

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

**Financial Statements and Supplementary Information**

**For the years ended December 31, 2017 and 2016**

**(With Independent Auditor's Report thereon)**

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Berkeley Township, County of Ocean, State of New Jersey)**  
**Financial Statements and Supplementary Information**  
**For the years ended December 31, 2017 and 2016**

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**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Berkeley Township, County of Ocean, State of New Jersey)**  
**Financial Statements and Supplementary Information (continued)**  
**For the years ended December 31, 2017 and 2016**

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## INDEPENDENT AUDITOR'S REPORT

The Chairwoman and Members of the  
Berkeley Township Municipal Utilities Authority  
Bayville, New Jersey 08721

### **Report on the Financial Statements**

We have audited the accompanying financial statements of business-type activities of the Berkeley Township Municipal Utilities Authority, a component unit of the Township of Berkeley, County of Ocean, State of New Jersey, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Berkeley Township Municipal Utilities Authority, a component unit of the Township of Berkeley, County of Ocean, State of New Jersey as of December 31, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 schedule of revenues and expenses – budget to actual is presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the basic financial statements. The other supplementary information, such as the schedule of revenue, expenses and changes in net position – unrestricted and restricted, schedule of bond service requirements by years and schedule of debt service requirements by years, are also presented for purposes of additional analysis and are also not a required part of the basic financial statements

The accompanying schedule of revenues and expenses – budget to actual, the schedule of revenue, expenses and changes in net position – unrestricted and restricted, the schedule of bond service requirements by years, and schedule of debt service requirements by years are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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 schedule of revenues and expenses – budget to actual, the schedule of revenue, expenses and changes in net position – unrestricted and restricted, the schedule of bond service requirements by years, and schedule of debt service requirements by years are 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 May 11, 2018 on our consideration of the Berkeley Township Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Berkeley Township Municipal Utilities Authority's internal control over financial reporting and compliance.

Respectfully Submitted,

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

May 11, 2018  
Toms River, New Jersey



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

The Chairwoman and Members of the  
Berkeley Township Municipal Utilities Authority  
Bayville, New Jersey 08721

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, 2017, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated May 11, 2018.

**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.

Respectively Submitted,

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

May 11, 2018  
Toms River, New Jersey





## Berkeley Township MUNICIPAL UTILITIES AUTHORITY

42 Station Road  
Bayville, NJ 08721  
(732) 237-0100  
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May 11, 2018

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Berkeley Township Municipal Utilities Authority ("Authority") is a self-supporting water treatment plant and distribution entity proudly serving over 3,506 residents and businesses of a bayside community within Berkeley Township, NJ. The treatment plant consists of six rapid sand pressure filters with an automatic flow paced disinfection system. The treated water from three on-site wells is stored in two water storage tanks with a total capacity of 1.4MG. The Authority Board consists of six residents appointed by the Township who provide management oversight. Each Board Member is appointed to a five year term at staggered intervals. Eight employees service a distribution system of approximately 341,597 linear feet of 6" to 16" diameter mains.

The attached financial statements reflect the results of management's continued commitment of conservative fiscal planning and performance. We encourage you to visit our website at [www.Berkeleymua.org](http://www.Berkeleymua.org) to review the most recent Consumer Confidence Report of Water Quality issued during 2017. We believe the results of these documents honor our mission statement to provide safe, dependable and affordable water to our customers in a manner that protects the public health and environment of our community.

The website referenced above also includes the 2018 Budget which continues to reflect the Board's emphasis to control costs, secure conservative investment income and to designate funds toward water tower maintenance and asset preservation.

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the Authority's financial activities for the fiscal year ended December 31, 2017 as compared to the prior year. It should be read in conjunction with the accompanying financial statements.

## **Financial Statements**

The financial statements included in this report are the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows as of and for the years ended December 31, 2017 and 2016.

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

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

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

## **Financial Analysis**

At December 31, 2017, the Authority had total assets and deferred outflow of resources of \$25,879,523 compared to \$25,923,011 at December 31, 2016. The decrease of \$43,488 can be primarily attributed to a decrease in deferred outflows related to pensions per the State's actuarial calculation for the year ended December 31, 2017.

At December 31, 2017, the Authority had total liabilities and deferred inflow of resources of \$13,486,864 compared to \$14,095,166 at December 31, 2016. This decrease of \$608,302 is primarily attributed to the payment of long-term debt and the closing of permanent financing of the New Jersey Environmental Infrastructure Trust short-term construction loan to fund the well #4/Phase I and Phase VI capital projects.

At December 31, 2017, the Authority had total net position of \$12,392,659 compared to \$11,827,845 at December 31, 2016. This increase of \$564,814 is accounted for primarily from the \$500,000 of principal forgiveness on the New Jersey Environmental Infrastructure Trust Series 2017A fund loan.

The Authority had a change in net position of \$564,814 for the year ended December 31, 2017. This increase resulted due to revenues exceeding operating and non-operating expenses. The Authority had a decrease in net position of \$54,546 for the year ended December 31, 2016.

## **Condensed Financial Information**

Key Authority financial information for the years ended December 31, 2017, 2016 and 2015 includes the following balances:

Financial Position:

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Current Unrestricted Assets	\$ 4,042,228	\$ 3,864,025	\$ 3,241,783
Current Restricted Assets	1,756,985	1,555,779	1,755,437
Net Property, Plant and Equipment	19,658,815	19,983,248	19,232,159
Total Assets	<u>25,458,028</u>	<u>25,403,052</u>	<u>24,229,379</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Outflows Related to Bond Refundings	58,547	60,435	62,324
Deferred Outflows Related to Pensions	362,948	459,524	201,383
Total Deferred Outflow of Resources	<u>421,495</u>	<u>519,959</u>	<u>263,707</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 25,879,523</u>	<u>\$ 25,923,011</u>	<u>\$ 24,493,086</u>
<b>LIABILITIES</b>			
Current Liabilities Payable from Unrestricted Assets	\$ 151,971	\$ 185,512	\$ 156,716
Current Liabilities Payable from Restricted Assets	1,324,060	2,843,589	1,346,435
Noncurrent Liabilities	11,311,411	10,834,576	10,871,234
Total Liabilities	<u>12,787,442</u>	<u>13,863,677</u>	<u>12,374,385</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred Revenue	267,410	49,882	42,288
Deferred Inflows Related to Bond Refundings	160,000	174,000	174,000
Deferred Inflows Related to Pensions	272,012	7,607	20,023
Total Deferred Inflow of Resources	<u>699,422</u>	<u>231,489</u>	<u>236,311</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	8,542,069	8,092,256	8,523,982
Restricted	1,288,934	1,527,757	1,507,757
Unrestricted	2,561,656	2,207,832	1,850,651
Total Net Position	<u>12,392,659</u>	<u>11,827,845</u>	<u>11,882,390</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 25,879,523</u>	<u>\$ 25,923,011</u>	<u>\$ 24,493,086</u>

**Other Financial Information**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total revenues	\$ 2,725,378	\$ 2,169,964	\$ 2,206,394
Total expenses	<u>2,160,564</u>	<u>2,224,510</u>	<u>2,099,580</u>
Change in net position	<u>\$ 564,814</u>	<u>\$ (54,546)</u>	<u>\$ 106,814</u>
User charges	\$ 1,750,463	\$ 1,709,497	\$ 1,736,629
Bond & loan principal paid	\$ 464,598	\$ 402,789	\$ 760,485
Bond & loan payable	\$ 11,015,293	\$ 11,777,427	\$ 10,596,500

Authority operating revenues had a favorable variance of \$54,172 when compared to the budget for 2017 due primarily to the budget for other operating revenue being lower than what was actually received during the current year.

Authority operating expenses had a favorable variance of \$237,815 when compared to the budget for 2017 primarily due to management's continuing efforts to contain costs whenever possible resulting in various expenses being under budget.

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

Respectfully submitted

  
Michele Nugent  
Executive Director

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Township of Berkeley, County of Ocean, State of New Jersey)**  
**Statements of Net Position**  
**December 31, 2017 and 2016**

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current Assets:		
Unrestricted Assets:		
Cash & Cash Equivalents	\$ 1,651,226	\$ 1,025,008
Investments	1,800,000	2,150,000
User Fee Receivable	504,324	621,744
Miscellaneous Receivables	15,741	15,750
Accrued Interest Receivable	4,764	5,765
Connection Fee Receivables	49,770	34,632
Prepaid Expenses	16,403	11,126
Total Current Unrestricted Assets	<u>4,042,228</u>	<u>3,864,025</u>
Restricted Assets:		
Cash & Cash Equivalents	912,817	712,295
Investments	773,800	570,000
Accrued Interest Receivable	1,768	41
Due from NJEIT	68,600	273,443
Total Current Restricted Assets	<u>1,756,985</u>	<u>1,555,779</u>
Total Current Assets	<u>5,799,213</u>	<u>5,419,804</u>
Noncurrent Assets (Note 6):		
Property, Plant and Equipment	31,352,309	30,903,119
Less: Accumulated Depreciation	(11,693,494)	(10,919,871)
Net Property, Plant and Equipment	<u>19,658,815</u>	<u>19,983,248</u>
Total Noncurrent Assets	<u>19,658,815</u>	<u>19,983,248</u>
Total Assets	<u>25,458,028</u>	<u>25,403,052</u>
 <b><u>DEFERRED OUTFLOW OF RESOURCES</u></b> 		
Deferred Outflows Related to Bond Refundings	58,547	60,435
Deferred Outflows Related to Pensions (Note 8)	362,948	459,524
Total Deferred Outflow of Resources	<u>421,495</u>	<u>519,959</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 25,879,523</u>	<u>\$ 25,923,011</u>

**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, 2017 and 2016**

<u><b>LIABILITIES</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 19,071	\$ 53,382
Accounts Payable - Related to Pension (Note 8)	52,751	48,872
Accrued Expenses	74,855	65,820
Customer Overpayments	5,294	17,438
Total Current Liabilities Payable from Unrestricted Assets	151,971	185,512
Current Liabilities Payable from Restricted Assets:		
Developer Deposits	227,534	205,923
Construction Loan Payable	522,868	2,114,451
Accrued Interest Payable on Bonds/Loans	67,117	65,513
NJEIT Loans Payable, Net	292,572	249,803
Revenue Bonds Payable, Net	213,969	207,899
Total Current Liabilities Payable from Restricted Assets	1,324,060	2,843,589
Total Current Liabilities	1,476,031	3,029,101
Noncurrent Liabilities:		
Long-Term Portion of Revenue Bonds Payable	6,239,780	6,453,757
Long-Term Portion of NJEIT Loans Payable	3,746,104	2,751,517
Net Pension Liability (Note 8)	1,325,527	1,629,302
Total Noncurrent Liabilities	11,311,411	10,834,576
Total Liabilities	12,787,442	13,863,677
<u><b>DEFERRED INFLOW OF RESOURCES</b></u>		
Deferred Revenue	267,410	49,882
Deferred Inflows Related to Bond Refundings	160,000	174,000
Deferred Inflows Related to Pensions (Note 8)	272,012	7,607
Total Deferred Inflow of Resources	699,422	231,489
<u><b>NET POSITION</b></u>		
Net Investment in Capital Assets	8,542,069	8,092,256
Restricted:		
Debt Service	495,128	489,868
Bond Reserve	413,806	677,889
Capital	380,000	360,000
Unrestricted:		
Reserved by Board Designation	740,000	640,000
Unreserved	1,821,656	1,567,832
Total Net Position	12,392,659	11,827,845
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 25,879,523	\$ 25,923,011

**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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Water User Charges	\$ 1,750,463	\$ 1,709,497
Connection Fees	141,550	61,071
Application Fees and Permits	1,300	1,240
Other Operating Revenue	27,289	49,838
	<hr/>	<hr/>
Total Operating Revenues	1,920,602	1,821,646
	<hr/>	<hr/>
Operating Expenses:		
Cost of Providing Services	620,498	611,722
Administrative Expenses	476,893	488,422
Depreciation Expense	773,623	750,912
	<hr/>	<hr/>
Total Operating Expenses	1,871,014	1,851,056
	<hr/>	<hr/>
Operating Income/(Loss)	49,588	(29,410)
	<hr/>	<hr/>
Non-Operating Revenues (Expenses):		
Water Tower Rental	229,321	239,804
Interest Income	28,249	23,385
Interest Expense	(284,980)	(287,435)
Appropriation to Municipality	-	(86,019)
Bond Issuance Expense	(4,570)	-
Amortization Expense	19,784	5,978
	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(12,196)	(104,287)
	<hr/>	<hr/>
Net Income/(Loss) Before Contributions and Transfers	37,392	(133,697)
	<hr/>	<hr/>
Contributions and Transfers:		
NJFIT Debt Forgiveness	500,000	-
Capital Contributions	27,422	79,151
	<hr/>	<hr/>
Total Contributions and Transfers	527,422	79,151
	<hr/>	<hr/>
Net Income/(Loss)	564,814	(54,546)
	<hr/>	<hr/>
Net Position, January 1,	11,827,845	11,882,391
	<hr/>	<hr/>
Net Position, December 31,	<u>\$ 12,392,659</u>	<u>\$ 11,827,845</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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Service Users	\$ 2,237,737	\$ 1,652,052
Cash Paid to Suppliers and Employees	(877,154)	(1,151,016)
Cash Received from Others	27,289	49,838
Net Cash Provided by Operating Activities	<u>1,387,872</u>	<u>550,874</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Principal Paid on Long-Term Debt Used for Capital Assets	(464,598)	(402,789)
Interest Paid on Long-Term Debt Used for Capital Assets	(283,376)	(275,969)
Bond Issuance Costs	(4,570)	-
Proceeds from Loans Receivable	210,136	1,591,583
Payment of Township Appropriations	-	(86,019)
Acquisition and Construction of Property, Plant and Equipment	(421,768)	(1,422,850)
Net Cash Used by Capital and Related Financing Activities	<u>(964,176)</u>	<u>(596,044)</u>
<b>Cash Flows from Investing Activities:</b>		
(Purchase)/Maturity of Investments	146,200	(130,700)
Cash Received on Non-Operating Water Tower Rental	229,321	239,804
Interest on Investments and Deposits	27,523	30,095
Net Cash Provided by Investing Activities	<u>403,044</u>	<u>139,199</u>
Net Increase in Cash and Cash Equivalents	826,740	94,029
Cash and Cash Equivalents, January 1	<u>1,737,303</u>	<u>1,643,274</u>
Cash and Cash Equivalents, December 31	<u>\$ 2,564,043</u>	<u>\$ 1,737,303</u>
<b>Reconciliation to Statements of Net Position:</b>		
Current Unrestricted Assets:		
Cash and Cash Equivalents	\$ 1,651,226	\$ 1,025,008
Current Restricted Assets:		
Cash and Cash Equivalents	<u>912,817</u>	<u>712,295</u>
Cash and Cash Equivalents, December 31	<u>\$ 2,564,043</u>	<u>\$ 1,737,303</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 (continued)**  
**For the years ended December 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Reconciliation of Operating Income to Cash Flows from Operating Activities:</b>		
Operating Income/(Loss)	\$ 49,588	\$ (29,410)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>		
Items Which Did Not Use Cash:		
Depreciation Expense	773,623	750,912
Pension Liability Expense - GASB 68	57,206	113,354
Working Capital Changes which provided/(used) cash:		
Decrease/(Increase) in Accounts Receivable	117,420	(14,181)
Decrease/(Increase) in Miscellaneous Receivables	9	(5,426)
(Increase)/Decrease in Inventory	(15,138)	2,798
(Increase)/Decrease in Prepaid Expenses	(5,277)	282
Decrease/(Increase) in Other Assets	204,843	(188,038)
(Decrease)/Increase in Accounts Payable	(30,432)	16,131
Increase in Accrued Expenses	9,035	4,601
Increase in Deferred Revenues	217,528	7,594
(Decrease)/Increase in Customer Overpayments	(12,144)	8,064
Increase/(Decrease) in Developer Deposits	21,611	(115,807)
Total Adjustments	1,338,284	580,284
Net Cash Provided by Operating Activities	\$ 1,387,872	\$ 550,874

**Noncash Investing, Capital, and Financing Activities:**

During the years ended December 31, 2017 and 2016, noncash capital contributions received were \$27,422 and \$79,151 respectively.

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Berkeley Township, County of Ocean, State of New Jersey)**  
**Notes to Financial Statements**  
**For the years ended December 31, 2017 and 2016**

**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 one alternate, who are appointed by resolution of the Township Committee for five year terms.

**Component Unit**

The Authority is considered to be a "Component Unit" of Berkeley Township 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**  
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**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2017 and 2016**

**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 Berkeley Township, County of Ocean, State of New Jersey)**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2017 and 2016**

**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**  
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**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2017 and 2016**

**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.

**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 Revenue**

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 revenue 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**  
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**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2017 and 2016**

**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.

**Pensions Section**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/deductions from the PERS's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, 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, 2017 and 2016**

**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**

**Adopted Accounting Pronouncements**

For the year ended December 31, 2017, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The adoption this Statement had no impact on the Authority's financial statements.

For the year ended December 31, 2017, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The adoption this Statement had no impact on the Authority's financial statements.

For the year ended December 31, 2017, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The adoption this Statement had no impact on the Authority's financial statements.

For the year ended December 31, 2017, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope*

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**Notes to Financial Statements (continued)**  
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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impact of Recently Issued Accounting Principles (continued)**

of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The adoption of this Statement had no impact on the Authority's financial statements.

**Recently Issued Accounting Pronouncements**

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

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting requirements for certain asset retirement obligations and establishes the timing and pattern of recognition of a liability and corresponding deferred outflow of resources. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Statement will become effective for the Authority in the fiscal year ending December 31, 2018. Management has not yet determined the impact of this Statement on the financial statements.



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**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2017 and 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impact of Recently Issued Accounting Principles (continued)**

**Recently Issued Accounting Pronouncements (continued)**

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. The Statement will become effective for the Authority in the fiscal year ending December 31, 2020. Management has not yet determined the impact of this Statement on the financial statements.

**Subsequent Events**

Berkeley Township Municipal Utilities Authority has evaluated subsequent events occurring after December 31, 2017 through May 11, 2018, which is the date the financial statements were available to be issued. See subsequent event in Note 11.

**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.

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
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**Notes to Financial Statements (continued)**  
For the years ended December 31, 2017 and 2016

**NOTE 2: REQUIRED ACCOUNTS AND DEBT SERVICE COVERAGE (continued)**

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>
<b>Debt Resolution Reserves:</b>			
Debt Service Fund	495,128	555,277	60,149
Bond Reserve Fund	413,806	413,806	-
Capital Fund (R&R)	380,000	380,000	-
<b>Local Reserves:</b>			
Reserved by Board Designation	740,000	3,020,101	2,280,101

**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, 2017 and 2016, and reported at fair value are as follows:

	<u>2017</u>	<u>2016</u>
<b>Deposits:</b>		
Demand Deposits	<u>\$2,564,043</u>	<u>\$1,737,303</u>
Total deposits	<u>\$2,564,043</u>	<u>\$1,737,303</u>
<b>Reconciliation to Statements of Net Position:</b>		
Current unrestricted assets:		
Cash and cash equivalents	\$1,651,226	\$1,025,008
Current restricted assets:		
Cash and cash equivalents	<u>912,817</u>	<u>712,295</u>
Total deposits	<u>\$2,564,043</u>	<u>\$1,737,303</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, 2017 and 2016, the Authority's bank balances were insured or exposed to credit risk as follows:

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**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2017 and 2016**

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

**Custodial Credit Risk Related to Deposits (continued)**

	2017	2016
Insured by FDIC	\$ 500,000	\$ 500,000
Uninsured and Collateralized with securities held by the pledging bank's trust department but not in the Authority's name.	2,302,342	1,414,520
	\$ 2,802,342	\$ 1,914,520

**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. 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 \$1,000,000 and \$960,000 as of December 31, 2017 and 2016, respectively. Additionally, the Authority has several certificates of deposits (CD's) that are covered under GUDPA insurance. The Authority has GUDPA insured investments of \$1,573,800 and \$1,760,000 as of December 31, 2017 and 2016, respectively. All investments are held in the name of the Authority.

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	Fair Value <u>Hierarchy Level</u>	<u>Fair Value December 31, 2017</u>	<u>Fair Value December 31, 2016</u>
Crown Bank CD	NR	3/23/2018	Level 1	\$ 250,000	\$ -
Crown Bank CD	NR	6/13/2018	Level 1	250,000	-
Crown Bank CD	NR	4/13/2017	Level 1	-	250,000
Crown Bank CD	NR	7/26/2017	Level 1	-	250,000
Crown Bank CD	NR	3/23/2018	Level 1	250,000	-
Crown Bank CD	NR	7/26/2017	Level 1	-	250,000
Crown Bank CD	NR	6/13/2018	Level 1	250,000	-
Crown Bank CD	NR	4/28/2017	Level 1	-	210,000
FDIC Insured Investments				\$ 1,000,000	\$ 960,000

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
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**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2017 and 2016**

**NOTE 4: INVESTMENTS (continued)**

As of December 31, 2017 and 2016, the Authority had the following investments and maturities:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value Hierachy Level</u>	<u>Fair Value December 31, 2017</u>	<u>Fair Value December 31, 2016</u>
Crown Bank CD	NR	3/23/2018	Level 1	\$ 950,000	\$ -
Crown Bank CD	NR	6/13/2018	Level 1	350,000	-
Crown Bank CD	NR	4/13/2017	Level 1	-	950,000
Crown Bank CD	NR	7/26/2017	Level 1	-	700,000
Crown Bank CD	NR	3/23/2018	Level 1	110,000	-
Crown Bank CD	NR	7/26/2017	Level 1	-	110,000
Crown Bank CD	NR	6/13/2018	Level 1	163,800	-
GUDPA Insured Investments				<u>\$ 1,573,800</u>	<u>\$ 1,760,000</u>
				<u>\$ 2,573,800</u>	<u>\$ 2,720,000</u>

**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.

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
(A Component Unit of Berkeley Township, County of Ocean, State of New Jersey)  
**Notes to Financial Statements (continued)**  
For the years ended December 31, 2017 and 2016

**NOTE 5: ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Accounts receivable – billed	\$ 504,324	\$ 621,744
Accounts receivable – connection fee installments	49,770	34,632
Accounts receivable – interest	6,532	5,806
Accounts receivable – NJEIT loan funds	-	193,693
Accounts receivable – NJEIT interest credits*	28,600	34,750
Accounts receivable – NJEIT principal credits*	40,000	45,000
Accounts receivable – other	15,741	15,750
	<u>\$ 644,967</u>	<u>\$ 951,375</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 \$40,000 of the excess funding will be de-obligated in the coming years by reducing the principal payments and \$28,600 will be de-obligated by reducing the loan interest payments in future years as follows:

Fiscal Year	Principal	Interest
<u>Ending</u>	<u>Credits</u>	<u>Credits</u>
2018	\$ 5,000	\$ 5,900
2019	5,000	5,650
2020	10,000	5,400
2021	10,000	4,900
2022	10,000	4,400
2023	-	2,350
	<u>\$40,000</u>	<u>\$28,600</u>

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**(A Component Unit of Berkeley Township, County of Ocean, State of New Jersey)**  
**Notes to Financial Statements (continued)**  
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**NOTE 6: PROPERTY, PLANT AND EQUIPMENT, NET**

The activity in capital assets for the year ended December 31, 2017 is as followed:

	Balance December 31, <u>2016</u>	<u>Additions</u>	Retirements and Transfers	Balance December 31, <u>2017</u>
Capital Assets not being depreciated:				
Land	\$ 195,351	\$ -	\$ -	\$ 195,351
Construction in Progress	670,177	110,028	-	780,205
Total Capital Assets not being depreciated	<u>865,528</u>	<u>110,028</u>	-	<u>975,556</u>
Capital Assets being depreciated:				
Improvements other than Building	25,062,988	283,364	-	25,346,352
Machinery and Equipment	130,027	-	-	130,027
Furniture and Fixtures	61,302	-	-	61,302
Water Plant	4,632,333	-	-	4,632,333
Vehicles	150,941	55,798	-	206,739
Total Capital Assets being depreciated	<u>30,037,591</u>	<u>339,162</u>	-	<u>30,376,753</u>
Less: Accumulated Depreciation:	(10,919,871)	(773,623)	-	(11,693,494)
Total Capital Assets being depreciated, net	<u>19,117,720</u>	<u>(434,461)</u>	-	<u>18,683,259</u>
Total Capital Assets, net	<u>\$ 19,983,248</u>	<u>\$ (324,433)</u>	<u>\$ -</u>	<u>\$ 19,658,815</u>

The activity in capital assets for the year ended December 31, 2016 is as followed:

	Balance December 31, <u>2015</u>	<u>Additions</u>	Retirements and Transfers	Balance December 31, <u>2016</u>
Capital Assets not being depreciated:				
Land	\$ 143,608	\$ 51,743	\$ -	\$ 195,351
Construction in Progress	755,743	1,385,216	(1,470,782)	670,177
Total Capital Assets not being depreciated	<u>899,351</u>	<u>1,436,959</u>	<u>(1,470,782)</u>	<u>865,528</u>
Capital Assets being depreciated:				
Improvements other than Building	23,540,676	51,530	1,470,782	25,062,988
Machinery and Equipment	130,027	-	-	130,027
Furniture and Fixtures	61,302	-	-	61,302
Water Plant	4,618,821	13,512	-	4,632,333
Vehicles	150,941	-	-	150,941
Total Capital Assets being depreciated	<u>28,501,767</u>	<u>65,042</u>	<u>1,470,782</u>	<u>30,037,591</u>
Less: Accumulated Depreciation:	(10,168,959)	(750,912)	-	(10,919,871)
Total Capital Assets being depreciated, net	<u>18,332,808</u>	<u>(685,870)</u>	<u>1,470,782</u>	<u>19,117,720</u>
Total Capital Assets, net	<u>\$ 19,232,159</u>	<u>\$ 751,089</u>	<u>\$ -</u>	<u>\$ 19,983,248</u>

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
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**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2017 and 2016**

**NOTE 7: LIABILITIES**

During the years ended December 31, 2017 and 2016, the following changes occurred in long-term obligations:

	Balance			Balance	
	<u>December 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2017</u>	<u>Balance Due Within One Year</u>
Revenue Bonds Payable	\$ 6,493,734	\$ -	\$ 202,651	\$ 6,291,083	\$ 208,721
Unamortized Bond Premiums	167,922	-	5,256	162,666	5,248
Revenue Bonds Payable, Net	6,661,656	-	207,907	6,453,749	213,969
Loans Payable	2,986,431	1,306,289	266,508	4,026,212	290,147
Unamortized Loan Premiums	14,889	-	2,425	12,464	2,425
Loans Payable, Net	3,001,320	1,306,289	268,933	4,038,676	292,572
Compensated Absences	50,184	7,563	-	57,747	57,747
Net Pension Liability	1,629,302	-	303,775	1,325,527	-
Construction Loans	2,114,451	210,136	1,801,719	522,868	522,868
	<u>\$ 13,456,913</u>	<u>\$ 1,523,988</u>	<u>\$ 2,582,334</u>	<u>\$ 12,398,567</u>	<u>\$ 1,087,156</u>

	Balance			Balance	
	<u>December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2016</u>	<u>Balance Due Within One Year</u>
Revenue Bonds Payable	\$ 6,690,357	\$ -	\$ 196,623	\$ 6,493,734	\$ 202,651
Unamortized Bond Premiums	173,169	-	5,247	167,922	5,256
Revenue Bonds Payable, Net	6,863,526	-	201,870	6,661,656	207,907
Loans Payable	3,192,598	-	206,167	2,986,431	247,378
Unamortized Loan Premiums	17,508	-	2,619	14,889	2,425
Loans Payable, Net	3,210,106	-	208,786	3,001,320	249,803
Compensated Absences	46,781	3,403	-	50,184	50,184
Net Pension Liability	1,245,391	383,911	-	1,629,302	-
Construction Loans	522,868	1,591,583	-	2,114,451	2,114,451
	<u>\$ 11,888,672</u>	<u>\$ 1,978,897</u>	<u>\$ 410,656</u>	<u>\$ 13,456,913</u>	<u>\$ 2,622,345</u>

**Net Pension Liability**

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

**Compensated Absences**

For the years ended December 31, 2017 and 2016, the Authority accrued compensated absences in the amount of \$57,747 and \$50,184, respectively.

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**Notes to Financial Statements (continued)**  
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**NOTE 7: LIABILITIES (continued)**

**Construction Loans Payable**

In order to finance the Well #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. As of December 31, 2017, the amount borrowed and outstanding under such loan was \$522,868.

In order to finance the Phase VI construction, the Authority has been drawing down on a construction loan granted by NJEIT in 2016 to be utilized as work progresses through the completion of such construction. During the year ended December 31, 2017, the Authority borrowed an additional \$210,136 for a total of \$1,801,719. On May 25, 2017, the entire loan amount went to permanent financing with the NJEIT as Series 2017A-1. See the Loans Payable section for more information.

As of December 31, 2017, the remaining amount of construction loans outstanding is \$522,868 and is reflected as a current liability, however, once payment terms are identified, a portion will be reflected as long-term debt.

**Loans Payable**

Loans payable at December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</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.	\$ 875,978	\$ 980,841
The 2015A-R1 refunding loan is due in annual principal installments of \$86,000 to \$138,000 through August 1, 2027 at interest rates ranging from 2.28% to 3.32%.	1,125,000	1,211,000
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%.	155,000	160,000
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%.	215,686	227,167
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.	203,390	216,102
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.	163,999	191,321



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**NOTE 7: LIABILITIES (continued)**

**Loans Payable (continued)**

	<u>2017</u>	<u>2016</u>
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%.	250,000	-
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.	244,382	-
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%.	205,000	-
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.	<u>587,777</u>	<u>-</u>
Subtotal	4,026,212	2,986,431
Less: current portion	<u>(290,147)</u>	<u>(247,378)</u>
Loans payable – long-term	<u>\$ 3,736,065</u>	<u>\$ 2,739,053</u>

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

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**Notes to Financial Statements (continued)**  
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**NOTE 7: LIABILITIES (continued)**

**Loans Payable (continued)**

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

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.

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.

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(A Component Unit of Berkeley Township, County of Ocean, State of New Jersey)  
**Notes to Financial Statements (continued)**  
For the years ended December 31, 2017 and 2016

**NOTE 7: LIABILITIES (continued)**

**Loans Payable (continued)**

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 290,147	\$ 83,958	\$ 374,105
2019	294,102	78,593	372,695
2020	305,635	72,997	378,632
2021	311,075	66,814	377,889
2022	314,647	60,348	374,995
2023-2027	1,377,946	196,621	1,574,567
2028-2032	401,801	72,151	473,952
2033-2037	277,602	42,200	319,802
2038-2042	243,476	26,975	270,451
2043-2046	209,781	8,575	218,356
	<u>\$ 4,026,212</u>	<u>\$ 709,232</u>	<u>\$ 4,735,444</u>

**Revenue Bonds Payable**

Bonds payable at December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
\$1,650,000 Water Revenue Bonds (Series 2003) due in semi-annual installments of \$38,031 including interest through May 1, 2043, interest rate of 3.25%.	\$ 1,311,083	\$ 1,343,734
\$6,020,000 Water Revenue Refunding Bonds (Series 2012) due in semi-annual installments including interest through November 1, 2048, interest rates of 2 to 4%.	<u>4,980,000</u>	<u>5,150,000</u>
Subtotal	6,291,083	6,493,734
Less: current portion	<u>(208,721)</u>	<u>(202,651)</u>
Bonds payable – long-term	<u>\$ 6,082,362</u>	<u>\$ 6,291,083</u>

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
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**Notes to Financial Statements (continued)**  
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**NOTE 7: LIABILITIES (continued)**

**Revenue Bonds Payable (continued)**

Revenue bonds outstanding as of December 31, 2017 are shown as followed:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 208,721	\$ 200,735	\$ 409,456
2019	214,826	194,380	409,206
2020	225,967	187,839	413,806
2021	227,145	182,861	410,006
2022	233,362	177,844	411,206
2023-2027	1,276,509	778,320	2,054,829
2028-2032	1,488,504	563,924	2,052,428
2033-2037	1,371,971	287,477	1,659,448
2038-2042	758,040	107,732	865,772
2043-2047	241,037	29,274	270,311
2048	45,001	1,518	46,519
	<u>\$ 6,291,083</u>	<u>\$ 2,711,904</u>	<u>\$ 9,002,987</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.

**Post-Employment 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**  
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**Notes to Financial Statements (continued)**  
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**NOTE 8: 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.nj.gov/treasury/pensions/financial-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, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 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 allocations and the schedules of pension amounts by employer (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 2017, 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

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
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**Notes to Financial Statements (continued)**  
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**NOTE 8: PENSION OBLIGATIONS (continued)**

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

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, 2017, the Authority's contractually required contribution to PERS plan was \$52,751.

**Components of Net Pension Liability** - At December 31, 2017, the Authority's proportionate share of the PERS net pension liability was \$1,325,527. The net pension liability was measured as of June 30, 2017. 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, 2016, which was rolled forward to June 30, 2017. 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, 2017. The Authority's proportion measured as of June 30, 2017, was .00569% which was an increase of .00019% from its proportion measured as of June 30, 2016.

**Collective Balances at December 31, 2017 and December 31, 2016**

	<u>12/31/2017</u>	<u>12/31/2016</u>
Actuarial valuation date (including roll forward)	June 30, 2017	June 30, 2016
Deferred Outflows of Resources	\$ 362,948	\$ 459,524
Deferred Inflows of Resources	272,012	7,607
Net Pension Liability	1,325,527	1,629,302
Authority's portion of the Plan's total net pension Liability	0.00569%	0.00550%

**Pension Expense and Deferred Outflows/Inflows of Resources** - At December 31, 2017, the Authority's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2017 measurement date is \$109,957. At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
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**Notes to Financial Statements (continued)**  
For the years ended December 31, 2017 and 2016

**NOTE 8: PENSION OBLIGATIONS (continued)**

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected and Actual Experience	\$ 31,212	\$ -
Changes of Assumptions	267,048	266,069
Net Difference between Projected and Actual Earnings on Pension Plan Investments	9,026	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	55,662	5,943
	\$ 362,948	\$ 272,012

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

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**Notes to Financial Statements (continued)**  
For the years ended December 31, 2017 and 2016

**NOTE 8: PENSION OBLIGATIONS (continued)**

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

	<b><u>Deferred Outflow of Resources</u></b>	<b><u>Deferred Inflow of Resources</u></b>
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	-
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
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	-
Changes in Proportion and Differences between Authority 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

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:



**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Berkeley Township, County of Ocean, State of New Jersey)**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2017 and 2016**

**NOTE 8: PENSION OBLIGATIONS (continued)**

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

<b>Year Ending</b>	<b>Amount</b>
<b><u>Dec 31,</u></b>	
2018	\$ 42,940
2019	58,143
2020	36,380
2021	(23,199)
2022	(23,328)
	<u>\$ 90,936</u>

**Actuarial Assumptions** - The total pension liability for the June 30, 2017 measurement date was determined by using an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation	2.25%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Berkeley Township, County of Ocean, State of New Jersey)**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2017 and 2016**

**NOTE 8: PENSION OBLIGATIONS (continued)**

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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, 2017) 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

**Discount Rate** - The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. 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 3.58% as of June 30, 2017 based on 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. 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

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Berkeley Township, County of Ocean, State of New Jersey)**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2017 and 2016**

**NOTE 8: PENSION OBLIGATIONS (continued)**

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

that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 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 (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	<b>1% Decrease <u>(4.00%)</u></b>	<b>Current Discount Rate <u>(5.00%)</u></b>	<b>1% Increase <u>(6.00%)</u></b>
Authority's Proportionate Share of the Net Pension Liability	\$ 1,644,406	\$ 1,325,527	\$ 1,059,861

**NOTE 9: 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 2017, 2016, 2015, or 2014.

**NOTE 10: DONATED PROPERTY**

In 2017, a property owner constructed and donated a water main to the Authority. The total value of the dedicated water main is \$27,422. Ownership was assumed, recorded and acceptance of the maintenance bond was authorized at the completion of each project.

In 2016, a property owner constructed and donated a water main to the Authority. The total value of the dedicated water main is \$27,408. Ownership was assumed, recorded and acceptance of the maintenance bond was authorized at the completion of each project. Also in 2016, a parcel of land was also donated to the Authority and was valued at \$51,743.

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Berkeley Township, County of Ocean, State of New Jersey)**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2017 and 2016**

**NOTE 10: DONATED PROPERTY (continued)**

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, 2017 and 2016.

**NOTE 11: SUBSEQUENT EVENT**

**New Jersey Environmental Infrastructure Trust for Series 2018 A-1**

On March 12, 2018, the Authority closed on permanent financing with the New Jersey Environmental Infrastructure Trust for Series 2018 A-1. The total loan amount was \$522,868 with 50% principal forgiveness (\$261,434). The fund portion (75%) of \$130,717 (after principal forgiveness) closed on March 12, 2018. The trust portion of the loan (the remaining \$130,717 or 25%) is scheduled to close May 17, 2018.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's proportion of the net pension liability (asset)	0.00569%	0.00550%	0.00555%	0.00545%	0.00528%
Authority's proportionate share of the net pension liability (asset)	\$ 1,325,527	\$ 1,629,302	\$ 1,245,391	\$ 1,020,389	\$ 1,009,145
Authority's covered-employee payroll	\$ 393,181	\$ 379,990	\$ 368,749	\$ 377,777	\$ 372,464
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	337.13%	428.77%	337.73%	270.10%	270.94%
Plan fiduciary net position as a percentage of the total pension liability	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**  
**Schedule of Authority Contributions**  
**Public Employees' Retirement System**  
**Last Ten Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 52,751	\$ 48,872	\$ 47,697	\$ 44,929	\$ 39,785
Contributions in relation to the contractually required contribution	<u>52,751</u>	<u>48,872</u>	<u>47,697</u>	<u>44,929</u>	<u>39,785</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 409,809	\$ 393,181	\$ 379,990	\$ 368,749	\$ 377,777
Contributions as a percentage of covered-employee payroll	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**  
**Notes to the Required Supplementary Information**  
**For the year ended December 31, 2017**

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

**Changes of Benefit Terms** – None

**Changes of Assumptions** – The discount rate changed from 3.98% as of June 30, 2016, to 5.00% as of June 30, 2017.

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Revenues and Expenses - Budget to Actual  
For the year ended December 31, 2017 and 2016

	For the year ended December 31, 2017			For the year ended December 31, 2016				
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
<b>REVENUES:</b>								
User Charges and Fees	\$ 1,752,000	\$ 1,752,000	\$ 1,750,463	\$ (1,537)	\$ 1,752,000	\$ 1,709,497	\$ (42,503)	
Connection Fees	132,000	132,000	141,550	9,550	46,200	61,071	14,871	
Interest Earned on Connection Fees	-	-	1,300	1,300	-	1,240	1,240	
Interest Income	20,000	20,000	8,249	8,249	13,000	23,385	10,385	
Water Tower Rental	220,000	220,000	229,321	9,321	220,000	239,804	19,804	
Other Revenue	-	-	27,289	27,289	-	49,838	49,838	
<b>TOTAL REVENUES</b>	<b>2,124,000</b>	<b>2,124,000</b>	<b>2,178,172</b>	<b>54,172</b>	<b>2,031,200</b>	<b>2,084,835</b>	<b>53,635</b>	
<b>EXPENSES:</b>								
Operating Appropriations:								
Cost of Providing Services:								
Salaries and Wages	262,000	262,000	264,748	(2,748)	250,000	252,709	1,291	
Payroll Taxes and Fringe Benefits	154,000	154,000	125,906	28,094	166,486	126,454	40,032	
Utilities and Natural Gas	90,000	90,000	76,452	13,548	90,000	74,482	15,518	
Plant and System Expense	99,000	99,000	71,245	27,755	99,600	54,071	45,529	
Permits and Fees	20,000	20,000	14,070	5,930	20,000	14,890	5,110	
Uniforms	4,000	4,000	586	3,414	4,000	1,994	2,006	
Vehicle Expense	14,000	14,000	12,966	1,034	14,000	4,666	9,334	
Insurance	25,000	25,000	20,344	4,656	25,000	20,557	4,443	
Total Cost of Providing Services	668,000	668,000	589,145	78,855	669,086	673,086	549,823	
Administrative Expenses:								
Salaries and Wages	232,000	232,000	218,305	13,695	211,000	210,073	(3,073)	
Payroll Taxes and Fringe Benefits	138,000	138,000	107,698	30,302	142,514	105,121	37,393	
Legal Expense	35,000	35,000	11,120	23,880	40,000	9,010	30,990	
Audit and Consulting	43,000	43,000	25,487	17,513	50,000	29,184	20,816	
Advertising and Printing	4,000	4,000	1,812	2,188	4,000	1,758	2,242	
Office Expenses and Supplies	60,000	60,000	47,153	12,847	60,000	41,411	18,589	
Trustee Fees	18,000	18,000	15,035	2,965	16,000	13,595	2,405	
Engineering Fees	60,000	60,000	7,608	52,392	60,000	11,139	48,861	
Postage	9,000	9,000	7,236	1,764	9,000	6,249	2,751	
Telephone	11,000	11,000	9,586	1,414	11,000	9,322	1,678	
Total Administrative Expenses	610,000	610,000	451,040	158,960	603,514	436,967	162,547	
<b>TOTAL OPERATING APPROPRIATIONS</b>	<b>1,278,000</b>	<b>1,278,000</b>	<b>1,040,185</b>	<b>237,815</b>	<b>1,272,600</b>	<b>986,790</b>	<b>285,810</b>	
<b>INTEREST EXPENSE</b>	<b>298,469</b>	<b>298,469</b>	<b>283,376</b>	<b>15,093</b>	<b>285,907</b>	<b>275,969</b>	<b>9,938</b>	
<b>OTHER COSTS FUNDED BY REVENUES:</b>								
Principal Maturity	586,565	586,565	457,710	128,855	447,782	402,791	44,991	
Operations and Maintenance Reserve	50,000	50,000	-	50,000	50,000	-	50,000	
Capital Outlay	20,000	20,000	20,000	-	20,000	20,000	-	
Appropriation to Municipality	-	-	-	-	86,019	86,019	-	
<b>TOTAL COSTS FUNDED BY REVENUES</b>	<b>656,565</b>	<b>656,565</b>	<b>477,710</b>	<b>178,855</b>	<b>603,801</b>	<b>508,810</b>	<b>94,991</b>	
<b>TOTAL EXPENSES</b>	<b>2,233,034</b>	<b>2,233,034</b>	<b>1,801,271</b>	<b>431,763</b>	<b>2,162,308</b>	<b>1,771,569</b>	<b>390,739</b>	
<b>BUDGETARY REVENUES OVER EXPENSES</b>	<b>\$ (109,034)</b>	<b>\$ (109,034)</b>	<b>\$ 376,901</b>	<b>\$ 485,935</b>	<b>\$ (131,108)</b>	<b>\$ 313,266</b>	<b>\$ 444,374</b>	



**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Revenues and Expenses - Budget to Actual (continued)**  
**For the year ended December 31, 2017 and 2016**

	<u>2017</u> Actual	<u>2016</u> Actual
<b>Reconciliation of Budgetary Basis to Net Income/(Loss):</b>		
Budgetary Revenues Over Expenses	\$ 376,901	\$ 313,266
Adjustments to Budgetary Basis:		
Depreciation Expense	(773,623)	(750,912)
Adjustment for Interest Accrual	(1,604)	(11,466)
Pension Liability Expense - GASB 68	(57,206)	(113,354)
Principal Maturity	457,710	402,791
Capital Outlay Expenditures	20,000	20,000
Bond Issuance Expense	(4,570)	-
Amortization Expense	19,784	5,978
NET Debt Forgiveness	500,000	-
Capital Contributions	27,422	79,151
Total Adjustments	<u>187,913</u>	<u>(367,812)</u>
Net Income/(Loss)	<u>\$ 564,814</u>	<u>\$ (54,546)</u>

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Revenue, Expenses and Changes in Net Position - Unrestricted and Restricted**  
**For the year ended December 31, 2017**  
**(With comparative totals for the year ended December 31, 2016)**

	Unrestricted		Restricted				2017	2016
	Unreserved	Board Designated	Bond Reserve Fund	Investments in Capital Assets, Net	Reserve for Capital	Debt Service Fund		
<b>Operating Revenues:</b>								
Water User Charges	\$ 1,750,463	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,709,497	
Connection Fees	141,550	-	-	-	-	-	61,071	
Application Fees and Permits	1,300	-	-	-	-	-	-	
Other Operating Revenue	27,289	-	-	-	-	27,289	51,078	
<b>Total Operating Revenues</b>	<b>1,920,602</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,920,602</b>	<b>1,821,646</b>	
<b>Operating Expenses:</b>								
Cost of Providing Services	620,498	-	-	-	-	-	602,304	
Administrative and General	476,893	-	-	-	-	-	497,840	
Depreciation	-	-	-	773,623	-	-	750,912	
<b>Total Operating Expenses</b>	<b>1,097,391</b>	<b>-</b>	<b>-</b>	<b>773,623</b>	<b>-</b>	<b>1,871,014</b>	<b>1,851,056</b>	
<b>Operating Income/(Loss)</b>	<b>823,211</b>	<b>-</b>	<b>-</b>	<b>(773,623)</b>	<b>-</b>	<b>49,588</b>	<b>(29,410)</b>	
<b>Non-operating revenues/(expenses):</b>								
Water tower rental	229,321	-	-	-	-	-	239,804	
Interest income	28,249	-	-	-	-	-	23,385	
Interest expense	(284,980)	-	-	-	-	(284,980)	(287,435)	
Township appropriation	-	-	-	-	-	-	(86,019)	
Donated property	27,422	-	-	-	-	27,422	79,151	
Amortization premium/(bond costs), net	-	-	-	19,784	-	19,784	5,978	
Debt issuance expense	-	-	-	(4,570)	-	(4,570)	-	
NJEIT debt forgiveness	-	-	-	500,000	-	500,000	-	
<b>Total non-operating revenue/(expenses)</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>515,214</b>	<b>-</b>	<b>515,226</b>	<b>(25,136)</b>	
<b>Change in net position before transfers</b>	<b>823,223</b>	<b>-</b>	<b>-</b>	<b>(258,409)</b>	<b>-</b>	<b>564,814</b>	<b>(54,546)</b>	
<b>Transfers</b>	<b>(519,399)</b>	<b>50,000</b>	<b>(264,083)</b>	<b>708,222</b>	<b>20,000</b>	<b>-</b>	<b>-</b>	
<b>Net position, January 1</b>	<b>1,517,832</b>	<b>690,000</b>	<b>677,889</b>	<b>8,092,256</b>	<b>360,000</b>	<b>11,827,845</b>	<b>11,882,391</b>	
<b>Net position, December 31</b>	<b>1,821,656</b>	<b>740,000</b>	<b>413,806</b>	<b>8,542,069</b>	<b>380,000</b>	<b>12,392,659</b>	<b>11,827,845</b>	

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Bond Service Requirements by Years**  
**December 31, 2017**

<u>Years</u> <u>Ending</u>	<u>2003 Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 33,721	\$ 42,341	\$ 76,062
2019	34,826	41,236	76,062
2020	35,967	40,095	76,062
2021	37,145	38,917	76,062
2022	38,362	37,700	76,062
2023	39,619	36,443	76,062
2024	40,917	35,145	76,062
2025	42,258	33,804	76,062
2026	43,642	32,420	76,062
2027	45,072	30,990	76,062
2028	46,549	29,513	76,062
2029	48,074	27,988	76,062
2030	49,649	26,413	76,062
2031	51,276	24,786	76,062
2032	52,956	23,106	76,062
2033	54,691	21,371	76,062
2034	56,483	19,579	76,062
2035	58,334	17,728	76,062
2036	60,245	15,817	76,062
2037	62,219	13,843	76,062
2038	64,257	11,805	76,062
2039	66,363	9,699	76,062
2040	68,537	7,525	76,062
2041	70,782	5,280	76,062
2042	73,102	2,961	76,062
2043	36,037	587	36,624
Total	<u>\$ 1,311,083</u>	<u>\$ 627,091</u>	<u>\$ 1,938,174</u>

**Schedule V  
(continued)**

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
Schedule of Bond Service Requirements by Years  
December 31, 2017**

<u>Years</u> <u>Ending</u>	<u>2012 Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 175,000	\$ 158,394	\$ 333,394
2019	180,000	153,144	333,144
2020	190,000	147,744	337,744
2021	190,000	143,944	333,944
2022	195,000	140,144	335,144
2023	200,000	134,294	334,294
2024	205,000	128,294	333,294
2025	215,000	122,144	337,144
2026	220,000	115,694	335,694
2027	225,000	109,094	334,094
2028	235,000	102,344	337,344
2029	240,000	95,294	335,294
2030	245,000	88,094	333,094
2031	255,000	78,294	333,294
2032	265,000	68,094	333,094
2033	280,000	57,494	337,494
2034	290,000	46,294	336,294
2035	215,000	37,594	252,594
2036	145,000	31,144	176,144
2037	150,000	26,613	176,613
2038	155,000	21,925	176,925
2039	125,000	16,888	141,888
2040	95,000	12,825	107,825
2041	20,000	9,738	29,738
2042	20,000	9,088	29,088
2043	40,000	8,438	48,438
2044	40,000	7,088	47,088
2045	40,000	5,738	45,738
2046	40,000	4,388	44,388
2047	45,000	3,038	48,038
2048	45,000	1,519	46,519
<b>Total</b>	<b>\$ 4,980,000</b>	<b>\$ 2,084,813</b>	<b>\$ 7,064,813</b>

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Debt Service Requirements by Years**  
**December 31, 2017**

NJEIT 2007A Loans Payable

<u>Years</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 104,863	-	\$ 104,863
2019	104,702	-	104,702
2020	105,089	-	105,089
2021	105,347	-	105,347
2022	104,702	-	104,702
2023	103,897	-	103,897
2024	103,559	-	103,559
2025	102,866	-	102,866
2026	40,953	-	40,953
<b>Total</b>	<b>\$ 875,978</b>	<b>\$ -</b>	<b>\$ 875,978</b>

**Schedule VI  
(continued)**

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
Schedule of Debt Service Requirements by Years  
December 31, 2017**

<u>NJEIT 2015-A-R1 Loans Payable</u>			
<u>Years</u>			
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 90,000	\$ 56,250	\$ 146,250
2019	94,000	51,750	145,750
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
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 1,125,000</u>	<u>\$ 331,150</u>	<u>\$ 1,456,150</u>

**Schedule VI  
(continued)**

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
Schedule of Debt Service Requirements by Years  
December 31, 2017**

NJEIT 2014A Loans Payable - Trust

<u>Years</u>			
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 5,000	\$ 5,900	\$ 10,900
2019	5,000	5,650	10,650
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
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 155,000</u>	<u>\$ 48,838</u>	<u>\$ 203,838</u>

**Schedule VI  
(continued)**

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
Schedule of Debt Service Requirements by Years  
December 31, 2017**

NJEIT 2014A Loans Payable - Fund

<u>Years</u>			
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 27,322	-	\$ 27,322
2019	27,322	-	27,322
2020	27,322	-	27,322
2021	27,322	-	27,322
2022	27,322	-	27,322
2023	27,322	-	27,322
2024	68	-	68
	<hr/>	<hr/>	<hr/>
Total	\$ 163,999	\$ -	\$ 163,999
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



**Schedule VI  
(continued)**

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
Schedule of Debt Service Requirements by Years  
December 31, 2017**

NJEIT 2014A NANO Loans Payable - Trust

<u>Years</u>				
<u>Ending</u>	<u>Principal</u>		<u>Interest</u>	<u>Total</u>
2018	\$ 11,555		\$ 5,402	\$ 16,957
2019	11,671		5,287	16,958
2020	11,817		5,141	16,958
2021	12,000		4,957	16,957
2022	12,216		4,741	16,957
2023	12,460		4,497	16,957
2024	12,729		4,228	16,957
2025	13,022		3,935	16,957
2026	13,341		3,616	16,957
2027	13,695		3,263	16,958
2028	14,078		2,879	16,957
2029	14,486		2,471	16,957
2030	14,928		2,029	16,957
2031	15,391		1,566	16,957
2032	15,883		1,074	16,957
2033	16,414		550	16,964
	<hr/>		<hr/>	<hr/>
Total	\$ 215,686		\$ 55,637	\$ 271,323
	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>

**Schedule VI  
(continued)**

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
Schedule of Debt Service Requirements by Years  
December 31, 2017**

NJEIT 2014A NANO Loans Payable - Fund

<u>Years</u>			
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 12,712	-	\$ 12,712
2019	12,712	-	12,712
2020	12,712	-	12,712
2021	12,712	-	12,712
2022	12,712	-	12,712
2023	12,712	-	12,712
2024	12,712	-	12,712
2025	12,712	-	12,712
2026	12,712	-	12,712
2027	12,712	-	12,712
2028	12,712	-	12,712
2029	12,712	-	12,712
2030	12,712	-	12,712
2031	12,712	-	12,712
2032	12,712	-	12,712
2033	12,712	-	12,712
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 203,390</u>	<u>\$ -</u>	<u>\$ 203,390</u>

**Schedule VI  
(continued)**

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
Schedule of Debt Service Requirements by Years  
December 31, 2017**

NJEIT 2017A NANO Loans Payable - Trust

<u>Years</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 5,000	\$ 8,925	\$ 13,925
2019	5,000	8,675	13,675
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
<b>Total</b>	<b>\$ 250,000</b>	<b>\$ 151,863</b>	<b>\$ 401,863</b>

**Schedule VI  
(continued)**

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
Schedule of Debt Service Requirements by Years  
December 31, 2017**

NJEIT 2017A NANO Loans Payable - Fund

<u>Years</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 8,427	\$ -	\$ 8,427
2019	8,427	-	8,427
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	8,427	-	8,427
<b>Total</b>	<u>\$ 244,382</u>	<u>\$ -</u>	<u>\$ 244,382</u>

**Schedule VI  
(continued)**

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
Schedule of Debt Service Requirements by Years  
December 31, 2017**

NJEIT 2017A-1 Loans Payable - Trust

<u>Years</u>				
<u>Ending</u>	<u>Principal</u>		<u>Interest</u>	<u>Total</u>
2018	\$ 5,000		\$ 7,481	\$ 12,481
2019	5,000		7,231	12,231
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		2,056	12,056
2036	10,000		3,788	13,788
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
	<u>205,000</u>		<u>121,744</u>	<u>326,744</u>
Total	<u>\$ 205,000</u>		<u>\$ 121,744</u>	<u>\$ 326,744</u>

**Schedule VI  
(continued)**

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
Schedule of Debt Service Requirements by Years  
December 31, 2017**

NJEIT 2017A-1 Loans Payable - Fund

<u>Years</u>				
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2018	\$ 20,268	\$ -	\$ 20,268	
2019	20,268	-	20,268	
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	20,268	-	20,268	
2043	20,268	-	20,268	
2044	20,268	-	20,268	
2045	20,268	-	20,268	
2046	20,268	-	20,268	
	<hr/>	<hr/>	<hr/>	
Total	\$ 587,777	\$ -	\$ 587,777	

**BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Board of Commissioners and Management**  
**December 31, 2017**

Karen Davis ..... Chairwoman  
Lloyd G. Mullikin..... Vice Chairman  
Edward F. Cammarato..... Secretary  
Michael W. Hale ..... Treasurer  
Kevin Askew..... Commissioner  
Richard Elliott.....Alternative No. 1  
Michele Nugent..... Executive Director



To Chairwoman and Members 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, County of Ocean, State of New Jersey for the year ended December 31, 2017. 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 from 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: Phase II Production Well and Well #4 projects.

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 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**

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 27, 2016 and adopted its operating budget on December 15, 2016.

### **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 Authority Officials and employees and we greatly appreciate the courtesies extended to the members of the audit team.

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.**  
*Certified Public Accountants*

May 11, 2018  
Toms River, New Jersey