

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

**Financial Statements and Supplementary Data**

**For the years ended December 31, 2011 and 2010**

**(With Independent Auditors' Report thereon)**

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Berkeley Township, New Jersey)**  
**Financial Statements and Supplementary Data**  
**For the years ended December 31, 2011 and 2010**

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Certified Public Accountants & Consultants

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of the  
Berkeley Township Municipal Utilities Authority

We have audited the accompanying statement of net assets 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, 2011 and the related statement of revenues, expenses and changes in net assets and the statement of cash flows for the years then ended. These financial statements are the responsibility of Berkeley Township Municipal Utilities Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Berkeley Township Municipal Utilities Authority as of December 31, 2010, were audited by other auditors whose report dated October 21, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and the 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Berkeley Township Municipal Utilities Authority, as of December 31, 2011 and 2010, and the respective changes in financial position, and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 04, 2012, on our consideration of the Berkeley Township Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 8 and 28 through 29 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

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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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Berkeley Township Municipal Utilities Authority's financial statements as a whole. The schedule of revenues, expenses and changes in net assets – unrestricted and restricted, schedule of cash receipts, cash disbursements and changes in cash and investments – unrestricted accounts and schedule of cash receipts, cash disbursements and changes in cash and investments – restricted accounts are presented for purposes of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*HOLMAN & FRENIA, P.C.*

**HOLMAN & FRENIA, P.C.**  
*Certified Public Accountants*

April 04, 2012  
Toms River, New Jersey



Certified Public Accountants & Consultants

**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**

To the Board of Commissioners of the  
Berkeley Township Municipal Utilities Authority

We have audited the basic financial statements 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, 2011 and have issued our report thereon dated April 04, 2012. 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 audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Berkeley Township Municipal Utilities Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Berkeley Township Municipal Utilities Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Berkeley Township Municipal Utilities Authority's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

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

This report is intended solely for the information and use of the Berkeley Township Municipal Utilities Authority's management, the board of commissioners and respective state agencies and is not intended to be and should not be used by anyone other than these specified parties.

HOLMAN & FRENIA, P.C.

HOLMAN & FRENIA, P.C.  
*Certified Public Accountants*

April 04, 2012  
Toms River, New Jersey



## **Berkeley Township MUNICIPAL UTILITIES AUTHORITY**

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April 04, 2012

### **MANAGEMENT DISCUSSION AND ANALYSIS**

The Berkeley Township Municipal Utilities Authority ("BTMUA") is a self-supporting water treatment plant and distribution entity proudly serving over 3,200 residents and businesses of a bayside community within Berkeley Township, NJ. 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 is managed by a five member Board of Commissioners appointed by the Berkeley Township Council. Each Board Member is appointed to a five year term at staggered intervals. Eight employees service a distribution system of approximately 302,000 linear feet of 6" to 16" diameter mains.

The previous three years of treatment plant modifications and water main expansion granted the Authority the opportunity to add more customers and to provide the security of an alternate water routing loop through the southern portion of the franchise. The completion of these referenced projects now serves as a strong foundation for the next infrastructure planning phase.

The BTMUA Board Members remain committed to servicing the franchise ratepayers with consistent and conservative long-term planning while continuing to maintain current user rates. Therefore, the Board's goals for 2011 were to control costs, secure conservative investment income and continue to designate funds toward water tower painting and asset preservation. This was also a year of evaluation and forecasting. The Board Members authorized a build out analysis performed as an aid to begin a ten year infrastructure planning strategy. The results of this study and the Township's Master Plan provided confirmation that significant growth is anticipated within this segment of Berkeley Township. Therefore, the staff and Board look forward to applying this information into a 2012 tactical plan of action to ensure a quality water supply will always be available to service the homes and businesses within our franchise.

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the Berkeley Township Municipal Utilities Authority's financial activities for the fiscal year ended December 31, 2011 as compared to the prior year. It should be read in conjunction with the accompanying financial statements.

## Financial Statements

The financial statements included in this report are the Statements of Net Assets, Statements of Revenues, Expenses and Changes in Net Assets, and Statements of Cash Flows as of and for the years ended December 31, 2011 and 2010.

The Statements of Net Assets shows the financial position of the Authority at December 31<sup>st</sup> of each year. Assets are compared with liabilities and net assets are the result.

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

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

## Financial Analysis

At December 31, 2011, the Authority had total assets of \$24,502,926 compared to \$25,169,814 at December 31, 2010. The decrease can be primarily attributed to the depreciation of assets.

At December 31, 2011, the Authority had total liabilities of \$11,673,900 compared to \$12,450,594 at December 31, 2010. This decrease is primarily attributable to the repayment of long-term debt.

At December 31, 2011, the Authority had total net assets of \$12,829,026 compared to \$12,719,220 at December 31, 2010. The increase is accounted for primarily from a decrease in long-term debt and revenues in excess of expenses for the year.

The Authority has net earnings of \$109,806 for the year ended December 31, 2011. This increase resulted primarily from the increase in connection fees and tower rental income in 2011 when compared to 2010.

## Condensed Financial Information

Key Authority financial information for the years ended December 31, 2011 and 2010 includes the following balances:

### Financial Position:

	<u>2011</u>	<u>2010</u>
	<b>ASSETS</b>	
Current unrestricted assets	\$ 3,044,876	\$ 2,761,129
Current restricted assets	1,590,161	1,827,767
Property, plant and equipment, net	19,740,170	20,438,777
Other assets	<u>127,719</u>	<u>142,141</u>
Total assets	<u>24,502,926</u>	<u>25,169,814</u>



**Condensed Financial Information (continued)**

**LIABILITIES**

Current unrestricted liabilities	122,254	120,327
Current restricted liabilities	875,750	947,991
Long-term liabilities	<u>10,675,896</u>	<u>11,382,276</u>
Total liabilities	<u>11,673,900</u>	<u>12,450,594</u>

**NET ASSETS**

Investments in capital, net	8,661,079	8,651,395
Restricted net assets	1,171,744	1,828,925
Reserved by board designation	440,000	390,000
Unrestricted net assets	<u>2,556,203</u>	<u>1,848,900</u>
Total net assets	<u>12,829,026</u>	<u>12,719,220</u>
Total liabilities and net assets	<u>\$ 24,502,926</u>	<u>\$ 25,169,814</u>

**Other Financial Information**

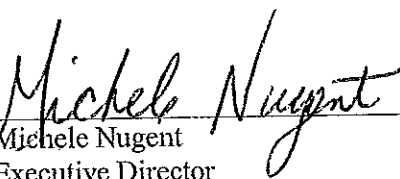
	<u>2011</u>	<u>2010</u>
Total revenues	\$ 2,325,463	\$ 2,333,968
Total expenses	<u>2,215,657</u>	<u>2,187,813</u>
Net income	<u>\$ 109,806</u>	<u>\$ 146,155</u>
User charges	\$ 1,682,119	\$ 1,717,693
Bond & loan principal paid	\$ 547,245	\$ 529,979
Bonds & loan payable	\$ 11,177,296	\$ 11,896,687

Authority operating revenues had a favorable variance of \$231,463 when compared to the budget for 2011 due primarily to increased connection fees received.

Authority operating expenses had a favorable variance of \$213,122 when compared to the budget for 2011 primarily due to management's continuing efforts to contain costs whenever possible resulting in various expenses being under budget.

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

Respectfully submitted,

  
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Michele Nugent  
Executive Director

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Statements of Net Assets**  
**December 31, 2011 and 2010**

<b>ASSETS</b>	<b>2011</b>	<b>2010</b>
Current unrestricted assets:		
Cash and cash equivalents	\$ 1,143,384	\$ 1,413,809
Investments	1,056,200	600,000
Interest receivable	4,553	2,987
Billed user fees receivable	609,610	599,970
Connection fee installment receivable	209,440	76,250
Other receivables	5,514	59,827
Prepaid expenses	16,175	8,286
Total current unrestricted assets	3,044,876	2,761,129
Current restricted assets:		
Cash and cash equivalents	392,692	345,922
Investments	1,190,422	1,061,900
Interest receivable	6,641	569
Other restricted receivables	406	419,376
Total current restricted assets	1,590,161	1,827,767
Property, plant and equipment	27,119,253	27,120,886
Less: accumulated depreciation	(7,379,083)	(6,682,109)
Property, plant and equipment, net	19,740,170	20,438,777
Other assets:		
Deferred issuance costs, net of accumulated amortization	126,822	140,796
Bond discount, net of accumulated amortization	897	1,345
Total other assets	127,719	142,141
Total assets	\$ 24,502,926	\$ 25,169,814

See independent auditors' report and accompanying notes to financial statements.

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Statements of Net Assets (continued)**  
**December 31, 2011 and 2010**

	2011	2010
<b>LIABILITIES</b>		
Current unrestricted liabilities:		
Accounts payable	\$ 14,363	\$ 21,666
Customer overpayments	3,108	1,604
Accrued expenses	41,197	36,346
Deferred revenue	279	397
Deferred connection fee revenue	63,307	60,314
Total current unrestricted liabilities	122,254	120,327
Current restricted liabilities:		
Accounts payable	-	37,470
Current portion of bonds payable	324,434	308,721
Current portion of loans payable	206,480	238,526
Accrued interest payable	89,319	94,903
Developer deposits	255,517	268,371
Total current restricted liabilities	875,750	947,991
Long-term liabilities:		
Bonds payable - long-term	7,508,281	7,832,762
Loans payable - long-term	3,138,101	3,516,678
Loan premium, net of accumulated amortization	29,514	32,836
Total long-term liabilities	10,675,896	11,382,276
Total liabilities	11,673,900	12,450,594
<b>NET ASSETS</b>		
Investments in capital assets, net of related debt	8,661,079	8,651,395
Restricted net assets:		
Debt service	911,744	1,551,718
Capital	260,000	277,207
Unrestricted net assets:		
Reserved by board designation	440,000	390,000
Unreserved	2,556,203	1,848,900
Total restricted and unrestricted net assets	4,167,947	4,067,825
Total net assets	12,829,026	12,719,220
Total liabilities and net assets	\$ 24,502,926	\$ 25,169,814

See independent auditors' report and accompanying notes to financial statements.

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Statements of Revenue, Expenses and Changes in Net Assets**  
**For the years ended December 31, 2011 and 2010**

	2011	2010
Operating revenues:		
User charges	\$ 1,682,119	\$ 1,717,693
Connection fees	272,421	48,725
Interest earned on connection fees	6,025	2,200
Hydrant fees	108,800	108,800
Other operating revenue	1,960	1,287
Total operating revenues	2,071,325	1,878,705
Operating expenses:		
Cost of providing services	492,113	459,456
Administrative and general	495,115	490,707
Depreciation	697,658	696,978
Total operating expenses	1,684,886	1,647,141
Operating revenues over expenses	386,439	231,564
Non-operating revenues/(expenses):		
Water tower rental	224,692	198,930
Interest income	29,446	33,512
Grant income	-	222,821
Interest expense	(429,325)	(444,958)
Township appropriation	(87,380)	(81,299)
Amortization expense	(11,100)	(14,415)
Loss on disposal of asset	(2,966)	-
Total non-operating revenue/(expenses)	(276,633)	(85,409)
Change in net assets	109,806	146,155
Net assets, January 1	12,719,220	12,573,065
Net assets, December 31	\$ 12,829,026	\$ 12,719,220

See independent auditors' report and accompanying notes to financial statements.

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Statements of Cash Flows**  
**For the years ended December 31, 2011 and 2010**

	2011	2010
<b>Cash flows from operating activities:</b>		
Cash received from service users	\$ 1,972,373	\$ 1,774,643
Cash paid to suppliers	(648,376)	(785,372)
Cash paid to employees	(386,663)	(371,078)
Cash received from others	1,960	1,287
Cash flows from operating activities	939,294	619,480
<b>Cash flows from investing activities:</b>		
Acquisition and construction of property, plant and equipment	(2,017)	(52,180)
Interest earned on investments	21,808	33,334
(Purchases)/Maturities of investments	(584,722)	476,900
Grant proceeds	74,677	148,144
Township appropriation	(87,380)	(81,299)
Cash received from water tower rentals	224,692	198,930
Cash flows from investing activities	(352,942)	723,829
<b>Cash flows from financing activities:</b>		
Principal paid on long-term debt	(547,245)	(564,497)
Proceeds received from NJEIT	-	151,846
Reduction of debt from NJEIT	172,147	-
Interest paid	(434,909)	(450,534)
Cash flows from financing activities	(810,007)	(863,185)
Net change in cash	(223,655)	480,124
Unrestricted and restricted cash, January 1	1,759,731	1,279,607
Unrestricted and restricted cash, December 31	\$ 1,536,076	\$ 1,759,731
 <b>Reconciliation to Statements of Net Assets:</b>		
Current unrestricted assets:		
Cash and cash equivalents	\$ 1,143,384	\$ 1,413,809
Current restricted asstes:		
Cash and cash equivalents	392,692	345,922
Total cash and cash equivalents, December 31	\$ 1,536,076	\$ 1,759,731

See independent auditors' report and accompanying notes to financial statements.

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Statements of Cash Flows (continued)**  
**For the years ended December 31, 2011 and 2010**

	2011	2010
<b>Reconciliation of operating revenue over expenses to cash flows from operating activities:</b>		
Operating revenues over expenses	\$ 386,439	\$ 231,564
Items which did not use cash:		
Depreciation	697,658	696,978
Working capital changes which (used) provided cash:		
Billed user fees receivable	(9,640)	(67,579)
Connection fee installment receivable	(133,190)	28,885
Other unrestricted receivables	54,313	(45,702)
Prepaid expenses	(7,889)	3,795
Accounts payable	(44,773)	(28,482)
Customer overpayments	1,504	(208)
Accrued expenses	4,851	9,308
Deferred revenue	(118)	(877)
Deferred connection fee revenue	2,993	(25,956)
Retainage payable	-	(190,908)
Developer deposits	(12,854)	8,662
Cash flows from operating activities	\$ 939,294	\$ 619,480

See independent auditors' report and accompanying notes to financial statements.

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements**  
**For the years ended December 31, 2011 and 2010**

**NOTE 1: ORGANIZATION**

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

**Creation of Authority**

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

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

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

The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's Codification of Government Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is a fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Authority has no component units. Based on the above criteria, the Authority is a component unit of the Township. The Authority issues separate financial statements from the Township. However, if the Township presented its financial statements in accordance with GAAP, these financial statements would be included with the Township's on a blended basis.

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

At December 31, 2011, the Authority has 3,199 users connected to the system.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles applicable to enterprise funds of governmental units. The Authority's basic financial statements are presented on the full accrual basis in accordance with the accounting principles generally accepted in the United States of America. The Authority applies all Government Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.



**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2011 and 2010**

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

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

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

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

**B. Budgetary Accounting**

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

**C. Cash, Cash Equivalents and Investments**

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

*N.J.S.A. 17:9-42* requires government units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2011 and 2010**

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

**C. Cash, Cash Equivalents and Investments (continued)**

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

**D. Restricted Accounts**

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

**E. Investments**

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

**F. Property, Plant and Equipment**

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

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

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2011 and 2010**

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

**F. Property, Plant and Equipment (continued)**

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

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

**G. Deferred Issuance Costs**

Deferred issuance costs incurred with the issuance of Bonds are being amortized over the life of the respective issue based on the effective interest method. Unamortized debt issuance costs at December 31, 2011 and 2010 are \$126,822 and \$140,796, respectively.

**H. Use of Estimates**

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

**I. Compensated Absences**

Authority employees are entitled to certain compensated absences for vacation and sick time. Unused sick time can be carried forward to the following year up to a maximum of thirty days. Accrued sick and vacation time at December 31, 2011 and 2010 are \$29,434 and \$27,824, respectively and is included in accrued expenses in the accompanying statement of net assets.

**J. Deferred Connections**

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

**K. Revenue Recognition**

The Authority recognizes revenue on the accrual basis as earned. The majority of the Authority's billings are subject to, in the event of nonpayment, local tax sale.

The Authority classifies all fees and charges to provide water services as operating revenue and all other income as non-operating revenue.

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2011 and 2010**

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

**L. Contributions**

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

**M. Net Assets**

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

**N. Deferred Revenue**

Deferred revenue consists of user charges which have not been earned by the Authority. When the user charges are earned and when owners in the service area are connected, revenue is recognized and deferred revenue is removed from the balance sheet.

**O. Township Appropriation**

The Township of Berkeley appropriates the Authority's net assets to the maximum amount allowed by State law. The appropriation for 2011 and 2010 totaled \$87,380 and \$81,299, respectively, and is recorded as non-operating expenses.

**P. Subsequent Events**

The Authority has evaluated subsequent events occurring after December 31, 2011 through April 04, 2012, which is the date the financial statements were available to be issued.

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2011 and 2010**

**NOTE 3: CASH AND CASH EQUIVALENTS**

The Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2011 and 2010, and reported at fair value are as follows:

	<u>2011</u>	<u>2010</u>
<b>Deposits:</b>		
Demand deposits	\$ 777,159	\$ 1,149,642
Money market funds	<u>758,917</u>	<u>610,089</u>
Total deposits	<u>\$ 1,536,376</u>	<u>\$ 1,759,731</u>
<b>Reconciliation to Statements of Net Assets</b>		
Current unrestricted assets:		
Cash and cash equivalents	\$ 1,143,384	\$ 1,413,809
Current restricted assets:		
Cash and cash equivalents	<u>392,692</u>	<u>345,922</u>
Total cash and cash equivalents	<u>\$ 1,536,376</u>	<u>\$ 1,759,731</u>

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2011 and 2010, the Authority's bank balance of \$1,551,177 and \$1,759,681, respectively, was insured or collateralized as follows:

	<u>2011</u>	<u>2010</u>
Insured	\$ 500,000	\$ 250,000
Collateralized in the Authority's name under GUDPA (See Note 5)	<u>1,051,177</u>	<u>1,509,681</u>
Total	<u>\$ 1,551,177</u>	<u>\$ 1,759,681</u>

**NOTE 4: INVESTMENTS**

**A. Custodial Credit Risk**

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

**B. Investment Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Authority has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2011, are provided in the below schedule.

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2011 and 2010**

**NOTE 4: INVESTMENTS (continued)**

**C. Investment Credit Risk**

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

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

As of December 31, 2011, the Authority had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Rating</u>	<u>2011</u>	<u>2010</u>
Certificates of Deposit	Various	Various	\$ 2,246,622	\$ 1,661,900
Total investments			<u>\$ 2,246,622</u>	<u>\$ 1,661,900</u>

**Reconciliation to Statements of Net Assets**

Current unrestricted assets:				
Investments			\$ 1,056,200	\$ 600,000
Current restricted assets:				
Investments			<u>1,190,422</u>	<u>1,061,900</u>
Total investments			<u>\$ 2,246,622</u>	<u>\$ 1,661,900</u>

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2011 and 2010**

**NOTE 4: INVESTMENTS (continued)**

**D. Fair Value of Investments**

Investments are shown at fair value on the statement of net assets with accrued interest shown under a separate caption. Investments are summarized as follows at December 31, 2011:

	Cost	Market
Certificates of Deposit collateralized in the Authority's name under GUDPA (See Note 5)	\$ 2,246,622	\$ 2,246,622
Total fair value of investments	\$ 2,246,622	\$ 2,246,622

**NOTE 5: GOVERNMENTAL UNIT DEPOSIT PROTECTION ACT (GUDPA)**

The Authority has deposited cash in 2011 and 2010 with approved public fund depositories qualified under the provisions of the Governmental Unit Deposit Protection Act. In addition to savings and checking accounts, the Board invests monies in certificates of deposit.

The Governmental Unit Deposit Protection Act P.L. 1970, Chapter 236 was passed to afford protection against bankruptcy or default by a depository. C.17:9-42 provides that no governmental unit shall deposit funds in a public depository unless such funds are secured in accordance with this act. C.17:9-42 provides that every public depository having public funds on deposit shall, as security for such deposits, maintain eligible collateral having a market value at least equal to either (1) 5% of the average daily balance of collected public funds on deposit during the six month period ending on the next preceding valuation date (June 30 or December 31) or (2) at the election of the depository, at least equal to 5% of the average (balance of collected public funds on deposit on the first, eighth, fifteenth, and twenty-second days of each month in the six month period ending on the next preceding valuation date (June 30 or December 31). No public depository shall be required to maintain any eligible collateral pursuant to this act as security for any deposit or deposits of any governmental unit to the extent such deposits are insured by the FDIC or any other U.S. agency which insures public depository funds.

No public depository shall at any time receive and hold on deposit for any period in excess of 15 days public funds of a governmental unit(s) which, in aggregate, exceed 75% of the capital funds of the depository, unless such depository shall, in addition to the security required to be maintained under the paragraph above, secure such excess by eligible collateral with a market value at least equal to 100% of such excess.

In the event of a default, the Commissioner of Banking within 20 days after default occurrence shall ascertain the amount of public funds on deposit in the defaulting depository and the amounts covered by federal deposit insurance and certify the amounts to each affected governmental unit. Within 10 days after receipt of this certification, each unit shall furnish to the Commissioner verified statements of its public deposits. The Commissioner shall ascertain the amount derived or to be derived from the liquidation of the collateral maintained by the defaulting depository and shall distribute such proceeds pro rata among the governmental units to satisfy the net deposit liabilities to such units.

If the proceeds of the sale of the collateral are insufficient to pay in full the liability to all affected governmental units, the Commissioner shall assess the deficiency against all other public depositories having public funds on deposit determined by a formula determined by law. All sums collected by the Commissioner shall be paid to the governmental units having deposits in the defaulting depository in the proportion that the net deposit liability to each governmental unit bears to the aggregate of the net deposit liabilities to all such governmental units.

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2011 and 2010**

**NOTE 5: GOVERNMENTAL UNIT DEPOSIT PROTECTION ACT (GUDPA) (continued)**

All public depositories are required to furnish information and reports dealing with public funds on deposit every six months (June 30 and December 31) with the Commissioner of Banking. Any public depository which refuses or neglects to give any such information so requested may be excluded from the right to receive public funds for deposit until such time as the Commissioner shall acknowledge that such depository has furnished the information requested.

Upon review and approval of the Certification Statement that the public depository complies with statutory requirements, the Commissioner issues forms approving the bank as a municipal depository. The Authority should request copies of these approval forms semiannually to assure that all depositories are complying with requirements.

**NOTE 6: OTHER RESTRICTED RECEIVABLES**

On November 8, 2007, the Authority borrowed \$4,079,233 from the New Jersey Environmental Infrastructure Trust ("NJEIT"). The terms of the loan require the Authority to request periodic draw-downs for qualified construction and related expenditures. As of December 31, 2011 and 2010, the NJEIT held \$0 and \$344,699, respectively, in their accounts on behalf of the Authority.

Also, at December 31, 2010, the Authority was due a Federal grant payment of \$74,677 from the U.S. Department of Agriculture for reimbursement of capital expenditures. No payment was due for 2011.

**NOTE 7: PROPERTY, PLANT AND EQUIPMENT, NET**

Property, plant and equipment at December 31<sup>st</sup> consisted of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 90,108	\$ 90,108
Improvements other than building	22,102,258	22,102,258
Machinery and equipment	92,239	92,239
Furniture and fixtures	61,302	59,285
Water Plant	4,618,821	4,622,471
Vehicles	<u>154,525</u>	<u>154,525</u>
Property, plant and equipment, gross	27,119,253	27,120,886
Less: accumulated depreciation	<u>(7,379,083)</u>	<u>(6,682,109)</u>
Property, plant and equipment, net	<u>\$ 19,740,170</u>	<u>\$ 20,438,777</u>



**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2011 and 2010**

**NOTE 8: BONDS PAYABLE**

Bonds payable at December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
\$2,545,000 Water Revenue Bonds (Series 1993) due in annual principal installments of \$185,000 to \$195,000 through November 1, 2013, interest rate of 5.20%.	\$ 380,000	\$ 555,000
\$1,352,000 Water Revenue Bonds (Series 1995A) due in semi-annual installments of \$36,767 including interest through May 1, 2035, interest rate of 4.50%.	1,059,570	1,084,452
\$1,600,000 Water Revenue Bonds (Series 1995B) due in semi-annual installments of \$43,504 including interest through May 1, 2035, interest rate of 4.50%.	1,253,781	1,283,220
\$1,200,000 Water Revenue Bonds (Series 1999) due in semi-annual installments of \$32,628 including interest through May 1, 2039, interest rate of 4.50%.	1,023,464	1,041,949
\$1,150,000 Water Revenue Bonds (Series 2000) due in semi-annual installments of \$31,269 including interest through November 1, 2040, interest rate of 4.5%.	1,007,210	1,024,114
\$1,650,000 Water Revenue Bonds (Series 2003) due in semi-annual installments of \$38,031 including interest through May 1, 2043, interest rate of 3.25%.	1,492,176	1,519,044
\$1,500,000 Water Revenue Bonds (Series 2009A) due in semi-annual installments of \$30,714 including interest through May 1, 2049, interest rate of 4.375%.	1,127,016	1,138,750
\$500,000 Water Revenue Bonds (Series 2009B) due in semi-annual installments of \$13,120 including interest through May 1, 2049, interest rate of 4.25%.	<u>489,498</u>	<u>494,954</u>
Subtotal	7,832,715	8,141,483
Less: current portion	<u>(324,434)</u>	<u>(308,721)</u>
Bonds payable – long-term	<u>\$ 7,508,281</u>	<u>\$ 7,832,762</u>

Revenue bonds outstanding as of December 31, 2011 are shown as followed.

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2011 and 2010**

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 324,434	\$ 332,397	\$ 656,831
2013	340,396	316,816	657,212
2014	151,616	300,456	452,072
2015	158,106	293,966	452,072
2016	164,877	287,197	452,072
2017-2021	936,696	1,323,664	2,260,360
2022-2026	1,155,981	1,104,379	2,260,360
2027-2031	1,427,364	832,198	2,259,562
2032-2036	1,515,480	505,560	2,021,040
2037-2041	993,527	237,249	1,230,776
2042-2046	460,071	91,067	551,138
2047-2049	<u>204,167</u>	<u>13,429</u>	<u>217,796</u>
Total	<u>\$ 7,832,715</u>	<u>\$ 5,638,378</u>	<u>\$ 13,471,093</u>

**NOTE 9: LOANS PAYABLE**

Loans payable at December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
The loan payable to NJ DEP is a 2% loan with repayment being made in equal semi-annual installments of \$27,686 including interest. Payments commenced on June 23, 1995 and the final maturity is June 23, 2012.	\$ 26,579	\$ 78,950
The 2008 Series A loan payable to the NJEIT is due in annual principal installments of \$76,323 to \$155,000 through August 1, 2027, at interest rates ranging from 4.0% to 5.0%	1,816,323	1,900,000
The 2008 Series B loan payable to the NJEIT is due in semi-annual principal installments of \$40,953 to \$105,347 through August 1, 2026, at zero percent interest.	<u>1,501,679</u>	<u>1,776,254</u>
Subtotal	3,344,581	3,755,204
Less: current portion	<u>(206,480)</u>	<u>(238,526)</u>
Bonds payable – long-term	<u>\$ 3,138,101</u>	<u>\$ 3,516,678</u>

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:

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2011 and 2010**

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 206,480	\$ 81,584	\$ 288,064
2013	190,047	78,023	268,070
2014	188,130	75,048	263,178
2015	194,380	71,988	266,368
2016	199,702	67,488	267,190
2017-2021	1,074,865	264,538	1,339,403
2022-2026	1,135,977	127,413	1,263,390
2027	<u>155,000</u>	<u>6,587</u>	<u>161,587</u>
Total	<u>\$ 3,344,581</u>	<u>\$ 772,669</u>	<u>\$ 4,117,250</u>

**NOTE 10: PENSION**

**A. Plan Description**

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

The Public Employees' Retirement System (PERS) was established in January 1955 under the provisions of *N.J.S.A.43:15A* and significantly amended on May 21, 2010. Both plans were set up to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plans. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

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

**B. Vesting and Benefit Provisions**

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

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2011 and 2010**

**NOTE 10: PENSION (continued)**

**C. Significant Legislation**

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

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

**D. Contribution Requirements**

The contribution policy is set by *N.J.S.A.43:15A*, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and *N.J.S.A.18:66*, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 6.5%, effective October 1, 2011, of employees' annual compensation as defined. The rate will increase over the next seven years to 7.5%. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums.

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

<u>Year Ending</u>	<u>Employees</u>	<u>Authority Required Contribution</u>	
		<u>Amount</u>	<u>Percentage</u>
12/31/2011	\$ 21,928	\$ 34,029	100%
12/31/2010	\$ 17,916	\$ 25,584	100%
12/31/2009	\$ 17,527	\$ 18,666	100%

**NOTE 11: POST-RETIREMENT BENEFITS**

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

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

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

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2011 and 2010**

**NOTE 12: 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 2011, 2010, or 2009.

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget**  
**For the year ended December 31, 2011**  
**(With comparative totals for the year ended December 31, 2010)**

	December 31, 2011			December 31, 2010				
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE
<b>Revenues:</b>								
User charges	\$ 1,672,000	1,672,000	\$ 1,682,119	\$ 10,119	\$ 1,595,000	\$ 1,595,000	\$ 1,717,693	\$ 122,693
Connection fees	22,000	22,000	272,421	250,421	37,400	37,400	48,725	11,325
Interest earned on connection fees	-	-	6,025	6,025	-	-	2,200	2,200
Hydrant fees	108,000	108,000	108,800	800	111,000	111,000	108,800	(2,200)
Other operating revenue	-	-	1,960	1,960	-	-	1,287	1,287
Water tower rentals	242,000	242,000	224,692	(17,308)	176,000	176,000	198,930	22,930
Interest income	50,000	50,000	29,446	(20,554)	25,000	25,000	33,512	8,512
Grant income	-	-	-	-	-	-	222,821	222,821
<b>Total operating revenues</b>	<b>2,094,000</b>	<b>2,094,000</b>	<b>2,325,463</b>	<b>231,463</b>	<b>1,944,400</b>	<b>1,944,400</b>	<b>2,333,968</b>	<b>389,568</b>
<b>Expenses:</b>								
<b>Cost of providing services:</b>								
Salaries	217,000	217,000	206,184	10,816	206,000	206,000	200,284	5,716
Payroll taxes and fringe benefits	153,500	153,500	126,828	26,672	118,300	118,300	93,916	24,384
Utilities and natural gas	108,000	108,000	88,013	19,987	100,000	100,000	101,126	(1,126)
Plant and system expense	98,500	98,500	50,252	48,248	98,500	98,500	43,459	55,041
Permits and fees	16,000	16,000	13,620	2,380	14,000	14,000	13,210	790
Uniforms	4,000	4,000	2,575	1,425	4,000	4,000	2,231	1,769
Vehicle expense	10,000	10,000	4,641	5,359	10,000	10,000	5,230	4,770
<b>Total cost of providing services</b>	<b>607,000</b>	<b>607,000</b>	<b>492,113</b>	<b>114,887</b>	<b>550,800</b>	<b>550,800</b>	<b>459,456</b>	<b>91,344</b>
<b>Administrative and general expenses:</b>								
Salaries	183,750	183,750	180,479	3,271	173,750	173,750	170,794	2,956
Payroll taxes and fringe benefits	153,500	153,500	111,016	42,484	118,300	118,300	138,497	(20,197)
Office supplies and expenses	55,600	55,600	43,605	11,995	55,700	55,700	49,882	5,818
Advertising and printing	3,500	3,500	1,324	2,176	3,500	3,500	2,835	665
Telephone	10,000	10,000	8,506	1,494	10,000	10,000	9,404	596
Engineering fees	50,000	50,000	31,288	18,712	50,000	50,000	8,613	41,387
Legal fees	50,000	50,000	49,074	926	51,000	51,000	40,821	10,179

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget**  
 For the year ended December 31, 2011  
 (With comparative totals for the year ended December 31, 2010)

	December 31, 2011			December 31, 2010				
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE
Administrative and general expenses (continued):								
Accounting services	40,000	40,000	33,530	6,470	40,000	40,000	35,813	4,187
Trustee fees	17,000	17,000	11,646	5,354	13,000	13,000	9,790	3,210
Insurance	21,000	21,000	18,047	2,953	21,000	21,000	17,011	3,989
Postage and freight	9,000	9,000	6,600	2,400	9,000	9,000	6,800	2,200
Miscellaneous	-	-	-	-	-	-	447	(447)
<b>Total administrative and general expenses</b>	<b>593,350</b>	<b>593,350</b>	<b>495,115</b>	<b>98,235</b>	<b>545,250</b>	<b>545,250</b>	<b>490,707</b>	<b>54,543</b>
Non-operating expenses:								
Interest paid	434,952	434,952	434,909	43	454,053	454,053	445,406	8,647
Debt service	547,245	547,245	547,245	-	529,935	529,935	529,979	(44)
Township appropriation	87,380	87,380	87,380	-	-	-	81,299	(81,299)
<b>Total non-operating expenses</b>	<b>1,069,577</b>	<b>1,069,577</b>	<b>1,069,534</b>	<b>43</b>	<b>983,988</b>	<b>983,988</b>	<b>1,056,684</b>	<b>(72,696)</b>
Capital outlay and reserves:								
Renewal and replacement	20,000	20,000	20,000	-	20,000	20,000	20,000	-
Tower maintenance	50,000	50,000	-	50,000	50,000	50,000	-	50,000
Equipment/system upgrades	33,000	33,000	-	33,000	30,000	30,000	83,671	(53,671)
Meters	20,000	20,000	-	20,000	-	-	-	-
<b>Total capital outlay and reserves</b>	<b>123,000</b>	<b>123,000</b>	<b>20,000</b>	<b>103,000</b>	<b>100,000</b>	<b>100,000</b>	<b>103,671</b>	<b>(3,671)</b>
<b>Total expenses</b>	<b>2,392,927</b>	<b>2,392,927</b>	<b>2,076,762</b>	<b>316,165</b>	<b>2,180,038</b>	<b>2,180,038</b>	<b>2,110,518</b>	<b>69,520</b>
<b>Excess operational revenues over expenses</b>	<b>\$ (298,927)</b>	<b>\$ (298,927)</b>	<b>248,701</b>	<b>\$ 547,628</b>	<b>\$ (2,180,038)</b>	<b>\$ (2,180,038)</b>	<b>223,450</b>	<b>\$ 69,520</b>
Plus:								
Adjustment for interest accrual			5,584				448	
Debt service			547,245				529,979	
Capital outlay and reserves			20,000				103,671	
Less:								
Depreciation			(697,658)				(696,978)	
Amortization			(11,100)				(14,415)	
Loss on disposal of asset			(2,966)				-	
<b>Change in net assets per Statements of Revenue, Expenses and Changes in Net Assets</b>			<b>\$ 109,806</b>				<b>\$ 146,155</b>	

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Revenue, Expenses and Changes in Net Assets - Unrestricted and Restricted**  
**For the year ended December 31, 2011**  
**(With comparative totals for the year ended December 31, 2010)**

	Unrestricted		Restricted		Reserve for Capital	2011	2010
	Unreserved	Board Designated	Reserve for Debt Service	Investments in Capital Assets, Net			
Operating revenues:							
User charges	\$ 1,682,119	\$ -	\$ -	\$ -	\$ -	\$ 1,682,119	\$ 1,717,693
Connection fees	272,421	-	-	-	-	272,421	48,725
Interest earned on connection fees	6,025	-	-	-	-	6,025	2,200
Hydrant fees	108,800	-	-	-	-	108,800	108,800
Other operating revenue	1,960	-	-	-	-	1,960	1,287
Total operating revenues	2,071,325	-	-	-	-	2,071,325	1,878,705
Operating expenses:							
Cost of providing services	492,113	-	-	-	-	492,113	459,456
Administrative and general	495,115	-	-	-	-	495,115	490,707
Depreciation	-	-	-	697,658	-	697,658	696,978
Total operating expenses	987,228	-	-	697,658	-	1,684,886	1,647,141
Operating revenues over expenses	1,084,097	-	-	(697,658)	-	386,439	231,564
Non-operating revenues/(expenses):							
Water tower rental	224,692	-	-	-	-	224,692	198,930
Interest income	15,800	-	10,546	-	3,100	29,446	33,512
Grant income	-	-	-	-	-	-	222,821
Interest expense	(429,325)	-	-	-	-	(429,325)	(444,958)
Township appropriation	(87,380)	-	-	-	-	(87,380)	(81,299)
Amortization expense	-	-	-	(11,100)	-	(11,100)	(14,415)
Loss on disposal of asset	(2,966)	-	-	-	-	(2,966)	-
Total non-operating revenue/(expenses)	(279,179)	-	10,546	(11,100)	3,100	(276,633)	(85,409)
Change in net assets before transfers	804,918	-	10,546	(708,758)	3,100	109,806	146,155
Transfers	(97,615)	50,000	(650,520)	718,442	(20,307)	-	-
Net assets, January 1 (unadjusted)	2,238,900	-	1,119,345	8,829,798	220,000	12,408,043	12,573,065
Prior period adjustments	(390,000)	390,000	432,373	(178,403)	57,207	311,177	-
Net assets, January 1 (adjusted)	1,848,900	390,000	1,551,718	8,651,395	277,207	12,719,220	12,573,065
Net assets, December 31	\$ 2,556,203	\$ 440,000	\$ 911,744	\$ 8,661,079	\$ 260,000	\$ 12,829,026	\$ 12,719,220



**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Unrestricted Accounts**  
 For the year ended December 31, 2011  
 (With comparative totals for the year ended December 31, 2010)

	Petty Cash	Revenue Checking	Operating Checking	Escrow Checking	Developers' Deposits	General Fund	Revenue Fund	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cash and Investments - January 1, 2011</b>	50	2,892	109,870	1,685	4	1,899,308	-	2,013,809	1,962,918
<b>Cash Receipts:</b>									
User charges	-	1,755,850	-	-	-	-	-	1,755,850	1,657,590
Hydrant fees	-	108,800	-	-	-	-	-	108,800	54,400
Connection fees	-	272,421	-	-	-	-	-	272,421	51,633
Water tower rentals	-	224,692	-	-	-	-	-	224,692	204,562
Miscellaneous income	-	1,957	-	266	-	15,800	-	2,223	1,287
Interest income	-	6,025	-	-	-	-	-	15,800	19,842
Interest earned on connection fees	-	74,677	-	-	-	-	-	6,025	2,200
USDA grant received	-	-	-	-	-	-	-	74,677	151,846
NJEIT loan received	-	-	-	-	-	-	-	-	148,144
Claims reimbursements and refunds	-	-	-	-	-	-	11,113	11,113	172
Transfers from restricted funds	-	-	1,320,700	10,004	-	282,866	1,308,533	2,922,103	2,454,711
Transfers from unrestricted funds	-	2,444,422	1,320,700	10,270	-	298,666	1,319,646	5,393,704	4,757,364
<b>Total Cash Receipts</b>	-	2,447,314	1,430,570	11,955	4	2,197,974	1,319,646	7,407,513	6,720,282
<b>Total Cash and Investments Available</b>	50	2,447,314	1,430,570	11,955	4	2,197,974	1,319,646	7,407,513	6,720,282
<b>Cash Disbursements:</b>									
Operating claims	-	-	956,311	-	-	-	-	956,311	941,252
Construction claims	-	-	79,983	-	-	-	-	79,983	300,999
Township appropriation	-	-	87,380	-	-	-	-	87,380	81,299
NJ DEP loan payments	-	-	55,372	-	-	-	-	55,372	55,372
Transfers to restricted funds	-	-	-	-	-	70,000	1,036,780	1,106,780	872,840
Transfers to unrestricted funds	-	2,429,233	10,000	-	4	200,000	282,866	2,922,103	2,454,711
<b>Total Cash Disbursements</b>	-	2,429,233	1,189,046	-	4	270,000	1,319,646	5,207,929	4,706,473
<b>Cash and Investments - December 31, 2011</b>	50	18,081	241,524	11,955	-	1,927,974	-	2,199,584	2,013,809

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Restricted Accounts**  
**For the year ended December 31, 2011**  
 (With comparative totals for the year ended December 31, 2010)

	Renewal & Replacement Account	Debt Service Account	Developers' Deposits	Bond Reserve Account	Developers' Escrows Checking	2011	2010
	\$	\$	\$	\$	\$	\$	\$
Cash and Investments - January 1, 2011	240,000	239,680	268,370	659,772	-	1,407,822	1,455,489
<b>Cash Receipts:</b>							
Developers' deposits	-	-	221,808	-	-	221,808	23,688
Interest income	3,100	2,533	-	8,013	-	13,646	14,537
Refunded disbursements	-	-	10,482	-	-	10,482	3,067
Transfers from restricted funds	-	-	-	-	245,111	245,111	15,473
Transfers from unrestricted funds	20,000	1,086,780	-	-	-	1,106,780	872,840
<b>Total Cash Receipts</b>	<b>23,100</b>	<b>1,089,313</b>	<b>232,290</b>	<b>8,013</b>	<b>245,111</b>	<b>1,597,827</b>	<b>929,605</b>
<b>Total Cash and Investments Available</b>	<b>263,100</b>	<b>1,328,993</b>	<b>500,660</b>	<b>667,785</b>	<b>245,111</b>	<b>3,005,649</b>	<b>2,385,094</b>
<b>Cash Disbursements:</b>							
Payments on behalf of developers	-	-	-	-	245,111	245,111	16,073
Operating disbursements	-	-	-	-	-	-	6,034
Bond and loan principal payments	-	491,875	-	-	-	491,875	478,739
Interest paid	-	429,325	-	-	-	429,325	449,976
Transfers to restricted funds	-	-	245,111	-	-	245,111	15,473
Transfers to unrestricted funds	3,100	-	-	8,013	-	11,113	10,977
<b>Total Cash Disbursements</b>	<b>3,100</b>	<b>921,200</b>	<b>245,111</b>	<b>8,013</b>	<b>245,111</b>	<b>1,422,535</b>	<b>977,272</b>
<b>Cash and Investments - December 31, 2011</b>	<b>\$ 260,000</b>	<b>\$ 407,793</b>	<b>\$ 255,549</b>	<b>\$ 659,772</b>	<b>\$ -</b>	<b>\$ 1,583,114</b>	<b>\$ 1,407,822</b>

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Board of Commissioners and Management**  
**December 31, 2011**

Eric J. Sudia.....	Chairman
Edward Olsen .....	Vice Chairman
Patrick Pizzi .....	Treasurer
Charles Thiemer.....	Secretary
Lloyd G. Mullikin.....	Commissioner
Michele Nugent.....	Executive Director



Certified Public Accountants & Consultants

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

We have audited the financial accounts and transactions of the Berkeley Township Municipal Utilities Authority, a component unit of the Township of Berkeley, in the County of Ocean, State of New Jersey for the year ended December 31, 2011. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments and Recommendations* for the year then ended.

#### GENERAL COMMENTS AND RECOMMENDATIONS

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

*N.J.S.A.40A:11-4* - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,000 except by contract or agreement.

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

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

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

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

### **Contracts and Agreements Requiring Solicitation of Quotations**

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

### **Examination of Bills**

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

### **Payroll Fund**

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

### **Property, Plant & Equipment**

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

### **Follow-Up of Prior Years' Findings**

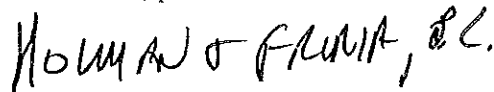
In accordance with government auditing standards, our procedures included a review of all prior year findings. There were no findings in the prior year.

### **Acknowledgment**

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

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

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



**HOLMAN & FRENIA, P.C.**  
*Certified Public Accountants*

April 04, 2012  
Toms River, New Jersey