

**BERKELEY TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Berkeley Township, New Jersey)**

Financial Statements and Supplementary Information

For the years ended December 31, 2014 and 2013

(With Independent Auditor's Report thereon)

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Berkeley Township, New Jersey)
Financial Statements and Supplementary Information
For the years ended December 31, 2014 and 2013

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BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Berkeley Township, New Jersey)
Financial Statements and Supplementary Information
For the years ended December 31, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners of
Berkeley Township Municipal Utilities Authority

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of the Berkeley Township Municipal Utilities Authority, a component unit of the Township of Berkeley, County of Ocean, State of New Jersey, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Berkeley Township Municipal Utilities Authority, a component unit of the Township of Berkeley, County of Ocean, State of New Jersey as of December 31, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-7 and 27-28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The Schedule of Revenue, Expenses and Changes in Net Position – Unrestricted and Restricted for the year ended December 31, 2014 and the Schedules of Cash Receipts, Cash Disbursements and Changes in Cash and Investments – Unrestricted and Restricted Accounts for the year ended December 31, 2014 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules stated above are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Berkeley Township Municipal Utilities Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has

been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 06, 2015 on our consideration of the Berkeley Township Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Berkeley Township Municipal Utilities Authority's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

April 06, 2015
Toms River, New Jersey



Berkeley Township MUNICIPAL UTILITIES AUTHORITY

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April 06, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Berkeley Township Municipal Utilities Authority ("Authority") is a self-supporting water treatment plant and distribution entity proudly serving over 3,200 residents and businesses of a bayside community within Berkeley Township, NJ since 1988. The treatment plant consists of six rapid sand pressure filters with an automatic flow paced disinfection system. The treated water from three on-site wells is stored in two water storage tanks with a total capacity of 1.4MG. The Authority Board consists of six residents appointed by the Township who provide management oversight and direction. Each Board Member is appointed to a five year term at staggered intervals. Eight employees service a distribution system of approximately 319,300 linear feet of 6" to 16" diameter mains.

The Authority is proud to submit the attached financial statement which reflects the results of management's continued commitment of conservative fiscal planning and performance. We further encourage you to visit our website at www.Berkeleymua.org to review the most recent Consumer Confidence Report of Water Quality issued during 2014. We believe the results of these documents honor our mission statement *to provide safe, dependable and affordable water to our customers in a manner that protects the public health and environment of our community.*

During 2014 the Authority completed Phase V of its water main capital expansion project. This project added over 10,000 linear feet of new eight inch water main which will now provide potable water service to an additional 100 homes. The New Jersey Environmental Infrastructure Trust (NJEIT) funded this project with a low interest long-term loan and provided a \$500,000 grant in the form of principal forgiveness. Additionally, the NJDEP provided final approvals for the Authority to install a fourth groundwater well into the Piney Point Aquifer. This well will increase the firm capacity of the treatment plant to ensure this Authority can support the current and future needs of the area. Construction for this well is set to begin in the Spring of 2015 and should be in full use water production in 2016.

An indication of how much Superstorm Sandy 2011 impacted the Jersey Shore is still evident as you drive through parts of this bayside community. Many families have rebuilt and/or raised their waterfront homes, but over 100 homes still sit vacant or not habitable. This Authority continues to support these homeowners by providing inspection fee waivers and offering free water meter replacement for those water meters damaged by the salt water flooding of the storm. The overall revenue lost from these homes still remains minimal at less than 3%.

A look ahead into 2016 foresees the completion of the Phase VI water main installation project. The financial incentives of the advantageous interest rates offered through the NJEIT loan and grant programs, along with the lower than estimated construction costs of Phase V, encouraged the Board to authorize the 2015 planning and design of this next capital project. This project will connect another 100 homes to the system, create better water corridors to increase system flow pressures and may extend a water line towards a near-by town for a future system interconnection.

The website referenced above also includes the 2015 Budget which continues to reflect the Board's emphasis to control costs, secure conservative investment income and to designate funds toward water tower painting and asset preservation.

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the Authority's financial activities for the fiscal year ended December 31, 2014 as compared to the prior year. It should be read in conjunction with the accompanying financial statements.

Financial Statements

The financial statements included in this report are the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows as of and for the years ended December 31, 2014 and 2013.

The Statements of Net position shows the financial position of the Authority at December 31st of each year. Assets and deferred outflow of resources are compared with liabilities and net position is the result.

The Statements of Revenues, Expenses and Changes in Net Position measure performance for each year and how this performance impacts the net position of the Authority.

Finally, the Statements of Cash Flows demonstrates why cash balances increased or decreased during the two years.

Financial Analysis

At December 31, 2014, the Authority had total assets of \$24,399,043 compared to \$23,028,222 at December 31, 2013. The increase can be primarily attributed to additions to construction in progress in 2014 totaling \$1,126,697. At December 31, 2012, the Authority had total assets of \$23,731,498. The decrease between 2013 and 2012 can be primarily attributed to the depreciation of assets.

At December 31, 2014, the Authority had total liabilities of \$11,422,327 compared to \$10,551,829 at December 31, 2013. This increase is primarily attributable to the New Jersey Environmental Infrastructure Trust awarding long-term loans to assist in funding the expansion of the Authority's service area in Berkeley Township. At December 31, 2012, the Authority had total liabilities of \$11,229,258. This decrease is primarily attributable to the repayment of long-term debt.

At December 31, 2014, the Authority had total net position of \$12,842,201 compared to \$12,335,569 at December 31, 2013. The increase is accounted for primarily from obtaining \$500,000 in debt forgiveness from the New Jersey Environmental Infrastructure Trust in 2014. At December 31, 2012, the Authority had total net position of \$12,354,987. The decrease is accounted for primarily from a decrease in long-term debt and expenses in excess of revenues for the year.

The Authority had a change in net position of \$506,632 for the year ended December 31, 2014. This increase resulted primarily from receiving \$500,000 in debt forgiveness from the New Jersey Environmental Infrastructure Trust in 2014. The Authority had a change in net position of (\$19,418) for the year ended December 31, 2013. This decrease resulted primarily from the

refunding of bonds in 2013, resulting in debt issuance expense that the Authority did not have in 2012.

Condensed Financial Information

Key Authority financial information for the years ended December 31, 2014, 2013 and 2012 includes the following balances:

Financial Position:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
ASSETS			
Current unrestricted assets	\$ 3,069,390	\$ 2,909,556	\$ 3,032,714
Current restricted assets	2,065,206	1,421,079	1,619,414
Property, plant and equipment, net	<u>19,264,447</u>	<u>18,697,587</u>	<u>19,079,370</u>
Total assets	<u>24,399,043</u>	<u>23,028,222</u>	<u>23,731,498</u>
DEFERRED OUTFLOW OF RESOURCES			
Unamortized issuance costs, net of accumulated amortization	63,366	65,229	67,093
Loss on bond refunding, net of accumulated amortization	<u>847</u>	<u>872</u>	<u>897</u>
Total deferred outflow of resources	<u>64,213</u>	<u>66,101</u>	<u>67,990</u>
Total assets and deferred outflow of resources	<u>\$ 24,463,256</u>	<u>\$ 23,094,323</u>	<u>\$ 23,799,488</u>
LIABILITIES			
Current unrestricted liabilities	\$ 198,015	\$ 154,855	\$ 126,446
Current restricted liabilities	844,200	751,064	1,079,127
Long-term liabilities	<u>10,380,112</u>	<u>9,645,910</u>	<u>10,023,685</u>
Total liabilities	<u>11,422,327</u>	<u>10,551,829</u>	<u>11,229,258</u>
DEFERRED INFLOW OF RESOURCES			
Bond premium, net of accumulated amortization	178,417	183,664	188,912
Loan premium, net of accumulated amortization	<u>20,311</u>	<u>23,261</u>	<u>26,331</u>
Total deferred inflow of resources	<u>198,728</u>	<u>206,925</u>	<u>215,243</u>
NET POSITION			
Net investment in capital assets	8,312,492	8,533,082	8,114,684
Restricted net position	1,504,757	1,413,316	1,483,316
Unrestricted net position	<u>3,024,952</u>	<u>2,389,171</u>	<u>2,756,987</u>
Total net position	<u>12,842,201</u>	<u>12,335,569</u>	<u>12,354,987</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 24,463,256</u>	<u>\$ 23,094,323</u>	<u>\$ 23,799,488</u>

Other Financial Information

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total revenues	\$ 2,586,374	\$ 2,041,745	\$ 1,987,972
Total expenses	<u>2,079,742</u>	<u>2,061,163</u>	<u>2,335,189</u>
Change in net position	<u>\$ 506,632</u>	<u>\$ (19,418)</u>	<u>\$ (347,217)</u>
User charges	\$ 1,657,026	\$ 1,640,130	\$ 1,698,213
Bond & loan principal paid	\$ 886,250	\$ 793,752	\$ 6,379,863
Bond & loan payable	\$ 10,817,440	\$ 377,771	\$ 10,817,433

Authority operating revenues had a favorable variance of \$83,367 when compared to the budget for 2014 due primarily to higher than anticipated connection fees received in current year. In 2013, the Authority's operating revenues had a favorable variance of \$17,088 when compared to the budget for 2013 due primarily to higher than anticipated user charges and connection fees received in current year.

Authority operating expenses had a favorable variance of \$298,405 when compared to the budget for 2014 primarily due to management's continuing efforts to contain costs whenever possible resulting in various expenses being under budget. In 2013, the Authority's operating expenses had a favorable variance of \$269,231 when compared to the budget for 2013 again primarily due to management's efforts to contain costs whenever possible resulting in various expenses being under budget.

The Authority's financial report is designed to provide users of the financial statements with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. The financial statements of the Authority are a matter of public record and may be examined at 42 Station Road, Bayville, New Jersey during business hours or can be viewed at the Authority's website www.Berkeleymua.org.

Respectfully submitted,


Michele Nugent
Executive Director

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**Statements of Net Position
December 31, 2014 and 2013**

ASSETS	2014	2013
Current unrestricted assets:		
Cash and cash equivalents	\$ 910,003	\$ 1,459,895
Investments	1,500,000	723,580
Interest receivable	2,147	8,447
Billed user fees receivable	621,069	695,607
Connection fee installment receivable	15,200	4,350
Other receivables	6,460	7,556
Prepaid expenses	14,511	10,121
Total current unrestricted assets	<u>3,069,390</u>	<u>2,909,556</u>
Current restricted assets:		
Cash and cash equivalents	1,648,176	1,268,440
Investments	-	145,600
Interest receivable	4,475	5,613
Other restricted receivables	412,555	1,426
Total current restricted assets	<u>2,065,206</u>	<u>1,421,079</u>
Property, plant and equipment	28,716,096	27,448,527
Less: accumulated depreciation	<u>(9,451,649)</u>	<u>(8,750,940)</u>
Property, plant and equipment, net	<u>19,264,447</u>	<u>18,697,587</u>
Total assets	<u>24,399,043</u>	<u>23,028,222</u>
DEFERRED OUTFLOW OF RESOURCES		
Unamortized issuance costs, net of accumulated amortization	63,366	65,229
Loss on bond refunding, net of accumulated amortization	<u>847</u>	<u>872</u>
Total deferred outflow of resources	<u>64,213</u>	<u>66,101</u>
Total assets and deferred outflow of resources	<u>\$ 24,463,256</u>	<u>\$ 23,094,323</u>

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

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Net Position (continued)
December 31, 2014 and 2013

LIABILITIES	2014	2013
Current unrestricted liabilities:		
Accounts payable	\$ 77,004	\$ 50,062
Customer overpayments	10,480	11,909
Accrued expenses	51,529	55,317
Unearned revenue	1,074	589
Unearned connection fee revenue	57,928	36,978
Total current unrestricted liabilities	198,015	154,855
Current restricted liabilities:		
Current portion of bonds payable	195,612	189,641
Current portion of loans payable	241,716	188,130
Accrued interest payable	71,234	68,204
Developer deposits	335,638	305,089
Total current restricted liabilities	844,200	751,064
Long-term liabilities:		
Bonds payable - long-term	6,690,364	6,885,984
Loans payable - long-term	3,689,748	2,759,926
Total long-term liabilities	10,380,112	9,645,910
Total liabilities	11,422,327	10,551,829
DEFERRED INFLOW OF RESOURCES		
Bond premium, net of accumulated amortization	178,417	183,664
Loan premium, net of accumulated amortization	20,311	23,261
Total deferred inflow of resources	198,728	206,925
NET POSITION		
Net investment in capital assets	8,312,492	8,533,082
Restricted net position:		
Debt service fund	489,868	489,868
Debt service reserve fund	694,889	623,448
Capital	320,000	300,000
Unrestricted net position:		
Reserved by board designation	540,000	540,000
Unreserved	2,484,952	1,849,171
Total restricted and unrestricted net position	4,529,709	3,802,487
Total net position	12,842,201	12,335,569
Total liabilities, deferred inflow of resources and net position	\$ 24,463,256	\$ 23,094,323

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

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Revenue, Expenses and Changes in Net Position
For the years ended December 31, 2014 and 2013

	2014	2013
Operating revenues:		
User charges	\$ 1,657,026	\$ 1,640,130
Connection fees	51,715	40,815
Interest earned on connection fees	480	1,460
Other operating revenue	10,728	2,463
Total revenues	\$ 1,719,949	\$ 1,684,868
Operating expenses:		
Cost of providing services	533,086	500,265
Administrative and general	426,434	462,054
Depreciation	700,709	701,090
Total operating expenses	1,660,229	1,663,409
Net gain from operations	59,720	21,459
Non-operating revenues/(expenses):		
Water tower rental	250,227	240,633
Interest income	15,291	17,187
Interest expense	(300,853)	(309,654)
Township appropriation	(81,786)	(88,100)
Amortization premium/(bond costs), net	6,309	6,429
Donated property	94,598	84,337
Debt issuance expense	(36,874)	-
FEMA reimbursements	-	8,291
NJEIT debt forgiveness	500,000	-
Total non-operating revenue/(expenses)	446,912	(40,877)
Changes in net position	506,632	(19,418)
Net position, January 1	12,335,569	12,354,987
Net position, December 31	\$ 12,842,201	\$ 12,335,569

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

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Statements of Cash Flows

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from service users	\$ 1,413,431	\$ 1,787,929
Cash paid to suppliers	(506,932)	(490,804)
Cash paid to employees	(433,824)	(427,125)
Cash received from others	10,728	2,463
	<hr/>	<hr/>
Cash flows from operating activities	483,403	872,463
	<hr/>	<hr/>
Cash flows from investing activities:		
Acquisition and construction of property, plant and equipment	(1,172,971)	(234,970)
Interest earned on investments	22,729	5,909
(Purchases)/maturities of investments	(630,820)	(869,180)
Township appropriation	(81,786)	(88,100)
Cash received from water tower rentals	250,227	240,633
Cash received from FEMA reimbursements	-	8,291
	<hr/>	<hr/>
Cash flows from investing activities	(1,612,621)	(937,417)
	<hr/>	<hr/>
Cash flows from financing activities:		
Principal paid on long-term debt	(886,250)	(793,752)
Proceeds received from NJEIT loans	2,143,135	-
Interest paid	(297,823)	(289,497)
	<hr/>	<hr/>
Cash flows from financing activities	959,062	(1,083,249)
	<hr/>	<hr/>
Net changes in cash	(170,156)	(1,148,203)
Unrestricted and restricted cash, January 1	2,728,335	3,876,538
	<hr/>	<hr/>
Unrestricted and restricted cash, December 31	\$ 2,558,179	\$ 2,728,335
	<hr/>	<hr/>
Reconciliation to Statements of Net Position:		
Current unrestricted assets:		
Cash and cash equivalents	\$ 910,003	\$ 1,459,895
Current restricted assets:		
Cash and cash equivalents	1,648,176	1,268,440
	<hr/>	<hr/>
Total cash and cash equivalents, December 31	\$ 2,558,179	\$ 2,728,335
	<hr/>	<hr/>

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

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**Statements of Cash Flows (continued)****For the years ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Reconciliation of operating revenue over expenses to cash flows from operating activities:		
Operating revenues over expenses	\$ 59,720	\$ 21,459
Items which did not use cash:		
Depreciation	700,709	701,090
Working capital changes which (used) provided cash:		
Billed user fees receivable	74,538	(89,247)
Connection fee installment receivable	(10,850)	137,500
Other receivables	(410,033)	3,317
Prepaid expenses	(4,390)	2,178
Accounts payable	26,942	36,565
Customer overpayments	(1,429)	9,816
Accrued expenses	(3,788)	5,647
Unearned revenue	485	155
Unearned connection fee revenue	20,950	(23,774)
Developer deposits	30,549	67,757
Cash flows from operating activities	<u>\$ 483,403</u>	<u>\$ 872,463</u>

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

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements
For the years ended December 31, 2014 and 2013

NOTE 1: ORGANIZATION

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

Creation of Authority

Berkeley Township Municipal Utilities Authority (the “Authority”), a public body, corporate and politically organized and existing under the Municipal Utilities Authority Law, constituting Chapter 183 of the Pamphlet Laws of 1957, as amended and supplemented, was created by virtue of ordinance number 88-4-OAB of the Township of Berkeley (the “Township”) in the County of Ocean, New Jersey, on January 18, 1988.

The Authority owns a water supply and distribution system which services portions of the Township within the franchise areas as more fully set forth in the Water Supply Master Plan as adopted by the Authority.

The Authority’s basic financial statements include all accounts of the Authority’s operations.

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

At December 31, 2014, the Authority has 3,132 users connected to the system.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets was renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Whereas the provisions of this Statement was effective for financial statements for periods beginning after December 15, 2011, the Authority had implemented this Statement in the financial statements for the year ended December 31, 2012.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. Although the provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012, the Authority elected to implement it as a prior period adjustment in fiscal year 2012.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2014 and 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Accounting (continued)

reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the Authority's financial statements.

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

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

B. Budgetary Accounting

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

C. Cash, Cash Equivalents and Investments

New Jersey Authorities are required by *N.J.S.A. 40A:5-14* to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or the New Jersey Cash Management Fund. *N.J.S.A. 40A:5-15.1* provides a list of securities which may be purchased by New Jersey authorities. The Authority is required to deposit funds in a public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect government units from a loss of funds on deposit with a failed banking institution in New Jersey. *N.J.S.A. 17:9-42* requires government units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

New Jersey Authorities are required by *N.J.S.A. 40A:5-14* to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or the New Jersey Cash Management Fund. *N.J.S.A. 40A:5-15.1* provides a list of securities which may be purchased by New Jersey authorities. The Authority is required to deposit funds in a public depositories protected from loss under the provisions of the

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Notes to Financial Statements (continued)

For the years ended December 31, 2014 and 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash, Cash Equivalents and Investments (continued)

Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect government units from a loss of funds on deposit with a failed banking institution in New Jersey. *N.J.S.A. 17:9-42* requires government units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

Public Funds are defined as the funds of any government unit. Public depositories include banks (both state and national banks), savings and loan institutions and savings banks, the deposits of which are federally insured. All public depositories pledge collateral, having a market value of five percent of the average daily balance of collected public funds, to secure the deposits of government units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories in the collateral pool, is available to pay the full amount of their deposits to the government units.

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

D. Restricted Accounts

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Revenue	All revenue received by the Authority	Authorized operating expenses and expenses and transfers to the various accounts described below
Debt Service	Amount needed to pay maturing interest and principal	Principal and interest on the bonds
Construction	Proceeds of debt issued and construction	Construction costs of the water systems
Costs of Issuance	Proceeds of debt issued	Costs of issuing the debt
Capitalized Interest	Proceeds of debt issued	Interest on the bonds
Bond Reserve	Proceeds of debt issued	Principal and interest on bonds to the extent of deficiencies in the debt service fund

E. Investments

Investments are carried at lower of cost or market plus accrued interest shown separately and consist of certificates of deposits.

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Notes to Financial Statements (continued)

For the years ended December 31, 2014 and 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the assets are capitalized.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and placed in operation. The assets are then transferred to the appropriate capital assets account and depreciated on a straight-line basis over the asset's estimated useful life.

Depreciation is computed, as established by the Division of Local Government Services, Department of Community Affairs, State of New Jersey for Municipal Utilities Authorities, on a straight-line basis over the estimated useful lives of the related assets. The estimated useful lives of depreciable assets are:

Water plant	40 years
Water system improvements	40 years
Furniture and fixtures	5-7 years
Machinery and equipment	5-7 years
Vehicles	5 years

G. Unamortized Issuance Costs

Certain insurance costs incurred with the issuance of Bonds have been capitalized in accordance with GASB Statement No. 65 and are being amortized over the life of the respective issue based on the straight line method. Unamortized debt issuance costs at December 31, 2014 and 2013 are \$63,366 and \$65,229, respectively.

H. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amount.

I. Compensated Absences

Authority employees are entitled to certain compensated absences for vacation and sick time. Unused sick time can be carried forward to the following year up to a maximum of thirty days. Accrued sick and vacation time at December 31, 2014 and 2013 are \$40,494 and \$39,894, respectively and is included in accrued expenses in the accompanying statements of net position.

J. Unearned Connection Fee Revenue

Unearned connection fees are prepaid connection fees paid by vacant lot owners in the area serviced by the Water System.

K. Revenue Recognition

The Authority recognizes revenue on the accrual basis as earned. The majority of the Authority's billings

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2014 and 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Revenue Recognition (continued)

are subject to, in the event of nonpayment, local tax sale. The Authority classifies all fees and charges to provide water services as operating revenue and all other income as non-operating revenue.

L. Contributions

Contributions received from various sources as grants are recorded in the period they become measurable. Developer financed construction is recorded in the period in which the system is donated to the Authority. Donated assets are recorded at fair market value at the date of the gift. All contributions and donations are recorded separately after non-operating revenues and expenses.

M. Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following five components: net investments in capital assets; restricted for capital activity; restricted for debt service; reserved by board designation; and unreserved net position. Net investments in capital assets, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted for capital activity and debt service consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Reserved by board designation consists of net position for which constraints are placed thereon by the board of commissioners. Unreserved net position consists of all other net position not included in the above categories.

N. Unearned Revenue

Unearned revenue consists of user charges which have not been earned by the Authority. When the user charges are earned and when owners in the service area are connected, revenue is recognized and unearned revenue is removed from the statement of net position.

O. Township Appropriation

The Township of Berkeley appropriates the Authority's net position to the maximum amount allowed by State law. The appropriation for 2014 and 2013 totaled \$81,786 and \$88,100, respectively, and is recorded as non-operating expenses.

P. Subsequent Events

The Authority has evaluated subsequent events occurring after December 31, 2014 through April 06, 2015, which is the date the financial statements were available to be issued. No events requiring disclosure in the financial statements were identified.

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Notes to Financial Statements (continued)

For the years ended December 31, 2014 and 2013

NOTE 3: CASH AND CASH EQUIVALENTS

The Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits held at December 31, 2014 and 2013, and reported at fair value are as follows:

	<u>2014</u>	<u>2013</u>
Deposits:		
Demand deposits	\$ 1,679,166	\$ 1,413,379
Money market funds	<u>879,013</u>	<u>1,314,956</u>
Total deposits	<u>\$ 2,558,179</u>	<u>\$ 2,728,335</u>

Reconciliation to Statements of Net Position:

Current unrestricted assets:		
Cash and cash equivalents	\$ 910,003	\$ 1,459,895
Current restricted assets:		
Cash and cash equivalents	<u>1,648,176</u>	<u>1,268,440</u>
Total cash and cash equivalents	<u>\$ 2,558,179</u>	<u>\$ 2,728,335</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2014 and 2013, the Authority's bank balance of \$2,563,781 and \$2,737,216, respectively, was insured or collateralized as follows:

	<u>2014</u>	<u>2013</u>
Insured	\$ 500,000	\$ 500,000
Collateralized in the Authority's name under GUDPA	<u>2,063,781</u>	<u>2,237,216</u>
Total	<u>\$ 2,563,781</u>	<u>\$ 2,737,216</u>

NOTE 4: INVESTMENTS

A. Custodial Credit Risk

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

B. Investment Interest Rate Risk

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

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2014 and 2013

NOTE 4: INVESTMENTS (continued)

C. Investment Credit Risk

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

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Authority or bonds or other obligations of the local unit or units within which the Authority is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Authority;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

As of December 31, 2014 and 2013, the Authority had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Rating</u>	<u>2014</u>	<u>2013</u>
Certificates of Deposit	Various	Various	\$ 1,500,000	\$ 869,180
Total investments			<u>\$ 1,500,000</u>	<u>\$ 869,180</u>

Reconciliation to Statements of Net Position:

Current unrestricted assets:				
Investments			\$ 1,500,000	\$ 723,580
Current restricted assets:				
Investments			-	145,600
Total investments			<u>\$ 1,500,000</u>	<u>\$ 869,180</u>

D. Fair Value of Investments

Investments are shown at fair value on the statement of net position with accrued interest shown under a separate caption. Investments are summarized as follows at December 31, 2014:

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Notes to Financial Statements (continued)

For the years ended December 31, 2014 and 2013

NOTE 4: INVESTMENTS (continued)

D. Fair Value of Investments (continued)

	<u>Cost</u>	<u>Market</u>
Certificates of Deposit collateralized in the Authority's name under GUDPA	\$ <u>1,500,000</u>	\$ <u>1,500,000</u>
Total fair value of investments	\$ <u>1,500,000</u>	\$ <u>1,500,000</u>

Investments are summarized as follows at December 31, 2013:

	<u>Cost</u>	<u>Market</u>
Certificates of Deposit collateralized in the Authority's name under GUDPA	\$ <u>869,180</u>	\$ <u>869,180</u>
Total fair value of investments	\$ <u>869,180</u>	\$ <u>869,180</u>

NOTE 5: PROPERTY, PLANT AND EQUIPMENT, NET

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets that are not being depreciated:				
Land	\$ 143,608	\$ -	\$ -	\$ 143,608
Phase V construction in progress	124,935	1,078,648	-	1,203,583
Well #4 construction in progress	85,815	40,947	-	126,762
Phase VI construction in progress	<u>-</u>	<u>7,102</u>	<u>-</u>	<u>7,102</u>
Total capital assets not being depreciated	<u>354,358</u>	<u>1,126,697</u>	<u>-</u>	<u>1,481,055</u>
Improvements other than building	22,152,330	130,998	-	22,283,328
Machinery and equipment	110,775	9,874	-	120,649
Furniture and fixtures	61,302	-	-	61,302
Water plant	4,618,821	-	-	4,618,821
Vehicles	<u>150,941</u>	<u>-</u>	<u>-</u>	<u>150,941</u>
Totals at historical cost	<u>27,094,169</u>	<u>140,872</u>	<u>-</u>	<u>27,235,041</u>
Less accumulated depreciation:	<u>(8,750,940)</u>	<u>(700,709)</u>	<u>-</u>	<u>(9,451,649)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>18,343,229</u>	<u>(559,837)</u>	<u>-</u>	<u>17,783,392</u>
Government activities capital assets, net	<u>\$ 18,697,587</u>	<u>\$ 566,860</u>	<u>\$ -</u>	<u>\$ 19,264,447</u>

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Notes to Financial Statements (continued)

For the years ended December 31, 2014 and 2013

NOTE 6: BONDS PAYABLE

Bonds payable at December 31, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
\$1,650,000 Water Revenue Bonds (Series 2003) due in semi-annual installments of \$38,031 including interest through May 1, 2043, interest rate of 3.25%.	\$ 1,405,976	\$ 1,435,625
\$6,020,000 Water Revenue Refunding Bonds (Series 2012) due in semi-annual installments including interest through November 1, 2048, interest rates of 2 to 4%.	<u>5,480,000</u>	<u>5,640,000</u>
Subtotal	6,885,976	7,075,625
Less: current portion	<u>(195,612)</u>	<u>(189,641)</u>
Bonds payable – long-term	<u>\$ 6,690,364</u>	<u>\$ 6,885,984</u>

Revenue bonds outstanding as of December 31, 2014 are shown as followed:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 195,612	\$ 217,193	\$ 412,805
2016	196,615	212,890	409,505
2017	202,651	206,905	409,556
2018	208,721	200,735	409,456
2019	214,826	194,380	409,206
2020-2024	1,172,011	882,718	2,054,729
2025-2029	1,360,596	699,283	2,059,879
2030-2034	1,600,055	453,524	2,053,579
2035-2039	1,101,417	203,056	1,304,473
2040-2044	463,480	63,527	527,007
2045-2049	169,992	14,681	184,673
	<u>\$ 6,885,976</u>	<u>\$ 3,348,892</u>	<u>\$ 10,234,868</u>

On December 11, 2012, the Authority refunded debt with an issuance of \$6,020,000. Series 1995A, Series 1995B, Series 1999, Series 2000, Series 2009A and Series 2009B were refunded. Series 1993 was advanced refunded as well with redemption in January of 2013. The refunding resulted in a loss on refunding of \$897 in the current year; however, the refunding will produce a net savings of approx. \$1,548,000 for the Authority over the life of the new bond series.

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Notes to Financial Statements (continued)

For the years ended December 31, 2014 and 2013

NOTE 7: LOANS PAYABLE

Loans payable at December 31, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
The 2007A NJEIT Trust Loans are due in annual principal installments of \$76,323 to \$155,000 through August 1, 2027, at interest rates ranging from 4.0% to 5.0%	\$ 1,570,000	\$1,655,000
The 2007A NJEIT Trust Loans are due in semi-annual principal installments of \$40,953 to \$105,347 through August 1, 2026, at zero percent interest.	1,189,932	1,293,056
The 2014A NJEIT Trust Loans are due in annual principal installments of \$5,000 to \$15,000 through August 1, 2033, at interest rates ranging from 3.0% to 5.0%.	170,000	-
The 2014A NANO NJEIT Trust Loans are due in annual principal installments of \$11,409 to \$16,407 through August 1, 2033, at interest rates ranging from 0.2% to 3.35%.	250,000	-
The 2014A NANO NJEIT Trust Loans are due in semi-annual principal installments of \$4,237 to \$8,475 through August 1, 2033, at zero percent interest.	241,525	-
The 2014A NANO NJEIT Trust Loans are due in semi-annual principal installments of \$9,107 to \$18,215 through August 1, 2033, at zero percent interest.	<u>510,007</u>	<u>-</u>
Subtotal	3,931,464	2,948,056
Less: current portion	<u>(241,716)</u>	<u>(188,130)</u>
Loans payable – long-term	<u>\$ 3,689,748</u>	<u>\$ 2,759,926</u>

A. New Jersey Environmental Infrastructure Trust Series 2007A, 2014A and 2014A NANO Loans Payable

On November 8, 2007, the Authority borrowed \$3,910,813 through the New Jersey Environmental Infrastructure Trust. The “Fund” (Federal Funds) portion of the 2007A Issue, \$1,865,813, was issued with no interest rate. The loans mature semi-annually from August 1, 2008 through August 1, 2026 at maturities ranging from \$40,953 to \$105,347.

The “Trust” (State Funds) portion of the 2007A Issue, \$2,045,000, mature annually from August 1, 2008 through 2027 at annual maturities ranging from \$76,323 to \$155,000 and bear interest at rates ranging from 4.00% to 5.00%.

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Notes to Financial Statements (continued)

For the years ended December 31, 2014 and 2013

NOTE 7: LOANS PAYABLE (continued)

A. New Jersey Environmental Infrastructure Trust Series 2007A, 2014A and 2014A NANO Loans Payable (continued)

On May 22, 2014, the Authority borrowed \$1,680,007 through the New Jersey Environmental Infrastructure Trust. The “Fund” (Federal Funds) portion of the 2014A Issue, \$510,007, was issued with no interest rate. The “Fund” (Federal Funds) portion of the 2014A NANO Issue, \$250,000, was issued with no interest rate. The principal forgiveness portion of the 2014A NANO Issue, \$500,000 was issued with no interest rate. The entire \$500,000 was recognized as NJEIT debt forgiveness revenue as of December 31, 2014 since revenue is realized in the year allowable costs have been approved. The remaining loans mature semi-annually from August 1, 2014 through August 1, 2033 at maturities ranging from \$4,237 to \$18,215.

The “Trust” (State Funds) portion of the 2014A Issue, \$170,000, mature annually from August 1, 2014 through 2033 at annual maturities ranging from \$5,000 to \$15,000 and bear interest at rates ranging from 3.00% to 5.00%. The “Trust” (State Funds) portion of the 2014A NANO Issue, \$250,000, mature annually from August 1, 2014 through 2033 at annual maturities ranging from \$11,409 to \$16,407 and bear interest at rates ranging from 0.2% to 3.35%.

Schedule of annual debt service for principal and interest for loans payable, over the next five years and five year increments thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 241,716	\$ 83,986	\$ 325,702
2016	256,167	79,313	335,480
2017	261,378	74,364	335,742
2018	266,452	69,040	335,492
2019	271,407	63,424	334,831
2020-2024	1,458,984	231,577	1,690,561
2025-2029	907,609	67,227	974,836
2030-2034	267,751	9,006	276,757
	<u>\$ 3,931,464</u>	<u>\$ 677,937</u>	<u>\$ 4,609,401</u>

NOTE 8: PENSION

A. Plan Description

Berkeley Township Municipal Utilities Authority contributes to a cost-sharing multiple-employer defined benefit pension plan, Public Employees’ Retirement System (PERS), administered by the State of New Jersey, Division of Pensions and Benefits. It provides retirement, disability, medical and death benefits to plan members and beneficiaries.

The Public Employees’ Retirement System (PERS) was established in January 1955 under the provisions of *N.J.S.A.43:15A* and significantly amended on May 21, 2010. Both plans were set up to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees’

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2014 and 2013

NOTE 8: PENSION (continued)

A. Plan Description (continued)

Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for PERS. As of July 1, 2011 the aggregate funded ratio and unfunded accrued liability for local PERS obligations was 77.3% and \$5.436 billion, respectively. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

B. Vesting and Benefit Provisions

The vesting and benefit provisions of PERS are set by *N.J.S.A.43:15A* and *43.3B*. Employees are eligible for benefits based upon their date of hire, number of weekly hours worked and annual salary. Vesting for pension benefits occurs after 10 years of service. Members are eligible for retirement at age 60 for Tier 1 and Tier 2 employees, at age 62 for Tier 3 and Tier 4 employees and at age 65 for Tier 5 employees with an annual benefit generally determined to be 1/55th of the final average salary for Tier 1, 2 and 3 employees and 1/60th of the final average salary for Tier 4 and Tier 5 employees multiplied by the number of years of service. Early retirement is available to those under normal retirement age with 25 or more years of credited service, but at a reduced rate.

C. Significant Legislation

Effective June 28, 2011, Chapter 78, P.L. 2011 reformed various pension and health benefits provisions. Employees hired after June 28, 2011 and newly enrolled in PERS will be enrolled in a new tier, Tier 5. Full retirement for Tier 5 PERS members will be age 65 and 30 years of service.

All cost of living adjustments are frozen until the pension fund reaches a “target funded ratio”.

D. Contribution Requirements

The contribution policy is set by *N.J.S.A.43:15A*, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and *N.J.S.A.18:66*, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 6.78%, effective on or after July 1, 2013, of employees’ annual compensation as defined. Rates will increase over the next few years to 7.5%. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums.

Contributions to PERS for the years ended December 31st made by the employees and the Authority were as follows:

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Notes to Financial Statements (continued)

For the years ended December 31, 2014 and 2013

NOTE 8: PENSION (continued)

D. Contribution Requirements (continued)

Year <u>Ending</u>	<u>Employees</u>	<u>Authority Required Contribution</u>	
		<u>Amount</u>	<u>Percentage</u>
12/31/2014	\$ 39,785	\$ 39,785	100%
12/31/2013	\$ 29,298	\$ 38,872	100%
12/31/2012	\$ 25,952	\$ 36,385	100%

NOTE 9: POST-RETIREMENT BENEFITS

The Authority participates in the New Jersey State Health Benefits Program (“the SHBP”), which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB Statement 45 “Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions” (“OPEB”). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pensions and Benefits.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the SHBP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The SHBP is established under the authority of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution rate is determined on an annual pay as you go basis.

NOTE 10: RISK MANAGEMENT

The Authority is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Authority is a member of the New Jersey Utilities Authorities Joint Insurance Fund (JIF). The joint insurance pool is both an insured and self-administered group of 80 authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The JIF will be self-sustaining through member premiums. The JIF participates in the Municipal Excess Liability Insurance program which has a contract for excess insurance. There were no settlements in excess of insurance coverage for 2014, 2013, or 2012.

NOTE 11: DONATED PROPERTY

In 2014, a property owner constructed and donated a water main to the Authority. The total value of the dedicated water main is \$94,598. Ownership was assumed, recorded and acceptance of the maintenance bond was authorized at the completion of each project.

In 2013, by Ordinance 2012-22-AOB dated July 24, 2013, the Berkeley Township Council conveyed property to the Authority at the nominal price of one dollar. Council believed the conveyance of this property will serve the greater good of the Township’s citizens as the site of an additional water source well. Construction of this well is scheduled to begin in 2014. The deed was recorded on November 13, 2013. The Authority assumed ownership at the tax assessed value of \$53,500.

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Notes to Financial Statements (continued)

For the years ended December 31, 2014 and 2013

NOTE 11: DONATED PROPERTY (continued)

Also during 2013, four separate property developers constructed and donated water mains to the Authority. The total value of the dedicated water mains is \$30,837. Ownership was assumed, recorded and acceptance of the maintenance bond was authorized at the completion of each project.

All of these donated properties were treated as non-operating revenue in the statement of revenues, expenses and changes in net position and capitalized on the Authority's statement of net position for the year ended December 31, 2013.

NOTE 12: RESTATEMENT OF PRIOR YEAR BALANCES

In 2014, the Authority determined that preliminary engineering fees incurred in 2013 on a capital project should have been capitalized rather than expensed. This occurred due to the timing of the commitment from the funding agency granting the Authority final approval to move forward with the project. According to generally accepted accounting principles, planning and design costs related to the construction of projects are capitalized when incurred. This caused the Authority's net loss to be overstated by \$176,997 as of December 31, 2013, resulting in an understatement of unrestricted net position and net investment capital assets for the same amount. The Authority has corrected this by restating the balances for the year ended December 31, 2013 as follows:

	<u>Original Balance</u>	<u>Net Adjustment</u>	<u>Restated Balance</u>
Property, plant and equipment	\$ 27,271,530	\$ 176,997	\$ 27,448,527
Engineering fees	180,824	(176,997)	3,827
Net loss	(196,415)	176,997	(19,418)
Net investment in capital assets	8,356,085	176,997	8,533,082
Total net position	12,158,572	176,997	12,335,569

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Operating Revenues and Costs Compared to Budget
For the year ended December 31, 2014
(With comparative totals for the year ended December 31, 2013)

	December 31, 2014				December 31, 2013			
	AMENDED		ACTUAL		AMENDED		ACTUAL	
	ORIGINAL BUDGET	VARIANCE	ORIGINAL BUDGET	VARIANCE	ORIGINAL BUDGET	VARIANCE	ORIGINAL BUDGET	VARIANCE
Revenues:								
User charges	\$ 1,625,000	\$ 32,026	\$ 1,657,026	\$ 32,026	\$ 1,650,000	\$ 1,640,130	\$ (9,870)	
Connection fees	17,600	34,115	51,715	34,115	17,600	40,815	23,215	
Interest earned on connection fees	-	480	480	480	-	1,460	1,460	
Other operating revenue	-	10,728	10,728	10,728	-	2,463	2,463	
Water tower rentals	244,500	5,727	250,227	5,727	230,000	240,633	10,633	
Interest income	15,000	291	15,291	291	28,000	17,187	(10,813)	
Total operating revenues	1,902,100	83,367	1,985,467	83,367	1,925,600	1,942,688	17,088	
Expenses:								
Cost of providing services:								
Salaries	240,000	1,339	238,661	1,339	233,000	229,307	3,693	
Payroll taxes and fringe benefits	150,625	22,179	128,446	22,179	146,350	133,885	12,465	
Utilities and natural gas	90,000	17,982	72,018	17,982	104,000	68,744	35,256	
Plant and system expense	100,500	29,257	71,243	29,257	100,500	47,415	53,085	
Permits and fees	20,000	5,930	14,070	5,930	20,000	13,810	6,190	
Uniforms	4,000	1,205	2,795	1,205	4,000	3,221	779	
Vehicle expense	12,000	6,147	5,853	6,147	12,000	3,883	8,117	
Total cost of providing services	617,125	84,039	533,086	84,039	619,850	500,265	119,585	
Administrative and general expenses:								
Salaries	225,000	29,837	195,163	29,837	205,750	197,818	7,932	
Payroll taxes and fringe benefits	145,700	40,664	105,036	40,664	146,350	115,500	30,850	
Office supplies and expenses	56,600	11,769	44,831	11,769	57,600	43,785	13,815	
Advertising and printing	4,000	1,798	2,202	1,798	4,000	2,172	1,828	
Telephone	11,000	2,388	8,612	2,388	10,000	8,455	1,545	
Engineering fees	65,000	62,899	2,101	62,899	50,000	3,827	46,173	
Legal fees	45,000	37,108	7,892	37,108	50,000	17,217	32,783	

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Operating Revenues and Costs Compared to Budget
For the year ended December 31, 2014
(With comparative totals for the year ended December 31, 2013)

Schedule I
(continued)

	December 31, 2014			December 31, 2013				
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE
Administrative and general expenses (continued):								
Accounting services	45,000	45,000	27,537	17,463	40,000	40,000	33,199	6,801
Trustee fees	12,500	12,500	8,093	4,407	17,000	17,000	13,703	3,297
Insurance	22,000	22,000	19,329	2,671	22,000	22,000	19,544	2,456
Postage and freight	9,000	9,000	5,638	3,362	9,000	9,000	6,834	2,166
Total administrative and general expenses	640,800	640,800	426,434	214,366	611,700	611,700	462,054	149,646
Non-operating expenses:								
Interest paid	296,825	296,825	297,823	(998)	394,839	394,839	289,497	105,342
Debt service	377,800	377,800	793,759	(415,959)	530,444	530,444	793,752	(263,308)
Township appropriation	81,786	81,786	81,786	-	88,100	88,100	88,100	-
Total non-operating revenues/(expenses)	756,411	756,411	1,173,368	(416,957)	1,013,383	1,013,383	1,171,349	(157,966)
Capital outlay and reserves:								
Renewal and replacement	20,000	20,000	20,000	-	20,000	20,000	20,000	-
Tower maintenance	50,000	50,000	-	50,000	50,000	50,000	-	50,000
Phase V water main installation (capitalized)	2,100,000	2,100,000	1,078,648	1,021,352	-	-	-	-
Well #4 installation (capitalized)	1,100,000	1,100,000	40,947	1,059,053	-	-	-	-
Equipment/system upgrades	50,000	50,000	-	50,000	110,000	110,000	-	110,000
Meters	50,000	50,000	-	50,000	6,500	6,500	-	6,500
Total capital outlay and reserves	3,370,000	3,370,000	1,139,595	2,230,405	186,500	186,500	20,000	166,500
Total expenses	5,384,336	5,384,336	3,272,483	2,111,853	2,431,433	2,431,433	2,153,668	277,765
Excess operational revenues over expenses	\$ (3,482,236)	\$ (3,482,236)	(1,287,016)	\$ 2,195,220	\$ (505,833)	\$ (505,833)	(210,980)	\$ 294,853
Plus:								
Capitalized fixed assets			1,119,595					
Capital outlay and reserves			20,000				20,000	
Amortization premium/(bond costs), net			6,309				6,429	
Donated property			94,598				84,337	
Debt service			793,759				793,752	
NJEIT debt forgiveness			500,000				-	
FEMA reimbursements			-				8,291	
Less:								
Depreciation			(700,709)				(701,090)	
Debt issuance expense			(36,874)				-	
Adjustment for interest accrual			(3,030)				(20,157)	
Change in net position per Statements of Revenue, Expenses and Changes in Net Position			\$ 506,632				\$ (19,418)	

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenue, Expenses and Changes in Net Position - Unrestricted and Restricted
For the year ended December 31, 2014
(With comparative totals for the year ended December 31, 2013)

	Unrestricted		Restricted		Reserve for Capital	2014	2013
	Unreserved	Board Designated	Reserve for Debt Service	Investments in Capital Assets, Net			
Operating revenues:							
User charges	\$ 1,657,026	\$ -	\$ -	\$ -	\$ -	\$ 1,657,026	\$ 1,640,130
Connection fees	51,715	-	-	-	-	51,715	40,815
Interest earned on connection fees	480	-	-	-	-	480	1,460
Other operating revenue	10,728	-	-	-	-	10,728	2,463
Total operating revenues	1,719,949	-	-	-	-	1,719,949	1,684,868
Operating expenses:							
Cost of providing services	533,086	-	-	-	-	533,086	500,265
Administrative and general	426,434	-	-	-	-	426,434	462,054
Depreciation	-	-	-	700,709	-	700,709	701,090
Total operating expenses	959,520	-	-	700,709	-	1,660,229	1,663,409
Operating revenues over expenses	760,429	-	-	(700,709)	-	59,720	21,459
Non-operating revenues/(expenses):							
Water tower rental	250,227	-	-	-	-	250,227	240,633
Interest income	15,291	-	-	-	-	15,291	17,187
Interest expense	(300,853)	-	-	-	-	(300,853)	(309,654)
Township appropriation	(81,786)	-	-	-	-	(81,786)	(88,100)
Donated property	94,598	-	-	-	-	94,598	84,337
Amortization premium/(bond costs), net	-	-	-	6,309	-	6,309	6,429
Debt issuance expense	(36,874)	-	-	-	-	(36,874)	-
Gain on disposal of asset	-	-	-	-	-	-	-
NJEIT debt forgiveness	500,000	-	-	-	-	500,000	-
FEMA reimbursements	-	-	-	-	-	-	8,291
Total non-operating revenue/(expenses)	440,603	-	-	6,309	-	446,912	(40,877)
Change in net position before transfers	1,201,032	-	-	(694,400)	-	506,632	(19,418)
Transfers	(565,251)	-	71,441	473,810	20,000	-	-
Net position, January 1	1,849,171	540,000	623,448	8,533,082	300,000	12,335,569	12,354,987
Net position, December 31	\$ 2,484,952	\$ 540,000	\$ 694,889	\$ 8,312,492	\$ 320,000	\$ 12,842,201	\$ 12,335,569

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Unrestricted Accounts
For the year ended December 31, 2014
(With comparative totals for the year ended December 31, 2013)

	Petty Cash	Revenue Checking	Operating Checking	Escrow Checking	General Fund	Revenue Fund	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and Investments - January 1	50	15,678	184,159	10,000	1,973,588	-	2,183,475	2,258,010
Cash Receipts:								
User charges	-	1,736,959	-	-	-	-	1,736,959	1,640,130
Connection fees	-	62,654	-	-	-	-	62,654	40,815
Water tower rentals	-	250,227	-	-	-	-	250,227	240,633
Miscellaneous income	-	10,728	-	-	-	-	10,728	2,463
Interest income	-	589	-	-	9,611	-	10,200	4,608
Interest earned on connection fees	-	480	-	-	-	-	480	1,460
NJEIT principal forgiveness	-	500,000	-	-	-	-	500,000	-
NJEIT loan received	-	767,452	-	-	-	-	767,452	-
FEMA reimbursements	-	-	-	-	-	-	-	-
Transfers from restricted funds	-	361	-	-	301,218	-	301,579	8,291
Transfers from unrestricted funds	-	-	2,380,000	-	-	-	2,380,000	435,918
Total Cash Receipts	-	3,329,450	2,380,000	-	310,829	-	6,020,279	1,104,500
Total Cash and Investments Available	50	3,345,128	2,564,159	10,000	2,284,417	-	8,203,754	5,736,828
Cash Disbursements:								
Operating claims	-	-	1,058,209	-	-	-	1,058,209	966,665
Construction claims	-	-	1,094,614	-	-	-	1,094,614	186,385
Township appropriation	-	-	81,786	-	-	-	81,786	88,100
Transfers to restricted funds	-	895,000	-	-	284,142	-	1,179,142	1,207,703
Transfers to unrestricted funds	-	2,380,000	-	-	-	-	2,380,000	1,104,500
Total Cash Disbursements	-	3,275,000	2,234,609	-	284,142	-	5,793,751	3,553,353
Cash and Investments - December 31	50	70,128	329,550	10,000	2,000,275	-	2,410,003	2,183,475

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Restricted Accounts
For the year ended December 31, 2014
(With comparative totals for the year ended December 31, 2013)

	Renewal & Replacement Account	Debt Service Account	Developers' Deposits	Bond Reserve Account	Developers' Escrows Checking	Revenue Fund	2014	2013
Cash and Investments - January 1	\$ 300,000	\$ 190,556	\$ 305,161	\$ 618,323	\$ -	\$ -	\$ 1,414,040	\$ 1,618,528
Cash Receipts:								
Developers' deposits	-	-	110,403	-	-	-	110,403	207,990
Interest income	-	-	370	4,721	-	-	5,091	12,579
Transfers from restricted funds	20,000	-	-	-	-	-	20,000	978,614
Transfers from unrestricted funds	-	591,799	-	-	-	587,343	1,179,142	1,207,703
Total Cash Receipts	20,000	591,799	110,773	4,721	-	587,343	1,314,636	2,406,886
Total Cash and Investments Available	320,000	782,355	415,934	623,044	-	587,343	2,728,676	4,025,414
Cash Disbursements:								
Payments on behalf of developers	-	-	80,297	-	-	-	80,297	93,440
Bond and loan principal payments	-	377,771	-	-	-	-	377,771	793,748
Interest paid	-	300,853	-	-	-	-	300,853	309,654
Transfers to restricted funds	-	-	-	-	-	20,000	20,000	978,614
Transfers to unrestricted funds	-	-	-	209,238	-	92,341	301,579	435,918
Total Cash Disbursements	-	678,624	80,297	209,238	-	112,341	1,080,500	2,611,374
Cash and Investments - December 31	\$ 320,000	\$ 103,731	\$ 335,637	\$ 413,806	\$ -	\$ 475,002	\$ 1,648,176	\$ 1,414,040



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

Board of Commissioners of the
Berkeley Township Municipal Utilities Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Berkeley Township Municipal Utilities Authority as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Berkeley Township Municipal Utilities Authority’s basic financial statements and have issued our report thereon dated April 06, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Berkeley Township Municipal Utilities Authority’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Berkeley Township Municipal Utilities Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of Berkeley Township Municipal Utilities Authority’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Berkeley Township Municipal Utilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

April 06, 2015
Toms River, New Jersey



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Commissioners
Berkeley Township Municipal Utilities Authority

Report on Compliance for Each Major Federal Program

We have audited Berkeley Township Municipal Utilities Authority’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Berkeley Township Municipal Utilities Authority’s major federal programs for the year ended December 31, 2014. Berkeley Township Municipal Utilities Authority’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Berkeley Township Municipal Utilities Authority’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* for Receipts of Federal Grants. Those standards, OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Berkeley Township Municipal Utilities Authority’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Berkeley Township Municipal Utilities Authority’s compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Berkeley Township Municipal Utilities Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

Management of Berkeley Township Municipal Utilities Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Berkeley Township Municipal Utilities Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Berkeley Township Municipal Utilities Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

April 06, 2015
Toms River, New Jersey

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Number	Total Award Amount	Award Period Covered	Balance as of 12/31/13	Cash Received	Budgetary Expenditures	Balance as of 12/31/14	Cumulative Total Expenditures
<u>State of New Jersey Department of Environmental Protection</u>									
New Jersey Environmental Infrastructure - Fund	* 66.468	1505004-006	\$ 510,007	5/29/14-8/1/2033	\$ -	\$ 200,589	\$ (200,589)	\$ -	\$ 200,589
New Jersey Environmental Infrastructure - Fund Nano	* 66.468	1505004-006 Nano	250,000	5/29/14-8/1/2033	-	250,000	(250,000)	-	250,000
New Jersey Environmental Infrastructure - Debt Forgiveness	* 66.468	1505004-006 Nano	500,000	5/29/14-8/1/2033	-	500,000	(500,000)	-	500,000
Total					\$ -	\$ 950,589	\$ (950,589)	\$ -	\$ 950,589

* Denotes major programs

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley,
County of Ocean, State of New Jersey)
Notes to Schedules of Expenditures of Federal Awards
For the year ended December 31, 2014

NOTE 1: GENERAL

The accompanying schedule of federal financial assistance includes federal award activity of the Board of Commissioners, Berkeley Township Municipal Utilities Authority. The Board is defined in Note 1 to the Board's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule of expenditures of federal awards.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of federal financial assistance is presented on the budgetary basis of accounting. This basis of accounting is described in Note 2 to the Authority's basic financial statements.

NOTE 3: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal financial reports.

NOTE 4: FEDERAL LOANS OUTSTANDING

The Berkeley Township Municipal Utilities Authority had federal loans outstanding totaling \$1,941,464 as of December 31, 2014.

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley,
County of Ocean, State of New Jersey)
Schedule of Findings and Questioned Costs
For the year ended December 31, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
1) Material weakness(es) identified?	None Reported
2) Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to basic financial statements noted?	None Reported

Federal Awards

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No
Type of auditor’s report issued on compliance for major programs:	<u>Unmodified</u>
Internal Control over major programs:	
1) Material weakness(es) identified?	None Reported
2) Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Any audit findings disclosed that are required to be reported in accordance With Section .510(a) of Circular A-133?	None Reported

Identification of major programs

CFDA Number(s)	Name of Federal Program Cluster
66.468	New Jersey Environmental Infrastructure-Fund 1505004-006 Nano
66.468	New Jersey Environmental Infrastructure-Debt Forgiveness 1505004-006 Nano
66.468	New Jersey Environmental Infrastructure-Fund 1505004-006

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley,
County of Ocean, State of New Jersey)
Schedule of Findings and Questioned Costs (continued)
For the year ended December 31, 2014

Section II – Financial Statement Findings

This schedule identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

No Current Year Findings

Section III – Federal Expenditures Findings and Questioned Costs

This section identifies the reportable conditions, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular Letter 04-04.

No Current Year Findings

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley,
County of Ocean, State of New Jersey)
Summary Schedule of Prior Year Audit Findings and Questioned Costs
For the year ended December 31, 2014

This section identifies the reportable conditions, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular Letter 04-04.

No Prior Year Findings

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Board of Commissioners and Management
December 31, 2014

Patrick Pizzi..... Chairman
Michael W. Hale Vice Chairman
Lloyd G. Mullikin Secretary
Kevin Askew Treasurer/Alternate
Keith Buscio..... Commissioner
Karen Davis Commissioner
Michele Nugent..... Executive Director



HOLMAN | FRENIA
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To the Board of Commissioners of the
Berkeley Township Municipal Utilities Authority
Bayville, New Jersey 08721

We have audited the financial accounts and transactions of the Berkeley Township Municipal Utilities Authority, a component unit of the Township of Berkeley, in the County of Ocean, State of New Jersey for the year ended December 31, 2014. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised by (N.J.S.A.40A:11-4)

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500 except by contract or agreement.

The Authority has a qualified purchasing agent on staff and therefore may award contracts up to \$36,000 without competitive bids.

It is pointed out that the Members of the Authority have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

Since computerized general ledgers do not provide for the aggregation of payments within categories for performance of work or furnishing of materials and supplies, we reviewed disbursements to determine whether any clear-cut violations of the bid and quote thresholds established by the Authority existed. The results of our examination did not disclose any discrepancies.

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$5,400 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Fund

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the Authority employees and we ascertained that the accumulated withholdings were disbursed to the proper agencies.

Property, Plant & Equipment

The property, plant and equipment subsidiary ledger was maintained properly.

Follow-Up of Prior Years' Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year findings. There were no findings in the prior year.

Acknowledgment

We received the complete cooperation of all the Authority officials and employees and we greatly appreciate the courtesies extended to the members of the audit team.

During our audit, we did not note any problems or weaknesses significant enough that would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions concerning our comments, please call us.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

April 06, 2015
Toms River, New Jersey