

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Brick, New Jersey)

Financial Statements

For the years ended March 31, 2010 and 2009

(With Independent Auditors' Report thereon)

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
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March 31, 2010

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners of the
Brick Township Municipal Utilities Authority

We have audited the accompanying statements of net assets of the Brick Township Municipal Utilities Authority, a component unit of the Township of Brick, County of Ocean, State of New Jersey, as of and for the years ended March 31, 2010 and 2009 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Brick Township Municipal Utilities Authority, a component unit of the Township of Brick, County of Ocean, State of New Jersey, as of March 31, 2010 and 2009, and the results of its operations and cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2010, on our consideration of the Brick Township Municipal Utilities Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, on pages 5 through 10 and 46 through 47, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming an opinion on the financial statements of the Brick Township Municipal Utilities Authority, a component unit of the Township of Brick, County of Ocean, State of New Jersey, taken as a whole. The accompanying supplementary schedules I through V and VII, on pages 35 through 45 and 48, are presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

HOLMAN & FRENIA, P.C.

HOLMAN & FRENIA, P.C.
Certified Public Accountants

June 18, 2010
Toms River, New Jersey

**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
Brick Township Municipal Utilities Authority

We have audited the financial statements of the Brick Township Municipal Utilities Authority, a component unit of the Township of Brick, County of Ocean, State of New Jersey, as of and for the year ended March 31, 2010, and have issued our report thereon dated June 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance

As part of obtaining reasonable assurance about whether Brick 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.

We noted certain matters that we reported to management of Brick Township Municipal Utilities Authority, in a separate letter dated July 20, 2010.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



HOLMAN & FRENIA, P.C.
Certified Public Accountants

June 18, 2010
Toms River, New Jersey

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
BRICKTOWN, NEW JERSEY**

FISCAL YEAR APRIL 1, 2009 THROUGH MARCH 31, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's narrative discussion and analysis of the financial activities of the Authority for the audit year ending March 31, 2010.

The Authority continues the trend of overall positive performance relative to budget. The Cash Management Plan adopted annually by the Board of Commissioners, the preparation of a detailed annual budget, and the five-year analysis of operations, capital, and rate projections contribute to the financial strength and direction of the Authority.

Authority Overview

The Authority provides sewerage collection and water treatment and distribution services for Brick Township. Additionally, the Authority sells bulk water to Point Pleasant Beach and Point Pleasant Borough.

The Authority's water distribution system consists of over 375 miles of water mains as well as water storage tanks and booster pumping stations that are located throughout the distribution system. The Authority treats the water supply at the William Miller Treatment Plant. The total treatment capacity of the plant is 16 million gallons per day.

The Authority's sanitary sewer system consists of over 336 miles of sewer mains, approximately 7,787 manholes, and 26 sewerage pumping stations that service the mainland and barrier island sections of Brick Township. The Authority conveys all wastewater to the Ocean County Utilities Authority (OCUA), a regional sewerage authority that provides treatment and disposal. The BTMUA is a sewer collection system only.

The user fee charged to customers is the primary source of revenue for the Authority, in addition to connection fees and bulk sales. The customer base consists primarily of over 31,200 residential single family customers.

Financial Review and Highlights

This section presents an overview of the Authority's financial position and activities for the fiscal year April 1, 2009 through March 31, 2010.

Implementation of GASB 45:

The Authority has implemented GASB 45, which is for the disclosure of liabilities for Other Post Employment Benefits (OPEB). OPEB are non-pension benefits that a government has contractually or otherwise agreed to provide employees once they have retired. GASB 45 provides standards for calculating the OPEB cost liability being incurred. In summary, the objective is to recognize the costs being incurred today for payments that will be made in the future for today's employees eligible for the benefit.

Summit Actuarial Services, LLC prepared the analysis considering various factors including demographics, health cost, employee turnover, inflation and mortality. As can be seen below, the OPEB liability is \$26.5 million. The Authority will manage the OPEB liability and annual expenses to minimize the rate impact. Further information is included with #10 of the notes to the financial statements.

Condensed Statements of Net Assets – March 31st:

The Statements of Net Assets present the asset / liability financial position of an organization as of a particular date. The summary chart below contains the Authority's Statements of Net Asset values as of March 31, 2010 and 2009. Net assets represent the difference between assets and liabilities.

	<u>2010</u>	<u>2009</u>
<u>Assets:</u>		
Unrestricted current assets	\$ 16,498,576	\$ 17,293,663
Restricted current assets	32,070,467	32,725,682
Property & equipment	108,220,675	113,596,781
Other assets	<u>2,547,850</u>	<u>2,912,361</u>
Total assets	159,337,568	166,528,487
<u>Liabilities:</u>		
Unrestricted current liabilities	3,222,308	3,299,389
Restricted current liabilities	8,546,537	8,408,023
Net OPEB obligation	26,500,974	23,634,417
Other long-term liabilities	<u>76,680,109</u>	<u>81,434,477</u>
Total liabilities & net assets	114,949,928	116,776,306
<u>Net Assets:</u>		
Net assets	<u>\$ 44,387,640</u>	<u>\$ 49,752,181</u>

Overall, the Authority's Statements of Net Assets have remained relatively stable between fiscal years. Unrestricted current asset coverage of all current liabilities decreased slightly from 1.48X to 1.40X in fiscal year 2010. Current restricted assets have decreased because construction funds were utilized for capital asset additions during the fiscal year. The debt ratio (excluding OPEB) for both 2010 and 2009 were 55.5% and 55.9%, respectively. The higher the debt ratio, the higher is the organization's financial risk.

Net capital additions were \$1,141,779, and net accumulated depreciation was \$6,517,885. Therefore, capital assets have decreased by \$5,376,106, as shown in the above chart. Long-term liabilities (excluding OPEB) have decreased by \$4.8 million. This reduction includes \$6.7 million of long term debt which has been classed as a current liability, offset by the inclusion of \$2.1 million of additional debt for the NJEIT

2010 issue. Principal payments for the Series 1998, NJEIT 2001, NJEIT 2002, Series 2002, and Series 2006 were \$6.4 million for fiscal 2009/2010. As of March 31, 2010, \$1.9 million in Series 2002 Bond funds remained, which are included in restricted current assets in the Statements of Net Assets.

Changes in net assets, reviewed over several accounting periods, can serve as an indicator of deteriorating or improving financial position. From March 31, 2003 to March 31, 2010, the Authority's net assets (excluding OPEB) have increased by \$4.7 million.

Condensed Statements of Revenues, Expenses, and Changes in Net Assets – March 31st:

The Statements of Revenues, Expenses, and Changes in Net Assets measure the financial performance of an organization for a period of time, and the impact upon net assets. The chart below summarizes operational activity for the period April 1st to March 31st each fiscal year.

	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 31,306,323	\$ 31,665,357
Operating expenses:		
Administrative expenses	7,214,472	6,770,191
Cost of providing services	15,671,504	15,917,825
Depreciation	6,907,339	6,669,775
Total operating expenses	<u>29,793,315</u>	<u>29,357,791</u>
Operating income over expenses	1,513,008	2,307,566
Total non-operating revenues/(expenses)	<u>(7,094,284)</u>	<u>(6,422,755)</u>
Net income/(loss)	(5,581,276)	(4,115,189)
Prior Period Adjustment – OPEB	-0-	(20,767,860)
Contributed capital	216,735	389,712
Net assets, beginning of year	<u>49,752,181</u>	<u>74,245,518</u>
Net assets, end of year	<u>\$ 44,387,640</u>	<u>\$ 49,752,181</u>

Selected Expenses as a Percent of Operating Revenues – March 31st:

Administrative expenses	23.0%	21.4%
Cost of providing services	50.1%	50.2%
Depreciation	<u>22.1%</u>	<u>21.1%</u>
Total operating expenses	<u>95.2%</u>	<u>92.7%</u>

Operating revenues for fiscal 2009/2010 were \$31.3 million, a \$359,000 decrease from prior fiscal year and \$1.5 million below the budgeted amount of \$32.8 million. Lawn account revenues were \$488,000, or 33%, below the \$1.5 million budget at \$992,977. Bulk water sales were \$40,000, or 3.3%, below the \$1.2 million budget at \$1,156,834. Despite an overall 2.8% rate increase, annual service charges decreased by \$36,000 between fiscal years. Service charges were impacted by a wet summer, soft economy, and

reduced summer shore trade. Initial service charges also decreased from \$653,460 in 2009 to \$278,360 in 2010 as well.

Administrative expenses of \$7.2 million were 6.6% higher in 2009/2010 than prior fiscal year. However, actual administrative costs were \$471,000 below the budgeted amount of \$7.7 million. Administrative costs were below budget in most areas, particularly with professional / consulting fees and software / support contracts in the Networking Department. The Authority had 153 budgeted positions in 2009/2010, including Commissioners and seasonal employees.

Cost of providing services decreased from \$15.9 million in 2008/2009 to \$15.7 in 2009/2010. Expenses such as sewer treatment, chemicals, utilities, and water quality testing are correlated to the lower sales volume in the fiscal year. As with administrative expenses, there was an overall positive variance for cost of providing services of \$694,000 versus budget. The Authority's largest single operating expense is the payment to the Ocean County Utilities Authority. Accrued sewerage treatment charges amounted to \$7.1 million in 2009/2010, of the \$15.7 million noted above.

Non-operating revenues and expenses for fiscal 2009/2010 were comprised of \$3.5 million in interest expense, partially offset by \$527,000 in interest income. Net loss for fiscal 2009/2010 was \$5.6 million. As can be seen on page 13, there was a \$952,570 transfer to the Township of Brick, and the OPEB obligation of \$2.9 million which significantly contributed to the net loss.

As noted above, the ratios of administrative, depreciation, and total operating expenses relative to operating revenues increased in fiscal 2009/2010 as compared to last fiscal year. This would be expected in the case where operating revenues were significantly impacted by weather and economic conditions. Diminishing average use contributed to lower revenues. The Authority's debt service coverage (operating revenues / debt service payments) was 3.1X for fiscal 2009/2010.

Statements of Cash Flows

The Authority's Statements of Cash Flows show net cash provided by operating activities of \$4,555,974. Cash used by financing / investing activities was \$5,003,759 for a net cash decrease of \$447,785 for the fiscal year. Despite the revenue reduction relative to budget, the cash and equivalents remained relatively stable between fiscal years.

In comparison, fiscal 2008/2009 had a net decrease in cash of \$5,846,822. Last year's cash decrease was primarily associated with the purchase of Parkway Water Company for \$3.6 million in December, 2008.

Rate Determination and History

Rates are projected on a five-year outlook basis to balance the budget. Estimates of injection from the Rate Maintenance Fund are included as needed to streamline rate change and avoid any potential rate spikes. The Authority's history of overall rate increases are as follows:

September 1, 1999:	(6.0%)	*Decrease resulted from conversion to consumption based rates.
May 1, 2001:	3.5%	
April 1, 2002:	8.7%	
April 1, 2003:	8.8%	
April 1, 2004:	8.0%	

April 1, 2005:	8.5%
April 1, 2006:	5.5%
April 1, 2007:	0.0%
April 1, 2008:	5.5%
April 1, 2009:	2.8%
April 1, 2010:	4.3%

Actual rate adjustments have remained reasonably consistent with five-year projections. Rate increases from 2002 through 2005 primarily resulted from increased debt service being built into base rates. This additional debt service was primarily associated with the construction of a one billion gallon reservoir, and the associated costs for the water treatment plant modifications and transmission main. The 2006 rate increase was attributed to NJEIT pump station and sewer rehabilitation debt service. For the first time in seven years, the Authority had no rate increase in fiscal 2007/2008. Increased operating expenses and a reduction in anticipated investment income were the key reasons for a 4.3% rate increase effective on April 1, 2010.

Five-year operational and rate planning is included as an integral portion of the Authority's budget book each fiscal year.

Funding of Infrastructure and Debt Management

It has been the policy of the Brick Township Municipal Utilities Authority that funding for capital improvements, additions, or replacements be accomplished through one, or a combination, of the following methods:

- Borrowings from the New Jersey Environmental Infrastructure Trust
- Revenue bonds
- Internal Funding

Refunding of existing debt has been periodically reviewed and completed when feasible, including the most recent Series 2006 refunding issue.

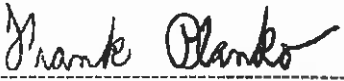
Capital – Five-Year Planning

The capital improvement program includes a five year projection that is revised each year. The capital projection process allows the Finance Division to appropriately analyze future impacts of capital expenditures on remaining bond funding and rate adjustment.

The Authority's current projection includes capital expenditures of \$34.4 million for the periods 2010/2011 through 2013/2014. Funding for the various projects includes a combination of three sources noted on the previous page. If the five-year capital plan is achieved as noted in the 2010/2011 budget book, additional capital financing may be required by fiscal year 2011/2012.

Auditors

The Authority auditor for the fiscal year ending March 31, 2010 was Holman & Frenia, P.C. Prior audits can be obtained from the office of the Brick Township Municipal Utilities Authority.

A handwritten signature in black ink that reads "Frank Planko". The signature is written in a cursive style with a horizontal line underneath it.

Prepared by:
Frank Planko
Chief Financial Officer

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Net Assets
March 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Unrestricted current assets:		
Cash and cash equivalents	\$ 12,928,700	\$ 13,565,041
Accounts receivable	2,875,799	2,995,354
Note receivable - current portion	3,553	3,352
Accrued interest receivable	2,014	47,980
Inventory - supplies	491,266	492,210
Prepaid expenses	197,244	189,726
Total unrestricted current assets	<u>16,498,576</u>	<u>17,293,663</u>
Restricted current assets (See note 3):		
Cash and cash equivalents	19,504,855	19,316,299
Investments	6,963,500	9,771,000
Due from NJ Environmental Infrastructure Trust	5,571,570	3,483,370
Accrued interest receivable	30,542	155,013
Total restricted current assets	<u>32,070,467</u>	<u>32,725,682</u>
Property and equipment, net	108,220,675	113,596,781
Other assets:		
Note receivable - long-term portion	-	3,553
Debt issue costs, net	1,465,543	1,541,004
Loss on defeasement, net	432,591	632,403
Bond discount, net	649,716	735,401
Total other assets	<u>2,547,850</u>	<u>2,912,361</u>
Total assets	<u>159,337,568</u>	<u>166,528,487</u>

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

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Net Assets (continued)
March 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
LIABILITIES		
Unrestricted current liabilities:		
Accounts payable	1,079,214	983,466
Accrued expenses	289,016	216,708
Transfer payable to the Township of Brick (See note 8)	-	250,000
Deferred income	1,854,078	1,849,215
Total unrestricted current liabilities	<u>3,222,308</u>	<u>3,299,389</u>
Restricted current liabilities:		
Accounts payable	87,383	140,968
Bonds payable, current portion	6,732,242	6,387,446
Accrued interest payable	1,038,705	1,110,201
Deferred income	378,914	400,932
Developer escrow	239,600	292,044
Retainage payable	69,693	76,432
Total restricted current liabilities	<u>8,546,537</u>	<u>8,408,023</u>
Long-term liabilities:		
Bonds payable, net of current portion	73,422,310	78,066,352
Net OPEB obligation (See note 10)	26,500,974	23,634,417
Bond premium, net	2,272,174	2,418,256
Reserve for compensated absences	985,625	949,869
Total long-term liabilities	<u>103,181,083</u>	<u>105,068,894</u>
Total liabilities	<u>114,949,928</u>	<u>116,776,306</u>
NET ASSETS		
Investments in capital assets, net of related debt	27,584,060	28,875,796
Restricted and unrestricted net assets:		
Reserved for debt service	10,390,982	10,391,972
Reserved for renewal and replacement	500,000	500,000
Reserved for future construction	6,621,042	7,776,755
Unreserved	(708,444)	2,207,658
Total restricted and unrestricted net assets	<u>16,803,580</u>	<u>20,876,385</u>
Total net assets	<u>\$ 44,387,640</u>	<u>\$ 49,752,181</u>

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

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Revenues, Expenses and Changes in Net Assets
For the years ended March 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Annual service charges	\$ 30,285,306	\$ 30,321,290
Initial service charges	278,360	653,460
Tap-ins, permits and other fees	201,158	333,587
Review and inspection fees	22,566	26,503
Interest on delinquent payments	217,972	35,213
Miscellaneous income	300,961	295,304
Total operating revenues	<u>31,306,323</u>	<u>31,665,357</u>
Operating expenses:		
Cost of providing services	15,671,504	15,917,825
Administrative expenses	7,214,472	6,770,191
Depreciation	6,907,339	6,669,775
Total operating expenses	<u>29,793,315</u>	<u>29,357,791</u>
Operating income over expenses	<u>1,513,008</u>	<u>2,307,566</u>
Non-operating revenues (expenses):		
Interest on investments	527,095	1,422,540
Interest expense	(3,481,981)	(3,718,167)
Change in net OPEB obligation (See note 10)	(2,866,557)	(2,866,557)
Transfer to the Township of Brick (See note 8)	(952,570)	(1,000,000)
Gain/(loss) on disposal of assets	(57,074)	1,005
Amortization of bond premium/discount	-	1,934
Reservoir sponsorship and scrap fund deposits	3,920	5,610
Amortization of debt issue costs	(67,305)	(69,308)
Amortization of loss on defeasement	(199,812)	(199,812)
Total non-operating revenues (expenses)	<u>(7,094,284)</u>	<u>(6,422,755)</u>
Net (loss)/income	<u>(5,581,276)</u>	<u>(4,115,189)</u>
Restricted and unrestricted net assets, April 1	20,876,385	51,477,262
Contributed capital	216,735	389,712
Prior period adjustment (See note 11)	-	(20,767,860)
Net change in investments in capital assets net of related debt	1,291,736	(6,107,540)
Restricted and unrestricted net assets, March 31	<u>16,803,580</u>	<u>20,876,385</u>
Investments in capital assets, net of related debt, April 1	28,875,796	22,768,256
Net increase/(decrease) in capital assets	(5,376,106)	199,960
Decrease in related debt	4,084,370	5,907,580
Investments in capital assets, net of related debt, March 31	<u>27,584,060</u>	<u>28,875,796</u>
Total net assets, March 31	<u>\$ 44,387,640</u>	<u>\$ 49,752,181</u>

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

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Cash Flows
For the years ended March 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from service users	\$ 31,363,551	\$ 31,700,430
Cash paid to suppliers and employees	(23,951,632)	(23,446,830)
Interest received	697,532	1,507,302
Interest paid	(3,553,477)	(3,792,208)
Net cash flow from operating activities	<u>4,555,974</u>	<u>5,968,694</u>
Cash flows from financing activities:		
Payments for capital acquisitions	(1,371,572)	(6,479,018)
Debt issuance costs	(52,241)	-
Bond proceeds	-	1,913,169
Bond principal retirements	(6,387,446)	(6,174,767)
Net cash flow from financing activities	<u>(7,811,259)</u>	<u>(10,740,616)</u>
Cash flows from investing activities:		
Maturities/(purchases) of investments	<u>2,807,500</u>	<u>(1,074,900)</u>
Net cash flow from investing activities	<u>2,807,500</u>	<u>(1,074,900)</u>
Net change in cash and cash equivalents	(447,785)	(5,846,822)
Cash and cash equivalents, April 1	<u>32,881,340</u>	<u>38,728,162</u>
Cash and cash equivalents, March 31	<u>\$ 32,433,555</u>	<u>\$ 32,881,340</u>
Schedule of non-cash investing and financing activities:		
Capital contributions capitalized	<u>\$ 216,735</u>	<u>\$ 389,712</u>

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

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Cash Flows (continued)
For the years ended March 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of net income to cash flows from operating activities:		
Net income	\$ (5,581,276)	\$ (4,115,189)
Items which did not use (provide) cash:		
Depreciation	6,907,339	6,669,775
Change in net OPEB obligation	2,866,557	2,866,557
Loss on disposal of assets	57,074	(1,005)
Amortization on bond premium/discount	-	(1,934)
Amortization of debt issue costs	67,305	69,308
Amortization of loss on defeasement	199,812	199,812
Working capital changes which provided (used) cash:		
Accounts receivable	119,555	(228,887)
Note receivable	3,352	3,162
Accrued interest receivable	170,437	84,762
Inventory	944	70,044
Prepaid expenses	(7,518)	(14,556)
Accounts payable	42,163	171,102
Accrued expenses	72,308	36,915
Transfer payable to the Township of Brick	(250,000)	250,000
Deferred income	(17,155)	307,810
Accrued interest payable	(71,496)	(74,041)
Developer escrow	(52,444)	(52,622)
Retainage payable	(6,739)	(383,329)
Reserve for compensated absences	35,756	111,010
Net cash flows from operating activities	<u>\$ 4,555,974</u>	<u>\$ 5,968,694</u>

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

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements
For the years ended March 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Brick Township Municipal Utilities Authority ("Authority"), a public politic and corporate body, was created by virtue of an ordinance of the Township of Brick, adopted April 3, 1969, pursuant to Chapter 183 of the Municipal Utilities Authorities Laws of the State of New Jersey of 1957 (Chapter 14B of Title 40 of the Revised Statutes of New Jersey).

The purposes for which the Authority was created include the acquisition and/or construction of plants and distribution systems to provide an adequate supply of water and the acquisition and/or construction of sewer facilities incident to the disposition and treatment of sewerage for the relief of waters from pollution.

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

The financial statements of the Authority have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of state and local governments.

Revenues are recognized when earned and measurable and expenses are recognized when incurred. Interest on delinquent accounts is realized when cash is received. Customers are billed on a quarterly basis for both water and sewer.

B. Grants

Contributions from various sources of grants are recorded in the period received. Developer financed construction is recorded in the period the projects are completed and conveyed to the Authority. The valuations of these projects are based on estimates of the entire cost of construction, including rights-of way, inspection and as-built plans as calculated by developers' engineers. Donated assets are recorded at fair market value at the date of the gift. Grants not externally restricted and utilized to finance operations are identified as non-operating revenues. Grants externally restricted for non-operating purposes are recorded as contributed capital and identified as grants-in-aid.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Inventory

Inventory consists principally of pipes, appurtenances, meters and chemicals for water and sewer systems and various materials and supplies for the daily operation of the Authority and is stated at the lower of average cost determined by the first-in, first-out method (FIFO) or market.

The requirements for Authorities in the State of New Jersey state that an inventory management system is to be maintained for materials and supplies. This system of inventory is to have been made a part of the Authority financial records and maintained on a yearly basis for purchases, deletions and usage.

E. Capital Assets

Costs of the water and sewer systems incurred to date consists of facilities constructed or acquired, cost of acquisition of land, easements and rights-of-way, costs incidental to such construction or acquisitions including engineering and inspection fees, costs of equipment, administrative and legal expenses, facilities contributed to the Authority by sub dividers, the excess of value over cost of acquired facilities as determined by the Authority's Consulting Engineer or the Authority's in-house professional engineers, and interest on bonds incurred during the period of construction (less income earned on expended construction funds).

Depreciation is provided for water and sewer systems, administration complex, equipment and vehicles using the straight-line method. Depreciation is proved over the following estimated useful lives:

Water production and distribution system	40 years
Sewer collection system	40 years
Administration complex	40 years
Equipment	10 years
Vehicles	5 years

Depreciation expense for the years ended March 31, 2010 and 2009 was \$6,907,339 and \$6,669,775, respectively.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Capital Assets (continued)

Details of property, plant and equipment as of March 31, 2010 and 2009 are as follows:

	<u>March 31, 2009</u>	<u>Net Change</u>	<u>March 31, 2010</u>
Land and easements	\$ 4,309,783	\$ 7,474	\$ 4,317,257
Administration building and warehouse	5,402,508	250,419	5,652,927
Water production and distribution system	81,433,019	439,145	81,872,164
Sewer collection system	97,399,969	17,086	97,417,055
Meters	2,638,315	19,946	2,658,261
Reservoir	36,931,577	114,380	37,045,957
Construction in progress – reservoir	109,553	(79,135)	30,418
Construction in progress – other	2,818,716	(327,492)	2,491,224
Equipment	16,100,887	572,479	16,673,366
Vehicles	<u>2,132,026</u>	<u>127,477</u>	<u>2,259,503</u>
Subtotal	249,276,353	1,141,779	250,418,132
Less: accumulated depreciation	<u>(135,679,572)</u>	<u>(6,517,885)</u>	<u>(142,197,457)</u>
Property, plant and equipment – net	<u>\$ 113,596,781</u>	<u>\$ (5,376,106)</u>	<u>\$ 108,220,675</u>

F. Cash and Investment Accounts

In accordance with the 1996 bond resolution, as amended and/or supplemented, the Authority has established the following cash and investment accounts for the deposit and/or transfer, in the priority of the order listed, of all monies received by the Authority.

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
<u>Unrestricted:</u>		
Revenue Fund	All revenues received by the Authority.	Authorized operating expenses and, at least once a month, transfers to the various accounts described below.
General Fund	Any excess over expenditures in the revenue fund or accounts shall be transferred to the general fund each month if all required deposits and trustee expenses have been duly executed.	Amounts on deposit in the general fund shall be applied by the Authority to any lawful purpose of the Authority related to the sewer or water sewer systems.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Investment Accounts (continued)

Restricted:

Bond Service Fund (Current debt service)	Amount needed to pay matured principal and interest due on or before the following December 1 st .	Principal and interest on bonds.
Sinking Fund	The aggregate amount of installments payable on the next sinking fund installment payment date.	Payment of principal and interest on bonds at maturity.
Bond Reserve Fund (Future debt service)	Amount equal to the Bond Reserve requirement.	Transfers to meet minimum levels required in the bond service or sinking accounts. Any excess may be transferred into the revenue account.
Renewal and Replacement Fund (Maintenance reserve)	An amount equal to the System Reserve requirement.	Transfers to meet minimum levels required in the bond reserve account for major repairs, renewals and extensions of the system.
Construction fund	Amount needed to fund construction projects.	Transfers to meet costs of construction projects.

Investments are shown on the balance sheet at fair value.

G. Unamortized Debt Issue Costs

Deferred debt issue costs are being amortized over the lives of the bond issues based on the straight-line method; accumulated amortization as of March 31, 2010 and 2009 is \$1,703,360 and \$1,575,656, respectively.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2010

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

Type	Rating	Maturities	Carrying Value
Deposits:			
Demand deposits			\$ 12,289,795
Certificates of deposit		Various	<u>27,107,260</u>
Total cash and investments			<u>\$ 39,397,055</u>
Reconciliation of Statements of Net Assets:			
Unrestricted current assets:			
Cash and cash equivalents			\$ 12,928,700
Restricted current assets:			
Cash and cash equivalents			19,504,855
Investments			<u>6,963,500</u>
Total cash and investments			<u>\$ 39,397,055</u>

A. Custodial Credit Risk

Deposits in financial institutions, reported as components of cash and investments had bank balance of \$37,285,949 at March 31, 2010. Of the bank balances, \$500,000 was fully insured by depository insurance and \$36,785,949 was secured by a collateral pool held by the bank in accordance with the Governmental Unit Deposit Protection Act, as described in note 4.

B. Investment Interest Rate Risk

The Authority follows the requirements set forth by the State of New Jersey limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

C. Investment Credit Risk

The Authority limits investment choices according to New Jersey statutes which permit the Authority to purchase the following types of securities:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes and bonds.
- Government money market mutual funds.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2010

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)

C. Investment Credit Risk (continued)

- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the local unit or school districts of which the local unit is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments.
- Local government investment pools, such as New Jersey CLASS and the New Jersey Arbitrage Rebate Management Program.
- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to special conditions.

D. Concentration of Investment Credit Risk

The Authority places no limit on the amount it may invest in any one issuer. The Authority is secured by a collateral pool held by the banks. At March 31, 2010, all of the Authority's investments were held by TD and Wachovia Banks.

NOTE 3: RESTRICTED CURRENT ASSETS

At March 31, 2010 and 2009, the Authority had current assets restricted for accounts as follows:

	<u>2010</u>	<u>2009</u>
Bond service:		
Cash and cash equivalents	\$ 4,133,381	\$ 4,116,796
Accrued interest receivable	3,380	9,067
Bond reserve:		
Cash and cash equivalents	8,037,393	8,037,393
Accrued interest receivable	2,311	27,718
Renewal and replacement:		
Cash and cash equivalents	500,220	500,000
Series 2002 construction fund:		
Cash and cash equivalents	1,861,916	2,773,029
Accrued interest receivable	2,287	16,301
NJEIT – Series 2002:		
Due from New Jersey Infrastructure Trust	3,483,370	3,483,370
NJEIT – Series 2010:		
Due from New Jersey Infrastructure Trust	2,088,200	-0-
NJEIT Processing Fund:		
Cash and cash equivalents	2,964,333	4,364,517
Accrued interest receivable	8,202	26,713
Developer escrow:		
Cash	620,986	702,104

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2010

NOTE 3: RESTRICTED CURRENT ASSETS (continued)

Working capital fund:		
Cash and cash equivalents	1,621,464	1,871,464
Accrued interest receivable	2,555	20,687
Rate maintenance fund:		
Cash and cash equivalents	3,591,000	3,591,000
Accrued interest receivable	7,595	45,023
Emergency repair fund:		
Cash and cash equivalents	500,220	500,000
Reservoir sponsorship fund:		
Cash and cash equivalents	203,864	199,082
Future capital requirements:		
Cash and cash equivalents	2,433,578	2,431,914
Accrued interest receivable	<u>4,212</u>	<u>9,504</u>
Total restricted current assets	<u>\$ 32,070,467</u>	<u>\$ 32,725,682</u>

NOTE 4: GOVERNMENTAL UNIT DEPOSIT PROTECTION ACT (GUDPA)

The Authority has deposited cash in fiscal years 2010 and 2009 with an approved public fund depository qualified under the provisions of the Governmental Unit Deposit Protection Act. In addition to savings and checking accounts, the Authority invests monies in certificates of deposits.

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

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

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2010

NOTE 4: GOVERNMENTAL UNIT DEPOSIT PROTECTION ACT (GUDPA) (continued)

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

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

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

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

NOTE 5: NOTE RECEIVABLE – BOROUGH OF MANTOLOKING

On April 12, 2000, the Authority entered into an agreement with the Borough of Mantoloking to install SCADA system and instrumentation improvements to the Bay Avenue Sewer Pump Station. The contract requires the Borough of Mantoloking to reimburse the Authority for the cost of the improvements, together with interest at 6%, which will be repaid over a 10 year period. The total principal amount to be reimbursed is \$3,553, of which \$3,553 and \$6,905 was still outstanding as of March 31, 2010 and 2009.

The reimbursement amounts are as follows:

Year Ending March 31,	
2011	<u>\$ 3,553</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2010

NOTE 6: LONG-TERM DEBT

Bonds payable at March 31, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Series 1998 refunding bonds, interest rate of 3.75% to 4.30%, maturity dates serially beginning December 1, 2003 and ending December 1, 2012. Interest payment dates are June 1 and December 1. Bonds dated on or before December 1, 2008 are not callable; others are at any time after December 1, 2008 and prior to maturity.	\$ 3,290,000	\$ 4,300,000
New Jersey Environmental Infrastructure Trust 2001 (W1506001-001), interest rate of 4.00% to 5.50%, maturity dates serially beginning August 1, 2004 and ending August 1, 2021. Interest payment dates are February 1 and August 1.	3,596,838	4,001,837
New Jersey Environmental Infrastructure Fund 2001 (W1506001-001), interest rate of 0%, semi-annual maturity dates beginning February 1, 2004 and ending August 1, 2021.	3,065,993	3,555,381
New Jersey Environmental Infrastructure Trust 2001 (S340-448-04), interest rate of 4.00% to 5.50%, maturity dates serially beginning August 1, 2003 and ending August 1, 2021. Interest payment dates are February 1 and August 1.	807,614	862,614
New Jersey Environmental Infrastructure Fund 2001 (S340-448-04), interest rate of 0%, semi-annual maturity dates beginning February 1, 2003 and ending August 1, 2021.	724,361	792,512
Series 2002 revenue bonds, interest rate of 3.50% to 5.25%, maturity dates serially beginning December 1, 2005 and ending December 1, 2032. Interest payment dates are June 1 and December 1. Bonds dated on or before December 1, 2012 are not subject to optional redemption prior to maturity. Bonds maturing December 1, 2013 are subject to redemption on or after December 1, 2012 in whole or in part.	16,720,000	17,520,000
New Jersey Environmental Infrastructure Trust 2002 (S340-448-04), interest rate of 4.00% to 5.25%, maturity dates serially beginning August 1, 2006 and ending August 1, 2022. Interest payment dates are February 1 and August 1.	3,423,220	3,628,220
New Jersey Environmental Infrastructure Trust 2002 (S340-448-04), interest rate of 0%, semi-annual maturity dates beginning February 1, 2006 and ending August 1, 2022.	3,318,326	3,573,234

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2010

NOTE 6: LONG-TERM DEBT (continued)

Series 2006 revenue bonds, interest rate of 4.00% to 5.00%, maturity dates serially beginning December 1, 2007 and ending December 1, 2027. Interest payment dates are June 1 and December 1. Bonds dated on or before December 1, 2016 are not subject to optional redemption prior to maturity. Bonds maturing December 1, 2017 are subject to redemption on or after December 1, 2016 in whole or in part.

	43,120,000	46,220,000
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New Jersey Environmental Infrastructure Trust 2010 (S340-448-07/08), interest rate of 3.00% to 5.00%, maturity dates serially beginning August 1, 2011 and ending August 1, 2029. Interest payment dates are February 1 and August 1.

	515,000	-0-
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New Jersey Environmental Infrastructure Trust 2010 (S340-448-07/08), interest rate of 0%, semi-annual maturity dates beginning August 1, 2010 and ending August 1, 2029.

	<u>1,573,200</u>	<u>-0-</u>
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Total bonds payable

	80,154,552	84,453,798
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Less: current portion

	<u>(6,732,242)</u>	<u>(6,387,446)</u>
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Bonds payable, excluding current portion

	<u>\$ 73,422,310</u>	<u>\$ 78,066,352</u>
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1998 Bonds

Description

The Authority issued revenue-refunding bonds, Series 1998, dated December 1, 1998 in the amount of \$9,590,000. The proceeds of the issue, together with \$1,300,000 of Authority funds, were utilized to partially refund Series 1992 Authority bonds in the amount of \$9,905,000.

The Bonds have remaining annual maturities ranging from \$865,000 to \$1,145,000 with principal payments due December 1st through December 1, 2012 and bear interest at rates ranging from 4.00% to 4.30%. Annual maturities and interest rates are more fully described in Schedule I.

2001 Series Bonds – New Jersey Environmental Infrastructure Trust

2001 (W15606001-001)

Description

On November 8, 2001, the Authority issued \$18,006,813 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The "Fund" (Federal Funds) portion of the Bond Issue, \$8,946,813, was issued with no interest rate. The remaining Bonds mature semi-annually from August 1, 2005 through August 1, 2021 at maturities ranging from \$11,304 to \$487,283. Annual maturities and interest rates are more fully described in Schedule I.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2010

NOTE 6: LONG-TERM DEBT (continued)

2001 Series Bonds – New Jersey Environmental Infrastructure Trust (continued)

2001 (W15606001-001) (continued)

Description (continued)

The “Loan” (State Funds) portion of the Bond Issue, \$9,060,000, the remaining bonds mature annually from August 1, 2005 through 2021 at annual maturities ranging from \$330,000 to \$745,000 and bear interest at rates ranging from 4.75% to 5.50%. Annual maturities and interest rates are more fully described in Schedule I.

During the year ended March 31, 2008, the project was closed out and there was a reduction of the amounts due from New Jersey Environmental Infrastructure Trust and the repayment of the bonds of \$5,483,911 due to the building cost bids received and awarded by the Authority coming in well below the estimated amount bonded. During the year ended March 31, 2008, the New Jersey Environmental Infrastructure Trust refunded bonds it had outstanding, resulting in a principal savings credit of \$611,799.

2001 (S340448-04)

Description

On November 8, 2001, the Authority also issued \$2,646,019 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The “Fund” (federal Funds) portion of the Bond issue, \$1,336,019, was issued with no interest rate. The remaining Bonds mature semi-annually from August 1, 2005 through August 1, 2021 at maturities ranging from \$1,612 to \$69,497. Annual maturities and interest rates are more fully described in Schedule I.

The “Loan” (State Funds) portion of the Bond issue, \$1,310,000, has remaining maturities annually from on August 1, 2005 through 2021 at annual maturities ranging from \$45,000 to \$105,000 and bear interest at rates ranging from 4.75% to 5.50%. Annual maturities and interest rates are more fully described in Schedule I.

During the year ended March 31, 2008, the project was closed out and there was a reduction of the amounts due from New Jersey Environmental Infrastructure Trust and the repayment of the bonds of \$103,443 due to the building cost bids received and awarded by the Authority coming in well below the estimated amount bonded. During the year ended March 31, 2008, the New Jersey Environmental Infrastructure Trust refunded bonds it had outstanding, resulting in a principal savings credit of \$53,943.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2010

NOTE 6: LONG-TERM DEBT (continued)

2002 Bonds

Description

The Authority's 2002 Bonds were issued on June 19, 2002 and were dated June 1, 2002 in the aggregate principal amount of \$37,615,000. The 2002 Bonds were issued to (1) plan, design, construct, acquire and operate a reservoir within the District and Wall Township, New Jersey, with all necessary and incidental connecting equipment, apparatus, structures and appurtenances, and including all real property and rights-of-way, easements and other interest therein and all personal property necessary or desirable for the efficient construction and operation of such facilities and all work and materials necessary therefore and incidental thereto, all to be undertaken pursuant to the Resolution, and such other additions, alterations and improvements to the Authority's water and/or sewer systems as specified on the list of projects now on file at the Authority ("2002 Project"); (2) fund a deposit to the Bond Reserve Fund; (3) make a deposit of accrued interest and capitalized interest into the Bond Service Fund and (4) the payment of certain costs and expenses incidental to the issuance and delivery of the 2002 Bonds, including the premium for a municipal bond issuance policy. Interest is due and payable semi-annually each December 1 and June 1. Principal is payable on December 1st commencing on December 1, 2005. The Bonds have annual maturities ranging from \$685,000 to \$10,880,000 (Term Bonds) and bear interest at rates ranging from 3.50% to 5.25%. Annual maturities and interest rates are more fully described in Schedule I.

Optional Redemption

The 2002 Bonds maturing on or before December 1, 2012 are not subject to optional redemption prior to maturity. The 2002 Bonds maturing on or after December 1, 2013 shall be subject to redemption prior to their stated maturity date, at the option of the Authority, on or after December 1, 2012 as a whole at any time, or in part on any interest payment date, in such order of maturity as directed by the Authority and by lot within a maturity if less than all of such maturity is called for redemption, upon notice of redemption, at a redemption price equal to 100% of the principal amount of the 2002 Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption.

Maturity Sinking Fund Redemption

The 2002 Bonds maturing on December 1, 2025 are subject to mandatory redemption prior to maturity on each December 1, commencing December 1, 2021 through and including December 1, 2025 by lot at a redemption price equal to one hundred percent (100%) of the principal amount thereof plus accrued interest to the redemption date. Payment of the redemption prices for such 2002 Bonds are payable from Sinking Fund Installments which are required to be made in amounts sufficient to redeem on December 1 of each year the principal of such 2002 bonds specified for each of the years indicated on the following page:

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2010

NOTE 6: LONG-TERM DEBT (continued)

2002 Bonds (continued)

Maturity Sinking Fund Redemption (continued)

<u>Year</u>	<u>Sinking Fund Installments</u>
2021	\$ 1,400,000
2022	1,465,000
2023	1,540,000
2024	1,625,000
2025*	1,700,000

*Final maturity

The 2002 Bonds maturing on December 1, 2027 are subject to mandatory redemption prior to maturity on each December 1, commencing December 1, 2026 through and including December 1, 2027 by lot at a redemption price equal to one hundred percent (100%) of the principal amount thereof plus accrued interest to the redemption date. Payment of the redemption prices for such 2002 Bonds are payable from Sinking Fund Installments which are required to be made in amounts sufficient to redeem on December 1 of each year the principal of such 2002 Bonds specified for each of the years indicated below:

<u>Year</u>	<u>Sinking Fund Installments</u>
2026	\$ 1,790,000
2027*	1,880,000

*Final maturity

The 2002 Bonds maturing on December 1, 2032 are subject to mandatory redemption prior to maturity on each December 1 commencing December 1, 2028 through and including December 1, 2032 by lot at a redemption price equal to one hundred percent (100%) of the principal amount thereof plus accrued interest to the redemption date. Payment of the redemption prices for such 2002 Bonds are payable from Sinking Fund Installments which are required to be made in amounts sufficient to redeem on December 1 of each year the principal of such 2002 Bonds specified for each of the years indicated below:

<u>Year</u>	<u>Sinking Fund Installments</u>
2028	\$ 1,970,000
2029	2,070,000
2030	2,170,000
2031	2,280,000
2032*	2,390,000

*Final maturity

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2010

NOTE 6: LONG-TERM DEBT (continued)

2002 Series Bonds – New Jersey Environmental Infrastructure Trust

2002 (S340448-05/06)

Description

On November 7, 2002, the Authority also issued \$9,066,398 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The “Fund” (Federal Funds) portion of the Bond issue, \$4,085,366, was issued with no interest rate. The remaining Bonds mature semi-annually beginning February 1, 2006 through August 1, 2022 at maturities ranging from \$5,917 to \$255,038. Annual maturities and interest rates are more fully described in Schedule I.

The “Loan” (State Funds) portion of the Bond Issue, \$4,465,000, mature annually beginning on August 1, 2006 through 2022 at annual maturities ranging from \$185,000 to \$395,000 and bear interest at rates ranging from 4.00% to 5.25%. Annual maturities and interest rates are more fully described in Schedule I.

During the year ended March 31, 2008, the New Jersey Environmental Infrastructure Trust refunded bonds it had outstanding, resulting in a principal savings credit of \$451,780.

2006 Bonds

Description

The Authority issued Revenue Refunding Bonds, Series 2006, dated November 29, 2006 in the amount of \$52,055,000. The proceeds of this bond issue were used to (1) refund all of the Authority’s outstanding Series 1996 Bonds dated November 1, 1996 and (2) to advance refund certain callable maturities of the Authority’s Series 2002 Bonds. The Series 1996 and 2002 Bonds were redeemed on November 29, 2006 at a redemption price of 100% of the principal amount thereof.

The Bonds have remaining annual maturities ranging from \$70,000 to \$5,100,000 with principal payments due December 1st through December 1, 2027 and bear interest at rates ranging from 4.00% to 5.00%. Annual maturities and interest rates are more fully described in Schedule I.

Maturity Sinking Fund Redemption

The 2006 Bonds maturing on December 1, 2027 are subject to mandatory redemption prior to maturity on each December 1, commencing December 1, 2025 through and including December 1, 2027 by lot at a redemption price equal to one hundred percent (100%) of the principal amount thereof plus accrued interest to the redemption date. Payment of the redemption prices for such 2006 Bonds are payable from Sinking Fund Installments which are required to be made in amounts sufficient to redeem on December 1 of each year the principal of such 2006 bonds specified for each of the years indicated on the following page:

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2010

NOTE 6: LONG-TERM DEBT (continued)

2006 Bonds

Maturity Sinking Fund Redemption

<u>Year</u>	<u>Sinking Fund Installments</u>
2025	\$ 1,710,000
2026	1,785,000
2027*	1,855,000

*Final maturity

Optional Redemption

The Series 2006 Bonds maturing on and after December 1, 2006 are not subject to optional redemption prior to maturity. The 2006 Bonds maturing on or after December 1, 2017, shall be subject to redemption prior to their stated maturity date, at the option of the Authority, on or after December 1, 2016 as a whole at any time, or in part on any interest payment date, in such order of maturity as directed by the Authority, and by lot within a maturity if less than all of such maturity is called for redemption, upon notice of redemption, at a redemption price equal to 100% of the principal amount of the 2006 Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption.

2010 Series Bonds – New Jersey Environmental Infrastructure Trust

2010 (S340-448-07/08)

Description

On March 4, 2010, the Authority issued \$2,088,200 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The "Fund" (Federal Funds) portion of the Bond Issue, \$1,573,200, was issued with no interest rate. The remaining Bonds mature semi-annually from August 1, 2010 through August 1, 2029 at maturities ranging from \$26,664 to \$53,329. Annual maturities and interest rates are more fully described in Schedule I.

The "Loan" (State Funds) portion of the Bond Issue, \$515,000, the remaining bonds mature annually from August 1, 2011 through 2029 at annual maturities ranging from \$20,000 to \$40,000 and bear interest at rates ranging from 3.00% to 5.00%. Annual maturities and interest rates are more fully described in Schedule I.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2010

NOTE 6: LONG-TERM DEBT (continued)

Schedule of Aggregate Annual Debt Service for the Next Five Years and Thereafter

Fiscal Year(s) Ending March 31,	Bond Principal	Interest*	Total Debt Service
2011	\$ 6,732,243	\$ 3,331,230	\$ 10,063,473
2012	7,011,296	3,075,822	10,087,118
2013	7,312,601	2,785,705	10,098,306
2014	6,415,659	2,487,685	8,903,344
2015	6,654,286	2,223,185	8,877,471
2016-2020	18,807,391	7,752,932	26,560,323
2021-2025	10,442,773	4,958,855	15,401,628
2026-2030	9,938,303	3,086,894	13,025,197
2031-2033	<u>6,840,000</u>	<u>695,000</u>	<u>7,535,000</u>
Total	<u>\$ 80,154,552</u>	<u>\$ 30,397,308</u>	<u>\$ 110,551,860</u>

*Net of capitalized interest amounts on deposit plus earnings

NOTE 7: COMPENSATED ABSENCES PAYABLE

The Authority has a policy and express provisions in its employment contracts that allow employees to accrue unused sick and vacation days. The Authority pays all vacation time accrued upon retirement but employees can only carryover one year of vacation into the following year, at which time the unused balance is cancelled. The Authority pays a maximum of \$15,000 of sick time accrued at retirement. At March 31, 2010 and 2009, an amount of \$985,625 and \$949,869, respectively, has been provided to fully fund this potential liability. Annually the Authority buys back unused sick days in excess of the allowed carryover to limit the liability they may incur upon retirement of an employee.

NOTE 8: TRANSFER TO THE TOWNSHIP OF BRICK

On December 21, 2009, the Authority transferred \$952,570 from the Authority's surplus to the Township of Brick, County of Ocean, State of New Jersey pursuant to N.J.S.A. 40A:4-35.1. This has been recorded in the income statement as transfer to the Township of Brick.

On December 18, 2008, the Township of Brick, County of Ocean, State of New Jersey requested \$1,000,000 from the Authority's surplus pursuant to N.J.S.A. 40A:4-35.1. During the year ended March 31, 2009, the Authority transferred \$750,000 to the Township of Brick. The total requested has been recorded in the income statement as transfer to the Township of Brick and the remaining balance of \$250,000 has been recorded on the statement of net assets as transfer payable to the Township of Brick, a current liability. This liability was paid in full subsequent to the balance sheet date on April 3, 2009.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2010

NOTE 9: PENSIONS

A. Plan Description

The Authority contributes to a cost-sharing multiple-employer defined benefit pension plan administered by Public Employees' Retirement System (PERS) of New Jersey, which is part of the Division of Pensions in the Department of the Treasury, State of New Jersey. It provides retirement, disability, annual cost-of-living and death benefits to plan members and beneficiaries. The State administered funds were established by an Act of the State Legislature which assigns the Authority to establish and amend benefit provisions to the Plan's board of trustees. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERS.

B. Funding Status and Progress

Plan members are required to contribute 5.0% of their annual covered salary through June 30, 2008 and 5.5% thereafter. The Authority is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the Authority are established and may be amended by the plan's board of trustees. During 2010, the Authority contributed 100% of their normal and accrued liabilities and will pay pension obligations through a five-year phase-in. The Authority contributed \$640,715 and \$521,197 to PERS for the years ended March 31, 2010 and 2009, respectively.

NOTE 10: OTHER POST EMPLOYMENT BENEFITS

The Brick Township Municipal Utilities Authority provides post-employment medical and prescription drug coverage to eligible retired employees and their dependents. Once Medicare age is attained by either the retired employee or the spouse in the case of spousal coverage, Medicare is primary and the Authority provides supplementary medical insurance. The Brick Township Municipal Utilities Authority pays 100% of the insurance cost for the retiree.

The Brick Township Municipal Utilities Authority's annual Other Post-Employment Benefit cost is calculated based on the Annual Required Contribution. The actuarial cost method used to determine the Plan's funding requirements is the "Unit Credit" method. Under this method, an actuarial accrued liability is determined as the present value of the earned benefits, which is allocated to service before the current plan year. The Plan is currently unfunded. The unfunded actuarial liability is amortized over thirty years. The table on the following page shows the changes in the Authority's annual Other Post-Employment Benefit cost for the year, the amount actually contributed to the Plan and changes in their net Other Post-Employment Benefit obligation to the plan:

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2010

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (continued)

Annual Required Contribution	\$ 2,866,557
Interest on Net Other Post-Employment Benefit	-
Adjustment to Annual Required Contribution	-
	<u>2,866,557</u>
Annual Other Post-Employment Benefit contributions made	-
Increase in Net OPEB Obligation	<u>2,866,557</u>
Net OPEB, beginning of year	<u>23,634,417</u>
Net OPEB, end of year	<u>\$ 26,500,974</u>

The Brick Township Municipal Utilities Authority's annual Other Post-Employment Benefit cost, the percentage of annual Other Post Employment Benefit cost contributed to the Plan, and the net Other Post Employment Benefit obligation (OPEB) for the year ending March 31, 2010 is as follows:

<u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
03/31/10	\$ 2,866,557	0%	\$ 26,500,974

Actuarial assumptions were used to value the post-retirement medical liabilities. Actuarial assumptions were based on the actual experience of the covered group, to the extent that creditable experience data was available, with an emphasis on expected long-term future trends rather than giving undue weight to recent past experience. The reasonableness of each actuarial assumption was considered independently based on its own merits, its consistency with each other assumption, and the combined impact of all assumptions.

Two economic assumptions used in the valuation are the discount rate and the health care cost trend rates. The economic assumptions are used to account for changes in the cost of benefits over time and to discount future benefit payments for the time value of money.

The investment return assumption (discount rate) should be the estimated long-term investment yield on the investments that are expected to be used to finance the payments of benefits. The investments expected to be used to finance the payments of benefits would be plan assets for funded plans, assets of the employer for pay-as-you-go plans, or a proportionate combination of the two for plans that being partially funded. We assumed a discount rate of 5.0 percent for purposes of developing the liabilities and Annual Required Contribution on the basis that the Plan would not be funded. We based medical claims on an annual average claims cost of approximately \$19,646 per covered retiree for family coverage and \$7,858 for single coverage prior to age 65. For retirees age 65 and over we have utilized an annual average claims cost of approximately \$8,899 per covered retiree for family coverage and \$4,450 for single coverage. We assumed health care costs would increase annually at a rate of 7%.

The Brick Township Municipal Utilities Authority currently has sixteen eligible retired employees receiving retirement benefits. The net Other Post-Employment Benefit obligation to the Brick Township Municipal Utilities Authority to provide benefits to the retirees for the year ended March 31, 2009 was \$26,500,974.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2010

NOTE 11: DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with the provisions of N.J.S. 43:15B-1 et seq., and the Internal Revenue Code, Section 457. The plan, available to all eligible employees and administered by Hartford Life Insurance Company, permits them to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until terminations, retirement, death or unforeseeable emergency.

NOTE 12: CONTINGENCIES AND COMMITMENTS

On February 27, 1973, the Authority entered into a contract with the Ocean County Utilities Authority providing for the treatment and disposal of sewerage and charges for such services. This agreement may be terminated only after the County Authority has paid in full all of its obligations and, subsequent thereto, has been given two years notice.

NOTE 13: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority maintains insurance coverage for property, liability, and surety bonds. A complete schedule of insurance coverage can be found in the Schedule of Insurance.

NOTE 14: PURCHASE OF PARKWAY WATER COMPANY

On August 25, 2008 the Authority passed Resolution No. 72-08 authorizing and accepting an agreement of sale to purchase the assets of Parkway Water Company. The purchase was made for the purpose of servicing a larger client base in order to increase future revenues.

Consideration for the acquisition comprised of cash payments totaling \$3,561,300. The following assets were recognized in the acquisition:

Property, plant, and equipment:	
Land and easements	\$ 40,808
Water production and distribution system	3,335,671
Meters	<u>184,821</u>
 Total additions to property, plant, and equipment	 <u>\$ 3,561,300</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Revenue Bonds Outstanding
March 31, 2010 and 2009

Schedule I

Purpose	Date Issued	Semi-annual Principal Due	Interest Rate	Outstanding at March 31, 2010	Outstanding at March 31, 2009
1998 Revenue Bonds -	12/01/98	12/01/09	4.20		\$ 1,010,000
Partially refund series		12/01/10	4.20	\$ 1,050,000	1,050,000
1992 Authority bonds		12/01/11	4.25	1,095,000	1,095,000
		12/01/12	4.30	1,145,000	1,145,000
				<u>\$ 3,290,000</u>	<u>\$ 4,300,000</u>
NJEIT 2001 - Finance	11/01/01	08/01/09	-		\$ 52,299
the costs of		02/01/10	-		15,852
improvements for		08/01/10	-	\$ 54,643	54,643
Kettle Creek and sewer		02/01/11	-	14,785	14,785
rehabilitation projects		08/01/11	-	56,809	56,809
		02/01/12	-	13,629	13,629
		08/01/12	-	55,653	55,653
		02/01/13	-	12,474	12,474
		08/01/13	-	57,730	57,730
		02/01/14	-	11,229	11,229
		08/01/14	-	59,718	59,718
		02/01/15	-	10,017	10,017
		08/01/15	-	58,506	58,506
		02/01/16	-	8,805	8,805
		08/01/16	-	60,526	60,526
		02/01/17	-	7,512	7,512
		08/01/17	-	62,466	62,466
		02/01/18	-	6,138	6,138
		08/01/18	-	64,324	64,324
		02/01/19	-	4,683	4,683
		08/01/19	-	66,102	66,102
		02/01/20	-	3,148	3,148
		08/01/20	-	35,464	67,799
		02/01/21	-	-	1,612
		08/01/21	-	-	69,495
				<u>\$ 724,361</u>	<u>\$ 895,954</u>

* = Represents term bonds

See independent auditors' report.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Revenue Bonds Outstanding
March 31, 2010 and 2009

Schedule I
(continued)

Purpose	Date Issued	Semi-annual Principal Due	Interest Rate	Outstanding at March 31, 2010	Outstanding at March 31, 2009
NJEIT 2001 - Partially finance the cost for the construction of a reservoir	11/08/01	08/01/09	-		\$ 377,305
		02/01/10	-		112,083
		08/01/10	-	\$ 383,614	383,614
		02/01/11	-	104,615	104,615
		08/01/11	-	392,119	392,119
		02/01/12	-	96,709	96,709
		08/01/12	-	400,185	400,185
		02/01/13	-	88,364	88,364
		08/01/13	-	407,812	407,812
		02/01/14	-	79,579	79,579
		08/01/14	-	418,194	418,194
		02/01/15	-	71,113	71,113
		08/01/15	-	425,701	425,701
		02/01/16	-	62,249	62,249
		08/01/16	-	135,738	436,003
		02/01/17	-	-	52,905
		08/01/17	-	-	442,632
		02/01/18	-	-	43,162
		08/01/18	-	-	455,250
		02/01/19	-	-	32,859
		08/01/19	-	-	464,115
		02/01/20	-	-	22,078
		08/01/20	-	-	475,695
		02/01/21	-	-	11,305
		08/01/21	-	-	487,282
				<u>\$ 3,065,992</u>	<u>\$ 6,342,928</u>

See independent auditors' report.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Revenue Bonds Outstanding
March 31, 2010 and 2009

Schedule I
(continued)

Purpose	Date Issued	Annual Principal Due	Interest Rate	Outstanding at March 31, 2010	Outstanding at March 31, 2009
NJEIT 2001 - Partially finance the cost for the construction of a reservoir	11/08/01	08/01/09	5.00		\$ 405,000
		08/01/10	5.50	\$ 425,000	425,000
		08/01/11	5.50	450,000	450,000
		08/01/12	5.50	475,000	475,000
		08/01/13	5.50	500,000	500,000
		08/01/14	5.00	530,000	530,000
		08/01/15	5.00	142,735	555,000
		08/01/16	5.00	151,451	585,000
		08/01/17	5.00	155,299	610,000
		08/01/18	5.00	167,034	645,000
		08/01/19	5.00	181,235	675,000
		08/01/20	4.75	196,670	710,000
		08/01/21	4.75	222,413	745,000
				<u>\$ 3,596,837</u>	<u>\$ 7,310,000</u>
NJEIT 2001 - Finance the costs of improvements for Kettle Creek and sewer rehabilitation projects	11/08/01	08/01/09	5.00		\$ 55,000
		08/01/10	5.50	\$ 60,000	60,000
		08/01/11	5.50	65,000	65,000
		08/01/12	5.50	65,000	65,000
		08/01/13	5.50	70,000	70,000
		08/01/14	5.00	75,000	75,000
		08/01/15	5.00	55,498	75,000
		08/01/16	5.00	59,450	80,000
		08/01/17	5.00	63,388	85,000
		08/01/18	5.00	67,253	90,000
		08/01/19	5.00	71,472	95,000
		08/01/20	4.75	75,523	100,000
		08/01/21	4.75	80,030	105,000
				<u>\$ 807,614</u>	<u>\$ 1,020,000</u>

See independent auditors' report.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Revenue Bonds Outstanding
March 31, 2010 and 2009

Schedule I
(continued)

Purpose	Date Issued	Annual Principal Due	Interest Rate	Outstanding at March 31, 2010	Outstanding at March 31, 2009
2002 Revenue Bonds -	06/01/02	12/01/09	4.75		\$ 800,000
Finance the cost of the		12/01/10	4.75	\$ 835,000	835,000
reservoir and various		12/01/11	4.00	880,000	880,000
other water and sewer		12/01/12	4.30	910,000	910,000
projects, fund debt		12/01/13	4.25	955,000	955,000
service reserve, fund		12/01/14	4.35	990,000	990,000
debt service account		12/01/19	4.75	1,270,000	1,270,000
for capitalized interest	*	12/01/28	5.00	1,970,000	1,970,000
and pay the costs of	*	12/01/29	5.00	2,070,000	2,070,000
issuance	*	12/01/30	5.00	2,170,000	2,170,000
	*	12/01/31	5.00	2,280,000	2,280,000
	*	12/01/32	5.00	2,390,000	2,390,000
				<u>\$ 16,720,000</u>	<u>\$ 17,520,000</u>
NJEIT 2002 - Finance	11/07/02	08/01/09	5.00		\$ 205,000
the costs of the		08/01/10	5.00	\$ 215,000	215,000
rehabilitation of		08/01/11	5.00	230,000	230,000
pumping stations and		08/01/12	5.00	240,000	240,000
sanitary sewer and		08/01/13	5.25	250,000	250,000
manholes		08/01/14	5.25	265,000	265,000
		08/01/15	5.00	234,965	280,000
		08/01/16	5.00	245,833	295,000
		08/01/17	5.00	256,492	310,000
		08/01/18	5.00	269,068	325,000
		08/01/19	5.00	281,597	340,000
		08/01/20	5.00	294,365	355,000
		08/01/21	5.00	311,730	375,000
		08/01/22	4.75	329,171	395,000
				<u>\$ 3,423,221</u>	<u>\$ 4,080,000</u>

See independent auditors' report.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Revenue Bonds Outstanding
March 31, 2010 and 2009

Schedule I
(continued)

Purpose	Date Issued	Semi-annual Principal Due	Interest Rate	Outstanding at March 31, 2010	Outstanding at March 31, 2009
NJEIT 2002 - Finance the costs of the rehabilitation of pumping stations and sanitary sewer and manholes	11/07/02	08/01/09	-		\$ 193,715
		02/01/10	-		61,192
		08/01/10	-	\$ 196,790	196,790
		02/01/11	-	57,802	57,802
		08/01/11	-	202,860	202,860
		02/01/12	-	54,176	54,176
		08/01/12	-	205,541	205,541
		02/01/13	-	50,392	50,392
		08/01/13	-	208,063	208,063
		02/01/14	-	46,253	46,253
		08/01/14	-	213,385	213,385
		02/01/15	-	41,866	41,866
		08/01/15	-	218,458	218,458
		02/01/16	-	37,451	37,451
		08/01/16	-	223,503	223,503
		02/01/17	-	32,800	32,800
		08/01/17	-	228,312	228,312
		02/01/18	-	27,912	27,912
		08/01/18	-	232,885	232,885
		02/01/19	-	22,787	22,787
		08/01/19	-	237,221	237,221
		02/01/20	-	17,427	17,427
		08/01/20	-	241,320	241,320
		02/01/21	-	11,829	11,829
		08/01/21	-	248,338	248,338
		02/01/22	-	5,917	5,917
		08/01/22	-	255,038	255,038
				<u>\$ 3,318,326</u>	<u>\$ 3,573,233</u>

See independent auditors' report.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Revenue Bonds Outstanding
March 31, 2010 and 2009

Schedule I
(continued)

Purpose	Date Issued	Annual Principal Due	Interest Rate	Outstanding at March 31, 2010	Outstanding at March 31, 2009
2006 Revenue Bonds - Refund the Authority's 1996 and 2002 revenue bonds, fund the debt service reserve, and pay the costs of issuance	11/29/06	12/01/09	4.50		\$ 3,100,000
		12/01/10	4.50	\$ 3,255,000	3,255,000
		12/01/11	4.50	3,375,000	3,375,000
		12/01/12	4.50	3,565,000	3,565,000
		12/01/13	4.50	3,730,000	3,730,000
		12/01/14	4.50	3,880,000	3,880,000
		12/01/15	5.00	5,100,000	5,100,000
		12/01/16	5.00	4,695,000	4,695,000
		12/01/17	5.00	1,225,000	1,225,000
		12/01/18	4.00	1,285,000	1,285,000
		12/01/19	4.00	70,000	70,000
		12/01/20	4.00	1,400,000	1,400,000
		12/01/21	4.00	1,460,000	1,460,000
		12/01/22	4.00	1,510,000	1,510,000
		12/01/23	4.13	1,575,000	1,575,000
		12/01/24	4.125	1,645,000	1,645,000
		12/01/25	4.125	1,710,000	1,710,000
		12/01/26	4.125	1,785,000	1,785,000
		12/01/27	4.125	1,855,000	1,855,000
				<u>\$ 43,120,000</u>	<u>\$ 46,220,000</u>
NJEIT 2010 - Finance the costs of pump station improvements and sewer main parallel	03/04/10	08/01/11	4.00	\$ 20,000	\$ -
		08/01/12	5.00	20,000	-
		08/01/13	5.00	20,000	-
		08/01/14	5.00	20,000	-
		08/01/15	5.00	20,000	-
		08/01/16	5.00	20,000	-
		08/01/17	5.00	25,000	-
		08/01/18	5.00	25,000	-
		08/01/19	4.00	25,000	-
		08/01/20	5.00	25,000	-
		08/01/21	3.00	30,000	-
		08/01/22	4.00	30,000	-
		08/01/23	4.00	30,000	-
		08/01/24	4.00	30,000	-
		08/01/25	4.00	30,000	-
		08/01/26	3.50	35,000	-
		08/01/27	4.00	35,000	-
		08/01/28	4.00	35,000	-
		08/01/29	4.00	40,000	-
				<u>\$ 515,000</u>	<u>\$ -</u>

See independent auditors' report.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Revenue Bonds Outstanding
March 31, 2010 and 2009

Schedule I
(continued)

Purpose	Date Issued	Annual Principal Due	Interest Rate	Outstanding at March 31, 2010	Outstanding at March 31, 2009
NJEIT 2010 - Finance the costs of pump station improvements and sewer main parallel manholes	03/04/10	08/01/10	-	\$ 53,329	\$ -
		02/01/11	-	26,664	-
		08/01/11	-	53,329	-
		02/01/12	-	26,664	-
		08/01/12	-	53,329	-
		02/01/13	-	26,664	-
		08/01/13	-	53,329	-
		02/01/14	-	26,664	-
		08/01/14	-	53,329	-
		02/01/15	-	26,664	-
		08/01/15	-	53,329	-
		02/01/16	-	26,664	-
		08/01/16	-	53,329	-
		02/01/17	-	26,664	-
		08/01/17	-	53,329	-
		02/01/18	-	26,664	-
		08/01/18	-	53,329	-
		02/01/19	-	26,664	-
		08/01/19	-	53,329	-
		02/01/20	-	26,664	-
		08/01/20	-	53,329	-
		02/01/21	-	26,664	-
		08/01/21	-	53,329	-
		02/01/22	-	26,664	-
		08/01/22	-	53,329	-
		02/01/23	-	26,664	-
		08/01/23	-	53,329	-
		02/01/24	-	26,664	-
		08/01/24	-	53,329	-
		02/01/25	-	26,664	-
		08/01/25	-	53,329	-
		02/01/26	-	26,664	-
		08/01/26	-	53,329	-
		02/01/27	-	26,664	-
		08/01/27	-	53,329	-
		02/01/28	-	26,664	-
		08/01/28	-	53,329	-
		02/01/29	-	26,664	-
		08/01/29	-	53,333	-
				<u>\$ 1,573,200</u>	<u>\$ -</u>

See independent auditors' report.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule II

Operating Revenues

For the years ended March 31, 2010 and 2009

	Total	Water		Sewer	
	Amount	Number of	Amount	Number of	Amount
		Customers		Customers	
For the year ended March 31, 2010:					
Annual service charges:					
Residential:					
Single-family	\$ 22,153,731	31,223	\$ 9,089,740	30,766	\$ 13,063,991
Multi-family	1,742,127	2,485	629,137	2,503	1,112,990
Commercial and industrial	3,001,006	1,659	1,339,585	1,618	1,661,421
Schools	208,146	23	105,827	20	102,319
Municipal	57,797	42	31,471	33	26,326
Lawn watering	992,977	3,829	992,977	-	-
Bulk - Point Pleasant Beach	878,075	-	878,075	-	-
Bulk - other	338,838	-	278,759	-	60,079
Fire protection:					
Public fire districts	587,827	4	587,827	-	-
Private	324,782	184	324,782	-	-
Total annual service charges	<u>30,285,306</u>	<u>39,449</u>	<u>14,258,180</u>	<u>34,940</u>	<u>16,027,126</u>
Initial service charges	278,360	-	185,584	-	92,776
Tap-ins, permits and other fees	201,158	-	83,489	-	117,669
Review and inspection fees	22,566	-	9,986	-	12,580
Interest on delinquent payments	217,972	-	108,987	-	108,986
Miscellaneous income	<u>300,961</u>	<u>-</u>	<u>150,481</u>	<u>-</u>	<u>150,481</u>
Total operating revenues	<u>\$ 31,306,323</u>	<u>39,449</u>	<u>\$ 14,796,706</u>	<u>34,940</u>	<u>\$ 16,509,617</u>
For the year ended March 31, 2009:					
Annual service charges:					
Residential:					
Single-family	\$ 21,310,078	29,317	\$ 8,286,592	30,709	\$ 13,023,486
Multi-family	1,712,415	2,493	622,230	2,511	1,090,185
Commercial and industrial	2,879,922	1,608	1,269,577	1,609	1,610,345
Schools	190,784	20	88,238	22	102,546
Municipal	57,296	38	28,078	33	29,218
Lawn watering	1,372,107	3,698	1,372,107	-	-
Bulk - Point Pleasant Beach	948,682	-	948,682	-	-
Bulk - other	1,026,062	1,910	963,888	-	62,174
Fire protection:					
Public fire districts	533,726	3	533,726	-	-
Private	290,218	177	290,218	-	-
Total annual service charges	<u>30,321,290</u>	<u>39,264</u>	<u>14,403,336</u>	<u>34,884</u>	<u>15,917,954</u>
Initial service charges	653,460	-	384,171	-	269,289
Tap-ins, permits and other fees	333,587	-	197,730	-	135,857
Review and inspection fees	26,503	-	13,644	-	12,859
Interest on delinquent payments	35,213	-	17,607	-	17,607
Miscellaneous income	<u>295,304</u>	<u>-</u>	<u>147,652</u>	<u>-</u>	<u>147,652</u>
Total operating revenues	<u>\$ 31,665,357</u>	<u>39,264</u>	<u>\$ 15,164,140</u>	<u>34,884</u>	<u>\$ 16,501,218</u>

See independent auditors' report.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule III

Cost of Providing Services

For the years ended March 31, 2010 and 2009

	2010			2009		
	Total	Water	Sewer	Total	Water	Sewer
Treatment of sewerage by:						
Ocean County Utilities Authority	\$ 7,103,148	\$ -	\$ 7,103,148	\$ 7,453,573	\$ -	\$ 7,453,573
Toms River Municipal Utilities Authority	23,824	-	23,824	21,859	-	21,859
Operating labor	4,070,163	3,114,522	955,641	3,986,101	3,081,842	904,259
Employee benefits	1,784,109	1,338,945	445,164	1,578,313	1,193,193	385,120
Repairs and maintenance	349,503	254,243	95,260	384,320	280,149	104,171
Remediation/restoration expense	44,040	37,468	6,572	46,564	36,016	10,548
Vehicle expenses	94,087	38,127	55,960	109,526	44,147	65,379
Utilities	1,288,596	1,116,579	172,017	1,390,227	1,216,728	173,499
Other expenses:						
Supplies	163,447	136,891	26,556	199,657	160,080	39,577
Water quality testing	31,177	31,177	-	55,255	55,255	-
Chemicals	571,309	567,769	3,540	558,103	551,501	6,602
Information systems	38,471	38,171	300	31,950	31,950	-
Usage, fees, permits and licenses	80,762	80,712	50	70,497	70,477	20
Education, travel, exams and dues	22,615	20,839	1,776	26,754	25,046	1,708
Other expenses	6,253	2,924	3,329	5,126	3,407	1,719
Total cost of providing services	\$ 15,671,504	\$ 6,778,367	\$ 8,893,137	\$ 15,917,825	\$ 6,749,791	\$ 9,168,034

See independent auditors' report.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Administrative Expenses
For the years ended March 31, 2010 and 2009

Schedule IV

	<u>2010</u>	<u>2009</u>
Salaries	\$ 4,015,863	\$ 3,799,773
Employee benefits	2,004,916	1,746,479
Repairs and maintenance	41,773	39,982
Vehicles	13,521	22,364
Utilities	216,667	237,630
Supplies	94,455	86,066
Insurance	247,886	252,044
Information systems	99,507	64,458
Professional services	307,912	337,121
Postage	92,027	87,310
Usage, fees, permits, and licenses	4,087	733
Education, travel, exams, and dues	50,449	48,483
Other expenses	<u>25,409</u>	<u>47,748</u>
Total administrative expenses	<u>\$ 7,214,472</u>	<u>\$ 6,770,191</u>

See independent auditors' report.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Interest Expense
For the years ended March 31, 2010 and 2009

Schedule V

	<u>2010</u>	<u>2009</u>
\$9,590,000 Revenue Bonds (Series 1998) 3.75-4.30%, due December 1, 1998 - 2012	\$ 168,153	\$ 208,967
\$2,646,019 NJEIT (Series 2001) 4.00-5.50%, due February 1, 2002 - 2021	44,259	47,100
\$18,006,813 NJEIT (Series 2001) 4.00-5.50%, due August 1, 2002 - 2021	237,711	258,236
\$37,615,000 Revenue Bonds (Series 2002) 3.50-5.25%, due December 1, 2002 - 2022	827,303	860,370
\$8,872,297 NJEIT (Series 2002) 4.00-5.25%, due August 1, 2003 - 2022	174,858	184,944
\$52,250,000 Revenue Bonds (Series 2006) 4.00-5.00%, due December 1, 2007 - 2027	2,026,233	2,158,550
\$2,088,200 NJEIT (Series 2010) 3.00-5.00%, due August 1, 2010 - 2029	<u>3,464</u>	<u>-</u>
Total interest expense	3,481,981	3,718,167
Accrued interest expense accrual adjustment	<u>71,496</u>	<u>74,041</u>
Total per budget	<u>\$ 3,553,477</u>	<u>\$ 3,792,208</u>

See independent auditors' report.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Operating Revenues and Expenditures Funded by Operating Revenues,
Compared to Budget

For the years ended March 31, 2010 and 2009

	2010				2009			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Excess/ (Deficit)</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Excess/ (Deficit)</u>
Operating revenues:								
Annual service charges	\$ 32,038,795	\$ 32,038,795	\$ 30,285,306	\$ (1,753,489)	\$ 31,403,111	\$ 31,403,111	\$ 30,321,290	\$ (1,081,821)
Initial service charges	170,580	170,580	278,360	107,780	208,900	208,900	653,460	444,560
Tap-ins, permits and other fees	254,656	254,656	201,158	(53,498)	270,558	270,558	333,587	63,029
Review and inspection fees	12,000	12,000	22,566	10,566	19,200	19,200	26,503	7,303
Interest on delinquent payments	110,600	110,600	217,972	107,372	95,800	95,800	35,213	(60,587)
Interest on investments	856,000	856,000	527,095	(328,905)	1,350,000	1,350,000	1,422,540	72,540
Miscellaneous income	257,812	257,812	300,961	43,149	209,090	209,090	295,304	86,214
Total operating revenues	<u>\$ 33,700,443</u>	<u>\$ 33,700,443</u>	<u>\$ 31,833,418</u>	<u>\$ (1,867,025)</u>	<u>\$ 33,556,659</u>	<u>\$ 33,556,659</u>	<u>\$ 33,087,897</u>	<u>\$ (468,762)</u>
Expenses:								
Costs of providing services:								
Payment to other authorities:								
Treatment of sewerage	\$ 7,540,000	\$ 7,540,000	\$ 7,126,972	\$ 413,028	\$ 7,670,000	\$ 7,670,000	\$ 7,475,432	\$ 194,568
Operating labor	4,203,036	4,203,036	4,070,163	132,873	4,091,599	4,091,599	3,986,101	105,498
Employee benefits	1,700,427	1,700,427	1,784,109	(83,682)	1,640,127	1,640,127	1,578,313	61,814
Repairs and maintenance	380,400	380,400	349,503	30,897	363,000	363,000	384,320	(21,320)
Remediation/restoration expense	30,700	30,700	44,040	(13,340)	30,700	30,700	46,564	(15,864)
Vehicle expense	117,000	117,000	94,087	22,913	99,000	99,000	109,526	(10,526)
Utilities	1,453,198	1,453,198	1,288,596	164,602	1,399,361	1,399,361	1,390,227	9,134
Supplies	150,320	150,320	163,447	(13,127)	168,270	168,270	199,657	(31,387)
Water quality testing	68,000	68,000	31,177	36,823	82,400	82,400	55,255	27,145
Chemicals	564,000	564,000	571,309	(7,309)	489,000	489,000	558,103	(69,103)
Information systems	38,400	38,400	38,471	(71)	36,500	36,500	31,950	4,550
Usage fees and permits	73,750	73,750	80,762	(7,012)	73,140	73,140	70,497	2,643
Education, travel, exams, and dues	31,125	31,125	22,615	8,510	33,255	33,255	26,754	6,501
Other	15,400	15,400	6,253	9,147	18,800	18,800	5,126	13,674
Total costs of providing services	<u>\$ 16,365,756</u>	<u>\$ 16,365,756</u>	<u>\$ 15,671,504</u>	<u>\$ 694,252</u>	<u>\$ 16,195,152</u>	<u>\$ 16,195,152</u>	<u>\$ 15,917,825</u>	<u>\$ 277,327</u>

See independent auditors' report.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Operating Revenues and Expenditures Funded by Operating Revenues,
Compared to Budget
For the years ended March 31, 2010 and 2009

	2010			2009		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Excess/ (Deficit)</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Excess/ (Deficit)</u>
Expenses (continued):						
Administrative expenses:						
Salaries	\$ 4,146,116	\$ 4,146,116	\$ 130,253	\$ 3,984,471	\$ 3,984,471	\$ 184,698
Employee benefits	1,917,130	1,917,130	(87,786)	1,874,393	1,874,393	127,914
Repairs and maintenance	51,300	51,300	9,527	43,400	43,400	3,982
Vehicle expense	22,250	22,250	8,729	17,500	17,500	22,364
Utilities	251,845	251,845	35,178	249,684	249,684	237,630
Supplies	86,025	86,025	(8,430)	89,395	89,395	86,066
Insurance	297,328	297,328	49,442	272,309	272,309	252,044
Information systems	167,650	167,650	68,143	104,860	104,860	64,458
Professional services	495,620	495,620	187,708	582,650	582,650	337,121
Postage	98,100	98,100	6,073	90,100	90,100	87,310
Usage, fees, permits, and licenses	7,250	7,250	3,163	2,535	2,535	733
Education, travel, exams, and dues	75,860	75,860	25,411	95,070	95,070	48,483
Other expenses	69,175	69,175	43,766	59,050	59,050	47,748
Total administrative expenses	7,685,649	7,685,649	471,177	7,465,417	7,465,417	695,226
Total operating expenses	24,051,405	24,051,405	1,165,429	23,660,569	23,660,569	972,553
Debt service:						
Principal maturity	6,387,446	6,387,446	-	6,174,768	6,174,768	1
Interest expense	3,553,477	3,553,477	71,496	3,792,207	3,792,207	74,040
Total debt service	9,940,923	9,940,923	71,496	9,966,975	9,966,975	74,041
Total costs funded by operating activities	33,992,328	33,992,328	1,236,925	33,627,544	33,627,544	1,046,594
Excess/(deficit) of revenues over/(under) expenditures	\$ (291,885)	\$ (291,885)	\$ (630,100)	\$ (70,885)	\$ (70,885)	\$ 577,832
Plus:						
Principal maturity			6,387,446			6,174,767
Non-operating revenues			(53,154)			8,549
Less:						
Depreciation expense			(6,907,339)			(6,669,775)
Non-operating expenses			(4,086,244)			(4,135,677)
Net (loss)/income			\$ (5,581,276)			\$ (4,115,189)

See independent auditors' report.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule VII

**Cash and Investments
March 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Current unrestricted cash and investments:		
Operating fund	\$ 11,126,841	\$ 11,723,081
General fund investments	250,000	250,000
Initial service charge fund	130,575	207,501
Miscellaneous	<u>1,421,284</u>	<u>1,384,459</u>
Total current unrestricted cash and investments	<u>12,928,700</u>	<u>13,565,041</u>
Current restricted cash and investments:		
Bond service fund	4,133,381	4,116,796
Bond reserve fund	8,037,393	8,037,393
Renewal and replacement fund	500,220	500,000
Series 2002 construction fund	1,861,916	2,773,029
NJEIT processing fund	2,964,333	4,364,517
Developer escrow fund	620,986	702,104
Working capital fund	1,621,464	1,871,464
Rate projection maintenance fund	3,591,000	3,591,000
Emergency repair fund	500,220	500,000
Reservoir sponsorship fund	203,864	199,082
Future capital requirements	<u>2,433,578</u>	<u>2,431,914</u>
Total current restricted cash and investments	<u>26,468,355</u>	<u>29,087,299</u>
Total cash and investments	<u><u>\$ 39,397,055</u></u>	<u><u>\$ 42,652,340</u></u>

See independent auditors' report.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Board of Commissioners and Management
March 31, 2010

Patrick L. Bottazzi Chairman

Joseph M. Veni, P.E. Vice Chairman

Joseph P. Buttacavoli, DMDSecretary

Allan E. Cartine Treasurer

Madeline IannaroneAssistant Secretary/Treasurer

John M. Ciocco..... Alternate

Edward McBride Alternate

James F. Lacey, C.P.W.M. Executive Director

Stephen T. Specht, P.E. Deputy Executive Director/Director of Engineering/Operations

Scott Bundy Director of Central Services

Frank Pannucci, JrDirector of Customer Accounts

Frank Planko..... Chief Financial Officer

Joseph Maggio, P.E. Director of Water Quality

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Insurance Coverage
March 31, 2010

Package Policy:

Property Program	\$ 150,000,000
Extra Expense – Blanket.....	5,000,000

Auto Fleet:

Liability (Combined Single Limit)	10,000,000
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Public Officials' Liability.....	2,000,000
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Umbrella Liability:

Each Occurrence	10,000,000
Aggregate.....	10,000,000

Workers' Compensation (Policy Limit)	250,000
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The above schedule is presented as a memorandum only and we do not express an opinion as to the adequacy of coverage.

To the Board of Commissioners of the
Brick Township Municipal Utilities Authority
Brick, New Jersey 08724

We have audited the financial accounts and transactions of the Brick Township Municipal Utilities Authority, a component unit of the Township of Brick, County of Ocean, State of New Jersey, for the year ended March 31, 2010. 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 \$21,000 except by contract or agreement.

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 for the following items:

Chemicals, dump truck, electrical services, HVAC modifications, water quality monitoring system, telecommunications equipment.

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.

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TOMS RIVER OFFICE

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Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$3,150 "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 minutes indicate that quotes were requested for the following items:

Lightning protection system, corrosion testing, computer support, software upgrades, flow meter, fuel system services.

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 and other credits from the payroll of the Authority employees and 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.

Accounts Payable

A review of unpaid purchase orders included in the balance of accounts payable was made as of March 31, 2010 for propriety and to determine that goods were received and services were rendered as of March 31, 2010. The results of this examination did not disclose any discrepancies.

Classification of Expenditures

The codification of expenditures was tested for proper classification in accordance with N.J.A.C.6:20-2(m) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit procedures. As a result of the procedures performed, a transaction error rate of 0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

General Ledger

The general ledger was complete with the required journal entries.

Follow-Up of Prior Years' Findings

In accordance with government auditing standards we have included a review of prior year findings. There were no findings noted in the March 31, 2009 audit.

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.

The problems and weaknesses noted in our audit were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions concerning our comments or recommendations, or should you desire any assistance in implementing our recommendations, please call me.



HOLMAN & FRENIA, P.C.
Certified Public Accountants

June 18, 2010
Toms River, New Jersey