

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

Financial Statements and Supplementary Information

For the years ended December 31, 2013 and 2012

(With Independent Auditors' Report thereon)

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Berkeley Township, New Jersey)
Financial Statements and Supplementary Information
For the years ended December 31, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners of
Berkeley Township Municipal Utilities Authority

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of the Berkeley Township Municipal Utilities Authority, a component unit of the Township of Berkeley, County of Ocean, State of New Jersey, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

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, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-9 and 27-28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The Schedule of Revenue, Expenses and Changes in Net Position – Unrestricted and Restricted for the year ended December 31, 2013 and the Schedules of Cash Receipts, Cash Disbursements and Changes in Cash and Investments – Unrestricted and Restricted Accounts for the year ended December 31, 2013 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules stated above are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2014 on our consideration of the Berkeley Township Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and

not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Berkeley Township Municipal Utilities Authority's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

April 15, 2014
Toms River, New Jersey

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

Board of Commissioners of the
Berkeley Township Municipal Utilities Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Berkeley Township Municipal Utilities Authority as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Berkeley Township Municipal Utilities Authority's basic financial statements and have issued our report thereon dated April 15, 2014.

Internal Control Over Financial Reporting

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

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

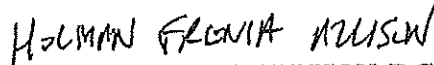
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

Compliance and Other Matters

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

Purpose of this Report

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


HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

April 15, 2014
Toms River, New Jersey



Berkeley Township MUNICIPAL UTILITIES AUTHORITY

42 Station Road
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April 15, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

The Berkeley Township Municipal Utilities Authority ("Authority") is a self-supporting water treatment plant and distribution entity proudly serving over 3,200 residents and businesses of a bayside community within Berkeley Township, NJ since 1988. The treatment plant consists of six rapid sand pressure filters with an automatic flow paced disinfection system. The treated water from three on-site wells is stored in two water storage tanks with a total capacity of 1.4MG. The Authority Board consists of six residents chosen from (or six members appointed by) the Township who provide management oversight and direction. Each Board Member is appointed to a five year term at staggered intervals. Eight employees service a distribution system of approximately 308,000 linear feet of 6" to 16" diameter mains.

The Authority is proud to submit the attached financial statement which reflects the results of management's continued commitment of conservative fiscal planning and performance. We further encourage you to visit our website at www.Berkeleymua.org to review the most recent Consumer Confidence Report of Water Quality issued during 2013. 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.

This section of Berkeley Township experienced optimistic real estate and construction activity during 2013. This activity illustrates the growth forecasts from The Berkeley Township Master Plan that encouraged the Authority to progress the 2013 planning of the Well #4 and Phase V infrastructure expansion plans. The installation of a fourth groundwater well, on property conveyed from Berkeley Township, will add another reliable water source to ensure compliance to the needs of future development. The installation of 10,000 linear feet of water main planned in the Phase V project will allow the Authority to service an additional 100 families. Both projects are scheduled to begin construction in 2014 and will be financed with low interest loans from the New Jersey Environmental Infrastructure Trust (NJEIT).

Comparative to other entities of the New Jersey shore, the Authority experienced no significant effects from the 2012 Super Storm Sandy. With the support of a committed staff, the well maintained treatment plant and distribution system continued to provide its customary 24/7 water service without interruption during and after the storm. However, after more than a full year since the storm, there are still over 115 homes within the franchise area that continue to be not habitable. In 2013, the Authority approved several billing and fee relief programs to offer support to those affected. These programs have been well received by the affected individuals but the revenue lost from those homes has had little to no impact on the budgets or operations of the Authority. The Authority did receive some financial support from the Federal Emergency Management Agency ("FEMA") for reimbursement of hurricane related expenses.

The website referenced above also includes the 2014 Budget which continues to reflect the Board's emphasis to control costs, secure conservative investment income and to designate funds toward water tower painting and asset preservation.

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the Authority's financial activities for the fiscal year ended December 31, 2013 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, 2013 and 2012.

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

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

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

Financial Analysis

At December 31, 2013, the Authority had total assets of \$22,851,225 compared to \$23,731,498 at December 31, 2012. The decrease can be primarily attributed to the depreciation of assets. At December 31, 2011, the Authority had total assets of \$24,375,207. The decrease between 2012 and 2011 again can be primarily attributed to the depreciation of assets.

At December 31, 2013, the Authority had total liabilities of \$10,551,829 compared to \$11,229,258 at December 31, 2012. This decrease is primarily attributable to the repayment of long-term debt. At December 31, 2011, the Authority had total liabilities of \$11,644,386. The decrease between 2012 and 2011 again can be primarily attributed to the repayment of long-term debt.

At December 31, 2013, the Authority had total net position of \$12,158,572 compared to \$12,354,987 at December 31, 2012. The decrease is accounted for primarily from a decrease in long-term debt and expenses in excess of revenues for the year. At December 31, 2011, the Authority had total net position of \$12,702,204. The decrease between 2012 and 2011 again can be primarily from a decrease in long-term debt and expenses in excess of revenues for the year.

The Authority had a change in net position of (\$196,415) for the year ended December 31, 2013. This decrease resulted primarily from the increase in engineering fees in 2013 when compared to 2012. The Authority had a change in net position of (\$347,217) for the year ended December 31, 2012. This decrease resulted primarily from the decrease in connection fees and hydrant fees in 2012 when compared to 2011. Also, the Authority refunded bonds in 2012, resulting in debt issuance expense that the Authority did not have in 2011.

Prior to implementation of GASB Statement No. 65 in these financial statements, the Authority capitalized debt issuance costs in accordance with generally accepted accounting principles. GASB Statement No. 65 changed the way entities report issuance costs and loss on refunding. This caused a decrease in the Authority's net position for the year ended December 31, 2011 of

(\$126,822) and caused the Authority to expense bond issuance costs of \$141,880 in the year ended December 31, 2012, which would have been capitalized prior to implementation of this Statement.

Condensed Financial Information

Key Authority financial information for the years ended December 31, 2013, 2012 and 2011 includes the following balances:

Financial Position:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Current unrestricted assets	\$ 2,909,556	\$ 3,032,714	\$ 3,044,876
Current restricted assets	1,421,079	1,619,414	1,590,161
Property, plant and equipment, net	18,520,590	19,079,370	19,740,170
Total assets	<u>22,851,225</u>	<u>23,731,498</u>	<u>24,375,207</u>
DEFERRED OUTFLOW OF RESOURCES			
Unamortized issuance costs, net of accumulated amortization	65,229	67,093	-
Loss on bond refunding, net of accumulated amortization	872	897	-
Total deferred outflow of resources	<u>66,101</u>	<u>67,990</u>	<u>897</u>
Total assets and deferred outflow of resources	<u>\$ 22,917,326</u>	<u>\$ 23,799,488</u>	<u>\$ 24,376,104</u>
LIABILITIES			
Current unrestricted liabilities	\$ 154,855	\$ 126,446	\$ 122,254
Current restricted liabilities	751,064	1,079,127	875,750
Long-term liabilities	9,645,910	10,023,685	10,646,382
Total liabilities	<u>10,551,829</u>	<u>11,229,258</u>	<u>11,644,386</u>
DEFERRED INFLOW OF RESOURCES			
Bond premium, net of accumulated amortization	183,664	188,912	-
Loan premium, net of accumulated amortization	23,261	26,331	29,514
Total deferred inflow of resources	<u>206,925</u>	<u>215,243</u>	<u>29,514</u>
NET POSITION			
Net investment in capital assets	8,356,085	8,114,684	8,534,257
Restricted net position	923,448	993,448	1,171,744
Unrestricted net position	2,879,039	3,246,855	2,996,203
Total restricted and unrestricted net position	<u>3,802,487</u>	<u>4,240,303</u>	<u>4,167,947</u>
Total net position	<u>12,158,572</u>	<u>12,354,987</u>	<u>12,702,204</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 22,917,326</u>	<u>\$ 23,799,488</u>	<u>\$ 24,376,104</u>

Other Financial Information

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total revenues	\$ 2,041,745	\$ 1,987,972	\$ 2,325,463
Total expenses	<u>2,238,160</u>	<u>2,335,189</u>	<u>2,215,657</u>
Change in net position	<u>\$ (196,415)</u>	<u>\$ (347,217)</u>	<u>\$ 109,806</u>
User charges	\$ 1,640,130	\$ 1,698,213	\$ 1,682,119
Bond & loan principal paid	\$ 793,752	\$ 6,379,863	\$ 547,245
Bond & loan payable	\$ 10,023,681	\$ 10,817,433	\$ 11,177,296

Authority operating revenues had a favorable variance of \$17,088 when compared to the budget for 2013 due primarily to higher than anticipated connection fees received in current year. In 2012, the Authority's operating revenues had an unfavorable variance of (\$185,173) when compared to the budget for 2012 due primarily to no hydrant fees received in current year.

Authority operating expenses had a favorable variance of \$92,234 when compared to the budget for 2013 primarily due to management's continuing efforts to contain costs whenever possible resulting in various expenses being under budget. In 2012, the Authority's operating expenses had a favorable variance of \$232,445 when compared to the budget for 2012 again primarily due to management's efforts to contain costs whenever possible resulting in various expenses being under budget.

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

Respectfully submitted,

Michele Nugent

Michele Nugent
Executive Director

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Net Position
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current unrestricted assets:		
Cash and cash equivalents	\$ 1,459,895	\$ 2,258,010
Investments	723,580	-
Interest receivable	8,447	2,616
Billed user fees receivable	695,607	606,360
Connection fee installment receivable	4,350	141,850
Other receivables	7,556	11,579
Prepaid expenses	10,121	12,299
Total current unrestricted assets	2,909,556	3,032,714
Current restricted assets:		
Cash and cash equivalents	1,268,440	1,618,528
Investments	145,600	-
Interest receivable	5,613	166
Other restricted receivables	1,426	720
Total current restricted assets	1,421,079	1,619,414
Property, plant and equipment	27,271,530	27,129,220
Less: accumulated depreciation	(8,750,940)	(8,049,850)
Property, plant and equipment, net	18,520,590	19,079,370
Total assets	22,851,225	23,731,498
DEFERRED OUTFLOW OF RESOURCES		
Unamortized issuance costs, net of accumulated amortization	65,229	67,093
Loss on bond refunding, net of accumulated amortization	872	897
Total deferred outflow of resources	66,101	67,990
Total assets and deferred outflow of resources	\$ 22,917,326	\$ 23,799,488

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

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Net Position (continued)
December 31, 2013 and 2012

	2013	2012
LIABILITIES		
Current unrestricted liabilities:		
Accounts payable	\$ 50,062	\$ 13,497
Customer overpayments	11,909	2,093
Accrued expenses	55,317	49,670
Unearned revenue	589	434
Unearned connection fee revenue	36,978	60,752
Total current unrestricted liabilities	154,855	126,446
Current restricted liabilities:		
Current portion of bonds payable	189,641	603,701
Current portion of loans payable	188,130	190,047
Accrued interest payable	68,204	48,047
Developer deposits	305,089	237,332
Total current restricted liabilities	751,064	1,079,127
Long-term liabilities:		
Bonds payable - long-term	6,885,984	7,075,631
Loans payable - long-term	2,759,926	2,948,054
Total long-term liabilities	9,645,910	10,023,685
Total liabilities	10,551,829	11,229,258
DEFERRED INFLOW OF RESOURCES		
Bond premium, net of accumulated amortization	183,664	188,912
Loan premium, net of accumulated amortization	23,261	26,331
Total deferred inflow of resources	206,925	215,243
NET POSITION		
Net investment in capital assets	8,356,085	8,114,684
Restricted net position:		
Debt service	623,448	713,448
Capital	300,000	280,000
Unrestricted net position:		
Reserved by board designation	540,000	490,000
Unreserved	2,339,039	2,756,855
Total restricted and unrestricted net position	3,802,487	4,240,303
Total net position	12,158,572	12,354,987
Total liabilities, deferred inflow of resources and net position	\$ 22,917,326	\$ 23,799,488

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

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Revenue, Expenses and Changes in Net Position
For the years ended December 31, 2013 and 2012

	2013	2012
Operating revenues:		
User charges	\$ 1,640,130	\$ 1,698,213
Connection fees	40,815	24,051
Interest earned on connection fees	1,460	6,048
Other operating revenue	2,463	1,175
Total operating revenues	1,684,868	1,729,487
Operating expenses:		
Cost of providing services	500,265	512,418
Administrative and general	639,051	491,487
Depreciation	701,090	698,659
Total operating expenses	1,840,406	1,702,564
Operating revenues over expenses	(155,538)	26,923
Non-operating revenues/(expenses):		
Water tower rental	240,633	232,765
Interest income	17,187	21,575
Interest expense	(309,654)	(402,198)
Township appropriation	(88,100)	(88,547)
Amortization premium/(bond costs), net	6,429	3,183
Donated property	84,337	-
Debt issuance expense	-	(141,880)
Gain on disposal of asset	-	962
FEMA reimbursements	8,291	-
Total non-operating revenue/(expenses)	(40,877)	(374,140)
Changes in net position	(196,415)	(347,217)
Net position, January 1	12,354,987	12,702,204
Net position, December 31	\$ 12,158,572	\$ 12,354,987

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

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Cash Flows
For the years ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Cash received from service users	\$ 1,787,929	\$ 1,771,173
Cash paid to suppliers	(667,801)	(574,831)
Cash paid to employees	(427,125)	(417,591)
Cash received from others	2,463	1,175
	695,466	779,926
Cash flows from investing activities:		
Acquisition and construction of property, plant and equipment	(57,973)	(37,859)
Interest earned on investments	5,909	29,987
(Purchases)/maturities of investments	(869,180)	2,227,523
Township appropriation	(88,100)	(88,547)
Cash received from water tower rentals	240,633	232,765
Cash received from FEMA reimbursements	8,291	-
	(760,420)	2,363,869
Cash flows from financing activities:		
Principal paid on long-term debt	(793,752)	(6,379,863)
Proceeds received from bond refunding	-	6,020,000
Interest paid	(289,497)	(443,470)
	(1,083,249)	(803,333)
Net changes in cash	(1,148,203)	2,340,462
Unrestricted and restricted cash, January 1	3,876,538	1,536,076
Unrestricted and restricted cash, December 31	\$ 2,728,335	\$ 3,876,538
 Reconciliation to Statements of Net Position:		
Current unrestricted assets:		
Cash and cash equivalents	\$ 1,459,895	\$ 2,258,010
Current restricted asstes:		
Cash and cash equivalents	1,268,440	1,618,528
Total cash and cash equivalents, December 31	\$ 2,728,335	\$ 3,876,538

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

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Cash Flows (continued)
For the years ended December 31, 2013 and 2012

	2013	2012
Reconciliation of operating revenue over expenses to cash flows from operating activities:		
Operating revenues over expenses	\$ (155,538)	\$ 26,923
Items which did not use cash:		
Depreciation	701,090	698,659
Working capital changes which (used) provided cash:		
Billed user fees receivable	(89,247)	3,250
Connection fee installment receivable	137,500	67,590
Other receivables	3,317	(6,379)
Prepaid expenses	2,178	3,876
Accounts payable	36,565	(866)
Customer overpayments	9,816	(1,015)
Accrued expenses	5,647	8,473
Unearned revenue	155	155
Unearned connection fee revenue	(23,774)	(2,555)
Developer deposits	67,757	(18,185)
Cash flows from operating activities	\$ 695,466	\$ 779,926

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

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements
For the years ended December 31, 2013 and 2012

NOTE 1: ORGANIZATION

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

Creation of Authority

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

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

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

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

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

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

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

At December 31, 2013, the Authority has 3,181 users connected to the system.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Accounting (continued)

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

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

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

B. Budgetary Accounting

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

C. Cash, Cash Equivalents and Investments

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

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash, Cash Equivalents and Investments (continued)

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

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

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

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

D. Restricted Accounts

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

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Investments

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

F. Property, Plant and Equipment

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

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

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

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

G. Unamortized Issuance Costs

Certain insurance costs incurred with the issuance of Bonds have been capitalized in accordance with GASB Statement No. 65 and are being amortized over the life of the respective issue based on the straight line method. Unamortized debt issuance costs at December 31, 2013 and 2012 are \$65,229 and \$67,093, respectively.

H. Use of Estimates

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

I. Compensated Absences

Authority employees are entitled to certain compensated absences for vacation and sick time. Unused sick time can be carried forward to the following year up to a maximum of thirty days. Accrued sick and vacation time at December 31, 2013 and 2012 are \$39,894 and \$36,838, respectively and is included in accrued expenses in the accompanying statements of net position.

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Unearned Connection Fee Revenue

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

K. Revenue Recognition

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

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

L. Contributions

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

M. Net Position

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

N. Unearned Revenue

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

O. Township Appropriation

The Township of Berkeley appropriates the Authority's net position to the maximum amount allowed by State law. The appropriation for 2013 and 2012 totaled \$88,100 and \$88,547, respectively, and is

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Township Appropriation (continued)

recorded as non-operating expenses.

P. Subsequent Events

The Authority has evaluated subsequent events occurring after December 31, 2013 through April 15, 2014, which is the date the financial statements were available to be issued.

NOTE 3: CASH AND CASH EQUIVALENTS

The Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2013 and 2012, and reported at fair value are as follows:

	<u>2013</u>	<u>2012</u>
Deposits:		
Demand deposits	\$ 1,413,379	\$ 2,042,213
Money market funds	<u>1,314,956</u>	<u>1,834,325</u>
Total deposits	<u>\$ 2,728,335</u>	<u>\$ 3,876,538</u>
Reconciliation to Statements of Net Position:		
Current unrestricted assets:		
Cash and cash equivalents	\$ 1,459,895	\$ 2,258,010
Current restricted assets:		
Cash and cash equivalents	<u>1,268,440</u>	<u>1,618,528</u>
Total cash and cash equivalents	<u>\$ 2,728,335</u>	<u>\$ 3,876,538</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2013 and 2012, the Authority's bank balance of \$2,737,216 and \$3,880,657, respectively, was insured or collateralized as follows:

	<u>2013</u>	<u>2012</u>
Insured	\$ 500,000	\$ 500,000
Collateralized in the Authority's name under GUDPA	<u>2,237,216</u>	<u>3,380,657</u>
Total	<u>\$ 2,737,216</u>	<u>\$ 3,880,657</u>

NOTE 4: INVESTMENTS

A. Custodial Credit Risk

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

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 4: INVESTMENTS (continued)

B. Investment Interest Rate Risk

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

C. Investment Credit Risk

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

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

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

<u>Investment</u>	<u>Maturities</u>	<u>Rating</u>	<u>2013</u>	<u>2012</u>
Certificates of Deposit	Various	Various	\$ 869,180	\$ -
Total investments			<u>\$ 869,180</u>	<u>\$ -</u>

Reconciliation to Statements of Net Position:

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

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 4: INVESTMENTS (continued)

D. Fair Value of Investments

Investments are shown at fair value on the statement of net position with accrued interest shown under a separate caption. Investments are summarized as follows at December 31, 2013:

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

Investments at December 31, 2012 were \$0.

NOTE 5: PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment at December 31st consisted of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 143,608	\$ 90,108
Improvements other than building	22,152,330	22,102,258
Machinery and equipment	110,775	105,790
Furniture and fixtures	61,302	61,302
Water Plant	4,618,821	4,618,821
Vehicles	<u>150,941</u>	<u>150,941</u>
Property, plant and equipment, gross	27,271,530	27,129,220
Less: accumulated depreciation	<u>(8,750,940)</u>	<u>(8,049,850)</u>
Property, plant and equipment, net	<u>\$ 18,520,590</u>	<u>\$ 19,079,370</u>

NOTE 6: BONDS PAYABLE

Bonds payable at December 31, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
\$2,545,000 Water Revenue Bonds (Series 1993) due in annual principal installments of \$185,000 to \$195,000 through November 1, 2013, interest rate of 5.20%.	\$ -	\$ 195,000
\$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%.	1,435,625	1,464,332

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 6: BONDS PAYABLE (continued)

\$6,020,000 Water Revenue Refunding Bonds (Series 2012) due in semi-annual installments including interest through November 1, 2048, interest rates of 2 to 4%.	<u>5,640,000</u>	<u>6,020,000</u>
Subtotal	7,075,625	7,679,332
Less: current portion	<u>(189,641)</u>	<u>(603,701)</u>
Bonds payable – long-term	<u>\$ 6,885,984</u>	<u>\$ 7,075,631</u>

Revenue bonds outstanding as of December 31, 2013 are shown as followed.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 189,641	\$ 221,365	\$ 411,006
2015	195,612	217,193	412,805
2016	196,615	212,890	409,505
2017	202,651	206,905	409,556
2018	208,721	200,735	409,456
2019-2023	1,140,919	913,660	2,054,579
2024-2028	1,318,439	739,440	2,057,879
2029-2033	1,541,646	510,932	2,052,578
2034-2038	1,256,537	242,342	1,498,879
2039-2043	614,844	83,027	697,871
2044-2048	<u>210,000</u>	<u>21,768</u>	<u>231,768</u>
	<u>\$ 7,075,625</u>	<u>\$ 3,570,257</u>	<u>\$ 10,645,882</u>

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

NOTE 7: LOANS PAYABLE

Loans payable at December 31, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
The 2007 Series A loan payable to the NJEIT is due in annual principal installments of \$76,323 to \$155,000 through August 1, 2027, at interest rates ranging from 4.0% to 5.0%	1,655,000	1,740,000

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 7: LOANS PAYABLE (continued)

The 2007 Series B loan payable to the NJBIT is due in semi-annual principal installments of \$40,953 to \$105,347 through August 1, 2026, at zero percent interest.

	<u>1,293,056</u>	<u>1,398,101</u>
Subtotal	2,948,056	3,138,101
Less: current portion	<u>(188,130)</u>	<u>(190,047)</u>
 Bonds payable – long-term	 <u>\$ 2,759,926</u>	 <u>\$ 2,948,054</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 188,130	\$ 75,048	\$ 263,178
2015	194,380	71,988	266,368
2016	199,702	67,487	267,189
2017	204,863	62,738	267,601
2018	209,863	57,738	267,601
2019-2023	1,123,739	212,788	1,336,527
2024-2027	<u>827,379</u>	<u>65,278</u>	<u>892,657</u>
	<u>\$ 2,948,056</u>	<u>\$ 613,065</u>	<u>\$ 3,561,121</u>

NOTE 8: PENSION

A. Plan Description

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

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

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

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 8: PENSION (continued)

B. Vesting and Benefit Provisions

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

C. Significant Legislation

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

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

D. Contribution Requirements

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

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

<u>Year Ending</u>	<u>Employees</u>	<u>Authority Required Contribution</u>	
		<u>Amount</u>	<u>Percentage</u>
12/31/2013	\$ 29,298	\$ 38,872	100%
12/31/2012	\$ 25,952	\$ 36,385	100%
12/31/2011	\$ 21,928	\$ 34,029	100%

NOTE 9: POST-RETIREMENT BENEFITS

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

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 9: POST-RETIREMENT BENEFITS (continued)

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

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

NOTE 10: RISK MANAGEMENT

The Authority is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Authority is a member of the New Jersey Utilities Authorities Joint Insurance Fund (JIF). The joint insurance pool is both an insured and self-administered group of 80 authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The JIF will be self-sustaining through member premiums. The JIF participates in the Municipal Excess Liability Insurance program which has a contract for excess insurance. There were no settlements in excess of insurance coverage for 2013, 2012, or 2011.

NOTE 11: DONATED PROPERTY

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

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

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

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Operating Revenues and Costs Compared to Budget
For the year ended December 31, 2013
(With comparative totals for the year ended December 31, 2012)

	December 31, 2013			December 31, 2012				
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE
Revenues:								
User charges	\$ 1,650,000	1,650,000	\$ 1,640,150	\$ (9,870)	\$ 1,777,000	1,777,000	\$ 1,698,213	\$ (78,787)
Connection fees	17,600	17,600	40,815	23,215	27,000	27,000	24,051	(2,949)
Interest earned on connection fees	-	-	1,460	1,460	-	-	6,048	6,048
Hydrant fees	-	-	-	-	115,000	115,000	-	(115,000)
Other operating revenue	-	-	2,463	2,463	-	-	1,175	1,175
Water tower rentals	230,000	230,000	240,633	10,633	227,000	227,000	232,765	5,765
Interest income	28,000	28,000	17,187	(10,813)	23,000	23,000	21,575	(1,425)
Total operating revenues	1,925,600	1,925,600	1,942,688	17,088	2,169,000	2,169,000	1,983,827	(185,173)
Expenses:								
Cost of providing services:								
Salaries	233,000	233,000	229,307	3,693	225,000	225,000	225,998	(998)
Payroll taxes and fringe benefits	146,350	146,350	133,885	12,465	160,500	160,500	140,875	19,625
Utilities and natural gas	104,000	104,000	68,744	35,256	108,000	108,000	71,572	36,428
Plant and system expense	100,500	100,500	47,415	53,085	100,500	100,500	49,147	51,353
Permits and fees	20,000	20,000	13,810	6,190	20,000	20,000	13,210	6,790
Uniforms	4,000	4,000	3,221	779	4,000	4,000	2,667	1,333
Vehicle expense	12,000	12,000	3,883	8,117	10,000	10,000	8,949	1,051
Total cost of providing services	619,850	619,850	500,265	119,585	628,000	628,000	512,418	115,582
Administrative and general expenses:								
Salaries	205,750	205,750	197,818	7,932	188,750	188,750	191,593	(2,843)
Payroll taxes and fringe benefits	146,350	146,350	115,500	30,850	160,500	160,500	119,429	41,071
Office supplies and expenses	57,600	57,600	43,785	13,815	57,600	57,600	39,370	18,230
Advertising and printing	4,000	4,000	2,172	1,828	3,500	3,500	2,890	610
Telephone	10,000	10,000	8,455	1,545	10,000	10,000	8,772	1,228
Engineering fees	50,000	50,000	180,824	(130,824)	50,000	50,000	47,091	2,909
Legal fees	50,000	50,000	17,217	32,783	50,000	50,000	19,560	30,440

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Operating Revenues and Costs Compared to Budget
For the year ended December 31, 2013
(With comparative totals for the year ended December 31, 2012)

	December 31, 2013			December 31, 2012				
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE
Administrative and general expenses (continued):								
Accounting services	40,000	40,000	33,199	6,801	40,000	40,000	27,394	12,606
Trustee fees	17,000	17,000	13,703	3,297	17,000	17,000	10,624	6,376
Insurance	22,000	22,000	19,544	2,456	22,000	22,000	17,900	4,100
Postage and freight	9,000	9,000	6,834	2,166	9,000	9,000	6,864	2,136
Total administrative and general expenses	611,700	611,700	639,051	(27,351)	608,350	608,350	491,487	116,863
Non-operating expenses:								
Interest paid	394,839	394,839	289,497	105,342	414,243	414,243	443,470	(29,227)
Debt service	530,444	530,444	793,752	(263,308)	534,592	534,592	359,863	174,729
Township appropriation	88,100	88,100	88,100	-	88,547	88,547	88,547	-
Total non-operating expenses	1,013,383	1,013,383	1,171,349	(157,966)	1,037,382	1,037,382	891,880	145,502
Capital outlay and reserves:								
Renewal and replacement	20,000	20,000	20,000	-	20,000	20,000	20,000	-
Tower maintenance	50,000	50,000	-	50,000	50,000	50,000	-	50,000
Equipment/system upgrades	110,000	110,000	-	110,000	-	-	-	-
Meters	6,500	6,500	-	6,500	-	-	-	-
Total capital outlay and reserves	186,500	186,500	20,000	166,500	70,000	70,000	20,000	50,000
Total expenses	2,431,433	2,431,433	2,330,665	100,768	2,343,732	2,343,732	1,915,785	427,947
Excess operational revenues over expenses	\$ (505,833)	\$ (505,833)	\$ (387,977)	\$ 117,856	\$ (174,732)	\$ (174,732)	\$ 68,042	\$ 242,774
Plus:								
Adjustment for interest accrual			(20,157)				41,272	
Debt service			793,752				359,863	
Capital outlay and reserves			20,000				20,000	
Less:								
Depreciation			(701,090)				(698,659)	
Amortization premium/(bond costs), net			6,429				3,183	
Donated property			84,337				-	
Debt issuance expense			-				(141,880)	
Gain on disposal of asset			-				962	
FEMA reimbursements			8,291				-	
Change in net position per Statements of Revenue, Expenses and Changes in Net Position			\$ (196,415)				\$ (347,217)	

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenue, Expenses and Changes in Net Position - Unrestricted and Restricted
For the year ended December 31, 2013
 (With comparative totals for the year ended December 31, 2012)

	Unrestricted		Reserve for Debt Service	Restricted Investments in Capital Assets, Net		Reserve for Capital		
	Unreserved	Board Designated					2013	2012
Operating revenues:								
User charges	\$ 1,640,130	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,640,130	\$ 1,698,213
Connection fees	40,815	-	-	-	-	-	40,815	24,051
Interest earned on connection fees	1,460	-	-	-	-	-	1,460	6,048
Other operating revenue	2,463	-	-	-	-	-	2,463	1,175
Total operating revenues	1,684,868	-	-	-	-	-	1,684,868	1,729,487
Operating expenses:								
Cost of providing services	500,265	-	-	-	-	-	500,265	512,418
Administrative and general	639,051	-	-	-	-	-	639,051	491,487
Depreciation	-	-	-	701,090	-	-	701,090	698,659
Total operating expenses	1,139,316	-	-	701,090	-	-	1,840,406	1,702,564
Operating revenues over expenses	545,552	-	-	(701,090)	-	-	(155,538)	26,923
Non-operating revenues/(expenses):								
Water tower rental	240,633	-	-	-	-	-	240,633	232,765
Interest income	12,209	-	4,769	-	209	-	17,187	21,575
Interest expense	(309,654)	-	-	-	-	-	(309,654)	(402,198)
Township appropriation	(88,100)	-	-	-	-	-	(88,100)	(88,547)
Donated property	-	-	-	84,337	-	-	84,337	-
Amortization premium/(bond costs), net	-	-	-	6,429	-	-	6,429	3,183
Debt issuance expense	-	-	-	-	-	-	-	(141,880)
Gain on disposal of asset	-	-	-	-	-	-	-	962
Total non-operating revenue/(expenses)	(144,912)	-	4,769	90,766	209	-	(49,168)	(374,140)
Change in net position before transfers	400,640	-	4,769	(610,324)	209	-	(204,706)	(347,217)
Transfers	(832,402)	50,000	(90,011)	852,622	19,791	-	-	-
Net position, January 1	2,757,752	490,000	713,448	8,113,787	280,000	-	12,354,987	12,702,204
Net position, December 31	\$ 2,325,990	\$ 540,000	\$ 628,206	\$ 8,356,085	\$ 300,000	\$ -	\$ 12,150,281	\$ 12,354,987

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Unrestricted Accounts
For the year ended December 31, 2013
 (With comparative totals for the year ended December 31, 2012)

	Petty Cash	Revenue Checking	Operating Checking	Escrow Checking	General Fund	Revenue Fund	2013	2012
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and Investments - January 1	50	18,304	320,709	10,000	1,908,947	-	2,258,010	2,199,584
Cash Receipts:								
User charges	-	1,640,130	-	-	-	-	1,640,130	1,699,218
Connection fees	-	40,815	-	-	-	-	40,815	24,051
Water tower rentals	-	240,633	-	-	-	-	240,633	232,765
Miscellaneous income	-	10,754	-	-	-	-	10,754	1,175
Interest income	-	-	-	-	1,440	3,068	4,508	6,130
Interest earned on connection fees	-	1,460	-	-	-	-	1,460	6,048
Transfers from restricted funds	-	43,082	-	-	392,836	-	435,918	175,048
Transfers from unrestricted funds	-	-	1,104,500	-	-	-	1,104,500	1,293,786
Total Cash Receipts	-	1,976,874	1,104,500	-	394,276	3,068	3,478,718	3,438,221
Total Cash and Investments Available	50	1,995,178	1,425,209	10,000	2,303,223	3,068	5,736,728	5,637,805
Cash Disbursements:								
Operating claims	-	-	966,565	-	-	-	966,565	816,121
Construction claims	-	-	186,385	-	-	-	186,385	45,041
Township appropriation	-	-	88,100	-	-	-	88,100	88,547
NJ DEP loan payments	-	-	-	-	-	-	-	27,686
Transfers to restricted funds	-	875,000	-	-	329,635	3,068	1,207,703	1,108,614
Transfers to unrestricted funds	-	1,104,500	-	-	-	-	1,104,500	1,293,786
Total Cash Disbursements	-	1,979,500	1,241,050	-	329,635	3,068	3,553,253	3,379,795
Cash and Investments - December 31	50	15,678	184,159	10,000	1,973,588	-	2,183,475	2,258,010

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Restricted Accounts
For the year ended December 31, 2013
 (With comparative totals for the year ended December 31, 2012)

	Renewal & Replacement Account	Debt Service Account	Developers' Deposits	Bond Reserve Account	Developers' Escrows Checking	Revenue Fund	2013	2012
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and Investments - January 1	280,000	407,823	237,377	618,323	-	75,005	1,618,528	1,583,114
Cash Receipts:								
Developers' deposits	-	-	207,990	-	-	-	207,990	159,635
Interest income	209	4,758	-	11	-	7,601	12,579	15,445
Transfers from restricted funds	20,000	865,174	-	-	93,440	-	978,614	790,247
Transfers from unrestricted funds	-	332,703	-	-	-	875,000	1,207,703	1,108,614
Total Cash Receipts	20,209	1,202,635	207,990	11	93,440	882,601	2,406,886	2,073,941
Total Cash and Investments Available	300,209	1,610,458	445,367	618,334	93,440	957,606	4,025,414	3,657,055
Cash Disbursements:								
Payments on behalf of developers	-	-	-	-	93,440	-	93,440	167,806
Bond and loan principal payments	-	793,748	-	-	-	-	793,748	503,228
Interest paid	-	309,654	-	-	-	-	309,654	402,198
Transfers to restricted funds	209	316,500	140,206	11	-	521,688	978,614	790,247
Transfers to unrestricted funds	-	-	-	-	-	435,918	435,918	175,048
Total Cash Disbursements	209	1,419,902	140,206	11	93,440	957,606	2,611,374	2,038,527
Cash and Investments - December 31	300,000	190,556	305,161	618,323	-	-	1,414,040	1,618,528

BERKELEY TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Board of Commissioners and Management
December 31, 2013

Patrick Pizzi..... Chairman
Karen Davis Vice Chairwoman
Michael W. Hale Treasurer
Lloyd G. Mullikin Secretary
Eric Sudia Commissioner
Keith Buscio..... Alt. Commissioner
Michele Nugent..... Executive Director



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

We have audited the financial accounts and transactions of the Berkeley Township Municipal Utilities Authority, a component unit of the Township of Berkeley, in the County of Ocean, State of New Jersey for the year ended December 31, 2013. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

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

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

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

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

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

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

Contracts and Agreements Requiring Solicitation of Quotations

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

Examination of Bills

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

Payroll Fund

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

Property, Plant & Equipment

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

Follow-Up of Prior Years' Findings

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

Acknowledgment

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

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

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


HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

April 15, 2014
Toms River, New Jersey