

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

**Financial Statements and Supplementary Information**

**For the years ended December 31, 2015 and 2014**

**(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, 2015 and 2014**

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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, 2015 and 2014, 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 as of December 31, 2015 and 2014, 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.

## **Emphasis of Matter**

### ***Adoption of New Accounting Pronouncement***

As discussed in Note 2 to the financial statements, during the year ended December 31, 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No.27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

The Schedule of Revenue, Expenses and Changes in Net Position – Unrestricted and Restricted for the year ended December 31, 2015, the Schedules of Bond Service Requirements by Years for the year ended December 31, 2015, and the Schedules of Debt Service Requirements by Years for the year ended December 31, 2015 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2016 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 28, 2016  
Toms River, New Jersey



**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**

The Board of Commissioners of  
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 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 Authority as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated April 28, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 28, 2016  
Toms River, New Jersey



## Berkeley Township MUNICIPAL UTILITIES AUTHORITY

42 Station Road  
Bayville, NJ 08721  
(732) 237-0100  
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April 28, 2016

### 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 3,250 residents and businesses of a bayside community within Berkeley Township, NJ. 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 319,800 linear feet of 6" to 16" diameter mains.

The Authority is proud to submit the attached financial statements which reflect the results of management's continued commitment of conservative fiscal planning and performance. We encourage you to visit our website at [www.Berkeleymua.org](http://www.Berkeleymua.org) to review the most recent Consumer Confidence Report of Water Quality issued during 2015. 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 2015, the Authority initiated the construction of a fourth ground water well into the Piney Point Aquifer. This capital project is required by the NJDEP to progress in a two step construction plan. The first phase (referred to as the "Phase I/Test Well") was completed under budget in 2015. The next phase (referred to as the "Phase II/Production Well") is anticipated to begin in October, 2016. This well will become the primary water source and increase the firm capacity of the treatment plant from 2.0 million gallons per day to 2.5 million gallons per day. This increase will ensure the Authority can support the anticipated growth of the area.

The Authority also finalized the Phase VI water main installation plans and specifications. This project will connect another 100 homes to the public water system, create better water corridors to increase system flow pressures and extend a water line towards a near-by town for a future system interconnect. Completion of this project is estimated in the later part of 2016. The three referenced projects will be financed by low interest NJEIT interim construction loans (notes) which will be paid off with the issuance of bonds in 2017.

The website referenced above also includes the 2016 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.

As described in Note 15 to the financial statements, "Prior Period Adjustment/Restatement of Net Position", the Authority has adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, for the year ended December 31, 2015. The adoption of this principle resulted in a restatement of the Authority's opening net position as of January 1, 2015 in the amount of \$1,066,624.



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, 2015 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, 2015 and 2014.

The Statements of Net position shows the financial position of the Authority at December 31<sup>st</sup> 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, 2015, the Authority had total assets of \$24,229,379 compared to \$24,399,043 at December 31, 2014. The decrease of \$169,664 can be primarily attributed to an increase in accumulated depreciation.

At December 31, 2015, the Authority had total liabilities of \$12,225,995 compared to \$11,422,327 at December 31, 2014. This increase of \$803,668 is primarily attributed to the award of the New Jersey Environmental Infrastructure Trust short-term construction loan to fund the well #4/Phase I capital project and the recognition of the net pension liability due to the implementation of GASB 68 (see note 15).

At December 31, 2015, the Authority had total net position of \$11,882,391 compared to \$12,842,201 at December 31, 2014. This decrease of \$959,810 is accounted for primarily from the prior period adjustment related to the requirements of GASB 68 (see note 15).

The Authority had a change in net position of \$959,810 for the year ended December 31, 2015. This decrease resulted primarily to the recognition of the GASB 68 requirement. 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.

## Condensed Financial Information

Key Authority financial information for the years ended December 31, 2015, 2014 and 2013 includes the following balances:

Financial Position:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>			
Current unrestricted assets	\$ 3,241,783	\$ 3,069,390	\$ 2,909,556
Current restricted assets	1,755,437	2,065,206	1,421,079
Property, plant and equipment, net	<u>19,232,159</u>	<u>19,264,447</u>	<u>18,697,587</u>
Total assets	<u>24,229,379</u>	<u>24,399,043</u>	<u>23,028,222</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Unamortized issuance costs, net of accumulated amortization	61,502	63,366	65,229
Loss on bond refunding, net of accumulated amortization	822	847	872
Deferred outflows related to pension	<u>201,383</u>	<u>-</u>	<u>-</u>
Total deferred outflow of resources	<u>263,707</u>	<u>64,213</u>	<u>66,101</u>
Total assets and deferred outflow of resources	<u>\$ 24,493,086</u>	<u>\$ 24,463,256</u>	<u>\$ 23,094,323</u>
<b>LIABILITIES</b>			
Current unrestricted liabilities	\$ 199,004	\$ 198,015	\$ 154,855
Current restricted liabilities	1,346,427	844,200	751,064
Long-term liabilities	<u>10,680,564</u>	<u>10,380,112</u>	<u>9,645,910</u>
Total liabilities	<u>12,225,995</u>	<u>11,422,327</u>	<u>10,551,829</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Bond premium, net of accumulated amortization	173,169	178,417	183,664
Loan premium, net of accumulated amortization	17,508	20,311	23,261
Gain on loan refundings, net of accumulated amortization	174,000	-	-
Deferred inflows related to pension	<u>20,023</u>	<u>-</u>	<u>-</u>
Total deferred inflow of resources	<u>384,700</u>	<u>198,728</u>	<u>206,925</u>
<b>NET POSITION</b>			
Net investment in capital assets	8,523,983	8,312,492	8,533,082
Restricted net position	1,507,757	1,504,757	1,413,316
Unrestricted net position	<u>1,850,651</u>	<u>3,024,952</u>	<u>2,389,171</u>
Total net position	<u>11,882,391</u>	<u>12,842,201</u>	<u>12,335,569</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 24,493,086</u>	<u>\$ 24,463,256</u>	<u>\$ 23,094,323</u>

**Other Financial Information**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total revenues	\$ 2,206,394	\$ 2,586,374	\$ 2,041,745
Total expenses	<u>2,099,580</u>	<u>2,079,742</u>	<u>2,061,163</u>
Change in net position	<u>\$ 106,814</u>	<u>\$ 506,632</u>	<u>\$ (19,418)</u>
User charges	\$ 1,736,629	\$ 1,657,026	\$ 1,640,130
Bond & loan principal paid	\$ 760,485	\$ 886,250	\$ 793,752
Bond & loan payable	\$ 10,405,823	\$ 10,817,440	\$ 10,023,681

Authority operating revenues had a favorable variance of \$129,760 when compared to the budget for 2015 due primarily to higher than anticipated user fees and FEMA reimbursements received in current year.

Authority operating expenses had a favorable variance of \$206,699 when compared to the budget for 2015 primarily due to management's continuing 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](http://www.Berkeleymua.org).

Respectfully submitted,

  
Michele Nugent  
Executive Director

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Statements of Net Position  
December 31, 2015 and 2014**

<b>ASSETS</b>	<b>2015</b>	<b>2014</b>
Current unrestricted assets:		
Cash and cash equivalents	\$ 731,943	\$ 910,003
Investments	1,835,500	1,500,000
Interest receivable	7,615	2,147
Billed user fees receivable	607,563	621,069
Connection fee installment receivable	37,430	15,200
Other receivables	10,324	6,460
Prepaid expenses	11,408	14,511
Total current unrestricted assets	<u>3,241,783</u>	<u>3,069,390</u>
Current restricted assets:		
Cash and cash equivalents	911,331	1,648,176
Investments	753,800	-
Interest receivable	4,901	4,475
Other restricted receivables	85,405	412,555
Total current restricted assets	<u>1,755,437</u>	<u>2,065,206</u>
Property, plant and equipment	29,401,118	28,716,096
Less: accumulated depreciation	<u>(10,168,959)</u>	<u>(9,451,649)</u>
Property, plant and equipment, net	<u>19,232,159</u>	<u>19,264,447</u>
Total assets	<u>24,229,379</u>	<u>24,399,043</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Unamortized issuance costs, net of accumulated amortization	61,502	63,366
Loss on bond refunding, net of accumulated amortization	822	847
Deferred outflows related to pension	201,383	-
Total deferred outflow of resources	<u>263,707</u>	<u>64,213</u>
Total assets and deferred outflow of resources	<u>\$ 24,493,086</u>	<u>\$ 24,463,256</u>

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

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Statements of Net Position (continued)**  
**December 31, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>LIABILITIES</b>		
Current unrestricted liabilities:		
Accounts payable	\$ 38,426	\$ 77,004
Customer overpayments	9,374	10,480
Accrued expenses	60,224	51,529
Unearned revenue	995	1,074
Unearned connection fee revenue	42,288	57,928
Pensions payable	47,697	-
Total current unrestricted liabilities	199,004	198,015
Current restricted liabilities:		
Current portion of bonds payable	196,615	195,612
Current portion of loans payable	251,167	241,716
Construction loan payable	522,868	-
Accrued interest payable	54,047	71,234
Developer deposits	321,730	335,638
Total current restricted liabilities	1,346,427	844,200
Long-term liabilities:		
Bonds payable - long-term	6,493,742	6,690,364
Loans payable - long-term	2,941,431	3,689,748
Net pension liability	1,245,391	-
Total long-term liabilities	10,680,564	10,380,112
Total liabilities	12,225,995	11,422,327
<b>DEFERRED INFLOW OF RESOURCES</b>		
Bond premium, net of accumulated amortization	173,169	178,417
Loan premium, net of accumulated amortization	17,508	20,311
Gain on loan refundings, net of accumulated amortization	174,000	-
Deferred inflows related to pension	20,023	-
Total deferred inflow of resources	384,700	198,728
<b>NET POSITION</b>		
Net investment in capital assets	8,523,983	8,312,492
Restricted net position:		
Debt service fund	489,868	489,868
Debt service reserve fund	677,889	694,889
Capital	340,000	320,000
Unrestricted net position:		
Reserved by board designation	540,000	540,000
Unreserved	1,310,651	2,484,952
Total restricted and unrestricted net position	3,358,408	4,529,709
Total net position	11,882,391	12,842,201
Total liabilities, deferred inflow of resources and net position	\$ 24,493,086	\$ 24,463,256

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, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
Operating revenues:		
User charges	\$ 1,736,629	\$ 1,657,026
Connection fees	72,289	51,715
Other operating revenue	64,760	11,208
Total revenues	\$ 1,873,678	\$ 1,719,949
Operating expenses:		
Cost of providing services	556,009	533,086
Administrative and general	459,251	426,434
Depreciation	717,310	700,709
Total operating expenses	1,732,570	1,660,229
Net gain from operations	141,108	59,720
Non-operating revenues/(expenses):		
Water tower rental	256,891	250,227
Interest income	20,091	15,291
Interest expense	(280,756)	(300,853)
Township appropriation	(86,254)	(81,786)
Amortization premium/(bond costs), net	6,162	6,309
Donated property	8,294	94,598
Debt issuance expense	-	(36,874)
FEMA reimbursements	41,278	-
NJEIT debt forgiveness	-	500,000
Total non-operating revenue/(expenses)	(34,294)	446,912
Changes in net position	106,814	506,632
Net position, January 1	12,842,201	12,335,569
Prior period restatement (see Note 15)	(1,066,624)	-
Net position, January 1, as restated	11,775,577	12,335,569
Net position, December 31	\$ 11,882,391	\$ 12,842,201

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, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Cash received from service users	\$ 2,092,747	\$ 1,412,951
Cash paid to suppliers	(547,129)	(506,932)
Cash paid to employees	(449,807)	(433,824)
Cash received from others	64,760	11,208
	<hr/>	<hr/>
Cash flows from operating activities	1,160,571	483,403
	<hr/>	<hr/>
<b>Cash flows from investing activities:</b>		
Acquisition and construction of property, plant and equipment	(676,728)	(1,172,971)
Interest earned on investments	14,197	22,729
(Purchases)/maturities of investments	(1,089,300)	(630,820)
Township appropriation	(86,254)	(81,786)
Cash received from water tower rentals	256,891	250,227
Cash received from FEMA reimbursements	41,278	-
	<hr/>	<hr/>
Cash flows from investing activities	(1,539,916)	(1,612,621)
	<hr/>	<hr/>
<b>Cash flows from financing activities:</b>		
Principal paid on long-term debt	(760,485)	(886,250)
Proceeds received from NJEIT loans	522,868	2,143,135
Interest paid	(297,943)	(297,823)
	<hr/>	<hr/>
Cash flows from financing activities	(535,560)	959,062
	<hr/>	<hr/>
Net change in cash	(914,905)	(170,156)
Unrestricted and restricted cash, January 1	2,558,179	2,728,335
	<hr/>	<hr/>
Unrestricted and restricted cash, December 31	\$ 1,643,274	\$ 2,558,179
	<hr/>	<hr/>
<b>Reconciliation to Statements of Net Position:</b>		
Current unrestricted assets:		
Cash and cash equivalents	\$ 731,943	\$ 910,003
Current restricted asstes:		
Cash and cash equivalents	911,331	1,648,176
	<hr/>	<hr/>
Total cash and cash equivalents, December 31	\$ 1,643,274	\$ 2,558,179
	<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, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Reconciliation of operating revenue over</b>		
<b>expenses to cash flows from operating activities:</b>		
Operating revenues over expenses	\$ 141,108	\$ 59,720
Items which did not use cash:		
Depreciation	717,310	700,709
Unbudgeted pension expense	45,104	-
Working capital changes which		
(used) provided cash:		
Billed user fees receivable	13,506	74,538
Connection fee installment receivable	(22,230)	(10,850)
Other receivables	323,286	(410,033)
Prepaid expenses	3,103	(4,390)
Accounts payable	(38,578)	26,942
Customer overpayments	(1,106)	(1,429)
Accrued expenses	8,695	(3,788)
Unearned revenue	(79)	485
Unearned connection fee revenue	(15,640)	20,950
Developer deposits	(13,908)	30,549
	<u>\$ 1,160,571</u>	<u>\$ 483,403</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, 2015 and 2014**

**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, 2015, the Authority has 3,253 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.

For the year ended December 31, 2015, the Authority implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2015 and 2014**

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

**A. Basis of Accounting (continued)**

establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits.

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, 2015 and 2014**

**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, 2015 and 2014**

**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, 2015 and 2014 are \$61,502 and \$63,366, 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, 2015 and 2014 are \$46,781 and \$40,494, 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, 2015 and 2014**

**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. Deferred Inflows/Outflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2015 and 2014**

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

**P. Impact of Recently Issued Account Principles**

Adopted Accounting Pronouncements

For the year ended December 31, 2015, the Authority implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* – (Amendment to GASB Statement No. 27) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of the Statements requires the Authority to report as an asset and/or a liability its portion of the collective net pension's asset and liability of the New Jersey Public Employees' Retirement System (PERS). The implementation of the Statements also requires the Authority to report a deferred outflow and/or inflow for the effect of the net change in the Authority's proportion of the collective net pension asset and/or liability and difference during the measurement period between the Authority's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Recently Issued and Adopted Accounting Pronouncements

The Authority has adopted and implemented all current standards of the Governmental Accounting Standards Board (GASB) that are applicable as of December 31, 2015.

GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for the year ending December 31, 2016.

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, effective for the year ending December 31, 2018. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans.

GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending December 31, 2016.

The Authority will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

**Q. Fair Value Measurement**

The Authority categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Notes to Financial Statements (continued)**

**For the years ended December 31, 2015 and 2014**

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

**Q. Fair Value Measurement (continued)**

*Level I* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

*Level II* – Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

*Level III* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values.

Subsequent to initial recognition, the Authority may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The following methods and assumptions were used by the Authority in estimating the fair value of its financial instruments:

*Certificate of Deposit:* Valued at the net asset value (NAV) at year end when the NAV is valued at \$1 per unit.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**R. Township Appropriation**

The Township of Berkeley appropriates the Authority's net position to the maximum amount allowed by State law. The appropriation for 2015 and 2014 totaled \$86,254 and \$81,786, respectively, and is recorded as non-operating expenses.

**S. Subsequent Events**

The Authority has evaluated subsequent events occurring after December 31, 2015 through April 28, 2016, which is the date the financial statements were available to be issued. No events requiring disclosure in the financial statements were identified.

**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, 2015 and 2014, and reported at fair value are as follows:

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Notes to Financial Statements (continued)**

**For the years ended December 31, 2015 and 2014**

**NOTE 3: CASH AND CASH EQUIVALENTS (continued)**

	<u>2015</u>	<u>2014</u>
<b>Deposits:</b>		
Demand deposits	\$ 826,947	\$ 1,679,166
Money market funds	<u>816,327</u>	<u>879,013</u>
Total deposits	<u>\$ 1,643,274</u>	<u>\$ 2,558,179</u>
 <b>Reconciliation to Statements of Net Position:</b>		
Current unrestricted assets:		
Cash and cash equivalents	\$ 731,943	\$ 910,003
Current restricted assets:		
Cash and cash equivalents	<u>911,331</u>	<u>1,648,176</u>
Total cash and cash equivalents	<u>\$ 1,643,274</u>	<u>\$ 2,558,179</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, 2015 and 2014, the Authority's bank balance of \$1,663,138 and \$2,563,781, respectively, was insured or collateralized as follows:

	<u>2015</u>	<u>2014</u>
Insured	\$ 500,000	\$ 500,000
Collateralized in the Authority's name under GUDPA	<u>1,163,138</u>	<u>2,063,781</u>
Total	<u>\$ 1,663,138</u>	<u>\$ 2,563,781</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.

**C. Investment Credit Risk**

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



**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Notes to Financial Statements (continued)**

**For the years ended December 31, 2015 and 2014**

**NOTE 4: INVESTMENTS (continued)**

**C. Investment Credit Risk (continued)**

- 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, 2015 and 2014, the Authority had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Rating</u>	<u>2015</u>	<u>2014</u>
Certificates of Deposit	Various	Various	\$ 2,589,300	\$ 1,500,000
Total investments			<u>\$ 2,589,300</u>	<u>\$ 1,500,000</u>

**Reconciliation to Statements of Net Position:**

Current unrestricted assets:				
Investments			\$ 1,835,500	\$ 1,500,000
Current restricted assets:				
Investments			<u>753,800</u>	<u>-</u>
Total investments			<u>\$ 2,589,300</u>	<u>\$ 1,500,000</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, 2015:

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Notes to Financial Statements (continued)**

**For the years ended December 31, 2015 and 2014**

**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>2,589,300</u>	\$ <u>2,589,300</u>
Total fair value of investments	\$ <u>2,589,300</u>	\$ <u>2,589,300</u>
Investments are summarized as follows at December 31, 2014:		
	<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>

**NOTE 5: ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Accounts receivable – billed	\$ 607,563	\$ 621,069
Accounts receivable – connection fee installments	37,430	15,200
Accounts receivable – interest	12,516	6,622
Accounts receivable – NJEIT loan funds	42,615	412,555
Accounts receivable – NJEIT interest credits*	41,050	-
Accounts receivable – other	<u>12,064</u>	<u>6,460</u>
	\$ <u>753,238</u>	\$ <u>1,061,906</u>

The Authority believes that all receivables are collectible and has not established an allowance for doubtful accounts.

\*During the year ended December 31, 2014, NJEIT granted loans to the Authority in excess of the project costs. In 2015, a total of \$364,200 was determined to be excess funding and was de-obligated from the 2014 NJEIT loans. \$323,150 was de-obligated from the future principal payments and \$41,050 will be de-obligated by reducing the loan interest payments in future years as follows:

Fiscal Year	Interest
<u>Ending:</u>	<u>Credits</u>
2016	\$ 6,300
2017	6,150
2018	5,900
2019	5,650
2020	5,400
2021	4,900
2022	4,400
2023	<u>2,350</u>
	\$ <u>41,050</u>

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 6: 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	1,203,583	16,359	(1,219,942)	-
Well #4 construction in progress	126,762	483,574	-	610,336
Phase VI construction in progress	7,102	138,305	-	145,407
Total capital assets not being depreciated	<u>1,481,055</u>	<u>638,238</u>	<u>(1,219,942)</u>	<u>899,351</u>
Improvements other than building	22,283,328	1,257,348	-	23,540,676
Machinery and equipment	120,649	9,378	-	130,027
Furniture and fixtures	61,302	-	-	61,302
Water plant	4,618,821	-	-	4,618,821
Vehicles	150,941	-	-	150,941
Totals at historical cost	<u>27,235,041</u>	<u>1,266,726</u>	<u>-</u>	<u>28,501,767</u>
Less accumulated depreciation:	<u>(9,451,649)</u>	<u>(717,310)</u>	<u>-</u>	<u>(10,168,959)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>17,783,392</u>	<u>549,416</u>	<u>-</u>	<u>18,332,808</u>
Government activities capital assets, net	<u>\$ 19,264,447</u>	<u>\$ 1,187,654</u>	<u>\$ (1,219,942)</u>	<u>\$ 19,232,159</u>

**NOTE 7: CONSTRUCTION LOAN PAYABLE**

In order to finance the Phase VI construction, the Authority has been drawing down on a construction loan granted by NJEIT in 2015 to be utilized as work progresses through the completion of such construction. As of December 31, 2015, the amount borrowed and outstanding under such loan was \$522,868. As of December 31, 2014, the entire amount is reflected as a current liability, however, once payment terms are identified, a portion will be reflected as long-term debt.

**NOTE 8: BONDS PAYABLE**

Bonds payable at December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</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%.	\$ 1,375,357	\$ 1,405,976

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Notes to Financial Statements (continued)**

**For the years ended December 31, 2015 and 2014**

**NOTE 8: BONDS PAYABLE (continued)**

\$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>5,315,000</u>	<u>5,480,000</u>
Subtotal	6,690,357	6,885,976
Less: current portion	<u>(196,615)</u>	<u>(195,612)</u>
Bonds payable – long-term	<u>\$ 6,493,742</u>	<u>\$ 6,690,364</u>

Revenue bonds outstanding as of December 31, 2015 are shown as followed:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 196,615	\$ 212,890	\$ 409,506
2017	202,651	206,905	409,556
2018	208,721	200,735	409,456
2019	214,826	194,380	409,206
2020	225,967	187,839	413,806
2021-2025	1,203,302	850,827	2,054,129
2026-2030	1,397,987	657,842	2,055,829
2031-2035	1,578,740	394,339	1,973,079
2036-2040	991,620	168,084	1,159,704
2041-2045	339,928	63,527	403,455
2046-2049	<u>130,000</u>	<u>8,936</u>	<u>138,936</u>
	<u>\$ 6,690,357</u>	<u>\$ 3,146,304</u>	<u>\$ 9,836,661</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.

**NOTE 9: LOANS PAYABLE**

Loans payable at December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</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%. These were refunded in 2015.	\$ -	\$1,570,000

The 2007A NJEIT Trust fund loans are due in semi-annual principal installments of \$40,953 to \$105,347

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 9: LOANS PAYABLE (continued)**

through August 1, 2026, at zero percent interest.	1,085,544	1,189,932
The 2014A NJEIT Trust Loans are due in annual principal installments of \$10,000 to \$15,000 through August 1, 2033, at interest rates ranging from 3.0% to 5.0%.	115,000	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%.	238,598	250,000
The 2014A NANO NJEIT Trust fund loans are due in semi-annual principal installments of \$4,237 to \$8,475 through August 1, 2033, at zero percent interest.	228,814	241,525
The 2014A NJEIT Trust fund loans are due in semi-annual principal installments of \$9,107 to \$18,215 through August 1, 2033, at zero percent interest.	218,642	510,007
The 2015A-R1 refunding loan is due in annual principal installments of \$86,000 to \$138,000 through August 1, 2027 at interest rates ranging from 2.28% to 3.32%.	<u>1,306,000</u>	<u>-</u>
Subtotal	3,192,598	3,931,464
Less: current portion	<u>(251,167)</u>	<u>(241,716)</u>
Loans payable – long-term	<u>\$ 2,941,431</u>	<u>\$ 3,689,748</u>

**A. New Jersey Environmental Infrastructure Trust Series 2007A, 2014A and 2015A-R1 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%. The trust portion of the 2007 issue was refunding during the year ended December 31, 2015 to the 2015A-R1 refunding loan.

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

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Notes to Financial Statements (continued)**

**For the years ended December 31, 2015 and 2014**

**NOTE 9: LOANS PAYABLE (continued)**

**A. New Jersey Environmental Infrastructure Trust Series 2007A, 2014A and 2015A-R1 NANO Loans Payable (continued)**

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%.

In 2015, the 2007A “Trust” loans were refunded to the 2015A-R1 Issue, \$1,306,000, mature annually from August 1, 2016 through 2027 at annual maturities ranging from \$86,000 to \$138,000 and bear interest rates ranging from 2.28% to 3.32%.

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>
2016	\$ 251,167	\$ 58,416	\$ 309,583
2017	242,378	72,177	314,555
2018	246,452	67,552	314,004
2019	250,407	62,687	313,094
2020	256,940	57,591	314,530
2021-2025	1,328,390	197,509	1,525,900
2026-2030	496,040	67,864	563,904
2031-2034	120,824	5,584	126,408
	<u>\$ 3,192,598</u>	<u>\$ 589,379</u>	<u>\$ 3,781,978</u>

**NOTE 10: REFUNDING OF 2007 NEW JERSEY INFRASTRUCTURE TRUST LOAN**

On November 10, 2015, the Authority issued Series 2015A-R1 NJEIT Refunding Bonds in the amount of \$1,306,000. The proceeds of this issuance were utilized to refund the 2007 NJEIT trust loan outstanding. The Refunding Bonds issued resulted in a net gain on refunding of \$174,000 in the current year and the refunding is expected to produce a new savings of approximately \$197,046 over the life of the new bond series. The \$174,000 gain on refunding is recognized as a deferred inflow of resources and will be amortized over the life of the loan.

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Notes to Financial Statements (continued)**

**For the years ended December 31, 2015 and 2014**

**NOTE 11: PENSION OBLIGATIONS**

**A. Public Employees' Retirement System (PERS)**

**Plan Description** - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml).

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

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Allocation Methodology and Reconciliation to Financial Statements** - GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, requires participating employers in the New Jersey Public Employees' Retirement System (PERS) to recognize their proportionate share of the collective net pension liability, collective deferred outflows and inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented and applied are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2014 through June 30, 2015. The employer allocation percentages have been rounded for presentation purposes, therefore amounts may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Notes to Financial Statements (continued)**

**For the years ended December 31, 2015 and 2014**

**NOTE 11: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

**Contributions** - The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015 and 2014, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

**Three-Year Trend Information for PERS**

<u>Year</u> <u>Funding</u>	<u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
12/31/2015	\$ 47,697	100%	\$ 1,245,391
12/31/2014	\$ 44,929	100%	\$ 1,020,389
12/31/2013	\$ 39,785	100%	\$ 1,009,145

**Components of Net Pension Liability** - At December 31, 2015, the Authority reported a liability of \$1,245,391 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The Authority's proportion measured as of June 30, 2015, was .00555%, which was an increase of .00010% from its proportion measured as of June 30, 2014.

Collective Balances at December 31, 2015 and December 31, 2014

	<u>12/31/2015</u> July 1, 2014	<u>12/31/2014</u> July 1, 2013
Acturial valuation date		
Deferred Outflows of Resources	\$ 201,383	\$ 104,433
Deferred Inflows of Resources	\$ 20,023	\$ 60,810
Net Pension Liability	\$ 1,245,391	\$ 1,020,389
Authority's portion of the Plan's total net pension Liability	0.00555%	0.00545%



**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 11: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

**Pension Expense and Deferred Outflows/Inflows of Resources** - For the year ended December 31, 2015, the Authority recognized pension expense of \$45,104. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 133,745	\$ -
Net difference between expected and actual experience	29,711	-
Net difference between projected and actual earnings on pension plan investments	-	20,023
Changes in proportion and differences between Authority contributions and proportionate share of contributions	37,927	-
Total	\$ 201,383	\$ 20,023

\$47,697 reported as pension payable resulting from the Authority's contributions subsequent to the measurement date (i.e. for the fiscal year ending December 31, 2015, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability in the year ended December 31, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>		<u>PERS</u>
2016	\$	34,508
2017		34,508
2018		34,508
2019		49,711
2020		28,124
Thereafter		-

**Actuarial Assumptions** - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Notes to Financial Statements (continued)**

**For the years ended December 31, 2015 and 2014**

**NOTE 11: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

	<u>PERS</u>
Measurement date	June 30, 2015
Actuarial valuation date	July 1, 2014
Investment rate of return	7.90%
Salary increases:	2012-2021 - 2.15-4.40% based on age Thereafter - 3.15-5.40% based on age
Inflation rate	3.04%

Mortality rates were based on the RP-2000 Combined Healthy Male or Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**Long-Term Expected Rate of Return** - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 11: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
Total	100%	

**Discount Rate** - The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rates and that contributions from employers will be made on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Authority's proportionate share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90%) or 1-percentage-point higher (5.90%) than the current rate:

	1% <u>Decrease</u> <u>(3.90%)</u>	Current <u>Discount</u> <u>Rate (4.90%)</u>	1% <u>Increase</u> <u>(5.90%)</u>
Authority's proportionate share of the net pension liability \$	1,547,868	1,245,391	991,796

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Notes to Financial Statements (continued)**

**For the years ended December 31, 2015 and 2014**

**NOTE 12: 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 13: 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 2015, 2014, or 2013.

**NOTE 14: DONATED PROPERTY**

In 2015, a property owner constructed and donated a water main to the Authority. The total value of the dedicated water main is \$8,294. Ownership was assumed, recorded and acceptance of the maintenance bond was authorized at the completion of each project.

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.

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 years ended December 31, 2015 and 2014.

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Notes to Financial Statements (continued)**

**For the years ended December 31, 2015 and 2014**

**NOTE 15: PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION**

Net position as of January 1, 2015 has been restated as follows for the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.

	Governmental <u>Activities</u>
Net Position as previously reported at December 31, 2014	\$ 12,842,201
Prior period adjustment - Implementation of GASB 68:	
Net Pension Liability (measurement date as of June 30, 2014)	(1,020,389)
PERS Pension Payable (2015 Authority PERS Pension Contribution)	(44,929)
Deferred Outflows (measurement date as of June 30, 2014)	59,504
Deferred Inflows (measurement date as of June 30, 2014)	(60,810)
Total prior period adjustment	<u>(1,066,624)</u>
Net Position as restated, January 1, 2015	<u><u>\$ 11,775,577</u></u>

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Operating Revenues and Costs Compared to Budget**  
**For the year ended December 31, 2015**  
**(With comparative totals for the year ended December 31, 2014)**

	December 31, 2015			December 31, 2014				
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE
<b>Revenues:</b>								
User charges	\$ 1,675,000	1,675,000	\$ 1,736,629	\$ 61,629	\$ 1,625,000	1,625,000	\$ 1,657,026	\$ 32,026
Connection fees	92,400	92,400	72,289	(20,111)	17,600	17,600	51,715	34,115
Interest earned on connection fees	-	-	380	380	-	-	480	480
Other operating revenue	-	-	64,380	64,380	-	-	10,728	10,728
Water tower rentals	244,500	244,500	256,891	12,391	244,500	244,500	250,227	5,727
Interest income	9,000	9,000	20,091	11,091	15,000	15,000	15,291	291
<b>Total operating revenues</b>	<b>2,020,900</b>	<b>2,020,900</b>	<b>2,150,660</b>	<b>129,760</b>	<b>1,902,100</b>	<b>1,902,100</b>	<b>1,985,467</b>	<b>83,367</b>
<b>Expenses:</b>								
<b>Cost of providing services:</b>								
Salaries	244,000	244,000	251,535	(7,535)	240,000	240,000	238,661	1,339
Payroll taxes and fringe benefits	148,800	148,800	164,384	(15,584)	150,625	150,625	128,446	22,179
Utilities and natural gas	90,000	90,000	72,605	17,395	90,000	90,000	72,018	17,982
Plant and system expense	103,000	103,000	42,126	60,874	100,500	100,500	71,243	29,257
Permits and fees	20,000	20,000	14,070	5,930	20,000	20,000	14,070	5,930
Uniforms	4,000	4,000	2,440	1,560	4,000	4,000	2,795	1,205
Vehicle expense	12,000	12,000	8,849	3,151	12,000	12,000	5,853	6,147
<b>Total cost of providing services</b>	<b>621,800</b>	<b>621,800</b>	<b>556,009</b>	<b>65,791</b>	<b>617,125</b>	<b>617,125</b>	<b>533,086</b>	<b>84,039</b>
<b>Administrative and general expenses:</b>								
Salaries	206,250	206,250	198,272	7,978	225,000	225,000	195,163	29,837
Payroll taxes and fringe benefits	161,200	161,200	129,576	31,624	145,700	145,700	105,036	40,664
Office supplies and expenses	60,000	60,000	42,925	17,075	56,600	56,600	44,831	11,769
Advertising and printing	4,000	4,000	1,492	2,508	4,000	4,000	2,202	1,798
Telephone	11,000	11,000	9,061	1,939	11,000	11,000	8,612	2,388
Engineering fees	85,000	85,000	1,783	83,217	65,000	65,000	2,101	62,899
Legal fees	40,000	40,000	7,711	32,289	45,000	45,000	7,892	37,108

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Operating Revenues and Costs Compared to Budget**  
**For the year ended December 31, 2015**  
**(With comparative totals for the year ended December 31, 2014)**

	December 31, 2015			December 31, 2014				
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE
Administrative and general expenses (continued):								
Accounting services	50,000	50,000	26,797	23,203	45,000	45,000	27,537	17,463
Trustee fees	14,500	14,500	13,595	905	12,500	12,500	8,093	4,407
Insurance	25,000	25,000	20,325	4,675	22,000	22,000	19,329	2,671
Postage and freight	9,000	9,000	7,714	1,286	9,000	9,000	5,638	3,362
Total administrative and general expenses	665,950	665,950	459,251	206,699	640,800	640,800	426,434	214,366
Non-operating expenses:								
Interest paid	301,180	301,180	297,943	3,237	296,825	296,825	297,823	(998)
Debt service	437,328	437,328	437,335	(7)	377,800	377,800	793,759	(415,959)
Township appropriation	86,254	86,254	86,254	-	81,786	81,786	81,786	-
Total non-operating revenues/(expenses)	824,762	824,762	821,532	3,230	756,411	756,411	1,173,368	(416,957)
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	-	1,078,648	(1,078,648)
Well #4 installation (capitalized)	1,100,000	1,100,000	-	1,100,000	1,100,000	-	40,947	(40,947)
Equipment/computers	77,000	77,000	-	77,000	50,000	50,000	-	50,000
Meters	-	-	-	-	50,000	50,000	-	50,000
Total capital outlay and reserves	1,247,000	1,247,000	20,000	1,227,000	3,370,000	170,000	1,139,595	(969,595)
Total expenses	3,359,512	3,359,512	1,856,792	1,502,720	5,384,336	2,184,336	3,272,483	(1,088,147)
Excess operational revenues over expenses	\$ (1,338,612)	\$ (1,338,612)	293,868	\$ 1,632,480	\$ (3,482,236)	\$ (282,236)	(1,287,016)	\$ (1,004,780)
Plus:								
Capitalized fixed assets			-				1,139,595	
Capital outlay and reserves			20,000				6,309	
Amortization premium/(bond costs), net			6,162				94,598	
Donated property			8,294				793,759	
Debt service			437,335				500,000	
NJEIT debt forgiveness			-				-	
FEMA reimbursements			41,278				-	
Less:								
Depreciation			(717,310)				(700,709)	
Debt issuance expense			-				(36,874)	
Gain on disposal of asset			-				-	
Adjustment for interest accrual			17,187				(3,030)	
Change in net position per Statements of Revenue, Expenses and Changes in Net Position			\$ 106,814				\$ 506,632	

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of the Authority's Proportionate Share of the Net Pension Liability**  
**Public Employees' Retirement System**  
**Last Ten Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's proportion of the net pension liability (asset)	0.00555%	0.00545%	0.00528%
Authority's proportionate share of the net pension liability (asset)	\$ 1,245,391	\$ 1,020,389	\$ 1,009,145
Authority's covered-employee payroll	\$ 379,990	\$ 368,749	\$ 377,777
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	327.74%	276.72%	267.13%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%	48.72%

\*\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.



**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Authority Contributions**  
**Public Employees' Retirement System**  
**Last Ten Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 47,697	\$ 44,929	\$ 39,785
Contributions in relation to the contractually required contribution	<u>47,697</u>	<u>44,929</u>	<u>39,785</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 379,990	\$ 368,749	\$ 377,777
Contributions as a percentage of covered-employee payroll	12.55%	12.18%	10.53%

\*\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

# BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

## Notes to the Required Supplementary Information

For the year ended December 31, 2015

### Public Employees' Retirement System (PERS)

**Basis of Presentation.** The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived in a report provided by KPMG dated April 14, 2016. The full report is available by the State of New Jersey, Division of Pension and Benefits. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

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

**Changes of assumptions.** Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Revenue, Expenses and Changes in Net Position - Unrestricted and Restricted**  
**For the year ended December 31, 2015**  
**(With comparative totals for the year ended December 31, 2014)**

	Unrestricted		Restricted			2015	2014
	Unreserved	Board Designated	Reserve for Debt Service	Investments in Capital Assets, Net	Reserve for Capital		
Operating revenues:							
User charges	\$ 1,736,629	-	\$ -	\$ -	\$ -	\$ 1,736,629	\$ 1,657,026
Connection fees	72,289	-	-	-	-	72,289	51,715
Other operating revenue	64,760	-	-	-	-	64,760	11,208
Total operating revenues	1,873,678	-	-	-	-	1,873,678	1,719,949
Operating expenses:							
Cost of providing services	556,009	-	-	-	-	556,009	533,086
Administrative and general	459,251	-	-	-	-	459,251	426,434
Depreciation	-	-	-	717,310	-	717,310	700,709
Total operating expenses	1,015,260	-	-	717,310	-	1,732,570	1,660,229
Operating revenues over expenses	858,418	-	-	(717,310)	-	141,108	59,720
Non-operating revenues/(expenses):							
Water tower rental	256,891	-	-	-	-	256,891	250,227
Interest income	20,091	-	-	-	-	20,091	15,291
Interest expense	(280,756)	-	-	-	-	(280,756)	(300,853)
Township appropriation	(86,254)	-	-	-	-	(86,254)	(81,786)
Donated property	8,294	-	-	-	-	8,294	94,598
Amortization premium/(bond costs), net	-	-	-	6,162	-	6,162	6,309
Debt issuance expense	-	-	-	-	-	-	(36,874)
NJETA debt forgiveness	-	-	-	-	-	-	500,000
FEMA reimbursements	41,278	-	-	-	-	41,278	-
Total non-operating revenue/(expenses)	(40,456)	-	-	6,162	-	(34,294)	446,912
Change in net position before transfers	817,962	-	-	(711,148)	-	106,814	506,632
Transfers	(925,639)	-	(17,000)	922,639	20,000	-	-
Net position, January 1	2,484,952	540,000	694,889	8,312,492	320,000	12,842,201	12,335,569
Prior period restatement (see Note 15)	(1,066,624)	-	-	-	-	(1,066,624)	-
Net position, January 1, as restated	1,418,328	540,000	694,889	8,312,492	320,000	11,775,577	12,335,569
Net position, December 31	\$ 1,310,651	\$ 540,000	\$ 677,889	\$ 8,523,983	\$ 340,000	\$ 11,882,391	\$ 12,842,201

Schedule V

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Bond Service Requirements by Years**  
**December 31, 2015**

<u>Years</u> <u>Ending</u>	<u>2003 Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 31,615	\$ 44,447	\$ 76,062
2017	32,651	43,411	76,062
2018	33,721	42,341	76,062
2019	34,826	41,236	76,062
2020	35,967	40,095	76,062
2021	37,145	38,917	76,062
2022	38,362	37,700	76,062
2023	39,619	36,443	76,062
2024	40,917	35,145	76,062
2025	42,258	33,804	76,062
2026	43,642	32,420	76,062
2027	45,072	30,990	76,062
2028	46,549	29,513	76,062
2029	48,074	27,988	76,062
2030	49,649	26,413	76,062
2031	51,276	24,786	76,062
2032	52,956	23,106	76,062
2033	54,691	21,371	76,062
2034	56,483	19,579	76,062
2035	58,334	17,728	76,062
2036	60,245	15,817	76,062
2037	62,219	13,843	76,062
2038	64,257	11,805	76,062
2039	66,363	9,699	76,062
2040	68,537	7,525	76,062
2041	70,782	5,280	76,062
2042	73,102	2,961	76,062
2043	36,044	587	36,631
Total	<u>\$ 1,375,356</u>	<u>\$ 714,949</u>	<u>\$ 2,090,305</u>

**Schedule V  
(continued)**

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
Schedule of Bond Service Requirements by Years  
December 31, 2015**

<u>Years</u> <u>Ending</u>	<u>2012 Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 165,000	\$ 168,444	\$ 333,444
2017	170,000	163,494	333,494
2018	175,000	158,394	333,394
2019	180,000	153,144	333,144
2020	190,000	147,744	337,744
2021	190,000	143,944	333,944
2022	195,000	140,144	335,144
2023	200,000	134,294	334,294
2024	205,000	128,294	333,294
2025	215,000	122,144	337,144
2026	220,000	115,694	335,694
2027	225,000	109,094	334,094
2028	235,000	102,344	337,344
2029	240,000	95,294	335,294
2030	245,000	88,094	333,094
2031	255,000	78,294	333,294
2032	265,000	68,094	333,094
2033	280,000	57,494	337,494
2034	290,000	46,294	336,294
2035	215,000	37,594	252,594
2036	145,000	31,144	176,144
2037	150,000	26,613	176,613
2038	155,000	21,925	176,925
2039	125,000	16,888	141,888
2040	95,000	12,825	107,825
2041	20,000	9,738	29,738
2042	20,000	9,088	29,088
2043	40,000	8,438	48,438
2044	40,000	7,088	47,088
2045	40,000	5,738	45,738
2046	40,000	4,388	44,388
2047	45,000	3,038	48,038
2048	45,000	1,519	46,519
<b>Total</b>	<b>\$ 5,315,000</b>	<b>\$ 2,416,750</b>	<b>\$ 7,731,750</b>

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Debt Service Requirements by Years**  
**December 31, 2015**

<u>NJEIT 2007A Loans Payable</u>			
<u>Years</u>			
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 104,702	\$ -	\$ 104,702
2017	104,863	-	104,863
2018	104,863	-	104,863
2019	104,702	-	104,702
2020	105,089	-	105,089
2021	105,347	-	105,347
2022	104,702	-	104,702
2023	103,897	-	103,897
2024	103,559	-	103,559
2025	102,866	-	102,866
2026	40,953	-	40,953
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 1,085,544</u>	<u>\$ -</u>	<u>\$ 1,085,544</u>

**Schedule VI  
(continued)**

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
Schedule of Debt Service Requirements by Years  
December 31, 2015**

NJEIT 2014A Loans Payable - Trust

<u>Years</u>			
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	\$ 6,300	\$ 6,300
2017	-	6,150	6,150
2018	-	5,900	5,900
2019	-	5,650	5,650
2020	-	5,400	5,400
2021	-	4,900	4,900
2022	-	4,400	4,400
2023	10,000	3,900	13,900
2024	10,000	3,400	13,400
2025	10,000	2,900	12,900
2026	10,000	2,600	12,600
2027	10,000	2,300	12,300
2028	10,000	2,000	12,000
2029	10,000	1,700	11,700
2030	10,000	1,400	11,400
2031	10,000	1,100	11,100
2032	10,000	800	10,800
2033	15,000	488	15,488
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 115,000</u>	<u>\$ 61,288</u>	<u>\$ 176,288</u>

**Schedule VI  
(continued)**

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
Schedule of Debt Service Requirements by Years  
December 31, 2015**

NJEIT 2014A Loans Payable - Fund

<u>Years</u>				
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2016	\$ 27,322	\$ -	\$ 27,322	
2017	27,322	-	27,322	
2018	27,322	-	27,322	
2019	27,322	-	27,322	
2020	27,322	-	27,322	
2021	27,322	-	27,322	
2022	27,322	-	27,322	
2023	27,322	-	27,322	
2024	68	-	68	
	<hr/>	<hr/>	<hr/>	
Total	\$ 218,642	\$ -	\$ 218,642	
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	



**Schedule VI  
(continued)**

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
Schedule of Debt Service Requirements by Years  
December 31, 2015**

NJEIT 2014A NANO Loans Payable - Trust

<u>Years</u>				
<u>Ending</u>	<u>Principal</u>		<u>Interest</u>	<u>Total</u>
2016	\$ 11,431		\$ 5,526	\$ 16,957
2017	11,481		5,477	16,958
2018	11,555		5,402	16,957
2019	11,671		5,287	16,958
2020	11,817		5,141	16,958
2021	12,000		4,957	16,957
2022	12,216		4,741	16,957
2023	12,460		4,497	16,957
2024	12,729		4,228	16,957
2025	13,022		3,935	16,957
2026	13,341		3,616	16,957
2027	13,695		3,263	16,958
2028	14,078		2,879	16,957
2029	14,486		2,471	16,957
2030	14,928		2,029	16,957
2031	15,391		1,566	16,957
2032	15,883		1,074	16,957
2033	16,407		550	16,957
	<hr/>		<hr/>	<hr/>
Total	\$ 238,591		\$ 66,639	\$ 305,230
	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>

**Schedule VI  
(continued)**

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
Schedule of Debt Service Requirements by Years  
December 31, 2015**

NJEIT 2014A NANO Loans Payable - Fund

<u>Years</u>				
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2016	\$ 12,712	\$ -	\$ 12,712	
2017	12,712	-	12,712	
2018	12,712	-	12,712	
2019	12,712	-	12,712	
2020	12,712	-	12,712	
2021	12,712	-	12,712	
2022	12,712	-	12,712	
2023	12,712	-	12,712	
2024	12,712	-	12,712	
2025	12,712	-	12,712	
2026	12,712	-	12,712	
2027	12,712	-	12,712	
2028	12,712	-	12,712	
2029	12,712	-	12,712	
2030	12,712	-	12,712	
2031	12,712	-	12,712	
2032	12,712	-	12,712	
2033	12,712	-	12,712	
	<hr/>	<hr/>	<hr/>	
Total	<u>\$ 228,814</u>	<u>\$ -</u>	<u>\$ 228,814</u>	

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Board of Commissioners and Management**  
**December 31, 2015**

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



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, 2015. 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 \$36,000 from January 1, 2015 through June 30, 2015 and \$40,000 from July 1, 2015 through December 31, 2015, except by contract or agreement.

The Authority has a qualified purchasing agent on staff and therefore may award contracts up to \$36,000 from January 1, 2015 through June 30, 2015 and up to \$40,000 from July 1, 2015 through December 31, 2015 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 revealed individual payments, contracts or agreements in excess of \$5,400 from January 1, 2015 through June 30, 2015 and \$6,000 from July 1, 2015 through December 31, 2015 "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 28, 2016  
Toms River, New Jersey