompanying balance sheet.

Amounts due from the Parent and other affiliates to the Company amounted to \$0 and \$603 at December 31, 2015 and 2014, respectively. Amounts due from the Parent and other affiliates are reflected in the accompanying balance sheet.

The Company received non-cash equity contributions from the Parent of \$4,486 in 2015 and made non-cash refunds of equity contributions to the Parent of \$1,201 in 2014. Both are reported on the Statement of Common Stockholder's Equity. In 2015, the non-cash equity contributions relate to the contribution by the Parent for the settlement of certain net inter-company payables due to the Parent or subsidiary of the Parent.

AQUA NEW JERSEY, INC.

(A wholly-owned subsidiary of Aqua America, Inc.)

Financial Statements

As of and for the years ended
December 31, 2016 and 2015



Report of Independent Auditors

To the Board of Directors and Stockholder of Aqua New Jersey, Inc.

We have audited the accompanying financial statements of Aqua New Jersey, Inc. (the "Company," a wholly-owned subsidiary of Aqua America, Inc.), which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of income, of cash flows and of common stockholder's equity for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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 the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 our 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, we consider internal control relevant to the Company'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 Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aqua New Jersey, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers LLP", is written over a light blue horizontal line.

March 30, 2017

AQUA NEW JERSEY, INC.
Balance Sheet
(In thousands of dollars, except for share amounts)
December 31, 2016 and 2015

Assets	2016	2015	Liabilities and Common Stockholder's Equity	2016	2015
Utility plant, net of accumulated depreciation	\$ 235,255	\$ 221,092	Common stockholder's equity:		
Construction work-in-progress	1,595	1,675	Common stock, \$5 par value, 800,000		
Utility plant acquisition adjustment, net of			shares authorized, 720,625 shares		
accumulated amortization	(1,637)	(1,670)	issued and outstanding, respectively	\$ 3,603	\$ 3,603
Net utility plant	235,213	221,097	Capital in excess of par value	28,766	35,322
			Retained earnings	50,031	43,661
			Total common stockholder's equity	82,400	82,586
			Long-term debt, excluding current portion	19,874	27,961
			Long-term debt- affiliate	43,385	28,315
			Total long-term debt, excluding current portion	63,259	56,276
Current assets:			Debt issuance expense, net of amortization	(1,964)	(1,709)
Cash and cash equivalents	238	299	Total long-term debt, excluding current portion,		
Accounts receivable, less allowance for			net of debt issuance costs	61,295	54,567
doubtful accounts of \$155 and \$141	3,038	3,064	Current liabilities:		
Unbilled revenues	2,124	1,889	Current portion of long-term debt	522	496
Materials and supplies	1,230	912	Accounts payable	1,044	835
Prepayments and other current assets	507	403	Accounts payable-affiliates	4,834	959
Total current assets	7,137	6,567	Accrued interest	372	164
			Taxes payable	3,739	3,550
			Other current liabilities	3,274	1,896
			Total current liabilities	13,785	7,900
Deferred charges and other non-current assets:			Deferred credits and other non-current liabilities:		
Regulatory assets	1,396	1,209	Customers' advances for construction	23,117	23,002
Goodwill	3,020	3,020	Deferred income taxes	23,682	23,568
Other non-current assets	189	228	Regulatory liabilities	3,581	3,317
Total deferred charges and other			Other non-current liabilities	84	2
non-current assets	4,605	4,457	Total deferred credits and other		
			non-current liabilities	50,464	49,889
			Contributions in aid of construction	39,011	37,179
	\$ 246,955	\$ 232,121		\$ 246,955	\$ 232,121

The accompanying notes are an integral part of these financial statements.

AQUA NEW JERSEY, INC.
Statement of Income
(In thousands of dollars)
Years ended December 31, 2016 and 2015

	2016	2015
Operating revenues	\$ 44,352	\$ 42,981
Operating expenses:		
Operations and maintenance expenses	15,229	15,167
Depreciation	7,564	7,037
Amortization	412	613
Taxes other than income taxes	6,211	5,859
Total operating expenses	29,416	28,676
Operating income	14,936	14,305
Other expense (income):		
Interest on long-term debt	3,065	2,919
Allowance for funds used during construction	(187)	(123)
Income before income taxes	12,058	11,509
Provision for income taxes	4,238	3,946
Net income	\$ 7,820	\$ 7,563

The accompanying notes are an integral part of these financial statements.

AQUA NEW JERSEY, INC.
Statement of Cash Flow
(In thousands of dollars, except for share amounts)
Years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Net income	\$ 7,820	\$ 7,563
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,976	7,650
Deferred income taxes and investment tax credits	86	289
Provision for doubtful accounts	149	172
Stock based compensation	40	80
Allowance for equity funds used during construction	(143)	(93)
Change in current assets and current liabilities:		
Receivables, unbilled revenues, materials and supplies and prepayments	5,919	4,879
Accounts payable and other current liabilities	3,956	3,515
Accrued interest	209	(9)
Other	(1,527)	(1,620)
	24,485	22,426
Cash flows from investing activities:		
Construction expenditures	(14,827)	(19,499)
Decrease in funds restricted for construction activity	-	25
Allowance for borrowed funds used during construction	(44)	(30)
	(14,871)	(19,504)
Net cash used in investing activities		
Cash flows from financing activities:		
Customers' advances and contributions in aid of construction	433	252
Repayments of customers' advances	(655)	(1,016)
Debt issuance costs paid	(7)	-
Repayments of long-term debt	(7,996)	(509)
Dividends paid - common stock	(1,450)	(1,650)
	(9,675)	(2,923)
Net cash used in financing activities		
Net change in cash and cash equivalents	(61)	(1)
Cash and cash equivalents beginning of year	299	300
Cash and cash equivalents end of year	\$ 238	\$ 299
Cash paid during the year for:		
Interest, net of capitalized amounts	\$ 1,186	\$ 1,631
Income Taxes	\$ 3,945	\$ 1,153

See Note 1 - Summary of Significant Accounting Policies - Customers' Advances for Construction and Contributions in Aid of Construction, Note 10 - Employee Stock and Incentive Plan and Note 13 - Affiliate Company transactions for a description of non-cash activities.

The accompanying notes are an integral part of these financial statements.

AQUA NEW JERSEY, INC.
Statement of Common Stockholder's Equity
(In thousands of dollars, except for share amounts)
Years ended December 31, 2016 and 2015

	Common Stock	Capital in excess of par value	Retained Earnings	Total Common Stockholder's Equity
Balance at December 31, 2014	\$ 3,603	\$ 30,742	\$ 37,748	\$ 72,093
Net income	-	-	7,563	7,563
Common stock dividends, \$2.29 per share	-	-	(1,650)	(1,650)
Stock based compensation	-	94	-	94
Capital contributions from Aqua America, Inc.	-	4,486		4,486
Balance at December 31, 2015	3,603	35,322	43,661	82,586
Net income	-	-	7,820	7,820
Common stock dividends, \$2.01 per share	-	-	(1,450)	(1,450)
Stock based compensation	-	59	-	59
Return of capital contributions to Aqua America, Inc.	-	(6,615)	-	(6,615)
Balance at December 31, 2016	<u>\$ 3,603</u>	<u>\$ 28,766</u>	<u>\$ 50,031</u>	<u>\$ 82,400</u>

The accompanying notes are an integral part of these financial statements.

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
Years ended December 31, 2016 and 2015

1. Summary of Significant Accounting Policies

Nature of Operations

Aqua New Jersey, Inc. (the “Company”) is a regulated public utility that supplies water to residential, commercial and industrial customers. All of the Company's customers are located in New Jersey. The Company is also engaged in providing wastewater services. No single customer accounted for more than one percent of the Company's operating revenues in 2016 or 2015. The Company is a wholly-owned subsidiary of Aqua America, Inc. (the “Parent”).

Basis of Presentation

The Company's financial statements are presented in accordance with U.S. generally accepted accounting principles.

The Company has evaluated the period from December 31, 2016, the date of the financial statements, through March 30, 2017, the date the financial statements were available for issuance, for subsequent events and determined that no material subsequent events occurred that would affect the information presented in these financial statements or require additional disclosure.

Use of Estimates in Preparation of Financial Statements

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.

Recognition of Revenues

Operating revenues include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the date of the latest meter reading to the end of the accounting period. Antenna revenues are accrued on the books of the Company and amortized into revenue as earned. Total antenna revenue was \$1,000 and \$1,000 in 2016 and 2015, respectively.

Regulation

As a regulated public water utility, the Company is subject to regulation by the New Jersey Board of Public Utilities (“NJBP”), which has jurisdiction with respect to rates, service, accounting procedures, acquisitions and other matters. The Company defers certain costs and credits as regulatory assets and liabilities when it is probable that such amounts will be recognized in the rate making process in a period different from the period in which they would have been reflected in income by an unregulated company.

Utility Plant and Depreciation

Utility plant is stated at cost which includes contracted cost, direct labor and fringe benefits, materials, overheads, and for certain utility plant, an allowance for the cost of funds used during construction. Water systems acquired are recorded at estimated original cost when first devoted to utility service and the applicable depreciation is recorded in accumulated depreciation.

Utility plant acquisition adjustments represent the difference between the estimated original cost, less applicable depreciation, and the purchase price of utility plant assets acquired through business acquisitions.

AQUA NEW JERSEY, INC.
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1. Summary of Significant Accounting Policies (Continued)

Utility Plant and Depreciation (Continued)

Utility plant included a negative acquisition adjustment balance of \$1,637 and \$1,670 in 2016 and 2015, respectively. The unamortized balances of the net negative utility plant acquisition adjustment were \$2,263 and \$1,718 in 2016 and 2015, respectively. The unamortized balances are being amortized over a range of 1 to 24 years. There was a positive acquisition adjustment balance of \$48 and \$48 in 2016 and 2015, respectively, not subject to amortization.

Expenditures for maintenance and repairs, including minor renewals and betterments, are charged to operating expenses in accordance with the uniform system of accounts prescribed by the NJBPU. The cost of new units of property and betterments are capitalized.

When units of utility property are replaced, retired, or abandoned, the recorded value thereof is credited to the asset account and such value, together with the net cost of removal, is charged to accumulated depreciation. The Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates.

The cost of software upgrades and enhancements are capitalized if they result in added functionality which enable the software to perform tasks it was previously incapable of performing. Certain information technology costs associated with major system installations, conversions and improvements, such as software training, data conversion and business process reengineering costs, are deferred as a regulatory asset if the Company expects to recover these costs in future rates. If costs are not deferred then they are charged to operating expenses when incurred. As of December 31, 2016, \$438 of costs have been incurred and deferred, since the last rate proceeding, as a regulatory asset, and the deferral is reported as a component of net property, plant and equipment.

The straight-line remaining life method is used to compute depreciation on utility plant. The straight-line method is used with respect to transportation and mechanical equipment. Depreciation is recorded over the estimated useful lives of the assets which range from 2 to 83 years for utility plant.

Long-lived assets of the Company, which consist primarily of utility plant in service and regulatory assets, are reviewed for impairment when changes in circumstances or events occur. There has been no change in circumstances or events that have occurred that require adjustments to the carrying values of these assets.

As of December 31, 2016 and 2015, property, plant and equipment additions purchased at the period end, but not yet paid for are \$2,745 and \$1,026, respectively.

Allowance for Funds Used During Construction

The allowance for funds used during construction ("AFUDC") is a non-cash credit to income which represents the estimated cost of funds used to finance the construction of utility plant. AFUDC is applied to construction projects requiring more than one month to complete. No AFUDC is applied to projects funded by customer advances for construction or contributions in aid of construction. AFUDC includes the net cost of borrowed funds and a rate of return on other funds when used, and is recovered through water rates as the utility plant is depreciated. The amount of AFUDC related to equity funds was \$143 and \$93 in 2016 and 2015, respectively.

AQUA NEW JERSEY, INC.
Notes to Financial Statements
(In thousands of dollars)
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1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less, which are not restricted for construction activity, to be cash equivalents.

Accounts Receivable

Accounts receivable are recorded at the invoiced amounts. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in our existing accounts receivable, and is determined based on historical write-off experience and the aging of account balances. The Company reviews the allowance for doubtful accounts quarterly. When utility customers request extended payment terms, credit is extended based on regulatory guidelines and collateral is not required.

Deferred Charges

Deferred bond issuance expenses are amortized over the life of the related issuance and are included in interest expense.

Goodwill

Goodwill represents the excess cost over the fair value of net tangible and identifiable intangible assets acquired through acquisitions. Goodwill is not amortized but is tested for impairment annually, or more often, if circumstances indicate a possible impairment may exist. When testing goodwill for impairment, we may assess qualitative factors, including macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, and entity specific events, to determine whether it's more likely than not that the fair value of our reporting unit is less than its carrying amount. Alternatively, we may bypass this qualitative assessment and perform a quantitative goodwill impairment test by determining the fair value of a reporting unit based on a discounted cash flow analysis. If we perform a quantitative test and determine that the reporting unit's fair value is less than its carrying amount, we would determine the reporting unit's implied fair value of its goodwill and compare it with the carrying amount of its goodwill to measure such impairment. The Company tested the goodwill attributable for its reporting unit for impairment as of July 31, 2016, and concluded that the reporting unit's estimated fair value exceeded its carrying amount, indicating that the Company's goodwill was not impaired.

Other Comprehensive Income ("OCI")

For the periods presented, the Company does not have any OCI and therefore, comprehensive income equals net income. In addition, there is no accumulated comprehensive income.

Income Taxes

The Company accounts for certain income and expense items in different time periods for financial reporting than for tax reporting purposes. Deferred income taxes are provided on the temporary differences between the tax basis of the assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates expected to be in effect when such temporary differences are projected to reverse.

AQUA NEW JERSEY, INC.
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1. Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The Company's earnings are included with those of the Parent and affiliated companies for purposes of filing a consolidated Federal income tax return. The allocation of the Federal income tax to the Company is computed on a stand-alone basis. The liability for Federal income taxes is remitted to the Parent.

Investment tax credits have been deferred and are amortized over the estimated useful lives of the related properties.

Judgment is required in evaluating the Company's federal and state tax positions. Despite management's belief that the Company's tax return positions are fully supportable, the Company may establish reserves when it believes that certain tax positions are likely to be challenged and it may not fully prevail in these challenges. When reserves are established, the associated interest and penalties are recorded as a component of the Company's income tax provision.

Customers' Advances for Construction

Water mains or, in some instances, cash advances to reimburse the Company its costs to construct water mains, are contributed to the Company by customers, real estate developers and builders in order to extend water service to their properties. The value of these contributions is recorded as customers' advances for construction. The Company makes refunds on these advances over a specific period of time based on operating revenues related to the main or as new customers are connected to and take service from the main. After all refunds are made, any remaining balance is transferred to contributions in aid of construction. Customers' advances for construction non-cash property has been received, generally from developers, of \$2,105 in 2016 and \$2,143 in 2015.

Contributions in Aid of Construction

Contributions in aid of construction include direct non-refundable contributions and the portion of customers' advances for construction that have become non-refundable. Contributions in aid of construction and customers' advances for construction are deducted from the Company's rate base for rate-making purposes, and therefore, no return is earned on contributed property. The Company depreciates contributed property and amortizes contributions in aid of construction at the composite rate of the related property. Contributions in aid of construction non-cash property has been received, generally from developers, of \$0 in 2016 and \$0 in 2015.

Materials and Supplies

Materials and supplies are stated at cost under the first-in, first-out method.

Recent Accounting Pronouncements

In August 2016, the FASB issued updated accounting guidance on the classification of certain cash receipts and cash payments in the statement of cash flows, which is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, and early adoption is permitted. The Company is currently evaluating the impact of this new standard on its consolidated cash flow statement.

In March 2016, the FASB issued updated accounting guidance on simplifying the accounting for share-based payments, which includes several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification

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Recent Accounting Pronouncements (Continued)

on the statement of cash flows. The updated guidance is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years, with early adoption available. Once adopted, income tax benefits in excess of compensation costs or tax deficiencies for share-based compensation will be recorded to our income tax provision, instead of, as was done historically, to stockholder's equity, which will impact our effective tax rate. Lastly, all tax-related cash flows resulting from share-based payments will be reported as operating activities on the statement of cash flows, a change from the historical requirement to present tax benefits as an inflow from financing activities and an outflow from operating activities.

In February 2016, the FASB issued updated accounting guidance on accounting for leases, which requires lessees to establish a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. For income statement purposes, leases will be classified as either operating or finance. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern. The updated accounting guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption available. The Company is evaluating the requirements of the updated guidance to determine the impact of adoption. Refer to Note 5 – *Commitments and Contingencies* for further information on the Company's leases.

In September 2015, the FASB issued updated accounting guidance on simplifying measurement-period adjustments in business combinations, which eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment. The updated guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, with early adoption available. The Company adopted the provisions of this accounting standard, as required on January 1, 2016, and it did not have an impact on its results of operations or financial position.

In April 2015, the FASB issued updated accounting guidance on simplifying the presentation of debt issuance costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. Previously, debt issuance costs were presented in the balance sheet as a deferred charge. The accounting standard is effective for reporting periods beginning after December 15, 2015, and will be applied retrospectively. The Company adopted the provisions of this accounting standard as required on January 1, 2016. The adoption of this standard was applied retrospectively and resulted in the reclassification as of December 31, 2015 of \$1,710 from deferred charges and other assets, net to debt issuance costs, which is reported as a reduction to long-term debt.

In May 2014, the FASB issued updated accounting guidance on recognizing revenue from contracts with customers, which outlines a single comprehensive model that an entity will apply to determine the measurement of revenue and timing of recognition. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The updated guidance also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. Additionally, the accounting for contributions in aid of construction may be impacted by the updated accounting guidance if the contributions are determined to be in scope. In July 2015, the FASB approved a one year deferral to the original effective date of this guidance. The updated guidance is effective for annual periods beginning after December 15, 2017, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the updated guidance in each prior reporting period, or (ii) a modified retrospective approach with the cumulative effect of initially adopting the updated guidance recognized through retained earnings at the date of adoption.

AQUA NEW JERSEY, INC.
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Recent Accounting Pronouncements (Continued)

In 2016, the Company performed an evaluation of the requirements of the updated guidance and based on current interpretations of the updated guidance believes that the impact of adoption may not result in a material change in our measurement of revenue and timing of recognition if contributions in aid of construction is determined to not be in scope. The Company continues to evaluate the impact of adoption if contributions in aid of construction are determined to be in scope. Additionally, we plan to implement the updated guidance using the modified retrospective approach.

2. Utility Plant

Utility plant is composed of the following:

	<u>December 31,</u>		<u>Approximate range</u>
	<u>2016</u>	<u>2015</u>	<u>of useful lives</u>
Utility plant in service			
Mains and accessories	\$ 126,752	\$ 120,748	47 years
Services, hydrants, treatment plants and reservoirs	87,884	81,994	14 to 83 years
Operations structures and water tanks	13,879	13,731	32 to 62 years
Miscellaneous pumping and purification equipment	20,145	16,986	22 to 67 years
Meters, data processing, transportation and operating equipment	50,208	47,232	6 to 38 years
Land and other non-depreciable assets	7,226	5,807	-
Utility plant in service	306,094	286,498	
Utility construction work in progress	1,595	1,675	
Net utility plant acquisition adjustment	(1,637)	(1,670)	2 to 29 years
Total utility plant	306,052	286,503	
Accumulated depreciation	(70,839)	(65,406)	
Utility plant, net of accumulated depreciation	<u>\$ 235,213</u>	<u>\$ 221,097</u>	

3. Income Taxes

The provision for income taxes is composed of the following:

	<u>Year ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Current	\$ 4,152	\$ 3,657
Deferred	86	289
Total federal income tax expense	<u>\$ 4,238</u>	<u>\$ 3,946</u>

AQUA NEW JERSEY, INC.
Notes to Financial Statements
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3. Income Taxes (Continued)

The statutory Federal tax rate is 35% for 2016 and 2015. The Company does not pay New Jersey state taxes; however, it does pay gross receipts and franchise taxes at a rate of 14% of taxable gross receipts, and are recorded in the taxes other than income taxes on the income statement.

The reasons for the differences between amounts computed by applying the statutory Federal income tax rate to income before income tax expense are as follows:

	<u>Year ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Computed Federal tax expense at statutory rate	\$ 4,220	\$ 4,028
Amortization of investment tax credits	(54)	(54)
Stock-based compensation	(7)	(2)
Other, net	79	(26)
Actual income tax expense	<u>\$ 4,238</u>	<u>\$ 3,946</u>

The tax effects of temporary differences between book and tax accounting that give rise to the deferred tax assets and deferred tax liabilities are as follows:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Deferred tax assets:		
Customers' advances for construction	\$ 3,600	\$ 3,600
Deferred taxes associated with the gross-up of revenues necessary to recover, in rates	126	136
Total deferred tax assets	<u>3,726</u>	<u>3,736</u>
Deferred tax liabilities:		
Utility plant, principally due to depreciation and differences in the basis of fixed assets due to variation in tax and book accounting	27,271	27,023
Costs deducted for tax but not expensed for books, principally accrued expenses and bad debt reserves	(38)	71
Investment tax credit	(1)	53
Other	176	157
Total deferred tax liabilities	<u>27,408</u>	<u>27,304</u>
Net deferred tax liability	<u>\$ 23,682</u>	<u>\$ 23,568</u>

As of December 31, 2016, the Parent's Federal income tax returns for all years through 2011 have been closed. For Federal income tax purposes, tax years 2012 through 2016 remain open for examination.

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Notes to Financial Statements
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4. Regulatory Assets and Liabilities

	December 31,	
	2016	2015
Rate case filing expenses	\$ 185	\$ 148
Tank painting	829	644
Radium treatment	0	35
AFUDC	210	165
Purchased waste water treatment	33	53
Accrued vacation	90	97
Deferred bad debt and collection costs	49	67
Regulatory assets	\$ 1,396	\$ 1,209

Regulatory assets represent costs that are expected to be fully recovered in future rates.

The portion of the regulatory asset related to rate case filing expenses represents the costs associated with filing for rate increases that are deferred and amortized over 24 months.

The portion of the regulatory asset related to tank painting represents the costs that were incurred by the Company and are currently being recovered in rates at \$300 per year.

The portion of the regulatory asset related to radium treatment represents the costs incurred by the Company for treatment of certain wells in order to be in compliance with environmental regulations. These radium treatment costs were deferred as incurred and were recognized in rates over 2 years. This regulatory asset was fully amortized in 2016.

The AFUDC is the income tax gross up of the equity portion of AFUDC and is amortized over the life of the related capital asset.

The balance of the regulatory asset related to purchased waste water treatment represents the under-recovery of sewer service in rates for the calendar year ending 2016 and 2015. As of December 31, 2016, a purchased sewer treatment adjustment clause had been filed and approved by the NJBPU for both the Walkkill and Maxim Wastewater divisions. Rates are effective January 1, 2017.

The portion of the regulatory asset related to Walkkill purchased water treatment represents the over-recovery of sewer service in rates in the amount of \$5 in 2016 and the under-recovery of \$11 in 2015. The \$11 deferral related to 2015 will be amortized over 12 months.

The portion of the regulatory asset related to Maxim purchased wastewater treatment represents the under-recovery of sewer service in rates in the amount of \$56 in 2016 and the over-recovery of \$29 in 2015. The \$29 deferral related to 2015 will be amortized over 12 months.

The regulatory asset for accrued vacation represents costs that would otherwise be charged to operations and maintenance expense for vacation that is earned by employees, which is recovered as a cost of service.

A deferral for bad debt and collection costs was set up by the Company in 2012 to capture the costs associated with collecting some overdue accounts. The total amount deferred on the books of the Company was \$91 in 2014. The balance is currently being amortized over a 5 year period.

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4. Regulatory Assets and Liabilities (Continued)

	December 31,	
	2016	2015
Income tax	\$ 359	\$ 388
Utility plant retirement costs	3,222	2,929
Regulatory liabilities	\$ 3,581	\$ 3,317

Regulatory liabilities represent costs to be refunded to customers in future rates or amounts recovered from customers in advance of incurring the costs.

Items giving rise to a portion of deferred Federal income taxes related to certain differences between tax and book depreciation expense are recognized in the rate setting process on a cash or flow-through basis and will be refunded to customers as they reverse.

Utility plant retirement costs represent amounts recovered through rates during the life of the associated asset and before costs are incurred.

5. Commitments and Contingencies

Rent expense was \$12 and \$10 for the years ended December 31, 2016 and 2015, respectively, and is included in operating expenses. Future minimum rental payments are \$9 in 2017, \$6 in 2018, \$6 in 2019, \$5 in 2020, and \$2 in 2021 and \$0 thereafter.

Purchased water was \$ 1,164 and \$1,250 for the calendar year ending 2016 and 2015, respectively. The Company has commitments to purchase water with minimums of \$791 in 2017, \$791 in 2018, \$791 in 2019, \$791 in 2020, \$791 in 2021 and \$791 thereafter.

In 2007, the Company entered into service agreements for a 20 year term for the removal of radium present in two wells in its water system. Additional service agreements were signed in 2008 and one in 2009 to commence treatment on two additional wells for 20 year terms each. The Company has a contractual obligation for the use of treatment equipment and media used to reduce radium concentrations from certain wells in its water system. The future contractual cash obligation related to this equipment is \$796 in 2017, \$796 in 2018, \$796 in 2019, \$796 in 2020, \$796 in 2021 and \$5,715 thereafter.

The Company is routinely involved in condemnation procedures and legal matters during the ordinary course of business. Although the results of legal proceedings cannot be predicted with certainty, there are no pending legal proceedings to which the Company is a party or to which any of its properties is the subject that are material or are expected to have a material effect on the Company's financial position, results of operations, or cash flows.

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6. Long-term Debt and Loans Payable

The long-term debt and loans outstanding as of December 31, 2016 and 2015 are summarized as follows:

Issuer Name	Series	Issue Date	Mature Date	Original Amount	% Rate	Long Term Debt Including Current Portion at December 31, 12/31/2016	% Rate	Long Term Debt Including Current Portion at December 31, 12/31/2015
GE Financial Assurance	K	11/21/1995	11/1/2025	\$ 7,500	8.14%	\$ -	8.14%	\$ 7,500
New Jersey Environmental Infrastructure Trust	L	1/1/2000	11/1/2020	1,880	2.60%	457	5.38%	554
New Jersey Environmental Infrastructure Trust	L	1/1/2000	11/1/2020	1,594	0.00%	342	0.00%	429
New Jersey Environmental Infrastructure Trust	P	11/04/2004	8/01/2024	1,300	4.26%	615	5.05%	615
New Jersey Environmental Infrastructure Trust	Q	11/04/2004	8/01/2024	1,135	0.00%	483	0.00%	542
Mutual Of Omaha	R	12/23/2004	12/01/2019	5,000	5.14%	5,000	5.14%	5,000
Mutual Of Omaha	S	12/15/2006	12/15/2036	6,000	6.23%	6,000	6.23%	6,000
United of Omaha Life Insurance	T	12/12/2007	12/12/2037	3,800	5.80%	3,800	5.80%	3,800
New Jersey Environmental Infrastructure Trust	U	11/6/2008	8/1/2028	985	4.10%	660	5.15%	770
New Jersey Environmental Infrastructure Trust	V	11/6/2008	8/1/2028	971	0.00%	481	0.00%	532
New Jersey Environmental Infrastructure Trust	W	12/2/2009	8/1/2029	295	4.08%	230	4.20%	245
New Jersey Environmental Infrastructure Trust	X	12/2/2009	8/1/2029	294	0.00%	194	0.00%	209
New Jersey Environmental Infrastructure Trust	Y	3/1/2010	8/1/2029	230	4.07%	170	4.21%	180
New Jersey Environmental Infrastructure Trust	Z	3/1/2010	8/1/2029	236	0.00%	156	0.00%	168
New Jersey Environmental Infrastructure Trust	AA	12/1/2010	8/1/2030	430	4.03%	345	3.89%	365
New Jersey Environmental Infrastructure Trust	BB	10/1/2010	8/1/2030	213	0.00%	151	0.00%	162
New Jersey Environmental Infrastructure Trust	DD	3/28/2012	8/1/2031	855	0.00%	637	0.00%	681
New Jersey Environmental Infrastructure Trust	CC	5/3/2012	8/1/2031	780	4.66%	675	4.47%	705
Aqua America, Inc		5/20/2008	5/20/2016	3,465	5.40%	-	5.40%	3,465
Aqua America, Inc		5/20/2008	5/20/2017	3,465	5.40%	-	5.40%	3,465
Aqua America, Inc		5/20/2008	5/20/2021	1,485	5.40%	1,485	5.40%	1,485
Aqua America, Inc		5/20/2008	5/20/2022	1,485	5.40%	1,485	5.40%	1,485
Aqua America, Inc		6/24/2010	6/24/2028	6,740	5.22%	6,740	5.22%	6,740
Aqua America, Inc		6/14/2012	6/14/2027	11,675	3.57%	11,675	3.57%	11,675
Aqua America, Inc		2/28/2007	2/28/2037	67	5.85%	67	5.85%	-
Aqua America, Inc		6/24/2010	6/24/2021	8,480	4.62%	8,480	4.62%	-
Aqua America, Inc		6/24/2010	6/24/2024	5,904	4.83%	5,904	4.83%	-
Aqua America, Inc		5/20/2015	5/20/2030	7,549	3.59%	7,549	3.59%	-
Total				<u>\$ 83,813</u>		<u>\$ 63,781</u>		<u>\$ 56,772</u>

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6. Long-term Debt and Loans Payable (Continued)

Annual sinking fund payments are required for issues of First Mortgage Bonds. During the next five years, the following debt maturities, including sinking funds, are due:

First Mortgage Bonds secured by utility plant:	2017	2018	2019	2020	2021	Thereafter
Non-interest bearing	\$ 192	\$ 188	\$ 191	\$ 190	\$ 189	\$ 1,153
1.00% to 1.99% Series, due 2020	196	194	194	201	14	-
4.00% to 4.99% Series, due 2029 to 2031	135	200	201	206	220	1,733
5.00% to 5.99% Series, due 2019 to 2037	-	-	5,000	-	-	3,800
6.00% to 6.99% Series, due 2036	-	-	-	-	-	6,000
Total First Mortgage Bonds	523	582	5,586	597	423	12,686
Unsecured affiliate debt:						
4.62% Series, due 2021	-	-	-	-	-	8,480
4.83% Series, due 2024	-	-	-	-	-	5,904
5.40% Series, due 2021	-	-	-	-	-	1,485
5.40% Series, due 2022	-	-	-	-	-	1,485
5.22% Series, due 2028	-	-	-	-	-	6,740
3.57% Series, due 2027	-	-	-	-	-	11,675
5.82% Series due 2037	-	-	-	-	-	67
3.59% Series due 2030	-	-	-	-	-	7,549
Total	\$ 523	\$ 582	\$ 5,586	\$ 597	\$ 423	\$ 56,071

The mortgage indenture as supplemented restricts the ability of the Company to declare dividends with respect to certain issues of the First Mortgage Bonds. As of December 31, 2016, approximately \$48,368 of reinvested earnings was free of such restrictions. The Company's loan agreements contain restrictions on minimum net assets. As of December 31, 2016 there were restrictions on \$51,163 in net assets of the total net assets \$82,400. The Company was in compliance with all applicable covenants as of December 31, 2016.

In 2016, the Company entered into a debt agreement with the Parent to borrow \$15,070 at a weighted average of 3.83%. The proceeds from the new debt were used to pay down \$7,500 of existing debt. The debt obligations are unsecured and are due and payable between 2021 and 2037.

At December 31, 2016 and 2015, the Company had unsecured short-term lines of credit available totaling \$6,500 in both years. Funds borrowed under these lines are classified as loans payable and are used primarily for temporary financing of utility plant additions. As of December 31, 2016 and 2015, funds borrowed under these short-term lines of credit were \$0. The average borrowing under the lines was \$0 during 2016 and 2015. The maximum amount outstanding at the end of any one month was \$0 for 2016 and 2015.

7. Fair Value of Financial Instruments

The carrying amount of current assets and liabilities that are considered financial instruments approximates their fair values as of the dates presented. The carrying amount of the Company's long-term debt, including current portion, as of December 31, 2016 and 2015 is \$63,781 and \$56,773, respectively. The estimated fair value of the Company's long-term debt as of December 31, 2016 and 2015 is \$69,187 and \$62,986 respectively. The fair value of long-term debt has been determined by discounting the future cash flows using current market interest rates for similar financial instruments of the same duration.

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8. Pension Benefits

The Company participates in a noncontributory qualified defined benefit pension plan sponsored by the Parent covering non-union employees hired prior to April 1, 2003 and select union employees. The eligibility of union employees is determined by the collective bargaining agreements covering those employees. Benefits under the plan are based on the participant's average compensation, defined as the beginning-of-year base rate of pay of the five consecutive years producing the highest average pay multiplied by the years of credited service not to exceed 35 years.

In August 2014, the Parent announced changes to the way it will provide future retirement benefits to employees acquired through a prior acquisition. Effective January 1, 2015, the Parent will provide future retirement benefits for these employees through its defined contribution plan. As a result, no further service will be considered in future accruals in the qualified defined benefit pension plan after December 31, 2014.

Effective July 1, 2015, the Parent added a permanent lump sum option to the form of benefit payments offered to participants of the qualified defined benefit pension plan upon retirement or termination. The plan paid \$5,329 during the second half of 2015 to participants who elected this option and \$9,990 during 2016.

The funding amount for the Aqua America, Inc. Retirement Income Plan is determined each year based on the recommendation of management and subject to approval by the Parent's Retirement and Employee Benefits Committee. The funding amount will be an amount greater than or equal to the minimum required contribution and less than or equal to the maximum tax deductible contribution. The Company made cash contributions to the Parent's plan of \$6 in 2016 and \$39 in 2015.

The Company's policy is to recognize net periodic pension cost based on amounts determined by an independent actuary. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. The Company recorded pension expense of \$106 and \$6 for 2016 and 2015, respectively.

9. Postretirement Benefits Other Than Pensions

The Company participates in a postretirement benefit plan sponsored by the Parent that provides medical and prescription drug benefits, or a cash contribution towards such benefits, and life insurance benefits. Employees may become eligible for these benefits after age 55 if they have completed at least twenty years of service or attaining age 62 with five years of service or age plus service greater than or equal to 95. Pre-65 plan benefits are self-insured by the Parent. Post-65 retirees who are eligible for Medicare receive Company contributions in the form of a premium reimbursement account.

The Company's funding policy is to contribute the lower of the other postretirement benefits cost or the maximum amount allowed by the Internal Revenue Code. The Company recorded postretirement benefits other than pension credits of \$11 and \$19 for 2016 and 2015, respectively. The Company funded postretirement benefits other than pensions of \$0 in 2016 and \$0 in 2015. The Company's policy is to recognize other postretirement benefit cost based on amounts determined by an independent actuary. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level.

The Parent has 401(k) savings plans that cover substantially all employees. The Company makes matching contributions that are invested in Aqua America, Inc. common stock based on a percentage of an employee's contribution, subject to certain limitations. The portion of the Company's contribution, recorded as compensation expense, is \$213 and \$218 for 2016 and 2015, respectively.

10. Employee Stock and Incentive Plan

The Company's employees participate in an Equity Compensation Plan sponsored by the Parent. Under the Aqua America, Inc. 2009 Omnibus Equity Compensation Plan, as approved by the Parent's shareholders to replace the 2004 Equity Compensation Plan, stock options, stock units, stock awards, stock appreciation rights, dividend equivalents, and other stock-based awards may be granted to the

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10. Employee Stock and Incentive Plan (Continued)

Company's employees, non-employee directors, and consultants and advisors equal to the market price of the stock on the day of the grant.

Stock options are based upon the common stock of the Parent. Options are exercisable in installments of 33% annually, starting one year from the date of the grant and expire 10 years from the date of the grant. The Parent accounts for stock-based compensation using fair value. The fair value of each stock option is amortized into compensation expense on a straight-line basis over their respective 36 month vesting period, net of estimated forfeitures. Compensation expense recognized by the Parent is allocated to its subsidiaries based on actual employee costs. Since the Company is not obligated to reimburse the Parent for stock-based compensation costs incurred, the Company records these liabilities resulting from compensation costs to paid-in capital.

There were no stock options granted during the years ended December 31, 2016 and 2015.

For the year ended December 31, 2016, the Company's stock-based compensation related to stock options resulted in the following: operations and maintenance expense of \$0 and recorded an income tax benefit of \$7. For the year ended December 31, 2015, the Company's stock-based compensation related to stock options resulted in the following: operations and maintenance expense of \$0 and recorded an income tax benefit of \$2.

Restricted stock awards provide the grantee with the rights of a shareholder, including the right to receive dividends and to vote such shares, but not the right to sell or otherwise transfer the shares during the restriction period. Restricted stock awards result in compensation expense which is equal to the fair market value of the stock on the date of the grant and is amortized ratably over the restriction period. For the years ended December 31, 2016 and 2015, there was no restricted stock based compensation related to restricted stock awards.

During 2016 and 2015, the Company granted performance share units ("PSU"). A PSU represents the right to receive a share of the Parent's common stock if specified performance goals are met over the three year performance period specified in the grant. The fair value of each PSU grant is amortized into compensation expense on a straight-line basis over their respective 36 month vesting period. During the year ended December 31, 2016, the Company recorded stock based compensation related to PSUs as a component of operations and maintenance expense of \$40, and recorded an income tax benefit of \$14. During the year ended December 31, 2015, the Company recorded stock-based compensation related to PSUs as a component of operations and maintenance expense of \$80, and recorded an income tax benefit of \$28. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense.

11. Acquisitions

In 2016, the Company acquired the water utility assets of Byram and Cliffside Park for \$328 and \$52, respectively. Operating revenue included in the financial statements related to the acquisitions for 2016 were \$51 and \$3, respectively. Also in 2016, the Company acquired the sewer assets of Oakwood Village for \$1,304. Operating revenue included in the financial statements related to the acquisitions for 2016 were \$1. The acquisitions were all funded by equity contributions from Parent.

In 2015, the Company acquired the water utility assets of Seaview Harbor Water Company for \$227. Operating revenue included in the financial statements related to the acquisition for 2016 and 2015 were \$104 and \$87, respectively. The acquisition was funded by an equity contribution from Parent.

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12. Water and Wastewater Rates

In January 2016, the Company filed an application with the NJBPU requesting a \$2,537 or 6.69% increase in annual water revenues. In addition, the Company filed a Distribution System Improvement Charge (“DSIC”) Foundational Filing. Effective July 29, 2016, the NJBPU approved the rate filing designed to increase the Company’s annual water revenues by \$200 or .51%. The Company’s DSIC Foundational Filing was also approved with an annual DSIC revenue requirement amount of \$1,952 or 5%.

13. Affiliated Company Transactions

The Company has service agreements with the Parent and subsidiaries of the Parent (“other affiliates”). The types of services rendered between these entities relate to general supervision and administrative functions, long-range planning, tax, accounting, financing, engineering, legal and other specialized support. Expenditures recorded for these services by the Parent amounted to approximately \$3,934 and \$3,428 for 2016 and 2015, respectively.

Amounts owed to the Parent and other affiliates by the Company amounted to \$4,834 and \$959 at December 31, 2016 and 2015, respectively. Amounts owed to the Parent and other affiliates are reflected in the accompanying balance sheet.

The Company made non-cash refunds of equity contributions to the Parent of \$6,615 in 2016 and received non-cash equity contributions from the Parent of \$4,486 in 2015. Both are reported on the Statement of Common Stockholder’s Equity. In 2015, the non-cash equity contributions relate to the contribution by the Parent for the settlement of certain net inter-company payables due to the Parent or subsidiary of the Parent.