

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)

Financial Statements and Supplementary Information

For the years ended December 31, 2019 and 2018

(With Independent Auditor's Report thereon)

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Financial Statements and Supplementary Information
For the years ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Berkeley Township Municipal Utilities Authority
County of Ocean
Berkeley Township, New Jersey

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 year ended December 31, 2019 and 2018 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Berkeley Township Municipal Utilities Authority, a component unit of the Township of Berkeley, County of Ocean, State of New Jersey, as of December 31, 2019 and 2018 and the respective change in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Berkeley Township Municipal Utilities Authority's basic financial statements. The accompanying schedules of revenues and expenses – budget to actual, and other supplementary information as listed in the table of contents, are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and are not a required part of the basic financial statements

The accompanying schedules of revenues and expenses – budget to actual is 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 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 accompanying schedules of revenues and expenses – budget to actual is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2020 on our consideration of the Authority's internal control over financial reporting and 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 the internal

control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully Submitted,

Holman Frenia Allison, P.C.

HOLMAN FRENIA ALLISON, P.C.

Certified Public Accountants

June 30, 2020
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**

Honorable Chairman and Members of the
Berkeley Township Municipal Utilities Authority
County of Ocean
Bayville, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Berkeley Township Municipal Utilities Authority (herein referred to as “the Authority”) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated June 30, 2020.

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* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

Holman Frenia Allison, P.C.

HOLMAN FRENIA ALLISON, P.C.

Certified Public Accountants

June 30, 2020
Toms River, New Jersey



Berkeley Township MUNICIPAL UTILITIES AUTHORITY

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June 30, 2020

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Berkeley Township Municipal Utilities Authority (“Authority”) is a self-supporting water treatment plant and distribution entity proudly serving 3,589 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 seven residents (five members and two alternates) appointed by the Township who provide management oversight. Each Board Member is appointed to a five year term at staggered intervals. Eight employees service a distribution system of approximately 344,252 linear feet of 6” to 16” diameter mains.

The attached financial statements reflect the results of management’s commitment to conservative fiscal planning and performance. We encourage you to visit our website at www.Berkeleymua.org to review the 2020 Budget which continues to affirm the Board’s emphasis to control costs, secure conservative investment income and to designate funds toward water tower maintenance and asset preservation. The most recent Berkeley Township Municipal Utilities Authority Consumer Confidence Report of Water Quality issued during 2019 is also published on this site. We believe 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.

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, 2019 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 Statement 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, 2019 and 2018.

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

The Statement 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 Statement of Cash Flows demonstrates why cash balances increased or decreased during the two years.

Financial Analysis

At December 31, 2019, the Authority had total assets and deferred outflow of resources of \$26,836,233 compared to \$27,071,282 at December 31, 2018. The decrease of \$235,049 can be primarily attributed to a decrease in deferred outflows per the State's actuarial calculation for the year ended December 31, 2019 and the depreciation of capital assets during the year.

At December 31, 2019, the Authority had total liabilities and deferred inflow of resources of \$15,478,105 compared to \$15,840,743 at December 31, 2018. This decrease of \$362,638 is primarily due to the activity in deferred inflows, net pension liability and other postemployment benefits liability per the State's actuarial calculation for the year ended December 31, 2019 and the repayment of outstanding debt during the year ended December 31, 2019.

At December 31, 2019, the Authority had total net position of \$11,358,128 compared to \$11,230,539 at December 31, 2018. This increase of \$127,589 is a result of the Authority's operations for the year ended December 31, 2019.

Condensed Financial Information

Key Authority financial information for the years ended December 31, 2019, 2018 and 2017 includes the following balances:

Financial Position:

	2019	2018	2017
ASSETS			
Current Unrestricted Assets	\$ 4,726,028	\$ 4,245,964	\$ 4,042,228
Current Restricted Assets	1,451,189	2,011,072	1,756,985
Net Property, Plant and Equipment	19,988,966	20,456,625	19,658,815
Total Assets	<u>26,166,183</u>	<u>26,713,661</u>	<u>25,458,028</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflows Related to Bond Refundings	54,769	56,658	58,547
Deferred Outflows Related to Other Postemployment Benefits	346,001	20,532	-
Deferred Outflows Related to Pensions	269,280	280,431	362,948
Total Deferred Outflow of Resources	<u>670,050</u>	<u>357,621</u>	<u>421,495</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 26,836,233</u>	<u>\$ 27,071,282</u>	<u>\$ 25,879,523</u>
LIABILITIES			
Current Liabilities Payable from Unrestricted Assets	\$ 257,171	\$ 328,006	\$ 151,971
Current Liabilities Payable from Restricted Assets	2,184,287	2,174,414	1,324,060
Noncurrent Liabilities	11,278,118	12,078,757	11,311,411
Total Liabilities	<u>13,719,576</u>	<u>14,581,177</u>	<u>12,787,442</u>
DEFERRED INFLOW OF RESOURCES			
Deferred Revenue	35,235	41,810	267,410
Deferred Inflows Related to Bond Refundings	129,000	145,000	160,000
Deferred Inflows Related to Other Postemployment Benefits	1,172,491	683,402	-
Deferred Inflows Related to Pensions	421,803	389,354	272,012
Total Deferred Inflow of Resources	<u>1,758,529</u>	<u>1,259,566</u>	<u>699,422</u>
NET POSITION			
Net Investment in Capital Assets	8,717,014	8,718,919	8,542,069
Restricted	1,049,773	1,112,337	1,288,934
Unrestricted	1,591,341	1,399,283	2,561,656
Total Net Position	<u>11,358,128</u>	<u>11,230,539</u>	<u>12,392,659</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 26,836,233</u>	<u>\$ 27,071,282</u>	<u>\$ 25,879,523</u>

Other Financial Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total revenues	\$ 2,336,126	\$ 2,926,835	\$ 2,725,378
Total expenses	<u>2,208,537</u>	<u>2,207,417</u>	<u>2,160,564</u>
Change in net position	<u>\$ 127,589</u>	<u>\$ 719,418</u>	<u>\$ 564,814</u>
User charges	\$ 1,844,909	\$ 1,815,138	\$ 1,750,463
Bond & loan principal paid	\$ 519,233	\$ 503,118	\$ 464,598
Bond & loan payable	\$ 11,197,721	\$ 11,649,364	\$ 11,015,293

Authority operating revenues had a favorable variance of \$174,674 when compared to the budget for 2019 due primarily to user charges, interest income and water tower rental all being higher than what was actually expected during the current year.

Authority operating expenses had a favorable variance of \$304,188 when compared to the budget for 2019 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.

Respectfully submitted


Michele Nugent
Executive Director

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Statements of Net Position
December 31, 2019 and 2018

	2019	2018
<u>ASSETS</u>		
Current Assets:		
Unrestricted Assets:		
Cash & Cash Equivalents (Note 3)	\$ 1,199,289	\$ 1,234,198
Investments (Note 4)	3,200,000	2,500,000
User Fee Receivable	233,534	389,448
Miscellaneous Receivables	23,340	37,333
Accrued Interest Receivable	31,309	31,124
Connection Fee Receivables	21,295	39,985
Prepaid Expenses	17,261	17,369
Total Current Unrestricted Assets	4,726,028	4,249,457
Restricted Assets:		
Cash & Cash Equivalents (Note 3)	566,434	1,127,456
Investments (Note 4)	833,800	813,800
Accrued Interest Receivable	3,905	8,623
Due from NJEIT	47,050	57,700
Total Current Restricted Assets	1,451,189	2,007,579
Total Current Assets	6,177,217	6,257,036
Noncurrent Assets (Note 6):		
Capital Assets	33,283,386	32,941,290
Less: Accumulated Depreciation	(13,294,420)	(12,484,665)
Capital Assets, Net	19,988,966	20,456,625
Total Noncurrent Assets	19,988,966	20,456,625
Total Assets	26,166,183	26,713,661
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Deferred Outflows Related to Bond Refundings	54,769	56,658
Deferred Outflows Related to Other Postemployment Benefits (Note 8)	346,001	20,532
Deferred Outflows Related to Pensions (Note 9)	269,280	280,431
Total Deferred Outflow of Resources	670,050	357,621
Total Assets and Deferred Outflow of Resources	\$ 26,836,233	\$ 27,071,282

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Statements of Net Position (continued)
December 31, 2019 and 2018

	2019	2018
<u>LIABILITIES</u>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 86,307	\$ 180,284
Accounts Payable - Related to Pension (Note 9)	61,610	58,194
Accrued Expenses	22,903	20,572
Customer Overpayments	12,020	8,417
Total Current Liabilities Payable from Unrestricted Assets	182,840	267,467
Current Liabilities Payable from Restricted Assets:		
Developer Deposits	91,189	176,120
Construction Loan Payable (Note 7)	1,480,963	1,406,100
Accrued Interest Payable on Bonds/Loans	63,140	65,498
Loans Payable, Net (Note 7)	317,780	306,622
Revenue Bonds Payable, Net (Note 7)	231,215	220,074
Total Current Liabilities Payable from Restricted Assets	2,184,287	2,174,414
Total Current Liabilities	2,367,127	2,441,881
Noncurrent Liabilities:		
Compensated Absences	74,331	60,539
Long-Term Portion of Revenue Bonds Payable (Note 7)	5,788,485	6,019,699
Long-Term Portion of Loans Payable (Note 7)	3,379,278	3,696,869
Net Other Postemployment Benefits Liability (Note 8)	969,086	1,210,246
Net Pension Liability (Note 9)	1,141,269	1,151,943
Total Noncurrent Liabilities	11,352,449	12,139,296
Total Liabilities	13,719,576	14,581,177
<u>DEFERRED INFLOW OF RESOURCES</u>		
Deferred Inflows Related to Non-exchange Transactions	35,235	41,810
Deferred Inflows Related to Bond Refundings	129,000	145,000
Deferred Inflows Related to Other Postemployment Benefits (Note 8)	1,172,491	683,402
Deferred Inflows Related to Pensions (Note 9)	421,803	389,354
Total Deferred Inflow of Resources	1,758,529	1,259,566
<u>NET POSITION</u>		
Net Investment in Capital Assets	8,717,014	8,718,919
Restricted:		
Debt Service	215,967	298,531
Bond Reserve	413,806	413,806
Capital	420,000	400,000
Unrestricted:		
Reserved by Board Designation	840,000	790,000
Unreserved	751,341	609,283
Total Net Position	11,358,128	11,230,539
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 26,836,233	\$ 27,071,282

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Statements of Revenues, Expenses and Changes in Net Position
For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Water User Charges	\$ 1,844,909	\$ 1,815,138
Connection Fees	33,180	324,317
Application Fees and Permits	1,560	2,080
Other Operating Revenue	4,012	5,807
Total Operating Revenues	<u>1,883,661</u>	<u>2,147,342</u>
Operating Expenses:		
Cost of Providing Services	580,882	635,864
Administrative Expenses	542,616	496,192
Depreciation Expense	809,755	791,170
Total Operating Expenses	<u>1,933,253</u>	<u>1,923,226</u>
Operating (Loss)/Income	<u>(49,592)</u>	<u>224,116</u>
Non-Operating Revenues (Expenses):		
Water Tower Rental	262,643	238,750
Interest Income	101,370	65,487
Interest Expense	(275,284)	(284,191)
Amortization of Bond Premiums	21,384	20,587
FEMA Reimbursements	-	9,281
Total Non-Operating Revenues (Expenses)	<u>110,113</u>	<u>49,914</u>
Net Income Before Contributions and Transfers	60,521	274,030
Contributions and Transfers:		
Debt Forgiveness	-	261,434
Capital Contributions	67,068	183,954
Total Contributions and Transfers	<u>67,068</u>	<u>445,388</u>
Net Income	127,589	719,418
Net Position, January 1	11,230,539	12,392,659
Prior period restatement (see Note 13)	<u>-</u>	<u>(1,881,538)</u>
Net Position, January 1, as restated	<u>11,230,539</u>	<u>10,511,121</u>
Net Position, December 31	<u>\$ 11,358,128</u>	<u>\$ 11,230,539</u>

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Statements of Cash Flows
For the years ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities:		
Cash Received from Service Users	\$ 1,961,653	\$ 1,960,928
Cash Paid to Suppliers and Employees	(1,213,102)	(921,571)
Cash Received from Others	4,012	5,807
Net Cash Provided by Operating Activities	752,563	1,045,164
 Cash Flows from Capital and Related Financing Activities:		
Principal Paid on Long-Term Debt Used for Capital Assets	(519,233)	(503,119)
Interest Paid on Long-Term Debt Used for Capital Assets	(277,642)	(285,810)
FEMA Reimbursements	-	9,281
Proceeds from Loans Receivable	74,863	1,406,100
Acquisition and Construction of Capital Assets	(275,028)	(1,405,027)
Net Cash Used by Capital and Related Financing Activities	(997,040)	(778,575)
 Cash Flows from Investing Activities:		
(Purchase)/Maturity of Investments	(720,000)	(740,000)
Cash Received on Non-Operating Water Tower Rental	262,643	238,750
Interest on Investments and Deposits	105,903	32,272
Net Cash Used by Investing Activities	(351,454)	(468,978)
Net Decrease in Cash and Cash Equivalents	(595,931)	(202,389)
Cash and Cash Equivalents, January 1	2,361,654	2,564,043
Cash and Cash Equivalents, December 31	\$ 1,765,723	\$ 2,361,654
 Reconciliation to Statements of Net Position:		
Current Unrestricted Assets:		
Cash and Cash Equivalents	\$ 1,199,289	\$ 1,234,198
Current Restricted Assets:		
Cash and Cash Equivalents	566,434	1,127,456
Cash and Cash Equivalents, December 31	\$ 1,765,723	\$ 2,361,654

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Statements of Cash Flows (continued)
For the years ended December 31, 2019 and 2018

	2019	2018
Reconciliation of Operating Income to Cash Flows from Operating Activities:		
Operating (Loss)/Income	\$ (49,592)	\$ 224,116
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Items Which Did Not Use Cash:		
Depreciation Expense	809,755	791,170
Pension Liability Expense - GASB 68	32,926	26,275
OPEB Liability (Benefit)/Expense - GASB 75	(77,540)	(8,422)
Working Capital Changes which provided/(used) cash:		
Decrease in Accounts Receivable	155,914	114,876
Decrease/(Increase) in Miscellaneous Receivables	13,993	(21,592)
Decrease in Inventory	18,690	9,785
Decrease/(Increase) in Prepaid Expenses	108	(966)
Decrease in Other Assets	10,650	10,900
(Decrease)/Increase in Accounts Payable	(90,561)	166,657
Increase in Accrued Expenses	2,331	3,464
Decrease in Deferred Inflows Related to Non-exchange Transactions	(6,575)	(225,600)
Increase in Customer Overpayments	3,603	3,123
Increase in Compensated Absences	13,792	2,792
Decrease in Developer Deposits	(84,931)	(51,414)
Total Adjustments	802,155	821,048
Net Cash Provided by Operating Activities	\$ 752,563	\$ 1,045,164

Noncash Investing, Capital, and Financing Activities:

During the years ended December 31, 2019 and 2018, noncash capital contributions received were \$67,068 and \$183,954 respectively.

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Notes to Financial Statements
For the years ended December 31, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Berkeley Township Municipal Utilities Authority (the “Authority”) have been prepared to conform with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Reporting Entity

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 area 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. The Authority consists of five members and two alternates, who are appointed by resolution of the Township Committee for five year staggered terms.

Component Unit

The Authority is considered to be a "Component Unit" of the Township of Berkeley under GAAP however, the Township does not follow GAAP for accounting and financial reporting purposes rather it follows a regulatory basis of accounting, utilizing accounting principles which differ, in some cases significantly, from GAAP. Of particular note is the exclusion from the Township’s financial statements of potential component units, based on the separate legal status of these units. Accordingly, the financial statements of the Township do not include the Authority as a component unit.

Basis of Presentation

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles (“GAAP”) applicable to enterprise funds of State and Local Governments on a going concern basis.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing 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, accountability or other purposes.

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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 in capital assets, net of related debt, restricted and unrestricted components.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues -- Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Water service charges are recognized as revenue when services are provided. Connection fees are collected in advance and, accordingly, the Authority defers these revenues until the municipality issues a release for certificate of occupancy and determines that water distribution is being provided to the properties.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Expenses - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with *N.J.A.C. 5:31-2*. *N.J.A.C. 5:31-2* requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt no later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year by resolution of the Board of Commissioners. 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.

The legal level of budgetary control is established at the detail shown on the Comparative Statements of Revenues, Expenses and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended.

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash in banks and may include petty cash and change funds. It may also include all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey Authorities are required by *N.J.S.A. 40A:5-14* to deposit public funds into 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 of America or 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 by *N.J.S.A. 17:9-41* to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Prepaid Expenses

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the Authority’s fiscal year end.

Capital Assets

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased are stated at cost. Assets contributed by developer’s are valued at estimated fair market value as of the date of contribution. Costs incurred for construction projects are recorded as construction in progress. In the year that the project is completed, these costs are transferred to capital assets.

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

Depreciation is determined on a straight-line basis for all capital assets. Depreciation was provided over the following estimated useful lives:

	<u>Years</u>
Water plant	40
Water system improvements	40
Furniture and fixtures	5-7
Machinery and equipment	5-7
Vehicles	5

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statements 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 statements 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 period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

Compensated absences represent amounts to which employees are entitled to based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated sick and vacation leave in the event of retirement from service at the current salary. Compensated absences are included in the accrued expenses on the Statement of Financial Position.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue.

Deferred Inflows Relate to Non-exchange Transactions

The Authority receives payments for connection fees when new users connect to the water system. Since the Authority does not supply the user with supplies or services to make the physical connection, this would be considered a nonexchange transaction and recorded as deferred inflow related to non-exchange transactions under deferred inflows of resources. The Authority recognizes the revenue in the period that the user exercises their right to connect to the system.

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bond Discounts/Bond Premium

Bond discounts and bond premiums are deferred and amortized over the term of the bonds. Bond discounts are presented as a reduction of the face amount of the revenue loan payable. Bond premium is presented as an addition to loan payable.

Loan Discounts/Loan Premium

Loan discounts and loan premiums are deferred and amortized over the term of the loans. Loans discounts are presented as a reduction of the face amount of the loans payable. Loan premiums are presented as an addition to loans payable.

Pension & OPEB Section

For purposes of measuring the net pension and other post-employment benefits liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits, and pension and other post-employment benefits expenses, information about the fiduciary net position of the Public Employees' Retirement System ("PERS"), the Other Post-Employment Benefits ("OPEB") and additions to/deductions from the PERS's and OPEB's fiduciary net position have been determined on the same basis as they are reported by the plan. For these purposes, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", the Authority has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Income Taxes

The Authority operates as defined by Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
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Notes to Financial Statements (continued)
For the years ended December 31, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating and Non-Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided as well as government subsidies and grants used for operating purposes. Non-operating revenues primarily consist of water tower rental and interest income on investments of securities. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. Non-operating expenses primarily include expenses attributable to the Authority's interest on debt, contribution to Township and sales of capital assets.

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.

Impact of Recently Issued Accounting Principles

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 83, *Certain Asset Retirement Obligations*. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and patter of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2019 (GASB 95). Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Statement No. 87 is effective for reporting periods beginning after June 15, 2021 (GASB 95). Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (GASB 95). Management does not expect this Statement to have a material impact on the Authority's financial statements

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentations. Such reclassifications have no effect on the previously reported change in net position.

Subsequent Events

Berkeley Township Municipal Utilities Authority has evaluated subsequent events occurring after December 31, 2019 through June 30, 2020, which is the date the financial statements were available to be issued. See Note 14 for additional information.

NOTE 2: REQUIRED ACCOUNTS AND DEBT SERVICE COVERAGE

The Authority is subject to the provisions and restrictions of the Bond Resolution adopted July 22, 1993 and supplemental resolutions thereto. A summary of the activities of each fund (account) created by the Bond Resolution is covered below.

Debt Service Fund – The balance on deposit must be sufficient to enable the Trustee to withdraw amounts equal to interest due on bonds, principal amounts of bonds maturing and sinking fund installments when such payments are required.

Bond Reserve Fund – The amount of funds on deposit must be maintained at a level equal to the maximum Debt Service to insure funds are available for payment of debt service.

Renewal and Replacement Fund (Capital) – These funds are maintained for reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually.

General Fund – All excess funds of the Authority are recorded in the General Account. If the Authority is not in default in the payment of the principal of, or interest on, or redemption price of bonds and all fund requirements are satisfied, funds in excess of the amounts reasonably required to be reserved for payment of bonds or necessary reconstruction of the system may be withdrawn by the Authority for any lawful purpose.

The Bond Resolution adopted July 22, 1993 and supplemental resolutions thereto require the establishment and funding of certain funds (accounts) as follows:

	<u>Amount Required</u>	<u>Balance at Year End</u>	<u>Excess or (Deficiency)</u>
Debt Resolution Reserves:			
Debt Service Fund	\$ 215,967	\$ 359,871	\$ 143,904
Bond Reserve Fund	\$ 413,806	\$ 413,800	\$ (6)
Capital Fund (R&R)	\$ 420,000	\$ 420,000	\$ -
Local Reserves:			
Reserved by Board Designation	\$ 840,000	\$ 3,762,575	\$ 2,922,575

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2019 and 2018

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, 2019 and 2018, and reported at fair value are as follows:

	<u>2019</u>	<u>2018</u>
Deposits:		
Demand Deposits	\$1,765,723	\$2,361,654
Total deposits	<u>\$1,765,723</u>	<u>\$2,361,654</u>
 Reconciliation to Statements of Net Position:		
Current unrestricted assets:		
Cash and cash equivalents	\$1,199,289	\$1,234,198
Current restricted assets:		
Cash and cash equivalents	<u>566,434</u>	<u>1,127,456</u>
Total deposits	<u>\$1,765,723</u>	<u>\$2,361,654</u>

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, *N.J.S.A. 17:9-41* et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below. As of December 31, 2019 and 2018, the Authority's bank balances were insured or exposed to credit risk as follows:

	<u>2019</u>	<u>2018</u>
Insured by FDIC	\$ 500,000	\$ 500,000
Uninsured and Collateralized with securities held by the pledging banks' trust department		
but not in the Authority's name	<u>1,272,260</u>	<u>1,862,193</u>
Total	<u>\$1,772,260</u>	<u>\$2,632,193</u>

NOTE 4: INVESTMENTS

New Jersey authorities are limited as to the types of investments and types of financial institutions they may invest in. *N.J.S.A. 40A:5-15.1* provides a list of permissible investments that may be purchased by New Jersey authorities.

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2019 and 2018

NOTE 4: INVESTMENTS (continued)

These permissible investments generally include 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 a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or other obligations of the local unit or units within which the Authority is located, bonds or other obligations approved by the Division of Investment in the Department of Treasury for investment by authorities, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. The Authority has no investment policy that would further limit its investment choices.

Custodial Credit Risk

For an investment, custodial credit risk is the 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. The Authority has several certificates of deposits (CD's) that have FDIC insurance. The Authority has FDIC insured investments of \$250,000 and \$250,000 as of December 31, 2019 and 2018, respectively. Additionally, the Authority has several certificates of deposits (CD's) that are covered under GUDPA insurance. The Authority has GUDPA insured investments of \$3,283,800 and \$3,063,800 as of December 31, 2019 and 2018, respectively. All investments are held in the name of the Authority.

As of December 31, 2019 and 2018, the Authority had the following investments and maturities:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value Hierarchy Level</u>	<u>Fair Value December 31, 2019</u>	<u>Fair Value December 31, 2018</u>
Berkshire Bank CD	NR	Varies	Level I	\$ 250,000	\$ -
Crown Bank CD	NR	Varies	Level I	250,000	-
TD Bank CD	NR	Varies	Level I	<u>250,000</u>	<u>250,000</u>
		FDIC Insured Investments		<u>750,000</u>	<u>250,000</u>
Berkshire Bank CD	NR	Varies	Level I	450,000	-
Crown Bank CD	NR	Varies	Level I	2,670,000	-
TD Bank CD	NR	Varies	Level I	<u>163,800</u>	<u>3,063,800</u>
		GUPA Insured Investments		<u>3,283,800</u>	<u>3,063,800</u>
			Total	<u>\$ 4,033,800</u>	<u>\$ 3,313,800</u>

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2019 and 2018

NOTE 4: INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Other than the rules and regulations promulgated by *N.J.S.A. 40A:5-15.1*, the Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure; however, investments are matched with anticipated cash flows to minimize interest rate risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Other than the rules and regulations promulgated by *N.J.S.A. 40A:5-15.1*, the Authority's investment policies place no limit on the amount the Authority may invest in any one issuer.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As stated in note 1, investments are purchased in accordance with *N.J.S.A. 40A:5-15.1*. Other than the rules and regulations promulgated by *N.J.S.A. 40A:5-15.1*, the Authority has no investment policy that would further limit its exposure to credit risk.

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Accounts receivable – billed	\$ 233,534	\$ 389,448
Accounts receivable – connection fees	21,295	39,985
Accounts receivable – interest	35,214	39,747
Accounts receivable – NJEIT interest credits*	17,050	22,700
Accounts receivable – NJEIT principal credits*	30,000	35,000
Accounts receivable – other	<u>23,340</u>	<u>37,333</u>
	<u>\$ 360,433</u>	<u>\$ 564,213</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. The \$30,000 of the excess funding will be de-obligated in the coming years by reducing the principal payments and \$17,050 will be de-obligated by reducing the loan interest payments in future years as follows:

<u>Fiscal Year Ending</u> <u>December 31,</u>	<u>Principal</u> <u>Credits</u>	<u>Interest</u> <u>Credits</u>
2020	\$ 10,000	\$ 5,400
2021	10,000	4,900
2022	10,000	4,400
2023	<u>-</u>	<u>2,350</u>
Total	<u>\$ 30,000</u>	<u>\$ 17,050</u>

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2019 and 2018

NOTE 6: CAPITAL ASSETS, NET

The activity in capital assets for the year ended December 31, 2019 is as followed:

	Balance December 31, <u>2018</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	Balance December 31, <u>2019</u>
Capital assets				
Capital assets not being depreciated				
Land	\$ 195,351	\$ -	\$ -	\$ 195,351
Construction in progress	<u>2,050,333</u>	<u>146,773</u>	<u>-</u>	<u>2,197,106</u>
Total capital assets not being depreciated	<u>2,245,684</u>	<u>146,773</u>	<u>-</u>	<u>2,392,457</u>
Capital assets being depreciated				
Improvements other than building	25,542,676	132,678	-	25,675,354
Machinery and equipment	155,236	27,280	-	182,516
Furniture and fixtures	61,302	-	-	61,302
Water plant	4,653,053	20,720	-	4,653,053
Vehicles	<u>283,339</u>	<u>35,365</u>	<u>-</u>	<u>318,704</u>
Total capital assets being depreciated	<u>30,695,606</u>	<u>195,323</u>	<u>-</u>	<u>30,890,929</u>
Less: accumulated depreciation:	<u>(12,484,665)</u>	<u>(809,755)</u>	<u>-</u>	<u>(13,294,420)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>18,210,941</u>	<u>(614,432)</u>	<u>-</u>	<u>17,596,509</u>
Total capital assets, net	<u>\$ 20,456,625</u>	<u>\$ (467,659)</u>	<u>\$ -</u>	<u>\$ 19,988,966</u>

The activity in capital assets for the year ended December 31, 2018 is as followed:

	Balance December 31, <u>2017</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	Balance December 31, <u>2018</u>
Capital assets				
Capital assets not being depreciated				
Land	\$ 195,351	\$ -	\$ -	\$ 195,351
Construction in progress	<u>780,205</u>	<u>1,270,128</u>	<u>-</u>	<u>2,050,333</u>
Total capital assets not being depreciated	<u>975,556</u>	<u>1,270,128</u>	<u>-</u>	<u>2,245,684</u>
Capital assets being depreciated				
Improvements other than building	25,346,352	196,324	-	25,542,676
Machinery and equipment	130,027	25,209	-	155,236
Furniture and fixtures	61,302	-	-	61,302
Water plant	4,632,333	20,720	-	4,653,053
Vehicles	<u>206,739</u>	<u>76,600</u>	<u>-</u>	<u>283,339</u>
Total capital assets being depreciated	<u>30,376,753</u>	<u>318,853</u>	<u>-</u>	<u>30,695,606</u>
Less: accumulated depreciation:	<u>(11,693,494)</u>	<u>(791,171)</u>	<u>-</u>	<u>(12,484,665)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>18,683,259</u>	<u>(472,317)</u>	<u>-</u>	<u>18,210,941</u>
Total capital assets, net	<u>\$ 19,658,815</u>	<u>\$ 797,811</u>	<u>\$ -</u>	<u>\$ 20,456,625</u>

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2019 and 2018

NOTE 7: LONG-TERM LIABILITIES

During the years ended December 31, 2019 and 2018, the following changes occurred in long-term obligations:

	Balance December 31, <u>2018</u>	Accrued/ <u>Increases</u>	Retired/ <u>Decreases</u>	Balance December 31, <u>2019</u>	Due within <u>One Year</u>
Revenue bonds payable					
Revenue bonds payable	\$ 6,082,362	\$ -	\$ 214,842	\$ 5,867,520	\$ 225,967
Unamortized bond premium	<u>157,411</u>	<u>-</u>	<u>5,247</u>	<u>152,164</u>	<u>5,248</u>
Revenue bonds payable, net	<u>6,239,773</u>	<u>-</u>	<u>220,089</u>	<u>6,019,700</u>	<u>231,215</u>
Loan payable					
Loans payable	3,993,249	-	304,409	3,688,840	315,934
Unamortized loans payable	<u>10,242</u>	<u>-</u>	<u>2,024</u>	<u>8,218</u>	<u>1,846</u>
Loans payable, net	<u>4,003,491</u>	<u>-</u>	<u>306,433</u>	<u>3,697,058</u>	<u>317,780</u>
Compensated absences	60,539	13,792	-	74,331	-
Net other postemployment benefits liability	1,210,246	-	241,160	969,086	-
Net pension liability	1,151,943	-	10,674	1,141,269	-
Construction loans	<u>1,406,100</u>	<u>74,863</u>	<u>-</u>	<u>1,480,963</u>	<u>1,480,963</u>
Total	<u>\$ 14,072,092</u>	<u>\$ 88,655</u>	<u>\$ 778,356</u>	<u>\$ 13,382,407</u>	<u>\$ 2,029,958</u>
	Balance December 31, <u>2017</u>	Accrued/ <u>Increases</u>	Retired/ <u>Decreases</u>	Balance December 31, <u>2018</u>	Due within <u>One Year</u>
Revenue bonds payable					
Revenue bonds payable	\$ 6,291,083	\$ -	\$ 208,721	\$ 6,082,362	\$ 214,826
Unamortized bond premium	<u>162,666</u>	<u>-</u>	<u>5,255</u>	<u>157,411</u>	<u>5,248</u>
Revenue bonds payable, net	<u>6,453,749</u>	<u>-</u>	<u>213,976</u>	<u>6,239,773</u>	<u>220,074</u>
Loan payable					
Loans payable	4,026,212	257,184	290,147	3,993,249	304,401
Unamortized loans payable	<u>12,464</u>	<u>-</u>	<u>2,222</u>	<u>10,242</u>	<u>2,221</u>
Loans payable, net	<u>4,038,676</u>	<u>257,184</u>	<u>292,369</u>	<u>4,003,491</u>	<u>306,622</u>
Compensated absences	57,747	2,792	-	60,539	-
Net other postemployment benefits liability	1,556,704	-	346,458	1,210,246	-
Net pension liability	1,325,527	-	173,584	1,151,943	-
Construction loans	<u>522,868</u>	<u>1,406,100</u>	<u>522,868</u>	<u>1,406,100</u>	<u>1,406,100</u>
Total	<u>\$ 13,955,271</u>	<u>\$ 1,666,076</u>	<u>\$ 1,549,255</u>	<u>\$ 14,072,092</u>	<u>\$ 1,932,606</u>

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NOTE 7: LONG-TERM LIABILITIES (continued)

Net Other Postemployment Benefits Liability and Net Pension Liability

For details on the net other postemployment benefits liability and net pension liability see the Other Postemployment Benefits and Pension Obligations in Note 8 and Note 9, respectively. The Authority's annual required contribution to the Other Postemployment Benefits and Public Employees' Retirement System is budgeted and paid on an annual basis.

Compensated Absences

For the years ended December 31, 2019 and 2018, the Authority accrued compensated absences in the amount of \$74,331 and \$60,539, respectively.

Construction Loans Payable

In order to finance the Well No. 4, Phase I 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. On May 22, 2018, the entire loan amount went to permanent financing with the NJEIT as Series 2018A-1. See the Loans Payable section for more information.

In order to finance the Well No. 4 Phase II construction, the Authority has been drawing down on a construction loan granted by NJEIT in 2017 to be utilized as work progresses through the completion of such construction. As of December 31, 2019 and 2018, the amount of construction loans outstanding is \$1,480,963 and \$1,406,100, respectively and is reflected as a current liability, however, once payment terms are identified, a portion will be reflected as long-term debt.

Loans Payable

	<u>2019</u>	<u>2018</u>
The 2007A NJEIT Trust fund loans are due in semi-annual principal installments of \$40,953 to \$105,347 through August 1, 2026, at zero percent interest.	\$ 666,412	\$ 771,115
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	941,000	1,035,000
The 2014A NJEIT Trust loans are due in annual principal installments of \$5,000 to \$15,000 through August 1, 2033, at interest rates ranging from 3.0% to 5.0%.	145,000	150,000
The 2014A NANO NJEIT Trust loans are due in annual principal installments of \$11,409 to \$16,414 through August 1, 2033, at interest rates ranging from 0.2% to 3.35%.	192,453	204,131

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NOTE 7: LONG-TERM LIABILITIES (continued)

Loans Payable (continued)

	<u>2019</u>	<u>2018</u>
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.	177,966	190,678
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.	109,355	136,677
The 2017A NANO NJEIT Trust loans are due in annual principal installments of \$5,000 to \$15,000 through September 1, 2046, at interest rates ranging from 3.0% to 5.0%.	240,000	245,000
The 2017A NANO NJEIT Trust fund loans are due in semi-annual principal installments of \$2,809 to \$5,618 through August 1, 2046, at zero percent interest.	227,528	235,955
The 2017A NJEIT Trust loans are due in annual principal installments of \$5,000 to \$10,000 through September 1, 2046, at interest rates ranging from 3.0% to 5.0%.	195,000	200,000
The 2017A NJEIT Trust fund loans are due in semi-annual principal installments of \$6,756 to \$13,512 through August 1, 2046, at zero percent interest.	547,241	567,509
The 2018A NANO NJEIT Trust fund loans are due in semi-annual principal installments of \$1,766 to \$3,533 through August 1, 2042, at zero percent interest	121,885	127,184
The 2018A NANO NJEIT Trust loans are due in semi-annual principal installments of \$5,000 to \$10,000 through August 1, 2042, at interest rates ranging from 3.0% to 5.0%.	<u>125,000</u>	<u>130,000</u>
Subtotal	3,688,840	3,993,249
Less: current portion	<u>(315,934)</u>	<u>(304,409)</u>
Loans payable – long-term portion	<u>\$ 3,372,906</u>	<u>\$ 3,688,840</u>

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NOTE 7: LONG-TERM LIABILITIES (continued)

Loans Payable (continued)

**New Jersey Environmental Infrastructure Trust Series 2007A, 2014A, 2015A-R1, 2017A and 2018A
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 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%.

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 \$160,000 in the current year and the refunding is expected to produce a net savings of approximately \$197,046 over the life of the new bond series. The \$160,000 gain on refunding is recognized as a deferred inflow of resources and will be amortized over the life of the loan.

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NOTE 7: LONG-TERM LIABILITIES (continued)

Loans Payable (continued)

**New Jersey Environmental Infrastructure Trust Series 2007A, 2014A, 2015A-R1, 2017A and 2018A
Loans Payable (continued)**

On May 25, 2017, the Authority borrowed \$1,806,289 through the New Jersey Environmental Infrastructure Trust. The “Fund” portion of the 2017A Issue, \$601,289, was issued with no interest rate. The “Fund” portion of the 2017A NANO Issue, \$250,000, was issued with no interest rate. The principal forgiveness portion of the 2017A NANO Issue, \$500,000 was issued with no interest rate.

The entire \$500,000 was recognized as NJEIT debt forgiveness revenue as of December 31, 2017 since revenue is realized in the year allowable costs have been approved. The remaining “Trust” portions of the 2017A and 2017A Nano Issue, \$455,000 mature semi-annually from September 1, 2018 through September 1, 2046 at maturities ranging from \$5,000 to \$15,000.

On May 22, 2018, the Authority borrowed \$522,151 through the New Jersey Environmental Infrastructure Trust. The “Fund” Portion of the 2018A Issue, \$392,151, was issued with no interest rate. The principal forgiveness portion of the 2018A “Fund,” \$261,434 was recognized issued with no interest rate.

The entire \$261,464 was recognized as NJEIT debt forgiveness revenue as of December 31, 2018 since revenue is realized in the year allowable costs have been approved. The remaining “Trust” Portion of the 2018A Issue, \$130,000 mature annually from August 1, 2018 through August 1, 2042, at maturities ranging from \$5,000 to \$15,000.

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:

For the year ended

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 315,934	\$ 77,784	\$ 393,718
2021	321,375	71,351	392,726
2022	324,946	64,635	389,581
2023	328,385	57,691	386,076
2024	307,062	50,522	357,584
Thereafter	<u>2,091,138</u>	<u>283,220</u>	<u>2,374,358</u>
Total	<u>\$ 3,688,840</u>	<u>\$ 605,203</u>	<u>\$ 4,294,043</u>

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NOTE 7: LONG-TERM LIABILITIES (continued)

Revenue Bonds Payable

Bonds payable at December 31, 2019 and 2018 consist of the following:

	2019	2018
\$1,650,000 Water Revenue Bonds (Series 2003) are due in semi-annual installments of \$38,031 including interest through May 1, 2043, at an interest rate of 3.25%	\$ 1,242,520	\$ 1,277,346
\$6,020,000 Water Revenue Refunding Bonds (Series 2012) are due in semi-annual installments of \$38,031 including interest through November 1, 2048, at interest rates of 2.0% to 4.0%	<u>4,625,000</u>	<u>4,805,000</u>
Subtotal	5,867,520	6,082,346
Less: current portion	<u>(225,967)</u>	<u>(214,826)</u>
Loans payable – long-term portion	<u>\$ 5,641,553</u>	<u>\$ 5,867,520</u>

Revenue bonds outstanding as of December 31, 2019 are shown as followed:

For the year ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>December 31,</u>			
2020	\$ 225,967	\$ 187,839	\$ 413,806
2021	227,145	182,861	410,006
2022	233,362	177,844	411,206
2023	239,619	170,737	410,356
2024	245,917	163,439	409,356
Thereafter	<u>4,695,510</u>	<u>1,434,071</u>	<u>6,129,581</u>
Total	<u>\$ 5,867,520</u>	<u>\$ 2,316,791</u>	<u>\$ 8,184,311</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 8: OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

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Notes to Financial Statements (continued)
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NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

General Information about the OPEB Plan (continued)

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Basis of Presentation

The schedule of employer and nonemployer allocations and the schedule of OPEB amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of its participating employers or the State as a nonemployer contributing entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the participating employers or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the Plan 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.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's

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For the years ended December 31, 2019 and 2018

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

Allocation Methodology (continued)

net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2019 were \$5,637,151,775 and \$8,182,092,807, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2018 through June 30, 2019. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

Net OPEB Liability

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases*:	
Public Employees' Retirement System (PERS)	
Initial Fiscal Year Applied	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%
Mortality:	
PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

* - Salary Increases are based on the defined benefit plan that the member is enrolled in and his or her age.

OPEB Obligation and OPEB (Benefit) Expense

The Authority's proportionate share of the total Other Post-Employment Benefits Obligations was incorrectly calculated as of June 30, 2019. As a result, the Authority estimated their proportionate share of the total Other Post-Employment Benefits Obligations by utilizing an entity with the same amount of Plan members. The Authority's proportionate share as of June 30, 2019 was \$969,086. The OPEB Obligation was measured as of June 30, 2019, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019.

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NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Obligation and OPEB (Benefit) Expense (continued)

The State's proportionate share of the OPEB Obligation associated with the Authority was based on projection of the State's long-term contributions to the OPEB plan associated with the Authority relative to the projected contributions by the State associated with all participating entities, actuarially determined. At June 30, 2019, the State proportionate share of the OPEB Obligation attributable to the Authority was 0.007154%, which was a decrease of 0.000571% from its proportion measured as of June 30, 2018.

For the fiscal year ended June 30, 2019, the State of New Jersey recognized an OPEB (benefit) expense in the amount of \$(43,718) for the State's proportionate share of the OPEB (benefit) expense attributable to the Authority. This OPEB (benefit) expense was based on the OPEB plans June 30, 2019 measurement date. Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PERS experience studies prepared for July 1, 2014 to June 30, 2018. 100% of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% decreasing to a 4.5% long-term trend rate after eight years.

Discount Rate

The discount rate for June 30, 2019 was 3.50%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate:

The following presents the net OPEB liability as of June 30, 2019, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	At 1% Decrease (2.50%)	At Discount Rate (3.50%)	At 1% Increase (4.50%)
State of New Jersey's Proportionate Share of Total OPEB Obligation Associated with The Authority	\$ 1,120,510	\$ 969,086	\$ 846,034
State of New Jersey's Total Nonemployer OPEB Liability	\$ 15,662,704,137	\$ 13,546,071,100	\$ 11,826,026,995

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NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB liability of the participating employers as of June 30, 2019, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	Healthcare Cost		
	1% Decrease	Trend Rate	1% Increase
State of New Jersey's Proportionate Share of Total OPEB Obligations Associated with The Authority	\$ 817,789	\$ 969,086	\$ 1,162,091
State of New Jersey's Total Nonemployer OPEB Liability	\$ 11,431,214,644	\$ 13,546,071,100	\$ 16,243,926,531

Additional Information – The following is a summary of the deferred outflows of resources, deferred inflows of resources, and net OPEB liability balances as of June 30, 2019:

Balances at December 31, 2019 and Decmber 31, 2018

	<u>12/31/2019</u>	<u>12/30/2018</u>
Actuarial valuation date (including roll forward)	June 30, 2019	June 30, 2018
Deferred Outflows of Resources	\$ 346,001	\$ 20,532
Deferred Inflows of Resources	1,172,491	683,402
Net OPEB Liability	969,086	1,210,246
Authority's portion of the Plan's total net OPEB Liability	0.00715%	0.00773%

OPEB Deferred Outflows/Inflows of Resources – At December 31, 2019, the Authority's proportionate share of the OPEB outflows and inflows, calculated by the plan as of the June 30, 2019 measurement date is \$346,001 and \$1,172,491, respectively. At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ 283,398
Changes of Assumptions	-	343,422
Net Difference between Projected and Actual Earnings on Pension Plan Investments	798	-
Changes in Proportion	345,203	545,671
	\$ 346,001	\$ 1,172,491

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to OPEB that will be recognized in future periods:

Year Ending Dec 31,	Amount
2020	\$ (141,874)
2021	(141,876)
2022	(141,972)
2023	(142,048)
2024	(142,142)
2025-2029	(116,578)
	\$ (826,490)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.05, 8.14 and 8.04 years for the 2019, 2018 and 2017 amounts, respectively.

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NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Membership

At June 30, 2018, the Program membership consisted of the following:

	June 30, 2018
Active Plan Members	63,032
Retirees Currently Receiving Benefits	27,871
Total Plan Members	90,903

Changes in the Total OPEB Liability

The change in the State's Total OPEB liability for the fiscal year ended June 30, 2019 (measurement date June 30, 2018) is as follows:

Service Cost	\$ 666,574,660
Interest on the Total OPEB Liability	636,082,461
Change of Benefit Terms	(1,903,958)
Differences Between Expected and Actual Experience	(1,399,921,930)
Changes of Assumptions	(1,635,760,217)
Contributions From the Employer	(346,415,056)
Contributions From Non-Employer Contributing Entity	(43,854,500)
Net Investment Income	(4,826,936)
Administrative Expense	9,478,435
Net Change in Total OPEB Liability	(2,120,547,041)
Total OPEB Liability (Beginning)	15,666,618,141
Total OPEB Liability (Ending)	\$ 13,546,071,100

NOTE 9: PENSION OBLIGATIONS

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 <http://www.state.nj.us/treasury/pensions/annual-reports.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.

The following represents the membership tiers for PERS:

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2019 and 2018

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

<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 1/55th 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 1/60th 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 with 25 or more years of service credit before age 62 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.

Basis of Presentation - The schedules of employer and nonemployer allocations and the schedules of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. 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.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* 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 the fiscal year 2019, 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. For the year ended December 31, 2019, the Authority's contractually required contribution to PERS plan was \$61,610.

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2019 and 2018

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Components of Net Pension Liability - At December 31, 2019, the Authority's proportionate share of the PERS net pension liability was \$1,141,269. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. 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, 2019. The Authority's proportion measured as of June 30, 2019, was 0.0063338805 which was an increase of 0.0004833405% from its proportion measured as of June 30, 2018.

Balances at December 31, 2019 and December 31, 2018

	<u>12/31/2019</u>	<u>12/30/2018</u>
Actuarial valuation date (including roll forward)	June 30, 2019	June 30, 2018
Deferred Outflows of Resources	\$ 269,280	\$ 280,431
Deferred Inflows of Resources	421,803	389,354
Net Pension Liability	1,141,269	1,151,943
Authority's portion of the Plan's total Net Pension Liability	0.00633%	0.00585%

Pension Expense and Deferred Outflows/Inflows of Resources – At December 31, 2019, the Authority's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2019 measurement date is \$94,536. At December 31, 2019, 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>
Differences between Expected and Actual Experience	\$ 20,484	\$ 5,042
Changes of Assumptions	113,960	396,131
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	18,015
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	134,836	2,615
	<u>\$ 269,280</u>	<u>\$ 421,803</u>

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2019 and 2018

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

The Authority will amortize the above sources of deferred outflows and inflows related to PERS over the following number of years:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	5.63	-
June 30, 2019	5.21	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2019 and 2018

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

Year Ending	Amount
<u>Dec 31,</u>	
2020	\$ (11,893)
2021	(28,682)
2022	(92,829)
2023	(18,922)
2024	<u>(197)</u>
	<u>\$ (152,523)</u>

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:

Inflation	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 - 6.00% Based on Years of Service
Thereafter	3.00 - 7.00% Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	
	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019
Period of Actuarial Experience	
Study upon which Actuarial Assumptions were Based	July 1, 2014 - June 30, 2018

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2019 and 2018

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. 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 (7.00% at June 30, 2019) 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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
	<hr/>	
	100.00%	

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2019 and 2018

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Discount Rate - The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019 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 contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 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 (5.28%) or 1-percentage-point higher (7.28%) than the current rate:

	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 1,451,637</u>	<u>\$ 1,141,269</u>	<u>\$ 894,370</u>

NOTE 10: RISK MANAGEMENT

The Authority is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Authority is a member of the New Jersey Utilities Authorities Joint Insurance Fund (JIF). The joint insurance pool is both an insured and self-administered group of 80 authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The JIF will be self-sustaining through member premiums. The JIF participates in the Municipal Excess Liability Insurance program which has a contract for excess insurance. There were no settlements in excess of insurance coverage for 2014-2019.

NOTE 11: DONATED PROPERTY

In 2019, three property owners constructed and donated water mains to the Authority. The total value of the dedicated water mains are \$67,068. Ownership was assumed, recorded and acceptance of the maintenance bond was authorized at the completion of each project.

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2019 and 2018

NOTE 11: DONATED PROPERTY (continued)

In 2018, three property owners constructed and donated water mains to the Authority. The total value of the dedicated water mains are \$183,954. 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, 2019 and 2018.

NOTE 12: CONSTRUCTION COMMITMENTS

The Authority has an active construction project open at December 31, 2019 with Montana Construction Corp, Inc. in the amount of \$127,097 for the Well No. 4, Phase II project. As of the date of the report, the Authority's outstanding balance consisted of \$24,082 retainage and \$53,770 remaining on the contract. The project remains active and change orders may exist before completion.

NOTE 13: PRIOR PERIOD ADJUSTMENT

Net position as of January 1, 2018 has been restated as follows for the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions - an Amendment of GASB Statement No. 45, 57, & 74 In addition, net position as of January 1, 2018, has been restated as the for the correction of the understatement of capital assets in accordance with N.J.A.C 5:31-7.1.

Net position as previously reported at December 31, 2017	\$ 12,392,659
Implementation of GASB 75:	
Net other postemployment benefit liability (measurement date as of June 30, 2017)	(1,556,704)
Deferred inflows of resources related to other postemployment benefits (measurement date as of June 30, 2017)	(325,101)
Deferred outflows of resources related to other postemployment benefits (measurement date as of June 30, 2017)	<u>267</u>
Total prior period adjustment	<u>(1,881,538)</u>
Net position as restated January 1, 2018	<u>\$ 10,511,121</u>

NOTE 14: SUBSEQUENT EVENT

In December 2019, an outbreak of a new strain of coronavirus, COVID-19, emerged in Wuhan, China. Within weeks, the number of those infected grew significantly, and beyond China's borders. As of the date of this report, the coronavirus has spread globally, and the list is expected to continue to grow. The coronavirus outbreak is still evolving and its effects remain unknown. The Authority is unable to predict how changing global economic conditions such as the COVID-19 coronavirus will affect the Authority's operations.

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 (A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
 Schedule of the Authority's Proportionate Share of the Net Pension Liability
 Public Employees' Retirement System
 Last Seven Fiscal Years *

	Measurement Date Ended June 30,						
	2019	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability	0.00633%	0.00585%	0.00569%	0.00550%	0.00555%	0.00545%	0.00528%
Authority's proportionate share of the net pension liability	\$ 1,141,269	\$ 1,151,943	\$ 1,325,527	\$ 1,629,302	\$ 1,245,391	\$ 1,020,389	\$ 1,009,145
Authority's covered-employee payroll	\$ 450,671	\$ 409,809	\$ 393,181	\$ 379,990	\$ 368,749	\$ 377,777	\$ 372,464
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	253.24%	281.09%	337.13%	428.77%	337.73%	270.10%	270.94%
Plan fiduciary net position as a percentage of the total pension liability	56.27%	53.60%	48.10%	40.14%	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
 (A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
 Schedule of Authority Contributions
 Public Employees' Retirement System
 Last Seven Fiscal Years *

	For the Year Ended, December 31,						
	2019	2018	2017	2016	2015	2014	2013
Authority's contractually required contribution	\$ 61,610	\$ 58,194	\$ 52,751	\$ 48,872	\$ 47,697	\$ 44,929	\$ 39,785
Contributions in relation to the contractually required contribution	(61,610)	(58,194)	(52,751)	(48,872)	(47,697)	(44,929)	(39,785)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 454,020	\$ 450,671	\$ 409,809	\$ 393,181	\$ 379,990	\$ 368,749	\$ 377,777
Contributions as a percentage of covered payroll	13.57%	12.91%	12.87%	12.43%	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
Schedule of the Authority's Proportionate Share of the Net Other Postemployment Benefit Liability
Local Government Retired Employees Plan
Last Four Fiscal Years **

	<u>Measurement Date Ended June 30,</u>			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's proportion of the other postemployment benefit liability (asset)	0.00715%	0.00773%	0.00763%	0.00843%
Authority's proportionate share of the net other postemployment benefit liability (asset)	\$ 969,086	\$ 1,210,246	\$ 1,556,704	\$ 1,829,914
Authority's covered-employee payroll	\$ 450,671	\$ 409,809	\$ 393,181	\$ 379,990
Authority's proportionate share of the net other postemployment benefit liability (asset) as a percentage of its covered-employee payroll	215.03%	295.32%	395.93%	481.57%
Plan fiduciary net position as a percentage of the total other postemployment benefit liability	1.98%	1.97%	1.03%	0.69%

** 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
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Notes to the Required Supplementary Information
For the year ended December 31, 2019

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 5.66% as of June 30, 2018, to 6.28% as of June 30, 2019.

State Health Benefit Local Retired Employees Plan (OPEB)

Changes of Benefit Terms

The decrease in benefit terms from June 30, 2018 to June 30, 2019 was a result of the updates to the Chapter 48 provisions.

Changes of Assumptions

The discount rate changed from 3.87% as of June 30, 2018, to 3.50% as of June 30, 2019.

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Schedules of Revenues and Expenses - Budget to Actual
For the years ended December 31, 2019 and 2018

	For the year ended December 31, 2019				For the year ended December 31, 2018			
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
REVENUES:								
User Charges and Fees	\$ 1,775,000	\$ 1,775,000	\$ 1,844,909	\$ 69,909	\$ 1,745,000	\$ 1,745,000	\$ 1,815,138	\$ 70,138
Connection Fees	56,000	56,000	33,180	(22,820)	177,000	177,000	324,317	147,317
Interest Earned on Connection Fees	-	-	1,560	1,560	-	-	2,080	2,080
Hydrant Fees	-	-	-	-	125,000	125,000	-	(125,000)
Interest Income	22,000	22,000	101,370	79,370	20,000	20,000	65,487	45,487
Water Tower Rental	220,000	220,000	262,643	42,643	220,000	220,000	238,750	18,750
Other Revenue	-	-	4,012	4,012	-	-	5,807	5,807
TOTAL REVENUES	2,073,000	2,073,000	2,247,674	174,674	2,287,000	2,287,000	2,451,579	164,579
EXPENSES:								
Operating Appropriations:								
Cost of Providing Services:								
Salaries and Wages	355,000	355,000	300,213	54,787	307,000	307,000	295,627	11,373
Payroll Taxes and Fringe Benefits	156,500	156,500	123,625	32,875	163,200	163,200	125,815	37,385
Utilities and Natural Gas	80,000	80,000	67,764	12,236	90,000	90,000	73,238	16,762
Plant and System Expense	150,000	150,000	65,887	84,113	125,000	125,000	83,301	41,699
Permits and Fees	17,500	17,500	14,890	2,610	20,000	20,000	14,070	5,930
Uniforms	4,000	4,000	2,887	1,113	4,000	4,000	2,322	1,678
Vehicle Expense	17,000	17,000	6,536	10,464	14,000	14,000	9,811	4,189
Insurance	25,000	25,000	22,474	2,526	25,000	25,000	21,793	3,207
Total Cost of Providing Services	805,000	805,000	604,276	200,724	748,200	748,200	625,977	122,223
Administrative Expenses:								
Salaries and Wages	286,000	286,000	272,313	13,687	265,000	265,000	238,178	26,822
Payroll Taxes and Fringe Benefits	131,300	131,300	115,553	15,747	142,800	142,800	106,808	35,992
Legal Expense	30,000	30,000	27,842	2,158	35,000	35,000	9,055	25,945
Audit and Consulting	45,000	45,000	39,105	5,895	43,000	43,000	26,588	16,412
Advertising and Printing	2,500	2,500	702	1,798	4,000	4,000	1,332	2,668
Office Expenses and Supplies	63,500	63,500	54,004	9,496	60,000	60,000	46,608	13,392
Trustee Fees	18,000	18,000	14,413	3,587	22,000	22,000	13,543	8,457
Engineering Fees	70,000	70,000	22,521	47,479	60,000	60,000	29,248	30,752
Postage	9,000	9,000	6,133	2,867	9,000	9,000	6,875	2,125
Telephone	12,000	12,000	11,250	750	11,000	11,000	9,991	1,009
Total Administrative Expenses	667,300	667,300	563,836	103,464	651,800	651,800	488,226	163,574
TOTAL OPERATING APPROPRIATIONS	1,472,300	1,472,300	1,168,112	304,188	1,400,000	1,400,000	1,114,203	285,797
INTEREST EXPENSE	282,711	282,711	277,642	5,069	291,231	291,231	285,810	5,421
OTHER COSTS FUNDED BY REVENUES:								
Principal Maturity	544,227	544,227	519,023	25,204	529,443	529,443	498,868	30,575
Operations and Maintenance Reserve	50,000	50,000	-	50,000	-	-	-	50,000
Capital Outlay	20,000	20,000	20,000	-	20,000	20,000	20,000	-
TOTAL COSTS FUNDED BY REVENUES	614,227	614,227	539,023	75,204	599,443	599,443	518,868	80,575
TOTAL EXPENSES	2,369,238	2,369,238	1,984,777	384,461	2,290,674	2,290,674	1,918,881	371,793
BUDGETARY REVENUES OVER EXPENSES	\$(296,238)	\$(296,238)	\$ 262,897	\$ 559,135	\$(3,674)	\$(3,674)	\$ 532,698	\$ 536,372

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Schedules of Revenues and Expenses - Budget to Actual (continued)
For the years ended December 31, 2019 and 2018

	2019 Actual	2018 Actual
Reconciliation of Budgetary Basis to Net Income:		
Budgetary Revenues Over Expenses	\$ 262,897	\$ 532,698
Adjustments to Budgetary Basis:		
Depreciation Expense	(809,755)	(791,170)
Adjustment for Interest Accrual	2,358	1,619
Pension Liability Expense - GASB 68	(32,926)	(26,275)
OPEB Liability Benefit/(Expense) - GASB 75	77,540	8,422
Principal Maturity	519,023	498,868
Capital Outlay Expenditures	20,000	20,000
Amortization of Bond Premiums	21,384	20,587
FEMA Reimbursements	-	9,281
Debt Forgiveness	-	261,434
Capital Contributions	67,068	183,954
Total Adjustments	(135,308)	186,720
Net Income	\$ 127,589	\$ 719,418

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Schedule of Bond Service Requirements by Years
December 31, 2019

Years <u>Ending</u>	<u>2003 Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	76,063
2043	36,021	587	36,608
Total	<u>\$ 1,242,520</u>	<u>\$ 543,515</u>	<u>\$ 1,786,035</u>

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Schedule of Bond Service Requirements by Years
December 31, 2019

<u>Years</u> <u>Ending</u>	<u>2012 Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	26,612	176,612
2038	155,000	21,925	176,925
2039	125,000	16,887	141,887
2040	95,000	12,825	107,825
2041	20,000	9,737	29,737
2042	20,000	9,087	29,087
2043	40,000	8,437	48,437
2044	40,000	7,087	47,087
2045	40,000	5,737	45,737
2046	40,000	4,387	44,387
2047	45,000	3,037	48,037
2048	45,000	1,519	46,519
Total	\$ 4,625,000	\$ 1,773,275	\$ 6,398,275

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2019

<u>Years</u> <u>Ending</u>	NJEIT 2007A Loans Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Total	\$ 666,413	\$ -	\$ 666,413

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2019

<u>Years</u> <u>Ending</u>	<u>NJEIT 2015-A-R1 Loans Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 100,000	\$ 47,050	\$ 147,050
2021	105,000	42,050	147,050
2022	109,000	36,800	145,800
2023	113,000	31,350	144,350
2024	119,000	25,700	144,700
2025	124,000	19,750	143,750
2026	133,000	13,550	146,550
2027	138,000	6,900	144,900
Total	\$ 941,000	\$ 223,150	\$ 1,164,150

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2019

<u>Years</u> <u>Ending</u>	NJEIT 2014A Loans Payable - Trust		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 10,000	\$ 5,400	\$ 15,400
2021	10,000	4,900	14,900
2022	10,000	4,400	14,400
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
Total	\$ 145,000	\$ 37,288	\$ 182,288

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2019

<u>Years</u> <u>Ending</u>	<u>NJEIT 2014A Loans Payable - Fund</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 27,322	\$ -	\$ 27,322
2021	27,322	-	27,322
2022	27,322	-	27,322
2023	27,321	-	27,321
2024	68	-	68
Total	\$ 109,355	\$ -	\$ 109,355

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2019

NJEIT 2014A NANO Loans Payable - Trust					
<u>Years</u> <u>Ending</u>	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
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
Total	\$	192,453	\$	44,947	\$ 237,400
		192,453		44,947	237,400

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2019

NJEIT 2014A NANO Loans Payable - Fund				
Years Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
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	12,711	-		12,711
2033	12,711	-		12,711
	177,966	-	\$	177,966
Total	\$ 177,966	\$ -	\$	177,966

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2019

NJEIT 2017A NANO Loans Payable - Trust					
<u>Years</u> <u>Ending</u>	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2020	\$	5,000	\$	8,425	\$ 13,425
2021		5,000		8,175	13,175
2022		5,000		7,925	12,925
2023		5,000		7,675	12,675
2024		5,000		7,425	12,425
2025		5,000		7,175	12,175
2026		5,000		6,925	11,925
2027		5,000		6,775	11,775
2028		5,000		6,625	11,625
2029		10,000		6,475	16,475
2030		10,000		6,175	16,175
2031		10,000		5,875	15,875
2032		10,000		5,575	15,575
2033		10,000		5,275	15,275
2034		10,000		4,963	14,963
2035		10,000		4,638	14,638
2036		10,000		4,313	14,313
2037		10,000		3,975	13,975
2038		10,000		3,638	13,638
2039		10,000		3,300	13,300
2040		10,000		2,963	12,963
2041		10,000		2,625	12,625
2042		10,000		2,275	12,275
2043		10,000		1,925	11,925
2044		15,000		1,575	16,575
2045		15,000		1,050	16,050
2046		15,000		525	15,525
Total	\$	240,000	\$	134,263	\$ 374,263

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2019

Years Ending	NJEIT 2017A NANO Loans Payable - Fund		
	Principal	Interest	Total
2020	\$ 8,427	\$ -	\$ 8,427
2021	8,427	-	8,427
2022	8,427	-	8,427
2023	8,427	-	8,427
2024	8,427	-	8,427
2025	8,427	-	8,427
2026	8,427	-	8,427
2027	8,427	-	8,427
2028	8,427	-	8,427
2029	8,427	-	8,427
2030	8,427	-	8,427
2031	8,427	-	8,427
2032	8,427	-	8,427
2033	8,427	-	8,427
2034	8,427	-	8,427
2035	8,427	-	8,427
2036	8,427	-	8,427
2037	8,427	-	8,427
2038	8,427	-	8,427
2039	8,427	-	8,427
2040	8,427	-	8,427
2041	8,427	-	8,427
2042	8,427	-	8,427
2043	8,427	-	8,427
2044	8,427	-	8,427
2045	8,427	-	8,427
2046	8,426	-	8,426
Total	\$ 227,528	\$ -	\$ 227,528

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2019

Years Ending	NJEIT 2017A-1 Loans Payable - Trust		
	Principal	Interest	Total
2020	\$ 5,000	\$ 6,981	\$ 11,981
2021	5,000	6,731	11,731
2022	5,000	6,481	11,481
2023	5,000	6,231	11,231
2024	5,000	5,981	10,981
2025	5,000	5,731	10,731
2026	5,000	5,481	10,481
2027	5,000	5,331	10,331
2028	5,000	5,181	10,181
2029	5,000	5,031	10,031
2030	5,000	4,881	9,881
2031	5,000	4,731	9,731
2032	5,000	4,581	9,581
2033	5,000	4,431	9,431
2034	5,000	4,275	9,275
2035	10,000	4,113	14,113
2036	10,000	3,787	13,787
2037	10,000	3,450	13,450
2038	10,000	3,113	13,113
2039	10,000	2,775	12,775
2040	10,000	2,438	12,438
2041	10,000	2,100	12,100
2042	10,000	1,750	11,750
2043	10,000	1,400	11,400
2044	10,000	1,050	11,050
2045	10,000	700	10,700
2046	10,000	350	10,350
Total	\$ 195,000	\$ 109,085	\$ 304,085

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2019

NJEIT 2017A-1 Loans Payable - Fund					
<u>Years</u> <u>Ending</u>	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2020	\$	20,268	\$	-	\$ 20,268
2021		20,268		-	20,268
2022		20,268		-	20,268
2023		20,268		-	20,268
2024		20,268		-	20,268
2025		20,268		-	20,268
2026		20,268		-	20,268
2027		20,268		-	20,268
2028		20,268		-	20,268
2029		20,268		-	20,268
2030		20,268		-	20,268
2031		20,268		-	20,268
2032		20,268		-	20,268
2033		20,268		-	20,268
2034		20,268		-	20,268
2035		20,268		-	20,268
2036		20,268		-	20,268
2037		20,268		-	20,268
2038		20,268		-	20,268
2039		20,268		-	20,268
2040		20,268		-	20,268
2041		20,268		-	20,268
2042		20,269		-	20,269
2043		20,269		-	20,269
2044		20,269		-	20,269
2045		20,269		-	20,269
2046		20,269		-	20,269
Total	\$	547,241	\$	-	\$ 547,241

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2019

<u>Years</u> <u>Ending</u>	NJEIT 2018A-1 Loans Payable - Fund		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 5,299	\$ -	\$ 5,299
2021	5,299	-	5,299
2022	5,299	-	5,299
2023	5,299	-	5,299
2024	5,299	-	5,299
2025	5,299	-	5,299
2026	5,299	-	5,299
2027	5,299	-	5,299
2028	5,299	-	5,299
2029	5,299	-	5,299
2030	5,299	-	5,299
2031	5,299	-	5,299
2032	5,299	-	5,299
2033	5,299	-	5,299
2034	5,299	-	5,299
2035	5,300	-	5,300
2036	5,300	-	5,300
2037	5,300	-	5,300
2038	5,300	-	5,300
2039	5,300	-	5,300
2040	5,300	-	5,300
2041	5,300	-	5,300
2042	5,300	-	5,300
Total	\$ 121,885	\$ -	\$ 121,885

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2019

NJEIT 2018A-1 Loans Payable - Trust					
<u>Years</u> <u>Ending</u>	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2020	\$	5,000	\$	4,788	\$ 9,788
2021		5,000		4,537	9,537
2022		5,000		4,288	9,288
2023		5,000		4,037	9,037
2024		5,000		3,788	8,788
2025		5,000		3,537	8,537
2026		5,000		3,288	8,288
2027		5,000		3,037	8,037
2028		5,000		2,788	7,788
2029		5,000		2,637	7,637
2030		5,000		2,488	7,488
2031		5,000		2,337	7,337
2032		5,000		2,188	7,188
2033		5,000		2,031	7,031
2034		5,000		1,875	6,875
2035		5,000		1,713	6,713
2036		5,000		1,550	6,550
2037		5,000		1,381	6,381
2038		5,000		1,213	6,213
2039		5,000		1,044	6,044
2040		5,000		875	5,875
2041		10,000		700	10,700
2042		10,000		350	10,350
Total	\$	125,000	\$	56,470	\$ 181,470

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)
Board of Commissioners and Management
December 31, 2019

	<u>Position</u>
Michael W. Hale.....	Chairman
Vacant	Vice Chairman
Edward F. Cammarato	Secretary
Samuel J. Cammarato	Treasurer
Jerome F. Bollettieri	Commissioner
Richard W. Elliott, Jr	Alternate No. 1
Lawrence J. Borio	Alternate No. 2
Michele Nugent	Executive Director
Brian P. Blair	Chief of Operations

Honorable Chairman and Members
of the Berkeley Township Municipal Utilities Authority
County of Ocean
Bayville, New Jersey

We have audited the financial accounts and transactions of the Berkeley Township Municipal Utilities Authority, County of Ocean, State of New Jersey for the year ended December 31, 2019. 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 \$40,000, except by contract or agreement.

The Authority has a qualified purchasing agent on staff and therefore may award contracts up to \$40,000 without competitive bids.

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

The minutes indicate that bids were requested by public advertising and awarded by resolution for the following items: cold water waterproof magnetic flow sensor meters.

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*.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. The results of our examination did not disclose any discrepancies.

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

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$6,000 "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).

The supporting documentation indicated that quotes were requested for all items that required them.

Examination of Cash Receipts

A test check of cash receipts was made. The results of the examination did not disclose any discrepancies with respect to cash receipts.

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.

Examination of Payroll

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 and a reconciliation between the physical and perpetual inventory records was performed at year-end.

Budget Adoption

The State of New Jersey requires that the Authority's operating and capital budgets be approved and adopted for each fiscal year. The Authority approved its operating budget on October 25, 2018 and adopted its operating budget on December 6, 2018.

Current Year Findings

There were no current year findings.

Follow-Up of Prior Years' Findings

In accordance with *Government Auditing Standards* and audit requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, our procedures included a review of all prior year findings. There were no prior year findings.

Acknowledgment

We received the complete cooperation of all the staff of the Authority 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 or recommendations, or should you desire any assistance in implementing our recommendations, please call us.

Respectfully Submitted,

Holman Frenia Allison, P.C.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 30, 2020
Toms River, New Jersey