

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

**Financial Statements and Supplemental Information**

**For the years ended March 31, 2013 and 2012**

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

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

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**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners of the  
Brick Township Municipal Utilities Authority

### Report on the Financial Statements

We have audited the accompanying 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 years ended March 31, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended.

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

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

### *Auditor's Responsibility*

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

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

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

### ***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, County of Ocean, State of New Jersey, as of March 31, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-11 and 49-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2013 on our consideration of the Brick Township Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brick Township Municipal Utilities Authority's internal control over financial reporting and compliance.

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

May 24, 2013  
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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Brick Township Municipal Utilities Authority, as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise Brick Township Municipal Utilities Authority's basic financial statements, and have issued our report thereon dated May 24, 2013.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Brick Township Municipal Utilities Authority's financial statements are free from 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 that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

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

May 24, 2013  
Toms River, New Jersey

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

**FISCAL YEAR APRIL 1, 2012 THROUGH MARCH 31, 2013**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This section presents management's narrative discussion and analysis of the financial activities of the Authority for the audit year ending March 31, 2013.

The Authority continues the trend of overall positive performance relative to budget, taking into consideration the impact of Hurricane Sandy. 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 403 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 338 miles of sewer mains, approximately 7,807 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 approximately 31,000 residential single family water customers.

**Financial Review and Highlights**

This section presents an overview of the Authority's financial position and activities for the fiscal year April 1, 2012 through March 31, 2013.



### **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 \$15.7 million. The Authority will manage the OPEB liability and annual expenses to minimize the rate impact. Further information is included with #10 and #16 (prior period adjustment) of the notes to the financial statements. The OPEB valuations will be revised in March, 2015.

### **Condensed Statements of Net Position – March 31<sup>st</sup>:**

The Statements of Net Position 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 Position values as of March 31, 2013 and 2012. Net position represents the difference between assets and liabilities.

	<b><u>2013</u></b>	<b><u>2012</u></b>
<b><u>Assets:</u></b>		
Unrestricted current assets	\$ 15,888,920	\$ 18,046,862
Restricted current assets	21,751,880	20,875,566
Property & equipment	97,214,626	101,131,198
Other assets	<u>3,749,501</u>	<u>4,142,957</u>
Total assets	<u>\$ 138,604,927</u>	<u>\$ 144,196,583</u>
<b><u>Liabilities &amp; Net Position:</u></b>		
Unrestricted current liabilities	\$ 2,949,535	\$ 2,724,344
Restricted current liabilities	8,456,255	8,970,807
Net OPEB obligation	15,677,528	11,868,763
Other long-term liabilities	55,990,925	62,431,486
Net position	<u>55,530,684</u>	<u>58,201,183</u>
Total liabilities & net position	<u>\$ 138,604,927</u>	<u>\$ 144,196,583</u>

Overall, the Authority's Statements of Net Position has remained relatively stable between fiscal years. Unrestricted current asset coverage of all current liabilities decreased from 1.54X to 1.39X in fiscal 2013. Current restricted assets have increased slightly. Increased balances in Bond Service and the NJEIT Processing Fund were offset by decreases in NJEIT 2002 amounts due from the Trust, Rate Maintenance Fund, Emergency Repair Fund, and exhaustion of the Future Capital Requirements Account. It is important to note that the Rate Maintenance Fund is being utilized for capital expenditures in accordance with reimbursement resolution 44 – 12. The debt ratio (excluding OPEB) for 2013 and 2012 were 48.6% and 51.4%, respectively. The higher the debt ratio, the higher is the organization's financial risk.

Net capital additions were \$2,398,181, and net accumulated depreciation was \$6,314,753. Therefore, capital assets have decreased by \$3,916,572, as shown in the above chart. Long-term liabilities (excluding

OPEB) have decreased by \$6.4 million. Principal retirements for all bond issues were \$7.1 million for fiscal 2012/2013.

Changes in net position, reviewed over several accounting periods, can serve as an indicator of deteriorating or improving financial position. From March 31, 2003 to March 31, 2013, the Authority's net position (excluding OPEB) has increased by \$5.0 million. As noted on page 13, unreserved net position was \$4.0 million at fiscal year end.

#### **Condensed Statements of Revenues, Expenses, and Changes in Net Position – March 31<sup>st</sup>:**

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

	<u>2013</u>	<u>2012</u>
Operating revenues	\$34,293,250	\$34,523,554
Operating expenses:		
Administrative expenses	8,029,932	7,810,350
Cost of providing services	16,034,628	16,545,810
Depreciation	<u>6,629,810</u>	<u>6,799,357</u>
Total operating expenses	<u>30,694,370</u>	<u>31,155,517</u>
Operating income over expenses	3,598,880	3,368,037
Total non-operating revenues/(expenses)	<u>(6,391,762)</u>	<u>(7,473,297)</u>
Net income/(loss)	(2,792,882)	(4,105,260)
Extraordinary loss	(29,507)	
Prior Period Adjustment – OPEB		21,307,533
Contributed capital	151,890	99,008
Net position, beginning of year	<u>58,201,183</u>	<u>40,899,902</u>
Net position, end of year	<u>\$55,530,684</u>	<u>\$58,201,183</u>

#### **Selected Expenses as a Percent of Operating Revenues – March 31<sup>st</sup>:**

Administrative expenses	23.4%	22.6%
Cost of providing services	46.8%	47.9%
Depreciation	<u>19.3%</u>	<u>19.7%</u>
Total operating expenses	<u>89.5%</u>	<u>90.2%</u>

Operating revenues for fiscal 2012/2013 were \$34.3 million, relatively flat compared to \$34.5 million prior fiscal year, and (\$2.0 million) below the budgeted amount of \$36.3 million. Except for the commercial class, revenues for all customer classes were below budget. Most significantly, the residential single family class was (\$1.5 million) below budget. Average water use for the RSF class is now

approximately 51,000 gallons annually as compared to 60,000+ annually in the mid 1990's. The revenue variances were primarily due to the higher average use estimates utilized in the budget, while actual average use continues on an overall decline. As can be seen on page 45, there has also been a decrease in the number of on line customers between fiscal years as a result of Hurricane Sandy. The impacts of the storm are summarized in Note 15.

There were 2.462 billion water gallons in 2013, versus 2.439 billion in 2012. 1.796 billion sewer gallons were billed in 2013, versus 1.770 billion in 2012. 1.579 billion gallons water and 1.472 billion gallons sewer were billed for the RSF class 2012/2013. This is an approximate (9%) variance versus budget and a key reason for the revenue variance versus budget as noted above.

Lawn account revenues were \$1.7 million, or (11.3%) below the \$1.9 million budget. 2012/2013 lawn revenues were \$111,090 above prior year revenues due to a 12.7 million gallon increase in sales. Lawn account projections can be difficult due to unpredictable weather conditions. Total bulk water revenues were (\$77,000) below the 2012/2013 budget, and lower than 2011/2012 revenues by (\$89,000) due to a (30.0 million) gallon reduction in sales. Initial service charges were \$26,000 over budget at \$232,000.

Administrative expenses of \$8.0 million were 2.8% higher in 2012/2013 than prior fiscal year. However, actual administrative costs were (\$785,000) below the budgeted amount of \$8.8 million. As shown on page 50, Administrative Costs were below budget in all areas except for Vehicle Expenses. Professional Services & Consulting Fees were (\$180,000) below budget, primarily associated with SCADA consulting and Administrative Attorney Fees. Information Systems were (\$105,000) below budget, relating to lower than budgeted expenses in the Networking, Document Imaging, SCADA, and Communications Departments. The Authority had 152 budgeted positions in 2012/2013, including Commissioners and seasonal employees.

Cost of providing services (COPS) decreased from \$16.6 million in 2011/2012 to \$16.0 million in 2012/2013. Actual expenses such as sewer treatment (\$25,000), chemicals (\$250,000), utilities (\$275,000), and repairs & maintenance (\$16,000) decreased, associated with lower sales volumes and electric commodity costs, and efficient chemical usage and raw water mix.

Sewerage treatment charges amounted to \$7.387 million in fiscal 2012/2013, (\$505,000) below budget. The Authority's largest single operating expense is the payment to the Ocean County Utilities Authority, amounting to \$7.169 million for 2013. These costs represent the billings for 1.847 billion gallons. The Authority budgeted 1.963 billion OCUA billed gallons, at an estimated cost of \$7.650 million. The OCUA expense was the primary reason that there was an overall positive variance for cost of providing services of (\$1,848,000) versus budget. Actual expenses relative to budget for chemicals (\$362,000), utilities (\$495,000), as well as repairs & maintenance (\$144,000) were lower for the same reasons as noted above for the year to year expense comparison for COPS.

Non-operating revenues and expenses for fiscal 2012/2013 were comprised of \$2.6 million in interest expense, partially offset by \$151,000 in interest income. Net loss for fiscal 2012/2013 was (\$2.8) million. As can be seen on page 14, there was \$6.6 million in depreciation and the OPEB obligation of \$3.8 million which significantly contributed to the net loss. Actual "pay as you go" payments for retiree benefits in fiscal 2012/2013 were approximately \$299,795. Since the net loss calculations in the Statement of Revenues and Expenses include various non cash related items, future rate adjustments are expected to remain levelized.

As noted above, the ratios of administrative, depreciation, and total operating expenses relative to operating revenues remained relatively stable in fiscal 2012/2013 as compared to last fiscal year. This can

be considered a positive attribute in this case where operating revenues showed minimal growth between fiscal years. The Authority's debt service coverage (operating revenues / debt service payments) also remained fairly stable at 3.4X for fiscal 2012/2013 versus 3.5X last fiscal year.

### **Statements of Cash Flows**

The Authority's Statements of Cash Flows show net cash provided by operating activities of \$8,500,345. Cash used by financing / investing activities was \$10,867,477 (\$7.3 million for bond principal retirements) for a net cash decrease of (\$2,367,132) for the fiscal year. In comparison, fiscal 2011/2012 had a net increase in cash of \$530,398.

### **Cost of Service Study**

On October 27, 2008 the Authority approved resolution 78 – 08 for the preparation of a Cost of Service Study to be performed by the firm of Holman & Frenia. The purpose of the study was to determine the appropriate rate structure and design for each customer class, segmented between fixed and commodity pricing. The study has been completed, with the recommended changes effective on April 1, 2011. The changes can be summarized as follows:

- 1). The elimination of the minimum quarterly charge (10,000 gallons for water and 18,000 gallons for sewer).
- 2). Minimum allowances based on meter size no longer apply.
- 3). Utilize the same rate methodology as the residential single family class for all classes.
- 4). Apply a second tier cost to lawn accounts and temporary use of hydrants.
- 5). All previous rate methodologies remain intact other than noted above.

The Authority is currently considering and has budgeted for review by an independent Consulting firm specializing in rate design.

### **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%	
April 1, 2011:	3.9%	

April 1, 2012: 3.9%  
April 1, 2013: 0.0% - Amended Budget in Process

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. Due to Hurricane Sandy and associated economic conditions within the service territory, the Board of Commissioners decided not to increase rates in fiscal 2013/2014 as well. The Authority is in the review process for the preparation of an amended 2013/2014 budget to account for this rate decision as well as debt service estimates associated with long term capital requirements.

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
- Other alternatives as needed to fund the Five Year Capital Plan

Refunding of existing debt has been periodically reviewed and completed when feasible, including both the Series 2006 and 2011 refunding issues. The Authority is currently utilizing internal funding for capital needs to be reimbursed in accordance with resolution 44 – 12 adopted by the Board of Commissioners on May 21, 2012.

#### **Capital – Five-Year Planning**

The capital improvements 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 funds, internal funding, potential borrowings, and rate adjustment.

The Authority is currently in the review process of the five year capital plan. Revised debt service estimates are anticipated to be included in the amended 2013/2014 budget. It is anticipated that there will be capital related borrowing during fiscal 2013/2014. The Authority is currently reviewing both capital needs and financing alternatives.

**Auditors**

The Authority auditor for the fiscal year ending March 31, 2013 was Holman Frenia Allison, P.C. Prior audits can be obtained from the office of the Brick Township Municipal Utilities Authority.

  
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Prepared by:  
Frank Planko  
Chief Financial Officer

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Statements of Net Position**  
**March 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Unrestricted current assets:		
Cash and cash equivalents	\$ 12,213,718	\$ 14,499,884
Accounts receivable	2,898,258	2,647,758
Grants receivable	10,800	44,798
Inventory - supplies	535,569	535,379
Prepaid expenses	230,575	319,043
Total unrestricted current assets	<u>15,888,920</u>	<u>18,046,862</u>
Restricted current assets (See note 4):		
Cash and cash equivalents	16,254,833	16,335,799
Investments	4,640,000	2,364,000
Assets held in trust with NJ Environmental Infrastructure Trust	852,331	2,170,649
Accrued interest receivable	4,716	5,118
Total restricted current assets	<u>21,751,880</u>	<u>20,875,566</u>
Property and equipment, net	97,214,626	101,131,198
Other assets:		
Debt issue costs, net	1,279,585	1,413,593
Loss on defeasement, net	2,072,935	2,251,224
Loss on refunding, net	4,595	-
Bond discount, net	392,386	478,140
Total other assets	<u>3,749,501</u>	<u>4,142,957</u>
Total assets	<u>138,604,927</u>	<u>144,196,583</u>

The Notes to Financial Statements are an integral part of this report.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Statements of Net Position (continued)**  
**March 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>LIABILITIES</b>		
Unrestricted current liabilities:		
Accounts payable	408,563	434,974
Accrued expenses	242,028	251,438
Accrued estimated litigation settlement	658,610	629,103
Unearned income	1,640,334	1,408,829
Total unrestricted current liabilities	<u>2,949,535</u>	<u>2,724,344</u>
Restricted current liabilities:		
Accounts payable	65,069	79,557
Bonds payable, current portion	6,310,854	7,322,602
Accrued interest payable	735,534	872,362
Unearned income	401,494	402,087
Unearned grant income	606,428	-
Developer escrow	216,246	186,101
Retainage payable	120,630	108,098
Total restricted current liabilities	<u>8,456,255</u>	<u>8,970,807</u>
Long-term liabilities:		
Bonds payable, net of current portion	52,963,370	59,274,224
Net OPEB obligation (See note 10)	15,677,528	11,868,763
Bond premium, net	1,919,113	2,064,747
Reserve for compensated absences	1,108,442	1,092,515
Total long-term liabilities	<u>71,668,453</u>	<u>74,300,249</u>
Total liabilities	<u>83,074,243</u>	<u>85,995,400</u>
<b>NET POSITION</b>		
Investments in capital assets, net of related debt	39,770,790	36,612,582
Restricted net position:		
Debt service	9,539,964	10,548,564
Unrestricted net position:		
Reserved for renewal and replacement	500,000	500,000
Reserved for future construction	1,748,335	3,035,580
Unreserved	3,971,595	7,504,457
Total restricted and unrestricted net position	<u>15,759,894</u>	<u>21,588,601</u>
Total net position	<u>\$ 55,530,684</u>	<u>\$ 58,201,183</u>

The Notes to Financial Statements are an integral part of this report.



**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the years ended March 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Annual service charges	\$ 32,961,730	\$ 32,875,396
Initial service charges	232,384	615,519
Tap-ins, permits and other fees	429,812	403,832
Review and inspection fees	20,688	19,410
Interest on delinquent payments	179,673	165,905
Shared service income	64,008	-
Miscellaneous income	404,955	443,492
Total operating revenues	<u>34,293,250</u>	<u>34,523,554</u>
Operating expenses:		
Cost of providing services	16,034,628	16,545,810
Administrative expenses	8,029,932	7,810,350
Depreciation	6,629,810	6,799,357
Total operating expenses	<u>30,694,370</u>	<u>31,155,517</u>
Operating income over expenses	<u>3,598,880</u>	<u>3,368,037</u>
Non-operating revenues (expenses):		
Interest on investments	150,966	208,637
Interest expense	(2,561,666)	(2,616,418)
Grant revenue	93,781	67,998
Change in net OPEB obligation (See note 10)	(3,808,765)	(3,808,765)
Transfer to the Township of Brick (See note 9)	-	(1,000,000)
Gain/(loss) on disposal of assets	(25,845)	(3,182)
Amortization of bond premium/discount	64,476	61,649
Reservoir sponsorship and scrap fund deposits	7,802	13,210
Amortization of debt issue costs	(134,222)	(132,761)
Amortization of loss on defeasement	(178,289)	(263,665)
Total non-operating revenues (expenses)	<u>(6,391,762)</u>	<u>(7,473,297)</u>
Net loss	<u>(2,792,882)</u>	<u>(4,105,260)</u>
Extraordinary loss (See note 12)	<u>(29,507)</u>	<u>-</u>
Net loss after extraordinary item	(2,822,389)	(4,105,260)
Restricted and unrestricted net position, April 1	21,588,601	7,109,960
Contributed capital	151,890	99,008
Prior period adjustment (See note 16)	-	21,307,533
Net change in investments in capital assets net of related debt	(3,158,208)	(2,822,640)
Restricted and unrestricted net position, March 31	<u>15,759,894</u>	<u>21,588,601</u>
Investments in capital assets, net of related debt, April 1	36,612,582	33,789,942
Net decrease in capital assets	(3,916,572)	(4,258,274)
Decrease in related debt	7,074,780	7,080,914
Investments in capital assets, net of related debt, March 31	<u>39,770,790</u>	<u>36,612,582</u>
Total net position, March 31	<u>\$ 55,530,684</u>	<u>\$ 58,201,183</u>

The Notes to Financial Statements are an integral part of this report.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Statements of Cash Flows**

**For the years ended March 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities:</b>		
Cash received from service users	\$ 35,045,816	\$ 34,465,232
Cash paid to suppliers and employees	(23,998,345)	(26,253,573)
Interest received	151,368	205,715
Interest paid	(2,698,494)	(2,704,390)
Net cash flow from operating activities	<u>8,500,345</u>	<u>5,712,984</u>
<b>Cash flows from financing activities:</b>		
Payments for capital acquisitions	(2,587,193)	(2,445,257)
Defeasement of bonds	-	(16,471,596)
Proceeds from bond issue	-	16,067,199
Bond principal retirements	(7,322,602)	(7,011,294)
Proceeds from assets released from trust	1,318,318	1,632,362
Net cash flow from financing activities	<u>(8,591,477)</u>	<u>(8,228,586)</u>
<b>Cash flows from investing activities:</b>		
Maturities/(purchases) of investments	(2,276,000)	3,046,000
Net cash flow from investing activities	<u>(2,276,000)</u>	<u>3,046,000</u>
Net change in cash and cash equivalents	(2,367,132)	530,398
Cash and cash equivalents, April 1	<u>30,835,683</u>	<u>30,305,285</u>
Cash and cash equivalents, March 31	<u>\$ 28,468,551</u>	<u>\$ 30,835,683</u>
<b>Schedule of non-cash investing and financing activities:</b>		
Capital contributions capitalized	<u>\$ 151,890</u>	<u>\$ 99,008</u>
<b>Reconciliation to the Statements of Net Position:</b>		
Unrestricted cash and cash equivalents	\$ 12,213,718	\$ 14,499,884
Restricted cash and cash equivalents	16,254,833	16,335,799
Cash and cash equivalents, March 31	<u>\$ 28,468,551</u>	<u>\$ 30,835,683</u>

The Notes to Financial Statements are an integral part of this report.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Statements of Cash Flows (continued)**

**For the years ended March 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Reconciliation of net loss to net cash flow from operating activities:</b>		
Net loss	\$ (2,792,882)	\$ (4,105,260)
Items which did not use (provide) cash:		
Depreciation	6,629,810	6,799,357
Change in net OPEB obligation	3,808,765	3,808,765
Loss on disposal of assets	25,845	3,182
Amortization on bond premium/discount	(64,476)	(61,649)
Amortization of debt issue costs	134,222	132,761
Amortization of loss on defeasement	178,289	263,665
Working capital changes which provided (used) cash:		
Accounts receivable	(250,500)	(36,266)
Grants receivable	33,998	284,002
Accrued interest receivable	402	(2,922)
Inventory	(190)	(51,788)
Prepaid expenses	88,255	(83,647)
Accounts payable	(40,899)	(717,915)
Accrued expenses	(9,410)	(120,545)
Unearned income	837,340	(353,479)
Accrued interest payable	(136,828)	(87,972)
Developer escrow	30,145	(33,787)
Retainage payable	12,532	10,269
Reserve for compensated absences	15,927	66,213
Net cash flow from operating activities	<u>\$ 8,500,345</u>	<u>\$ 5,712,984</u>

The Notes to Financial Statements are an integral part of this report.

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

**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. Basis of Presentation**

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets was renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Whereas the provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011, the Authority has implemented this Statement for the year ended March 31, 2013.

**C. 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.

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

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

**D. 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.

**E. 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.

**F. 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, 2013 and 2012 was \$6,629,810 and \$6,799,357, respectively.

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

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

**F. Capital Assets (continued)**

Details of property, plant and equipment as of March 31, 2013 and 2012 are as follows:

	<u>March 31, 2012</u>	<u>Net Change</u>	<u>March 31, 2013</u>
Land and easements	\$ 4,374,159	\$ 2,559	\$ 4,376,718
Administration building and warehouse	5,845,206	58,723	5,903,929
Water production and distribution system	82,665,907	68,475	82,734,382
Sewer collection system	98,827,631	47,074	98,874,705
Meters	2,705,343	26,882	2,732,225
Reservoir	37,248,179	11,372	37,259,551
Construction in progress – other	4,976,362	2,161,748	7,138,110
Equipment	17,540,994	58,581	17,599,575
Vehicles	<u>2,444,301</u>	<u>(37,233)</u>	<u>2,407,068</u>
Subtotal	256,628,082	2,398,181	259,026,263
Less: accumulated depreciation	<u>(155,496,884)</u>	<u>(6,314,753)</u>	<u>(161,811,637)</u>
Property, plant and equipment – net	<u>\$ 101,131,198</u>	<u>\$ (3,916,572)</u>	<u>\$ 97,214,626</u>

**G. 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>Purpose</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, 2013 and 2012**

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

**G. 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 <sup>st</sup> .	Principal and interest on bonds.
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.

**H. 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, 2013 and 2012 is \$1,662,320 and \$1,534,319, respectively.

**I. Subsequent Events**

The Authority has evaluated subsequent events occurring after March 31, 2013 through May 24, 2013, which is the date the financial statements were available to be issued.

**J. Impact of Recently Issued Accounting Principles**

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this Statement are effective for

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

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

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

financial statements for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this Statement but it is expected to have a material impact on the financial statements for the year ended March 31, 2013.

**NOTE 2: CASH AND CASH EQUIVALENTS**

The Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at March 31, 2013 and 2012, and reported at fair value are shown on the following page.

	<u><b>2013</b></u>	<u><b>2012</b></u>
<b>Deposits:</b>		
Demand deposits	\$ 18,609,551	\$ 23,971,683
Certificates of deposit	<u>9,859,000</u>	<u>6,864,000</u>
Total deposits	<u><u>\$ 28,468,551</u></u>	<u><u>\$ 30,835,683</u></u>
<b>Reconciliation to Statements of Net Position:</b>		
Current unrestricted assets:		
Cash and cash equivalents	\$ 12,213,718	\$ 14,499,884
Current restricted assets:		
Cash and cash equivalents	<u>16,254,833</u>	<u>16,335,799</u>
Total cash and cash equivalents	<u><u>\$ 28,468,551</u></u>	<u><u>\$ 30,835,683</u></u>

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of March 31, 2013 and 2012, the Authority's bank balance of \$33,035,352 and \$33,834,187, respectively, was insured or collateralized as follows:

	<u><b>2013</b></u>	<u><b>2012</b></u>
Insured	\$ 750,000	\$ 750,000
Collateralized in the Authority's name under GUDPA (See Note 5)	<u>32,285,352</u>	<u>33,084,187</u>
Total	<u><u>\$ 33,035,352</u></u>	<u><u>\$ 33,834,187</u></u>



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

**NOTE 3: INVESTMENTS**

**A. Custodial Credit Risk**

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

**B. Investment Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Authority has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at March 31, 2013 and 2012, are provided in the schedule on the following page.

**C. Investment Credit Risk**

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

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

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

**NOTE 3: INVESTMENTS (continued)**

**C. Investment Credit Risk (continued)**

As of March 31, 2013 and 2012, the Authority had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Rating</u>	<u>2013</u>	<u>2012</u>
			<u>Fair Value</u>	<u>Fair Value</u>
Certificates of deposit	Various	N/A	\$ 4,640,000	\$ 2,364,000

**D. Fair Value of Investments**

Investments are shown at fair value on the balance sheet with accrued interest shown under a separate caption. Investments are summarized as follows at March 31, 2013:

	<u>Cost</u>	<u>Market</u>
Certificates of deposit	\$ 4,640,000	\$ 4,640,000
Total fair value of investments	\$ 4,640,000	\$ 4,640,000

**NOTE 4: RESTRICTED CURRENT ASSETS**

At March 31, 2013 and 2012, the Authority had current assets restricted for accounts as follows:

	<u>2013</u>	<u>2012</u>
Bond service:		
Cash and cash equivalents	\$ 3,507,535	\$ 31
Bond reserve:		
Cash and cash equivalents	7,983,099	7,983,099
Renewal and replacement:		
Cash and cash equivalents	500,000	500,053
NJEIT – Series 2002:		
Due from New Jersey Infrastructure Trust	313,380	1,631,698
NJEIT – Series 2010:		
Due from New Jersey Infrastructure Trust	538,951	538,951
NJEIT Processing Fund:		
Cash and cash equivalents	3,548,699	3,003,950
Accrued interest receivable	2,172	1,088
Developer escrow:		
Cash	613,977	586,086
Working capital fund:		
Cash and cash equivalents	1,121,464	1,122,150
Accrued interest receivable	133	354
Rate maintenance fund:		
Cash and cash equivalents	2,983,413	3,591,000
Accrued interest receivable	2,411	2,950
Emergency repair fund:		
Cash and cash equivalents	400,340	500,053

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

**NOTE 4: RESTRICTED CURRENT ASSETS (continued)**

Reservoir sponsorship fund:		
Cash and cash equivalents	226,531	218,729
Future capital requirements:		
Cash and cash equivalents	-	1,194,648
Accrued interest receivable	-	726
NJEIT bond service fund	<u>9,775</u>	<u>-</u>
Total restricted current assets	<u>\$ 21,751,880</u>	<u>\$ 20,875,566</u>

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

The Authority has deposited cash in fiscal years 2013 and 2012 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.

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.

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

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

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 6: LONG-TERM DEBT**

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

	<u>2013</u>	<u>2012</u>
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.	\$ 2,206,599	\$ 2,681,599
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.	1,600,386	2,088,935
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.	611,920	676,920
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.	516,368	584,495
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.	-	910,000

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

**NOTE 6: LONG-TERM DEBT (continued)**

	<u>2013</u>	<u>2012</u>
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.	2,451,761	2,691,761
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.	2,318,969	2,574,902
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.	32,925,000	36,490,000
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.	475,000	495,000
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.	1,333,221	1,413,214
Series 2011 refunding bonds, interest rate of 2.00% to 4.50%, maturity dates serially beginning December 1, 2012 and ending December 1, 2032. Interest payment dates are June 1 and December 1. Bonds dated on or before December 1, 2022 are not callable; others are at any time after December 1, 2022 and prior to maturity.	<u>14,835,000</u>	<u>15,990,000</u>
Total bonds payable	59,274,224	66,596,826
Less: current portion	<u>(6,310,854)</u>	<u>(7,322,602)</u>
Bonds payable, excluding current portion	<u>\$ 52,963,370</u>	<u>\$ 59,274,224</u>

**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

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

**NOTE 6: LONG-TERM DEBT (continued)**

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

**2001 (W15606001-001) (continued)**

**Description (continued)**

the Bond Issue, \$8,946,813, was issued with no interest rate. The remaining Bonds mature semi-annually from August 1, 2011 through August 1, 2020 at maturities ranging from \$3,148 to \$66,102. Annual maturities and interest rates are more fully described in Schedule I.

The “Loan” (State Funds) portion of the Bond Issue, \$9,060,000, the remaining bonds mature annually from August 1, 2011 through 2021 at annual maturities ranging from \$55,498 to \$80,030 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.

During the year ended March 31, 2011, the New Jersey Environmental Infrastructure Trust refunded bonds it had outstanding, resulting in a principal savings credit of \$40,238.

**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, 2011 through August 1, 2021 at maturities ranging from \$62,249 to \$425,701. 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 August 1, 2011 through 2021 at annual maturities ranging from \$142,735 to \$500,000 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, 2013 and 2012**

**NOTE 6: LONG-TERM DEBT (continued)**

**2001 (S340448-04) (continued)**

**Description (continued)**

During the year ended March 31, 2011, the New Jersey Environmental Infrastructure Trust refunded bonds it had outstanding, resulting in a principal savings credit of \$5,694.

**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 of 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 1<sup>st</sup> 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 5.00%. 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. The 2002 Bonds maturing after December 31, 2012 were redeemed with the issuance of the Series 2011 Refunding bonds discussed below.

**Mandatory Sinking Fund Redemption**

As of December 31, 2011, the 2002 Bonds maturing on December 1, 2025 were subject to mandatory redemption prior to maturity on each December 1, commencing December 1, 2021 through and including

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

**NOTE 6: LONG-TERM DEBT (continued)**

**2002 Bonds (continued)**

**Mandatory Sinking Fund Redemption (continued)**

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 were payable from Sinking Fund Installments which were 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>
2021	\$ 1,400,000
2022	1,465,000
2023	1,540,000
2024	1,625,000
2025*	1,700,000

\*Final maturity

As of December 31, 2011, the 2002 Bonds maturing on December 1, 2027 were 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 was payable from Sinking Fund Installments which were 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 were 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 was payable from Sinking Fund Installments which was 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, 2013 and 2012**

**NOTE 6: LONG-TERM DEBT (continued)**

**2002 Bonds (continued)**

**Mandatory Sinking Fund Redemption (continued)**

<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

**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 \$248,338. 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 \$80,195 to \$327,781 and bear interest at rates ranging from 4.75% 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.

During the year ended March 31, 2011, the New Jersey Environmental Infrastructure Trust unobligated \$463,590 of bonds it had outstanding but had not yet funded to the Authority, resulting in an additional principal savings credit of \$54,666.

**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

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

**NOTE 6: LONG-TERM DEBT (continued)**

**2006 Bonds (continued)**

**Description (continued)**

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 1<sup>st</sup> 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.

**Mandatory 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 below:

<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.

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

**NOTE 6: LONG-TERM DEBT (continued)**

**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, 2011 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.

**2011 Bonds**

**Description**

The Authority issued Revenue Refunding Bonds, Series 2011, dated November 12, 2011 in the amount of \$15,990,000. The proceeds of this bond issue were used to (1) currently refund and/or defease the 1998 Refunded/Defeased Bonds and (2) to advance refund the 2002 Refunded Bonds. The Series 1998 and 2002 Bonds were redeemed on November 12, 2011 at a redemption price of 100% of the principal amount thereof. The Authority realized an economic gain of \$742,000 for these refunding bonds.

The Bonds have remaining annual maturities ranging from \$40,000 to \$2,270,000 with principal payments due December 1<sup>st</sup> through December 1, 2032 and bear interest at rates ranging from 2.00% to 4.50%. Annual maturities and interest rates are more fully described in Schedule I.

**Mandatory Sinking Fund Redemption**

The Series 2011 Bonds maturing on December 1, 2027 are subject to mandatory redemption prior to maturity on each December 1, commencing December 1, 2022 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 Series 2011 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 as such Series 2011 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, 2013 and 2012**

**NOTE 6: LONG-TERM DEBT (continued)**

**2011 Bonds (continued)**

**Mandatory Sinking Fund Redemption (continued)**

<u>Year</u>	<u>Sinking Fund Installments</u>
2022	\$ 40,000
2023	45,000
2024	45,000
2025	45,000
2026	50,000
2027*	50,000

\*Final maturity

**Optional Redemption**

The Series 2011 Bonds maturing on or after December 1, 2022, shall be subject to redemption prior to their stated maturity date, at the option of the Authority, on or after December 1, 2021 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 Series 2011 Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption.

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

Fiscal Year(s) Ending <u>March 31,</u>	Bond <u>Principal</u>	<u>Interest*</u>	Total Debt <u>Service</u>
2014	6,310,854	2,351,882	8,662,736
2015	6,567,559	2,107,644	8,675,203
2016	6,480,187	1,875,619	8,355,806
2017	5,752,634	1,598,236	7,350,870
2018	2,169,437	1,348,500	3,517,937
2019-2023	11,495,265	5,349,350	16,844,615
2024-2028	9,364,967	3,326,839	12,691,806
2029-2033	<u>11,133,323</u>	<u>1,362,339</u>	<u>12,495,662</u>
Total	<u>\$ 59,274,226</u>	<u>\$ 19,320,409</u>	<u>\$ 78,594,635</u>

\*Net of capitalized interest amounts on deposit plus earnings

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

**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 carry over 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. 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. At March 31, 2013 and 2012, an amount of \$1,108,442 and \$1,092,515, respectively, has been provided to fully fund this potential liability.

**NOTE 8: TRANSFER TO THE TOWNSHIP OF BRICK**

The Authority did not transfer any amounts during the year ended March 31, 2013.

In December 2011, the Authority transferred \$1,000,000 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 paid in the year ending March 31, 2012 and has been recorded in the statement of revenues, expenses, and changes in net assets as transfer to the Township of Brick.

**NOTE 9: PENSIONS**

**A. Plan Description**

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

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for PERS. As of July 1, 2012 the aggregate funded ratio and unfunded accrued liability for local PERS obligations was 77.0% and \$5.682 billion, respectively. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

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

**NOTE 9: PENSIONS (continued)**

**B. Vesting and Benefit Provisions**

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

**C. Significant Legislation**

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

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

**D. Contribution Requirements**

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

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

<u>Year</u>		<u>Authority</u>	<u>Contribution</u>
<u>Ending</u>	<u>Employees</u>	<u>Required</u>	<u>Percentage</u>
<u>Amount</u>			
3/31/2013	\$ 515,117	\$ 889,529	100%
3/31/2012	\$ 461,965	\$ 850,375	100%
3/31/2011	\$ 411,798	\$ 827,169	100%

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

**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.

**Annual OPEB Cost** – The Authority's annual required contribution (ARC), the increase or decrease in the net OPEB obligation, the net OPEB obligation, and the percentage of annual OPEB cost contributed to the plan for 2013 and 2012 are as follows:

	<b><u>2013</u></b>	<b><u>2012</u></b>
Annual Required Contribution (ARC)	\$ 4,089,505	\$ 4,089,505
Pay as You Go Cost (Existing Retirees)	<u>(280,740)</u>	<u>(280,740)</u>
Increase in Net OPEB obligation	3,808,765	3,808,765
Net OPEB obligation, beginning of year	<u>11,868,763</u>	<u>8,059,998</u>
Net OPEB obligation, end of year	<u>\$ 15,677,528</u>	<u>\$11,868,763</u>
Percentage of Annual OPEB Cost Contributed	6.9%	6.9%

**Funded Status and Funding Process** – The funded status of the plan as of March 31, 2013 and 2012 are as follows:

	<b><u>2013</u></b>	<b><u>2012</u></b>
Actuarial Accrued Liability (AAL)	\$ 33,078,524	\$ 31,202,895
Actuarial Value of Plan Assets	<u>-</u>	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 33,078,524</u>	<u>\$31,202,895</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%

**Actuarial Methods and Assumptions** – 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.

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

**NOTE 10: OTHER POST EMPLOYMENT BENEFITS (continued)**

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 \$23,515 per covered retiree for family coverage and \$9,402 for single coverage prior to age 65. For retirees age 65 and over we have utilized an annual average claims cost of approximately \$12,181 per covered retiree for family coverage and \$6,118 for single coverage. We assumed health care costs would increase annually at a rate of 7%.

The Brick Township Municipal Utilities Authority currently has eighteen 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, 2013 was \$33,078,524.

**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: EXTRAORDINARY LOSS**

The Authority was a defendant in a lawsuit filed by a developer who had contested the amount of off-site improvements, which had been constructed as part of the water and sewer system in conjunction with the development of Pine View Estates. The plaintiff sued the Authority alleging that it was required by the Authority to oversize the system, and therefore should be reimbursed the fair market value of the over sizing of the off-site improvements, which did not directly affect or impact upon that development. On May 24, 2011, judgment in favor of the Plaintiff was awarded by the Superior Court of New Jersey in the amount of \$629,103 plus interest.

This decision was upheld by the Appellate Court. The Authority has paid the judgment in full subsequent to the date of the statements of net position. The interest has been accrued in the statement of revenues, expenses and changes in net position as an extraordinary loss for the year ended March 31, 2013.



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

**NOTE 13: 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 been paid in full for all of its obligations and, subsequent thereto, has been given two years notice.

The Authority awarded a public contract to Layne Christensen Company for the construction of a new aquifer storage and recovery well "WELL ASR-15" in the amount of \$3,970,020. At March 31, 2013 and 2012, the unbilled portion of contract was \$2,077,707 and \$2,337,596, respectively.

**NOTE 14: 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 Coverage.

**NOTE 15: SUPER STORM SANDY**

The New Jersey coastline sustained heavy damage from Super Storm Sandy on October 29, 2012. All twenty-six (26) sewerage pump stations owned by the Authority suffered damage in the storm and ten (10) of these sewerage pump stations suffered severe flooding. As of the date of this report, the Authority estimates damages of approximately \$3,500,000.

As of March 31, 2013, the Authority has received \$1,312,500 from the U.S. Federal Emergency Management Agency. The Authority expects that the costs related to these repairs will be repaid through the U.S. Federal Emergency Management Agency or through insurance policies.

**NOTE 16: PRIOR PERIOD ADJUSTMENT**

The Authority changed its method of estimating the accrued net Other Post Employment Benefits (OPEB) obligation. The Authority had previously recorded the entire Unfunded Actuarial Accrued Liability as its net OPEB obligation based on the original interpretation of GASB #45. The Authority has revised its application of GASB #45 and has adjusted the OPEB liability to be \$11,868,763 at March 31, 2012. This change resulted in a decrease in the Authority's net OPEB obligation and an increase in the Authority's net position of \$21,307,533 as of April 1, 2011. This adjustment has been reflected in the Authority's financial statements with a prior period adjustment for the year ended March 31, 2012. Further explanation of the net OPEB obligation calculation and post-retirement health benefits has been previously presented in Note 10.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Revenue Bonds Outstanding**  
**March 31, 2013 and 2012**

**Schedule I**

Purpose	Date Issued	Semi-annual Principal Due	Interest Rate	Outstanding at March 31, 2013	Outstanding at March 31, 2012
NJEIT 2001 - Finance the costs of improvements for Kettle Creek and sewer rehabilitation projects	11/1/2001	8/1/2012	-		\$ 55,653
		2/1/2013	-		12,474
		8/1/2013	-	\$ 57,730	57,730
		2/1/2014	-	11,229	11,229
		8/1/2014	-	59,718	59,718
		2/1/2015	-	10,017	10,017
		8/1/2015	-	58,506	58,506
		2/1/2016	-	8,805	8,805
		8/1/2016	-	60,526	60,526
		2/1/2017	-	7,512	7,512
		8/1/2017	-	62,466	62,466
		2/1/2018	-	6,138	6,138
		8/1/2018	-	64,324	64,324
		2/1/2019	-	4,683	4,683
		8/1/2019	-	66,102	66,102
		2/1/2020	-	3,148	3,148
		8/1/2020	-	35,464	35,464
				<u>\$ 516,368</u>	<u>\$ 584,495</u>
NJEIT 2001 - Finance the costs of improvements for Kettle Creek and sewer rehabilitation projects	11/8/2001	8/1/2012	5.50		\$ 65,000
		8/1/2013	5.50	\$ 70,000	70,000
		8/1/2014	5.00	69,306	69,306
		8/1/2015	5.00	55,498	55,498
		8/1/2016	5.00	59,450	59,450
		8/1/2017	5.00	63,388	63,388
		8/1/2018	5.00	67,253	67,253
		8/1/2019	5.00	71,472	71,472
		8/1/2020	4.75	75,523	75,523
		8/1/2021	4.75	80,030	80,030
				<u>\$ 611,920</u>	<u>\$ 676,920</u>

\* = Represents term bonds

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Revenue Bonds Outstanding**  
**March 31, 2013 and 2012**

**Schedule I**  
**(continued)**

Purpose	Date Issued	Semi-annual Principal Due	Interest Rate	Outstanding at March 31, 2013	Outstanding at March 31, 2012
NJEIT 2001 - Partially finance the cost for the construction of a reservoir	11/8/2001	8/1/2012	-		\$ 400,185
		2/1/2013	-		88,364
		8/1/2013	-	\$ 407,812	407,812
		2/1/2014	-	79,579	79,579
		8/1/2014	-	418,194	418,194
		2/1/2015	-	71,113	71,113
		8/1/2015	-	425,701	425,701
		2/1/2016	-	62,249	62,249
		8/1/2016	-	135,738	135,738
				<u>\$ 1,600,386</u>	<u>\$ 2,088,935</u>
NJEIT 2001 - Partially finance the cost for the construction of a reservoir	11/8/2001	8/1/2012	5.50		\$ 475,000
		8/1/2013	5.50	\$ 500,000	500,000
		8/1/2014	5.00	489,762	489,762
		8/1/2015	5.00	142,735	142,735
		8/1/2016	5.00	151,451	151,451
		8/1/2017	5.00	155,299	155,299
		8/1/2018	5.00	167,034	167,034
		8/1/2019	5.00	181,235	181,235
		8/1/2020	4.75	196,670	196,670
		8/1/2021	4.75	222,413	222,413
				<u>\$ 2,206,599</u>	<u>\$ 2,681,599</u>
NJEIT 2002 - Finance the costs of the rehabilitation of pumping stations and sanitary sewer and manholes	11/7/2002	8/1/2012	5.00		\$ 240,000
		8/1/2013	5.25	\$ 80,195	80,195
		8/1/2014	5.25	169,205	169,205
		8/1/2015	5.00	230,792	230,792
		8/1/2016	5.00	241,660	241,660
		8/1/2017	5.00	250,929	250,929
		8/1/2018	5.00	267,678	267,678
		8/1/2019	5.00	280,206	280,206
		8/1/2020	5.00	292,975	292,975
		8/1/2021	5.00	310,340	310,340
		8/1/2022	4.75	327,781	327,781
				<u>\$ 2,451,761</u>	<u>\$ 2,691,761</u>

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Revenue Bonds Outstanding**  
**March 31, 2013 and 2012**

**Schedule I**  
**(continued)**

Purpose	Date Issued	Annual Principal Due	Interest Rate	Outstanding at March 31, 2013	Outstanding at March 31, 2012
NJEIT 2002 - Finance the costs of the rehabilitation of pumping stations and sanitary sewer and manholes	11/7/2002	8/1/2012	-		\$ 205,541
		2/1/2013	-		50,392
		8/1/2013	-	\$ 208,063	208,063
		2/1/2014	-	46,253	46,253
		8/1/2014	-	213,385	213,385
		2/1/2015	-	41,866	41,866
		8/1/2015	-	218,458	218,458
		2/1/2016	-	37,451	37,451
		8/1/2016	-	223,503	223,503
		2/1/2017	-	32,800	32,800
		8/1/2017	-	228,312	228,312
		2/1/2018	-	27,912	27,912
		8/1/2018	-	232,885	232,885
		2/1/2019	-	22,787	22,787
		8/1/2019	-	237,221	237,221
		2/1/2020	-	17,427	17,427
		8/1/2020	-	241,320	241,320
		2/1/2021	-	11,829	11,829
		8/1/2021	-	248,338	248,338
		2/1/2022	-	5,917	5,917
		8/1/2022	-	23,242	23,242
			<u>\$ 2,318,969</u>	<u>\$ 2,574,902</u>	
2002 Revenue Bonds -	6/1/2002	12/1/2012	4.30	<u>\$ -</u>	<u>\$ 910,000</u>
Finance the cost of the				<u>\$ -</u>	<u>\$ 910,000</u>
reservoir and various					
other water and sewer					
projects, fund debt					
service reserve, fund					
debt service account	*				
for capitalized interest	*				
and pay the costs of	*				
issuance	*				

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Revenue Bonds Outstanding**  
**March 31, 2013 and 2012**

**Schedule I**  
**(continued)**

Purpose	Date Issued	Annual Principal Due	Interest Rate	Outstanding at March 31, 2013	Outstanding at March 31, 2012
2006 Revenue Bonds - Refund the Authority's 1996 and 2002 revenue bonds, fund the debt service reserve, and pay the costs of issuance	11/29/2006	12/1/2012	4.50		\$ 3,565,000
		12/1/2013	4.50	\$ 3,730,000	3,730,000
		12/1/2014	4.50	3,880,000	3,880,000
		12/1/2015	5.00	5,100,000	5,100,000
		12/1/2016	5.00	4,695,000	4,695,000
		12/1/2017	5.00	1,225,000	1,225,000
		12/1/2018	4.00	1,285,000	1,285,000
		12/1/2019	4.00	70,000	70,000
		12/1/2020	4.00	1,400,000	1,400,000
		12/1/2021	4.00	1,460,000	1,460,000
		12/1/2022	4.00	1,510,000	1,510,000
		12/1/2023	4.125	1,575,000	1,575,000
		12/1/2024	4.125	1,645,000	1,645,000
		12/1/2025	4.125	1,710,000	1,710,000
		12/1/2026	4.125	1,785,000	1,785,000
		12/1/2027	4.125	1,855,000	1,855,000
				<u>\$ 32,925,000</u>	<u>\$ 36,490,000</u>
NJEIT 2010 - Finance the costs of pump station improvements and sewer main parallel	3/4/2010	8/1/2012	5.00		\$ 20,000
		8/1/2013	5.00	\$ 20,000	20,000
		8/1/2014	5.00	20,000	20,000
		8/1/2015	5.00	20,000	20,000
		8/1/2016	5.00	20,000	20,000
		8/1/2017	5.00	25,000	25,000
		8/1/2018	5.00	25,000	25,000
		8/1/2019	4.00	25,000	25,000
		8/1/2020	5.00	25,000	25,000
		8/1/2021	3.00	30,000	30,000
		8/1/2022	4.00	30,000	30,000
		8/1/2023	4.00	30,000	30,000
		8/1/2024	4.00	30,000	30,000
		8/1/2025	4.00	30,000	30,000
		8/1/2026	3.50	35,000	35,000
		8/1/2027	4.00	35,000	35,000
		8/1/2028	4.00	35,000	35,000
		8/1/2029	4.00	40,000	40,000
				<u>\$ 475,000</u>	<u>\$ 495,000</u>

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Revenue Bonds Outstanding**  
**March 31, 2013 and 2012**

**Schedule I**  
**(continued)**

Purpose	Date Issued	Annual Principal Due	Interest Rate	Outstanding at March 31, 2013	Outstanding at March 31, 2012
NJFIT 2010 - Finance the costs of pump station improvements and sewer main parallel manholes	3/4/2010	8/1/2012	-		\$ 53,329
		2/1/2013	-		26,664
		8/1/2013	-	\$ 53,329	53,329
		2/1/2014	-	26,664	26,664
		8/1/2014	-	53,329	53,329
		2/1/2015	-	26,664	26,664
		8/1/2015	-	53,329	53,329
		2/1/2016	-	26,664	26,664
		8/1/2016	-	53,329	53,329
		2/1/2017	-	26,664	26,664
		8/1/2017	-	53,329	53,329
		2/1/2018	-	26,664	26,664
		8/1/2018	-	53,329	53,329
		2/1/2019	-	26,664	26,664
		8/1/2019	-	53,329	53,329
		2/1/2020	-	26,664	26,664
		8/1/2020	-	53,329	53,329
		2/1/2021	-	26,664	26,664
		8/1/2021	-	53,329	53,329
		2/1/2022	-	26,664	26,664
		8/1/2022	-	53,329	53,329
		2/1/2023	-	26,664	26,664
		8/1/2023	-	53,329	53,329
		2/1/2024	-	26,664	26,664
		8/1/2024	-	53,329	53,329
		2/1/2025	-	26,664	26,664
		8/1/2025	-	53,329	53,329
		2/1/2026	-	26,664	26,664
		8/1/2026	-	53,329	53,329
		2/1/2027	-	26,664	26,664
		8/1/2027	-	53,329	53,329
		2/1/2028	-	26,664	26,664
		8/1/2028	-	53,329	53,329
		2/1/2029	-	26,664	26,664
		8/1/2029	-	53,333	53,333
				\$ 1,333,221	\$ 1,413,214

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Revenue Bonds Outstanding**  
**March 31, 2013 and 2012**

**Schedule I**  
**(continued)**

Purpose	Date Issued	Annual Principal Due	Interest Rate	Outstanding at March 31, 2013	Outstanding at March 31, 2012
2011 Revenue Bonds - Refund the Authority's 1998 and 2002 revenue bonds, and pay certain costs and expenses incidental to the issuance	10/12/2011	12/1/2012	2.00		\$ 1,155,000
		12/1/2013	3.00	\$ 1,020,000	1,020,000
		12/1/2014	3.00	1,045,000	1,045,000
		12/1/2015	3.00	40,000	40,000
		12/1/2016	3.00	45,000	45,000
		12/1/2017	3.00	45,000	45,000
		12/1/2018	3.00	45,000	45,000
		12/1/2019	4.00	1,315,000	1,315,000
		12/1/2020	4.00	40,000	40,000
		12/1/2021	4.00	40,000	40,000
		12/1/2022	3.75	40,000	40,000
		12/1/2023	3.75	45,000	45,000
		12/1/2024	3.75	45,000	45,000
		12/1/2025	3.75	45,000	45,000
		12/1/2026	3.75	50,000	50,000
		12/1/2027	3.75	50,000	50,000
		12/1/2028	3.75	2,020,000	2,020,000
		12/1/2029	4.00	2,100,000	2,100,000
		12/1/2030	4.00	2,180,000	2,180,000
		12/1/2031	4.00	2,270,000	2,270,000
		12/1/2032	-	2,355,000	2,355,000
				\$ 14,835,000	\$ 15,990,000

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Operating Revenues**  
**For the years ended March 31, 2013 and 2012**

**Schedule II**

	Water		Sewer	
	Total Amount	Number of Customers	Number of Customers	Amount
<b>For the year ended March 31, 2013:</b>				
Annual service charges:				
Residential:				
Single-family	\$ 24,050,896	31,068	\$ 30,505	\$ 14,250,658
Multi-family	1,628,039	2,477	2,495	1,056,864
Commercial and industrial	3,120,601	1,693	1,651	1,751,942
Schools	231,616	23	20	119,411
Municipal	52,627	43	33	25,128
Lawn watering	1,693,598	4,183	-	-
Bulk - Point Pleasant Beach	934,596	-	-	-
Bulk - other	309,070	-	14	35,675
Fire protection:				
Public fire districts	558,004	4	-	-
Private	382,683	185	-	-
Total annual service charges	32,961,730	39,676	34,718	17,239,678
Initial service charges	232,384	-	-	90,632
Tap-ins, permits and other fees	429,812	-	-	114,258
Review and inspection fees	20,688	-	-	10,607
Interest on delinquent payments	179,673	-	-	89,836
Shared services income	64,008	-	-	32,004
Miscellaneous income	404,955	-	-	202,478
Total operating revenues	\$ 34,293,250	39,676	\$ 34,718	\$ 17,779,493
<b>For the year ended March 31, 2012:</b>				
Annual service charges:				
Residential:				
Single-family	\$ 23,848,258	31,256	\$ 30,802	\$ 14,228,492
Multi-family	1,677,630	2,483	2,501	1,065,294
Commercial and industrial	3,037,871	1,685	1,643	1,701,450
Schools	241,918	23	20	122,067
Municipal	51,400	43	33	24,225
Lawn watering	1,582,508	4,098	-	-
Bulk - Point Pleasant Beach	901,388	-	-	-
Bulk - other	432,043	-	15	43,275
Fire protection:				
Public fire districts	735,432	4	-	-
Private	366,948	183	-	-
Total annual service charges	32,875,396	39,775	35,014	17,184,803
Initial service charges	615,519	-	-	297,968
Tap-ins, permits and other fees	403,832	-	-	100,617
Review and inspection fees	19,410	-	-	9,955
Interest on delinquent payments	165,905	-	-	82,953
Miscellaneous income	443,492	-	-	221,746
Total operating revenues	\$ 34,523,554	39,775	\$ 35,014	\$ 17,898,041



# BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule III

## Cost of Providing Services

For the years ended March 31, 2013 and 2012

	2013			2012		
	Total	Water	Sewer	Total	Water	Sewer
Treatment of sewerage by:						
Ocean County Utilities Authority	\$ 7,365,568	\$ -	\$ 7,365,568	\$ 7,391,407	\$ -	\$ 7,391,407
Toms River Municipal Utilities Authority	21,091	-	21,091	21,104	-	21,104
Operating labor	4,326,476	3,345,715	980,761	4,404,894	3,387,410	1,017,484
Employee benefits	2,300,281	1,742,914	557,367	2,170,164	1,623,106	547,058
Repairs and maintenance	320,870	202,946	117,924	337,666	239,055	98,611
Remediation/restoration expense	12,210	4,565	7,645	14,975	7,600	7,375
Vehicle expenses	138,240	54,120	84,120	141,937	55,385	86,552
Utilities	907,281	754,639	152,642	1,182,499	1,028,997	153,502
Other expenses:						
Supplies	209,852	180,167	29,685	177,303	158,469	18,834
Water quality testing	46,649	46,649	-	41,681	41,681	-
Chemicals	245,276	245,276	-	495,973	490,993	4,980
Information systems	31,261	31,261	-	35,811	35,811	-
Usage, fees, permits and licenses	69,426	69,001	425	80,716	80,185	531
Education, travel, exams and dues	23,151	19,930	3,221	13,851	13,107	744
Professional services	13,475	13,475	-	32,567	32,567	-
Other expenses	3,521	2,498	1,023	3,262	2,363	899
Total cost of providing services	\$ 16,034,628	\$ 6,713,156	\$ 9,321,472	\$ 16,545,810	\$ 7,196,729	\$ 9,349,081

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY****Schedule IV****Administrative Expenses****For the years ended March 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Salaries	\$ 4,431,281	\$ 4,300,141
Employee benefits	2,419,661	2,280,904
Repairs and maintenance	41,846	46,828
Vehicles	27,546	25,119
Utilities	185,737	253,655
Supplies	79,200	74,087
Insurance	281,964	282,630
Information systems	107,241	91,997
Professional services	284,304	290,538
Postage	90,469	96,148
Usage, fees, permits, and licenses	3,389	1,349
Education, travel, exams, and dues	29,911	28,256
Other expenses	47,383	38,698
	<u>          </u>	<u>          </u>
Total administrative expenses	<u>\$ 8,029,932</u>	<u>\$ 7,810,350</u>

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY****Schedule V****Interest Expense****For the years ended March 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
\$9,590,000 Revenue Bonds (Series 1998) 3.75-4.30%, due December 1, 1998 - 2012	\$ -	\$ 59,326
\$2,646,019 NJEIT (Series 2001) 4.00-5.50%, due February 1, 2002 - 2021	33,800	37,326
\$18,006,813 NJEIT (Series 2001) 4.00-5.50%, due August 1, 2002 - 2021	163,498	188,794
\$37,615,000 Revenue Bonds (Series 2002) 3.50-5.25%, due December 1, 2002 - 2022	26,087	177,260
\$8,872,297 NJEIT (Series 2002) 4.00-5.25%, due August 1, 2003 - 2022	120,550	128,974
\$52,250,000 Revenue Bonds (Series 2006) 4.00-5.00%, due December 1, 2007 - 2027	1,585,850	1,752,217
\$2,088,200 NJEIT (Series 2010) 3.00-5.00%, due August 1, 2010 - 2029	20,408	21,342
\$15,990,000 Revenue Bonds (Series 2011) 2.00-4.00%, due December 1, 2012 - 2032	<u>611,473</u>	<u>251,179</u>
Total interest expense	2,561,666	2,616,418
Accrued interest expense adjustment	<u>136,828</u>	<u>87,972</u>
Total per budget	<u>\$ 2,698,494</u>	<u>\$ 2,704,390</u>

## Schedule VI

**For the years ended March 31, 2013 and 2012**

Expenses:																
Costs of providing services:																
Payment to other authorities:																
Treatment of sewerage	\$	7,892,000	\$	7,892,000	\$	7,386,659	\$	505,341	\$	7,742,000	\$	7,742,000	\$	7,412,511	\$	329,489
Operating labor		4,579,799		4,579,799		4,326,476		253,323		4,442,987		4,442,987		4,404,894		38,093
Employee benefits		2,385,921		2,385,921		2,300,281		85,640		2,213,444		2,213,444		2,170,164		43,280
Repairs and maintenance		465,800		465,800		320,870		144,930		359,850		359,850		337,666		22,184
Remediation/restoration expense		6,200		6,200		12,210		(6,010)		6,200		6,200		14,975		(8,775)
Vehicle expense		136,000		136,000		138,240		(2,240)		110,000		110,000		141,937		(31,937)
Utilities		1,403,211		1,403,211		907,281		495,930		1,377,316		1,377,316		1,182,499		194,817
Supplies		167,850		167,850		209,852		(42,002)		166,700		166,700		177,303		(10,603)
Water quality testing		35,000		35,000		46,649		(11,649)		35,000		35,000		41,681		(6,681)
Chemicals		607,500		607,500		245,276		362,224		607,500		607,500		495,973		111,527
Information systems		47,500		47,500		31,261		16,239		46,800		46,800		35,811		10,989
Usage fees and permits		93,850		93,850		69,426		24,424		87,700		87,700		80,716		6,984
Education, travel, exams, and dues		17,300		17,300		23,151		(5,851)		22,500		22,500		13,851		8,649
Professional services		20,000		20,000		13,475		6,525		21,000		21,000		32,567		(11,567)
Other		25,600		25,600		3,521		22,079		15,900		15,900		3,262		12,638
Total costs of providing services	\$	17,883,531	\$	17,883,531	\$	16,034,628	\$	1,848,903	\$	17,254,897	\$	17,254,897	\$	16,545,810	\$	709,087

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

For the years ended March 31, 2013 and 2012

	2013			2012		
	Original Budget	Final Budget	Excess/ (Deficit)	Original Budget	Final Budget	Excess/ (Deficit)
Expenses (continued):						
Administrative expenses:						
Salaries	\$ 4,516,472	\$ 4,516,472	\$ 4,431,281	\$ 4,419,390	\$ 4,419,390	\$ 4,300,141
Employee benefits	2,543,164	2,543,164	2,419,661	2,429,763	2,429,763	2,280,904
Repairs and maintenance	61,650	61,650	41,846	51,025	51,025	46,828
Vehicle expense	24,500	24,500	27,546	15,400	15,400	25,119
Utilities	274,385	274,385	185,737	260,225	260,225	253,655
Supplies	83,325	83,325	79,200	77,425	77,425	74,087
Insurance	308,093	308,093	281,964	291,236	291,236	282,630
Information systems	211,950	211,950	107,241	175,775	175,775	91,997
Professional services	465,100	465,100	284,304	460,600	460,600	290,538
Postage	100,000	100,000	90,469	105,000	105,000	96,148
Usage, fees, permits, and licenses	3,850	3,850	3,389	5,550	5,550	1,349
Education, travel, exams, and dues	81,250	81,250	29,911	80,250	80,250	28,256
Other expenses	81,200	81,200	47,383	58,070	58,070	38,698
Emergency notification	60,000	60,000	-	-	60,000	-
Total administrative expenses	8,814,939	8,814,939	8,029,932	8,429,709	8,489,709	7,810,350
Total operating expenses	26,698,470	26,698,470	24,064,560	25,684,606	25,744,606	24,356,160
Debt service:						
Principal maturity	7,322,602	7,322,602	7,322,602	7,041,295	7,041,295	7,011,294
Interest expense	2,698,491	2,698,491	2,698,494	2,938,573	2,938,573	2,704,390
Total debt service	10,021,093	10,021,093	10,021,096	9,979,868	9,979,868	9,715,684
Total costs funded by operating activities	36,719,563	36,719,563	34,085,656	35,664,474	35,724,474	34,071,844
Excess/(deficit) of revenues over/(under) expenditures	\$ (276,991)	\$ (276,991)	358,560	\$ (440,998)	\$ (500,998)	\$ 660,347
Plus:						
Principal maturity			7,322,602			7,011,294
Non-operating revenues			166,059			142,857
Decrease in accrued interest			136,828			87,972
Less:						
Depreciation expense			(6,629,810)			(6,799,357)
Non-operating expenses			(4,147,121)			(5,208,373)
Net loss			\$ (2,792,882)			\$ (4,105,260)

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Schedule VII**

**Cash and Investments  
March 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Current unrestricted cash and investments:		
Operating fund	\$ 8,751,824	\$ 13,495,256
General fund investments	2,459,782	250,000
Initial service charge fund	73,754	78,507
Miscellaneous	<u>928,358</u>	<u>676,121</u>
Total current unrestricted cash and investments	<u>12,213,718</u>	<u>14,499,884</u>
Current restricted cash and investments:		
Bond service fund	3,507,535	31
Bond reserve fund	7,983,099	7,983,099
Renewal and replacement fund	500,000	500,053
NJEIT processing fund	3,548,699	3,003,950
Developer escrow fund	613,977	586,086
Working capital fund	1,121,464	1,122,150
Rate projection maintenance fund	2,983,413	3,591,000
Emergency repair fund	400,340	500,053
Reservoir sponsorship fund	226,531	218,729
Future capital requirements	-	1,194,648
NJEIT bond service fund	<u>9,775</u>	<u>-</u>
Total current restricted cash and investments	<u>20,894,833</u>	<u>18,699,799</u>
Total cash and investments	<u><u>\$ 33,108,551</u></u>	<u><u>\$ 33,199,683</u></u>

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Board of Commissioners and Management**  
**March 31, 2013**

**Board of Commissioners**

Allan E. Cartine ..... Chairman  
Joseph M. Veni, PE..... Vice Chair  
James Fozman. .... Treasurer  
Patrick L. Bottazzi ..... Secretary  
George Cevasco..... Assistant Secretary/Treasurer  
John M. Ciocco..... Alternate  
Edward McBride ..... Alternate

**Management**

James F. Lacey, C.P.W.M. .... Executive Director  
Stephen T. Specht, P.E. .... Deputy Executive Director/Director of Engineering/Operations  
Frank Pannucci, Jr ..... Director 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, 2013**

Package Policy:	
Property Program .....	\$ 150,000,000
Extra Expense – Blanket .....	5,000,000
Auto Fleet:	
Liability (Combined Single Limit) .....	10,000,000
Public Officials’ Liability .....	2,000,000
Umbrella Liability:	
Each Occurrence .....	10,000,000
Maximum Group Limit .....	40,000,000
Workers’ Compensation (Policy Limit) .....	250,000
Fidelity Bond .....	1,000,000

The above schedule is presented as a memorandum only and we do not express an opinion as to the adequacy of coverage.





HOLMAN | FRENIA  
ALLISON, P.C.

Certified Public Accountants & Consultants

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926 Main Street, Suite 103, Rome, PA 18837 • Tel: 570.297.5090  
[www.hfacpas.com](http://www.hfacpas.com)

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE  
PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND  
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
SCHEDULE OF STATE FINANCIAL ASSISTANCE REQUIRED BY OMB CIRCULAR  
A-133 AND NEW JERSEY OMB CIRCULAR 04-04**

Board of Commissioners of the  
Brick Township Municipal Utilities Authority

**Report on Compliance for Each Major Federal and State Program**

We have audited the Brick Township Municipal Utilities Authority's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the year ended March 31, 2013. Brick Township Municipal Utilities Authority's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Brick Township Municipal Utilities Authority's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133, and New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Brick Township Municipal Utilities Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of Brick Township Municipal Utilities Authority's compliance with those requirements.

### ***Opinion on Each Major Federal and State Program***

In our opinion, Brick Township Municipal Utilities Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended March 31, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 or New Jersey's OMB's Circular 04-04.

### **Report on Internal Control Over Compliance**

Management of Brick Township Municipal Utilities Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Brick Township Municipal Utilities Authority' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Brick Township Municipal Utilities Authority' internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the New Jersey State OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal and State Financial Assistance as Required by OMB Circular A-133 and New Jersey OMB Circular 04-04**

We have audited the financial statements of Brick Township Municipal Utilities Authority as of and for the year ended March 31, 2013, and have issued our report thereon dated May 24, 2013, which contained a qualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by OMB Circular A-133 and New Jersey OMB Circular 04-04 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditure of federal awards and state financial assistance are fairly stated in all material respects in relation to the financial statements as a whole.

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

May 24, 2013  
Toms River, New Jersey

## BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

## Schedule of Financial Assistance - Federal

For the year ended March 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant Period	Award Amount	Cash Received	Expenditures	Cumulative Total Expenditures
US Federal Emergency Management Agency:						
Disaster Grants - Public Assistance	97.036	Open	2,625,000	1,312,500	706,072	706,072
Total awards subject to testing per OMB Circular A-133				1,312,500	706,072	706,072
Subrecipient loan awards not subject to testing per OMB Circular A-133:						
US Environmental Protection Agency:						
New Jersey Environmental Infrastructure Trust - 2002	66.458	Open	4,184,603	659,159	659,159	4,486,624
New Jersey Environmental Infrastructure Trust - 2010	66.458	Open	1,573,200	-	-	1,168,987
Total subrecipient loan awards not subject to testing per OMB Circular A-133				659,159	659,159	5,655,611
Total awards				\$ 1,971,659	\$ 1,365,231	\$ 6,361,683

## BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

## Schedule of Financial Assistance - State

For the year ended March 31, 2013

State Grantor/ Program Title	State or Grant Project Number	Grant Period	Award Amount	Cash Received	Expenditures	Cumulative Total Expenditures
New Jersey Environmental Infrastructure Trust - 2002	10 042 4860 510 024	Open	4,184,603	659,159	659,159	4,486,624
New Jersey Environmental Infrastructure Trust - 2010	11 042 4860 510 009	Open	524,400	-	-	198,647
New Jersey Department of Environmental Protection	10 042 4860 503 011	Open	320,000	36,000	36,000	676,000
				\$ 695,159	\$ 695,159	\$ 5,361,271

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Notes to the Schedules of Financial Assistance**  
**For the year ended March 31, 2013**

**NOTE 1: GENERAL**

The accompanying schedules of financial assistance present the activity of all Federal and State financial assistance programs of the Brick Township Municipal Utilities Authority (the "Authority"). The Authority is defined in Note 1 of the general purpose financial statements. All federal financial assistance received directly from Federal agencies, as well as Federal financial assistance passed through other governmental agencies, is included on the Schedule of Financial Assistance – Federal.

**NOTE 2: BASIS OF ACCOUNTING**

The accompanying schedules of Financial Assistance are presented using the accrual basis of accounting. This basis of accounting is described in Note 1 of the general-purpose financial statements.

**NOTE 3: RELATIONSHIP TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedules agree with amounts reported in the Authority's general-purpose financial statements.

**NOTE 4: RELATIONSHIP TO THE FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules agree with amounts reported in the related Federal and State financial reports.

**NOTE 5: OTHER**

Requirements to have State and Federal Single Audits include loan programs. Participation by the Authority in the Environmental Infrastructure Trust Loan Program necessitates a Federal and State Single Audit.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Findings and Questioned Costs**  
**For the year ended March 31, 2013**

*Section I - Summary of Auditors' Results*

**Financial Statements**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
1) Material weakness identified?	None Noted
2) Reportable condition identified that are not considered to be material weaknesses?	None Noted
Noncompliance material to general purpose financial statements noted?	None Noted

**Federal Awards**

Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	No
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Internal control over major programs:	
1) Material weakness identified?	None Noted
2) Reportable condition identified that are not considered to be material weaknesses?	None Noted
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133?	None Noted
Identification of major programs:	

**CFDA Number**

97.036

**Name of Federal Program**

Disaster Grants – Public Assistance

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the year ended March 31, 2013**

*Section I - Summary of Auditors' Results (continued)*

**State Awards**

Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	Yes
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Internal control over major programs:	
1) Material weakness identified?	None Noted
2) Reportable condition identified that are not considered to be material weaknesses?	None Noted
Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 04-04?	None Noted
Identification of major programs:	

**Grant Number**

**Name of State Program**

10-042-4860-510-024  
11-042-4860-510-009

NJ Environmental Infrastructure Trust – 2002  
NJ Environmental Infrastructure Trust – 2010



**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the year ended March 31, 2013**

***Section II – Financial Statement Findings***

This section identifies the reportable conditions, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

No Current Year Findings

***Section III – State Financial Assistance Finding & Questioned Costs***

This section identifies the reportable conditions, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular Letter 04-04.

No Current Year Findings

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**Summary Schedule of Prior Findings and Questioned Costs**  
**For the year ended March 31, 2013**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (section .315 (a)(b)) and New Jersey OMB's Circular 04-04.

No Prior Year Findings

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, 2013. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments and Recommendations* for the year then ended.

### **GENERAL COMMENTS AND RECOMMENDATIONS**

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

*N.J.S.A.40A:11-4* - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$36,000 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, power cable replacement, redevelopment of Well No. 12, natural gas powered generator replacement, fiber optics, 2014 combo sewer cleaning truck, electric supply service, road paving materials, security camera system, pipe and appurtenances.

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*.

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

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$5,400 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

The minutes indicate that quotes were requested for the following items:

Standard motor maintenance, annual service contract for chemical instruments, replace wash bay and garage door, 2012 Ford E150 van, irrigation meter/pit, trench and install pipes and fiber for high school, HP workstations, trailer generator.

### **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. The results of this examination did not disclose any discrepancies.

### **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, 2013 for propriety and to determine that goods were received and services were rendered as of March 31, 2013. 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 prior year findings.

**Acknowledgment**

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

Any problems or 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, please call us.

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

May 24, 2013  
Toms River, New Jersey