

**BRICK TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY
COUNTY OF OCEAN, NEW JERSEY
ANNUAL FINANCIAL REPORT
YEARS ENDED MARCH 31, 2015 and 2014**

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Board of Commissioners and Management
March 31, 2015

Board of Commissioners

George Cevasco	Chairman
James Fozman	Vice Chairman
James C. Bayard	Secretary
Allan E. Cartine	Treasurer
Thomas C. Curtis	Assistant Secretary/Treasurer
Gregory Flynn	Alternate
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Management

James F. Lacey, C.P.W.M	Executive Director
Stephen T. Specht, P.E.	Deputy Executive Director Director of Engineering/Operations
Frank Planko	Chief Financial Officer
Joseph Maggio, P.E.	Director of Water Quality

BRICK TOWNSHIP MUNICIPAL UTILITY AUTHORITIES
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FALLON & LARSEN LLP

Certified Public Accountants

1390 Route 36, Suite 102
Hazlet, New Jersey 07730-1716
Telephone: (732) 888-2070
FAX: (732) 888-6245

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Brick Township Municipal Utilities Authority
Neptune, New Jersey

We have audited the accompanying financial statements of the Brick Township Municipal Utilities Authority (the "Authority") as of and for the years ended March 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 financial position of the Brick Township Municipal Utilities Authority as of March 31, 2015 and 2014, and the respective changes in financial position and cash flows 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 35-41 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 September 28, 2015, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Fallon & Larsen LLP

Hazlet, New Jersey
September 28, 2015

FALLON & LARSEN LLP

Certified Public Accountants

1390 Route 36, Suite 102
Hazlet, New Jersey 07730-1716
Telephone: (732) 888-2070
FAX: (732) 888-6245

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

The Board of Commissioners
Brick Township Municipal Utilities Authority
Neptune, New Jersey

We have audited, in accordance with the 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 the audit requirements 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 (the "Authority"), as of and for the year ended March 31, 2015 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 28, 2015.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of the Township of Neptune Sewerage Authority, we considered the 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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 the 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 or other matters 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* and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fallon & Larsen LLP

Hazlet, New Jersey
September 28, 2015

MANAGEMENT DISCUSSION AND ANALYSIS

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

FISCAL YEAR APRIL 1, 2014 THROUGH MARCH 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's narrative discussion and analysis of the financial activities of the Authority for the audit year ending March 31, 2015.

The Authority continues the trend of overall positive performance relative to budget. The term "Budget" in this discussion refers to the 2014/2015 budget which was approved by the Division of Local Government Services on April 4, 2014. The 2014/2015 budget took into consideration the best estimate impact of Superstorm Sandy that occurred in October, 2012.

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, Point Pleasant Borough and Lakewood.

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 7,832 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, 2014 through March 31, 2015.

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 benefits.

Jefferson Solutions, Inc. prepared the analysis considering various factors including demographics, health cost, employee turnover, inflation and mortality. As can be seen below, the OPEB liability is \$20.4 million. The Authority will manage the OPEB liability and annual expenses to minimize the rate impact. The OPEB valuation was revised in March, 2015.

Condensed Statements of Net Assets – March 31st:

The Statements of Net Assets present the asset / liability financial position of an organization as of a particular date. The summary chart below contains the Authority's Statements of Net Asset values as of March 31, 2015 and 2014. Net assets represent the difference between assets and liabilities.

	<u>2015</u>	<u>2014</u>
<u>Assets:</u>		
Unrestricted current assets	\$ 23,987,653	\$ 23,006,730
Restricted current assets	17,000,942	4,852,274
Restricted non-current assets	7,544,074	7,664,149
Property & equipment	90,530,083	93,565,252
Other assets	<u>2,850,900</u>	<u>3,101,709</u>
Total assets	<u>\$ 141,913,652</u>	<u>\$ 132,190,114</u>
<u>Liabilities & Net Assets:</u>		
Unrestricted current liabilities	\$ 2,318,003	\$ 2,398,865
Restricted current liabilities	22,815,977	8,659,687
Net OPEB obligation	20,427,251	19,385,934
Other long-term liabilities	42,285,556	48,541,874
Net assets	<u>54,066,865</u>	<u>53,203,754</u>
Total liabilities & net assets	<u>\$ 141,913,652</u>	<u>\$ 132,190,114</u>

Overall, the Authority's Statements of Net Assets have remained relatively stable between fiscal years. Unrestricted current asset coverage of all current liabilities decreased from 2.08X to 0.95X in fiscal 2015. Restricted current liabilities include the \$14.5 million short term borrowing. Current restricted assets have increased. Restricted and unrestricted asset balances were adjusted to reflect a more accurate

representation of the Authority's cash balances. The debt ratio (excluding OPEB) for 2015 and 2014 were 47.5% and 45.1%, respectively. The higher the debt ratio, the higher is the organization's financial risk.

Net capital additions and net accumulated depreciation have resulted in a decrease in capital assets of \$3,035,169, as shown in the above chart. Long-term liabilities (excluding OPEB) have decreased by \$6.3 million. Principal retirements for all bond issues were \$6.6 million for fiscal 2014/2015. Changes in net assets, reviewed over several accounting periods, can serve as an indicator of deteriorating or improving financial position. From March 31, 2003 to March 31, 2015, the Authority's net assets (excluding OPEB) have increased by \$8.3 million. Unreserved net assets were \$5.8 million at fiscal year end.

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

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

	<u>2015</u>	<u>2014</u>
Operating revenues	\$35,405,092	\$33,646,036
Operating expenses:		
Administrative expenses	7,813,844	7,886,910
Cost of providing services	16,563,751	15,696,128
Depreciation	<u>6,418,619</u>	<u>6,409,198</u>
Total operating expenses	<u>30,796,214</u>	<u>29,992,236</u>
Operating income over expenses	4,608,878	3,653,800
Total non-operating revenues/(expenses)	<u>(4,353,314)</u>	<u>(6,227,735)</u>
Net income/(loss)	255,564	(2,573,935)
Contributed capital	607,547	247,005
Net assets, beginning of year	<u>53,203,754</u>	<u>55,530,684</u>
Net assets, end of year	<u>\$54,066,865</u>	<u>\$53,203,754</u>

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

Administrative expenses	22.1%	23.4%
Cost of providing services	46.8%	46.7%
Depreciation	<u>18.1%</u>	<u>19.0%</u>
Total operating expenses	<u>87.0%</u>	<u>89.1%</u>

Operating revenues for fiscal 2014/2015 were \$35.4 million, increased 5.2% as compared to \$33.6 million prior fiscal year, and \$439,000 above the budgeted amount of \$35.0 million. Revenues for all classes were above budget except for Residential Single Family and Lawn customers. The Commercial & Industrial class was \$322,000 or 10.4% over budget which was offset by the Residential Single Family

class which was (\$305,000) or (1.3%) below budget. Average use for the RSF class is now less than 50,000 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. Additionally, the number of on line customers continues to recover from the impact of Superstorm Sandy.

There were 2.490 billion billed water gallons in 2015, versus 2.357 billion in 2014. 1.786 billion sewer gallons were billed in 2015, versus 1.701 billion in 2014. 1.542 billion gallons water and 1.442 billion gallons sewer were billed for the RSF class 2014/2015. This is an approximate (2.2%) variance versus budget and a key reason for the revenue variance versus budget as noted above, and cost variances noted below.

Lawn account revenues were \$1.6 million, or (3.2%) below the \$1.7 million budget. 2014/2015 lawn revenues were \$66,423 above prior year revenues due to a 15.4 million gallon increase in sales. Lawn account projections can be difficult due to unpredictable weather conditions. Total bulk water revenues were \$59,000 above the 2014/2015 budget, and above the 2013/2014 revenues by \$233,000 due to a 61.0 million gallon increase in sales. Initial service charges were \$196,000 over budget at \$752,000.

Administrative expenses of \$7.8 million were 0.9% lower in 2014/2015 than prior fiscal year. Actual administrative costs were (\$767,000) below the budgeted amount of \$8.6 million. The majority of Administrative Costs were below budget. Professional Services & Consulting Fees were (\$134,000) below budget, primarily associated with the Accounting, I/T and Legal Settlement Fees accounts. There are new revenue and expenses accounts for the Solar Field project. Salaries and benefits were (\$509,000) below budget as employee contributions, PERS payment, as well as the \$200,000 salary adjustment potential included in the budget contributed to the positive variance. Information Systems were (\$70,000) below budget, relating to lower than anticipated expenses for support contracts and computer software. The Authority had 152 budgeted positions in 2014/2015, including Commissioners and seasonal employees.

Cost of providing services (COPS) increased from \$15.7 million in 2013/2014 to \$16.6 million in 2014/2015. Actual expenses such for sewer treatment increased by \$206,000 due to an increase in treated volumes by 48.6 million gallons. The Authority also experienced an increase in chemicals expense of \$78,000 due to significant chemical process changes. There was also an increase in Employee Benefits expense of \$119,000 or 5.5%, however it is below budget by (\$146,000) or (6.0%).

Sewerage treatment charges amounted to \$7.3 million in fiscal 2014/2015, (\$341,000) below budget. The Authority's largest single operating expense is the payment to the Ocean County Utilities Authority, amounting to \$7.084 million for 2015. These costs represent the billings for 1.824 billion gallons. The Authority budgeted 1.906 billion OCUA billed gallons, at an estimated cost of \$7.4 million. The OCUA expense was the primary reason that there was an overall positive variance for cost of providing services of (\$818,000) versus budget.

Actual expenses relative to budget were lower as well for salaries & benefits (\$186,000), chemicals (\$64,000), and utilities (\$248,000). Employee contributions as well as the \$200,000 salary adjustment potential included in the budget contributed to the positive variance. The positive chemical variance was associated with an efficient chemical usage and raw water mix. Approximately (\$86,000) of the utilities variance was electric usage related. 7.0 million KWH were budgeted for the Administration Complex, while only 6.3 million were used. An additional (\$81,000) was related to lower delivery charge expenses than budgeted. Electric costs were also lower than anticipated for the booster stations, reservoir and pump stations.

Non-operating revenues and expenses for fiscal 2014/2015 were comprised of \$2.0 million in interest expense, partially offset by \$155,000 in interest income. Net income for fiscal 2014/2015 was \$0.3 million. The Authority went from a Net Loss to a Net Income position primarily due to a decrease of the non cash OPEB obligation of (\$2.7) million. Actual “pay as you go” payments for retiree benefits in fiscal 2014/2015 were approximately \$401,000. 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 2014/2015 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 4.0X for fiscal 2014/2015 versus 3.8X last fiscal year.

Statements of Cash Flows

The Authority’s Statements of Cash Flows show net cash provided by operating activities of \$7,389,420. Cash used by financing / investing activities was \$208,429 which includes \$14.5 million bond proceeds offset by \$6.6 million in bond principal retirements for a net cash increase of \$7,597,849 for the fiscal year. In comparison, fiscal 2013/2014 had a net decrease in cash of (\$4,595,480). Unrestricted cash decreased in 2015 by (\$1,413,405) as compared to 2014.

Cost of Service Study

On September 23, 2013 the Authority approved resolution 65 – 13 for the preparation of a Cost of Service Study to be performed by the firm of Raftelis Financial Consultants, Inc. 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 approved at the October 27, 2014 Rate Hearing and effective on November 1, 2014. Although the rate design was adjusted, the overall impact of the changes was revenue neutral.

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
April 1, 2014:	0.0%
April 1, 2015:	0.0%

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 remains in a strong financial position, and does not anticipate any annual service charge rate adjustments in fiscal 2016/2017.

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 a \$14.5 million one year Bond for capital needs. The Authority anticipates a rollover of this one year issue or a long term bonding in the Spring of 2016, taking into consideration the extended capital plan. Key projects being considered include backup generators, water main replacement in conjunction with the Garden State Parkway exit 91 project, and other water and sewer main and pump station projects.

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 reviews the five year capital plan on an ongoing basis. Future capital borrowings will likely be offset by reductions in existing debt service. It is anticipated that there will be capital related borrowing during fiscal 2015/2016. The Authority is currently reviewing both capital needs and financing alternatives.

Auditors

The Authority auditor for the fiscal year ending March 31, 2015 was Fallon & Larson, LLP. Prior audits can be obtained from the office of the Brick Township Municipal Utilities Authority.

Frank Planko

Prepared by:
Frank Planko
Chief Financial Officer

FINANCIAL STATEMENTS

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Net Position
March 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Unrestricted current assets:		
Cash and cash equivalents	\$ 13,706,340	\$ 15,119,745
Investments	6,157,000	4,518,000
Accounts receivable	3,306,884	2,508,662
Grants receivable	800	800
Inventory – supplies	578,959	582,192
Prepaid expenses	<u>237,670</u>	<u>277,331</u>
Total unrestricted current assets	<u>23,987,653</u>	<u>23,006,730</u>
Restricted current assets:		
Cash and cash equivalents	10,493,192	1,481,938
Investments	6,496,000	3,325,000
Assets held in trust with NJ Environmental Infrastructure Trust	-	38,575
Accrued interest receivable	<u>11,750</u>	<u>6,761</u>
Total restricted current assets	<u>17,000,942</u>	<u>4,852,274</u>
Restricted non-current assets:		
Cash	7,271,388	7,271,388
Assets held in trust with NJ Environmental Infrastructure Trust	<u>272,686</u>	<u>392,761</u>
	<u>7,544,074</u>	<u>7,664,149</u>
Property and equipment, net	<u>90,530,083</u>	<u>93,565,252</u>
Total assets	<u>139,062,752</u>	<u>129,088,405</u>
DEFERRED OUTFLOW OF RESOURCES		
Unamortized bond defeasement and issue costs	<u>2,850,900</u>	<u>3,101,709</u>
Total assets and deferred outflow of resources	<u>141,913,652</u>	<u>132,190,114</u>

See accompanying notes to financial statements.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Net Position (continued)
March 31, 2015 and 2014

LIABILITIES	<u>2015</u>	<u>2014</u>
Unrestricted current liabilities:		
Accounts payable	488,613	381,763
Accrued expenses	222,973	482,579
Unearned income	<u>1,606,417</u>	<u>1,534,523</u>
Total unrestricted current liabilities	<u>2,318,003</u>	<u>2,398,865</u>
Restricted current liabilities:		
Accounts payable	89,846	266,064
Current portion of long-term debt	6,480,187	6,597,305
Short-term debt	14,500,000	-
Accrued interest payable	586,224	660,129
Unearned income	341,003	377,277
Unearned grant income	520,058	431,052
Developer escrow	194,642	204,397
Retainage payable	<u>104,017</u>	<u>123,463</u>
Total restricted current liabilities	<u>22,815,977</u>	<u>8,659,687</u>
Long-term liabilities:		
Long-term debt (inclusive of premium of \$1,746,154 and \$1,764,289 and discounts of \$226,249 and \$307,566 in 2015 and 2014 respectively)	41,053,052	47,440,310
Reserve for compensated absences	1,232,504	1,101,564
Net OPEB obligation	<u>20,427,251</u>	<u>19,385,934</u>
Total long-term liabilities	<u>62,712,807</u>	<u>67,927,808</u>
Total liabilities	<u>87,846,787</u>	<u>78,986,360</u>
NET POSITION		
Investments in capital assets, net of related debt	<u>31,631,989</u>	<u>42,599,599</u>
Restricted net position:		
Debt service	6,771,388	6,771,388
Unrestricted net position:		
Reserved for renewal and replacement	500,000	500,000
Reserved for future construction	9,326,402	419,303
Unreserved	<u>5,837,086</u>	<u>2,913,464</u>
Total restricted and unrestricted net position	<u>22,434,876</u>	<u>10,604,155</u>
Total net position	<u>\$ 54,066,865</u>	<u>\$ 53,203,754</u>

See accompanying notes to financial statements.

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

	2015	2014
Operating revenues:		
Annual service charges	\$ 33,378,234	\$ 31,851,068
Initial service charges	752,380	761,898
Tap-ins, permits and other fees	472,372	438,109
Review and inspection fees	57,631	32,980
Interest on delinquent payments	180,831	161,767
Shared service income	76,988	15,837
Miscellaneous income	<u>486,656</u>	<u>384,377</u>
Total operating revenues	<u>35,405,092</u>	<u>33,646,036</u>
Operating expenses:		
Cost of providing services	16,563,751	15,696,128
Administrative expenses	7,813,844	7,886,910
Depreciation	<u>6,418,619</u>	<u>6,409,198</u>
Total operating expenses	<u>30,796,214</u>	<u>29,992,236</u>
Operating income over expenses	<u>4,608,878</u>	<u>3,653,800</u>
Non-operating revenues (expenses):		
Interest on investments	155,587	126,147
Interest Expense	(1,992,592)	(2,211,068)
Contribution to Township of Brick	(1,000,000)	-
Grant revenue	157,208	56,137
Change in net OPEB obligation	(1,041,317)	(3,708,406)
Loss on disposal of assets	(296,759)	(243,566)
Reservoir sponsorship and scrap fund deposits	5,430	3,830
Amortization of debt issue costs	(218,063)	(128,001)
Amortization of loss on defeasement	<u>(122,808)</u>	<u>(122,808)</u>
Total non-operating revenues (expenses)	<u>(4,353,314)</u>	<u>(6,227,735)</u>
Net income (loss)	255,564	(2,573,935)
Restricted and unrestricted net position, April 1	10,604,155	15,759,894
Contributed capital	607,547	247,005
Net change in investments in capital assets net of related debt	<u>10,967,610</u>	<u>(2,828,809)</u>
Restricted and unrestricted net position, March 31	<u>22,434,876</u>	<u>10,604,155</u>
Investments in capital assets, net of related debt, April 1	42,599,599	39,770,790
Net decrease in capital assets	(3,035,169)	(3,649,374)
Decrease (increase) in related debt	<u>(7,932,441)</u>	<u>6,478,183</u>
Investments in capital assets, net of related debt, March 31	<u>31,631,989</u>	<u>42,599,599</u>
Total net position, March 31	<u>\$ 54,066,865</u>	<u>\$ 53,203,754</u>

See accompanying notes to financial statements.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Cash Flows
For the years ended March 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Cash received from service users	\$ 34,606,870	\$ 34,165,660
Cash paid to suppliers	(16,481,636)	(15,726,427)
Cash paid to employees	(8,790,777)	(8,600,032)
Interest received	150,598	148,921
Interest paid	<u>(2,095,635)</u>	<u>(2,351,882)</u>
Net cash flow from operating activities	<u>7,389,420</u>	<u>7,636,240</u>
Cash flows from financing activities:		
Payments for capital acquisitions	(3,072,662)	(2,789,783)
Proceeds from sale of assets	-	33,399
Proceeds from sale of bonds	14,500,000	-
Bond principal retirements	(6,567,559)	(6,693,331)
Proceeds from assets released from trust	<u>158,650</u>	<u>420,995</u>
Net cash flow from financing activities	<u>5,018,429</u>	<u>(9,028,720)</u>
Cash flows from investing activities:		
Maturities/(purchases) of investments	<u>(4,810,000)</u>	<u>(3,203,000)</u>
Net cash flow from investing activities	<u>(4,810,000)</u>	<u>(3,203,000)</u>
Net change in cash and cash equivalents	7,597,849	(4,595,480)
Cash and cash equivalents, April 1	<u>23,873,071</u>	<u>28,468,551</u>
Cash and cash equivalents, March 31	\$ <u>31,470,920</u>	\$ <u>23,873,071</u>
Schedule of non-cash investing and financing activities:		
Capital contributions capitalized	\$ <u>607,547</u>	\$ <u>247,005</u>
Reconciliation to the Statements of Net Position:		
Unrestricted cash and cash equivalents	\$ 13,706,340	\$ 15,119,745
Restricted current cash and cash equivalents	10,493,192	1,481,938
Restricted noncurrent cash and cash equivalents	<u>7,271,388</u>	<u>7,271,388</u>
Cash and cash equivalents, March 31	\$ <u>31,470,920</u>	\$ <u>23,873,071</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Cash Flows (continued)
For the years ended March 31, 2015 and 2014

	2015	2014
Reconciliation of net loss to net cash flow from Operating activities:		
Net income (loss)	\$ 255,564	\$ (2,573,935)
Items which did not use (provide) cash:		
Depreciation	6,418,619	6,409,198
Change in net OPEB obligation	1,041,317	3,708,406
Loss on disposal of assets	296,759	243,566
Amortization on bond premium/discount	63,183	(65,409)
Amortization of debt issue costs	128,001	128,001
Amortization of loss on defeasement	122,808	122,808
Working capital changes which provided (used) cash:		
Accounts receivable	(798,222)	389,596
Grants receivable	-	10,000
Accrued interest receivable	(4,989)	(2,045)
Inventory	3,233	(46,623)
Prepaid expenses	39,661	(46,756)
Accounts payable	(69,368)	174,195
Accrued expenses	(259,606)	(418,059)
Unearned income	124,626	(305,404)
Accrued interest payable	(73,905)	(75,405)
Developer escrow	(9,755)	(11,849)
Retainage payable	(19,446)	2,833
Reserve for compensated absences	130,940	(6,878)
Net cash flow from operating activities	\$ 7,389,420	\$ 7,636,240

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements
For the years ended March 31, 2015 and 2014

NOTE 1: 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 Authority is a component unit of the Township of Brick. The Authority issues separate financial statements from the Township. However, if the Township presented its financial statements in accordance with GAAP, these financial statements would be included in the Township’s on a blended basis.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation and Accounting

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 earned. Costumers are billed on a quarterly basis for both water and sewer.

The Authority has changed its financial statement presentation to conform to generally accepted accounting standards. Changes include segregating non-current cash, deferred inflows and outflows and the inclusion of bond premiums and discounts as part of debt and interest expense. Prior year amounts have been restated to conform to the current year presentation.

B. Budgetary Accounting

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

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2015 and 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 their date of the gift. Grants that are 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.

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 consist 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 average cost determined by the first-in, first-out method (FIFO).

F. Property Plant and Equipment

Property, plant and equipment are stated at cost. The cost of property, plant and equipment is depreciated over its estimated useful life, by the straight-line method. Major improvements to existing plant and equipment are capitalized. Repairs and maintenance that do not extend the economic life of plant and equipment are charged to expense as incurred. Upon the sale or retirement of property, plant and equipment, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and placed in operation. The assets are then transferred to the appropriate property and plant account and depreciated on a straight-line basis over the asset's estimated useful life. The Authority capitalizes all long-lived assets acquired for \$1,000 or more.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2015 and 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Property, Plant and Equipment (continued)

The estimated useful lives of the assets are:

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, 2015 and 2014 was \$6,418,619 and \$6,409,198, respectively.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2015 and 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.
<u>Restricted:</u>		
Bond Service Fund (Current debt service)	Amount needed to pay matured principal and interest due on or before the following December 1 st .	Principal and interest on bonds.
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 the 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.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2015 and 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capitalized Interest

The Authority capitalizes interest on self-constructed assets during the period of construction. The amount of interest cost capitalized on qualifying assets acquired with proceeds of tax-exempt borrowings that are externally restricted to finance acquisition of specified assets is all interest cost of the borrowing less any interest earned on related interest-bearing investments acquired with such unexpended proceeds from the date of the borrowings until the assets are substantially complete and are ready for their intended use. Interest cost of tax-exempt borrowings is eligible for capitalization on other qualifying assets of the Authority when the specified qualifying assets are no longer eligible for interest capitalization. The Authority did not capitalize interest costs during the periods ended March 31, 2015 and 2014. The Authority expensed \$1,992,592 and \$2,211,068 of interest during 2015 and 2014, respectively.

NOTE 3: CASH AND CASH EQUIVALENTS

The Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at March 31, 2015 and 2014, are reported at fair value.

	2015	2014
Deposits:		
Demand deposits	\$ 27,891,606	\$ 22,723,071
Certificates of deposit	3,852,000	1,150,000
Total deposits	\$ 31,743,606	\$ 23,873,071
Reconciliation to Statements of Net Position:		
Current unrestricted assets:		
Cash and cash equivalents	\$ 13,706,340	\$ 15,119,745
Current restricted assets:		
Cash and cash equivalents	10,493,192	1,481,938
Restricted non-current assets:		
Cash and cash equivalents	7,544,074	7,271,388
Total cash and cash equivalents	\$ 31,743,606	\$ 23,873,071

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, 2015 and 2014, the Authority's bank balance of \$44,396,607 and \$32,574,252, respectively, was insured or collateralized as follows:

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2015 and 2014

NOTE 3: CASH AND CASH EQUIVALENTS (continued)

Custodial Credit Risk (continued)

	2015	2014
Insured	\$ 750,000	\$ 750,000
Collated in the Authority's name under GUDPA	43,646,607	31,824,352
Total	\$ 44,396,607	\$ 32,574,352

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

The Authority's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

NOTE 4: INVESTMENTS

A. Custodial Credit Risk

For an investment, custodial credit risk is a risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or the 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 (Governmental Unit Deposit Protection Act).

B. Investment Interest Rate Risk

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

C. Investment Credit Risk

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

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2015 and 2014

NOTE 4: INVESTMENTS (continued)

C. Investment Credit Risk (continued)

- 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 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 I of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

As of March 31, 2015 and 2014, the Authority had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Rating</u>	<u>2015</u> <u>Fair Value</u>	<u>2014</u> <u>Fair Value</u>
Certificates of deposit	Various	N/A	\$12,653,000	\$7,843,000

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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Certificates of deposit	\$ <u>12,653,000</u>	\$ <u>7,843,000</u>
Total fair value of investments	\$ <u>12,653,000</u>	\$ <u>7,843,000</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2015 and 2014

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment as of March 31, 2015 and 2014 are as follows:

	<u>March 31, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>March 31, 2015</u>
Land and easements	\$ 4,569,018	\$ 21,879	\$ 1,482	\$ 4,589,415
Administration building and warehouse	6,748,735	210,747	-	6,959,482
Water production and distribution system	82,440,133	1,867,359	900,572	83,406,920
Sewer collection system	99,883,077	2,083,381	114,398	101,852,060
Meters	2,764,803	114,238	62,161	2,816,880
Reservoir	37,275,652	28,567	911	37,303,308
Construction in progress - other	6,763,010	3,038,887	5,366,452	4,435,445
Equipment	18,138,557	1,295,847	236,363	19,198,041
Vehicles	<u>2,627,337</u>	<u>568,396</u>	<u>388,548</u>	<u>2,807,185</u>
Subtotal	261,210,322	9,229,301	7,070,887	263,368,736
Less: accumulated depreciation	<u>167,645,070</u>	<u>6,418,619</u>	<u>1,225,036</u>	<u>172,838,653</u>
Property, plant and equipment, net	<u>\$ 93,565,252</u>	<u>\$ 2,810,682</u>	<u>\$ 5,845,851</u>	<u>\$ 90,530,083</u>

NOTE 6: SHORT TERM DEBT

On March 31, 2015 the Authority issued \$14,500,000 Project Bonds, Series 2015A to refund the outstanding \$7,590,000 Project Bonds, Series 2014A and to provide financing for capital projects including generator upgrades and water main replacement at the Garden State Parkway exit 91 intersection. The bond are payable at March 31, 2016 and have an interest rate of 1.25%.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2015 and 2014

NOTE 7: LONG-TERM DEBT

Bonds payable at March 31, 2014 and 2013 consist of the following:

	2015	2014
New Jersey Environmental Infrastructure Trust 2001 (W1506001-001), interest rate 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.	\$ 1,216,837	\$ 1,706,599
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.	623,689	1,112,996
New Jersey Environmental Infrastructure Trust 2001 (S340-488-04), interest rate 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.	472,614	541,920
New Jersey Environmental Infrastructure Fund 2001 (S340-488-04), interest rate of 0%, semi-annual maturity dates beginning February 1, 2003 and ending August 1, 2021.	377,675	447,410
New Jersey Environmental Infrastructure Trust 2002 (S340-488-04), interest rate 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.	2,202,360	2,371,564
New Jersey Environmental Infrastructure Fund 2002 (S340-488-04), interest rate of 0%, semi-annual maturity dates beginning February 1, 2006 and ending August 1, 2022.	1,809,402	2,064,653
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.	25,315,000	29,195,000

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2015 and 2014

NOTE 7: LONG-TERM DEBT (continued)

Bonds payable at March 31, 2014 and 2013 consist of the following:

	2015	2014
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.	\$ 435,000	\$ 455,000
New Jersey Environmental Infrastructure Trust 2010 (S340-488-07/08), interest rate of 0%, semi-annual maturity dates beginning August 1, 2010 and ending August 1, 2029. Interest payment dates are February 1 and August 1.	790,757	870,750
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.	12,770,000	13,815,000
Total long-term debt	46,013,334	52,580,892
Unamortized bond premium	1,746,154	1,764,289
Unamortized bond discount	(226,249)	(307,566)
Less: current portion	(6,480,187)	(6,597,305)
Bonds Payable, excluding current portion	\$ 41,053,052	\$ 47,440,310

2001 Series Bonds – New Jersey Environmental Infrastructure Trust

2001 (W15606001-001)

Description

On November 8, 2001, the Authority issued an \$18,006,813 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The “Fund” (Federal Funds) portion of the Bond Issue, \$8,946,813, was issued with no interest rate. The remaining Bonds mature semi-annually from August 1, 2011 through August 2020 at maturities ranging from \$3,148 to \$66,102. 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%.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2015 and 2014

NOTE 7: LONG-TERM DEBT (continued)

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

2001 (W15606001-001) (continued)

Description (continued)

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 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 a \$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. 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 rates ranging from 4.75% to 5.50%.

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.

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.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2015 and 2014

NOTE 7: LONG-TERM DEBT (continued)

2002 Series Bonds – New Jersey Environmental Infrastructure Trust

2002 (S340448-05/06)

Description

On November 7, 2002, the Authority also issued \$9,066,398 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The “Fund” (Federal Funds) portion of the Bond issue, \$4,085,366, was issued with no interest rate. The remaining Bonds mature semi-annually beginning February 1, 2006 through August 1, 2022 at maturities ranging from \$5,917 to \$248,338. 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%.

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 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 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 through December 1, 2027 and bear interest rates ranging from 4.00% to 5.00%.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Notes to Financial Statements (continued)

For the years ended March 31, 2015 and 2014

NOTE 7: LONG-TERM DEBT (continued)

2006 Bonds

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 maturity if less than all of such maturity is called for redemption, upon notice of redemption, at a redemption price equal to 100% of the principal amount of the 2006 Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption.

2010 Series Bonds – New Jersey Environmental Infrastructure Trust

2010 (S340-448-07/08)

Description

On March 4, 2010, the Authority issued \$2,088,200 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The “Fund” (Federal Funds) portion of the Bond Issue, \$1,573,200, was issued with no interest rate. The remaining Bonds mature semi-annually from August 1, 2011 through August 1, 2029 at maturities ranging from \$26,664 to \$53,329. 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%.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2015 and 2014

NOTE 7: LONG-TERM DEBT (continued)

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 through December 1, 2032 and bear interest rates ranging from 2.00% to 4.50%.

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.

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

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2015 and 2014

NOTE 7: LONG-TERM DEBT (continued)

2011 Bonds (continued)

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 the redemption price equal to 100% of the principal amount of Series 2011 Bonds to be redeemed, together with interest accrued thereon to date fixed for redemption.

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

Fiscal Year(s) Ending March 31,	Bond Principal	Interest	Total Debt Service
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	2,261,638	1,256,863	3,518,501
2020	2,346,805	1,169,523	3,516,328
2021-2025	10,407,633	4,468,783	14,876,416
2026-2030	9,790,000	2,580,144	12,370,144
2031-2033	6,805,000	563,212	7,368,212
Total	\$ <u>46,013,334</u>	\$ <u>14,860,880</u>	\$ <u>60,874,214</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2015 and 2014

NOTE 7: LONG-TERM DEBT (continued)

Changes in the outstanding debt for 2014 are as follows:

Issue	Balance Mar. 31, 2014	Issued	Paid	Balance Mar. 31, 2015
2001 NJEIT	\$ 989,330	\$ -	\$ 139,041	\$ 850,289
2001 NJEIT	2,819,595	-	979,069	1,840,526
2002 NJEIT	4,436,217	-	424,455	4,011,762
Series 2006	29,195,000	-	3,880,000	25,315,000
2010 NJEIT	1,325,750	-	99,993	1,225,757
Series 2011	13,815,000	-	1,045,000	12,770,000
	<u>\$ 52,580,892</u>	<u>\$ -</u>	<u>\$ 6,567,558</u>	<u>\$ 46,013,334</u>

NOTE 8: 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, 2015 and 2014, an amount of \$1,232,504 and \$1,101,564, respectively, has been provided to fully fund this potential liability.

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.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2015 and 2014

NOTE 9: PENSIONS (continued)

A. Plan Description (continued)

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

B. Vesting and Benefit Provisions

The vesting and benefit provisions of PERS are set by N.J.S.A.43:15A and 43.3B. Employees are eligible for benefits based upon their date of hire, number of weekly hours worked and annual salary. Vesting for pension benefits occurs after 10 years of service. Members are eligible for retirement at age 60 for Tier 1 and Tier 2 employees, at age 62 for Tier 3 and Tier 4 employees and at age 65 for Tier 5 employees with an annual benefit generally determined to be 1/55th of the final average salary for Tier 1, 2 and 3 employees and 1/60th of the final average salary for Tier 4 and Tier 5 employees multiplied by the number of years of service. Early retirement is available for 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 members and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 6.92%. 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.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2015 and 2014

NOTE 9: PENSIONS (continued)

D. Contribution Requirements (continued)

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

Year <u>Ending</u>	<u>Employees</u>	Authority Required <u>Amount</u>	Contribution <u>Percentage</u>
3/31/2015	\$530,669	\$951,674	100%
3/31/2014	\$495,488	\$888,136	100%
3/31/2013	\$515,117	\$889,529	100%

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 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 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 contribution to the plan for 2015 and 2014 are as follows:

	2015	2014
Annual Required Contribution (ARC)	\$ 1,442,957	\$ 4,089,505
Pay as You Go Cost (Existing Retirees)	(401,640)	(381,099)
Increase in Net OPEB obligation	1,041,317	3,708,406
Net OPEB obligation, beginning of year	19,385,934	15,677,528
Net OPEB obligation, end of year	\$ 20,427,251	\$ 19,385,934
Percentage of Annual OPEB Cost Contributed	27.8%	9.3%

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2015 and 2014

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (continued)

Funded Status and Funding Process – The funded status of the plan as of March 31, 2014 and 2013 are as follows:

	2015	2014
Actuarial Accrued Liability (AAL)	\$ 17,903,354	\$ 34,853,794
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 17,903,354	\$ 34,853,794
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.

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 are 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 \$25,749 per covered retiree for family coverage and \$14,912 for single coverage prior to age 65. For retirees age 65 and over we have utilized an annual average claims cost of approximately \$14,094 per covered retiree for family coverage and \$7,163 for single coverage. We assumed health care costs would increase annually at a rate of 5%.

The Brick Township Municipal Utilities Authority currently has twenty-five 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, 2015 was \$17,903,354.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2015 and 2014

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: 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.

On June 23, 2014 the Authority passed a resolution to enter into a shared services agreement with the Township of Brick for a thirty six percent beneficial ownership in a solar generated electrical system. The agreement calls for the Authority to pay the Township for fifteen years based upon a Purchased Power Agreement with the supplier. After fifteen years the Authority will have a thirty six percent beneficial ownership in the revenues and operating costs of the system. Total expected payments under the shared services agreement approximate \$2,500,000 for the first fifteen years. The Authority is unable to quantify the value of the future expected benefits under this agreement and has elected to expense costs under this agreement as incurred, net of any revenues received, from the sale of generated electricity. Costs began incurring in October of 2014 and total \$60,925 for the year ended March 31, 2015.

NOTE 13: RISK MANAGEMENT

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

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

NOTE 14: SUBSEQUENT EVENTS

In April, 2015 the Authority passed a resolution to transfer \$1,000,000 to the Township of Brick at their request pursuant to NJ Statutes.

The Authority has evaluated subsequent events occurring after March 31, 2015 through the date of September 28, 2015, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Revenue Bonds Outstanding
March 31, 2015

Schedule I

For the 12 Months Ended March 31,		<u>NJEIT 2001</u>	<u>NJEIT 2001</u>	<u>NJEIT 2002</u>	<u>Series 2006</u>	<u>NJEIT 2010</u>	<u>Series 2011</u>	<u>Total</u>
2016	\$	122,809	630,685	486,701	5,100,000	99,993	40,000	6,480,188
2017		127,488	287,190	497,963	4,695,000	99,993	45,000	5,752,634
2018		131,991	155,299	507,153	1,225,000	104,993	45,000	2,169,436
2019		136,261	167,034	523,350	1,285,000	104,993	45,000	2,261,638
2020		140,722	181,235	534,854	70,000	104,993	1,315,000	2,346,804
2021		110,989	196,670	546,125	1,400,000	104,993	40,000	2,398,777
2022		80,029	222,413	564,593	1,460,000	109,993	40,000	2,477,028
2023				351,024	1,510,000	109,993	40,000	2,011,017
2024					1,575,000	109,993	45,000	1,729,993
2025					1,645,000	100,818	45,000	1,790,818
2026					1,710,000	30,000	45,000	1,785,000
2027					1,785,000	35,000	50,000	1,870,000
2028					1,855,000	35,000	50,000	1,940,000
2029						35,000	2,020,000	2,055,000
2030						40,000	2,100,000	2,140,000
2031							2,180,000	2,180,000
2032							2,270,000	2,270,000
2033							2,355,000	2,355,000
Total	\$	<u>850,289</u>	<u>1,840,526</u>	<u>4,011,763</u>	<u>25,315,000</u>	<u>1,225,755</u>	<u>12,770,000</u>	<u>46,013,333</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY Schedule II
Operating Revenues
For the years ended March 31, 2015 and 2014

	<u>Total Amount</u>	<u>Water</u>		<u>Sewer</u>	
		<u>Number of Customers</u>	<u>Amount</u>	<u>Number of Customers</u>	<u>Amount</u>
For the year ended March 31, 2015:					
Annual service charges:					
Residential:					
Single-family	\$ 23,878,984	31,275	\$ 9,567,591	30,662	\$ 14,311,393
Multi-family	1,676,789	2,475	586,393	2,493	1,090,396
Commercial and industrial	3,413,891	1,723	1,448,156	1,680	1,965,735
Schools	247,028	23	114,017	20	133,011
Municipal	55,896	42	29,353	33	26,543
Lawn watering	1,623,178	4,311	1,623,178	-	-
Bulk – Point Pleasant Beach	948,331	-	948,331	-	-
Bulk – Other	465,734	-	415,587	15	50,147
Fire protection					
Public fire districts	666,126	4	666,126	-	-
Private	<u>402,277</u>	<u>194</u>	<u>402,277</u>	<u>-</u>	<u>-</u>
Total annual service charges	33,378,234	40,047	15,801,009	34,903	\$ 17,577,225
Initial service charges	752,380	-	344,799	-	407,581
Tap-ins, permits and other fees	472,372	-	372,721	-	99,651
Review and inspection fees	57,631	-	26,885	-	30,746
Interest on delinquent payments	180,831	-	90,416	-	90,415
Shared services income	76,988	-	38,494	-	38,494
Miscellaneous income	<u>486,656</u>	<u>-</u>	<u>243,328</u>	<u>-</u>	<u>243,328</u>
 Total operating revenues	 \$ <u>35,405,092</u>	 <u>40,047</u>	 \$ <u>16,917,652</u>	 <u>34,903</u>	 \$ <u>18,487,440</u>
For the year ended March 31, 2014:					
Annual service charges:					
Residential:					
Single-family	\$ 23,238,659	30,925	\$ 9,438,492	29,952	\$ 13,800,167
Multi-family	1,546,387	2,471	531,038	2,482	1,015,349
Commercial and industrial	3,004,849	1,718	1,300,276	1,668	1,704,573
Schools	220,492	23	108,077	20	112,415
Municipal	52,685	43	28,060	34	24,625
Lawn watering	1,556,755	4,237	1,556,755	-	-
Bulk – Point Pleasant Beach	894,752	-	894,752	-	-
Bulk – Other	285,742	-	248,426	14	37,316
Fire protection					
Public fire districts	665,291	4	665,261	-	-
Private	<u>385,486</u>	<u>190</u>	<u>385,486</u>	<u>-</u>	<u>-</u>
Total annual service charges	31,851,068	39,611	15,156,623	34,170	16,694,445
Initial service charges	761,898	-	322,579	-	439,319
Tap-ins, permits and other fees	438,109	-	320,413	-	117,696
Review and inspection fees	32,980	-	16,461	-	16,519
Interest on delinquent payments	161,767	-	80,884	-	80,883
Shared services income	15,837	-	7,919	-	7,918
Miscellaneous income	<u>384,377</u>	<u>-</u>	<u>192,076</u>	<u>-</u>	<u>192,301</u>
 Total operating revenues	 \$ <u>33,646,036</u>	 <u>39,611</u>	 \$ <u>16,096,955</u>	 <u>34,170</u>	 \$ <u>17,549,081</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Cost of Providing Services
For the years ended March 31, 2015 and 2014

Schedule III

	2014			2015		
	Total	Water	Sewer	Total	Water	Sewer
Treatment of sewerage by:						
Ocean County						
Utilities Authority	\$ 7,073,454	\$ -	\$ 7,073,454	\$ 7,279,415	\$ -	\$ 7,279,415
Toms River Municipal						
Utilities Authority	20,698	-	20,698	20,822	-	20,822
Operating labor	4,334,468	3,386,902	947,566	4,641,489	3,317,077	1,024,412
Employee benefits	2,160,286	1,642,907	517,379	2,279,975	1,710,462	569,513
Repairs and maintenance	329,816	218,614	111,202	379,136	257,522	121,614
Remediation/restoration expense	11,948	4,434	7,514	13,824	9,001	4,823
Vehicle expenses	111,743	44,165	67,578	128,220	51,706	76,514
Utilities	1,010,465	853,178	157,287	1,049,370	899,053	150,317
Other expenses:						
Supplies	187,337	165,242	22,095	231,463	193,761	37,702
Water quality testing	43,380	43,380	-	52,181	52,181	-
Chemicals	264,196	259,832	4,364	343,060	337,914	5,146
Information systems	39,323	39,323	-	39,549	39,549	-
Usage, fees, permits and licenses	68,516	68,308	208	64,665	64,565	100
Education, travel, exams and dues	19,416	15,233	4,183	22,534	19,390	3,144
Professional services	17,945	17,945	-	5,393	5,393	-
Other expenses	3,137	1,900	1,237	12,655	11,894	761
 Total cost of providing services	 \$ <u>15,696,128</u>	 \$ <u>6,761,363</u>	 \$ <u>8,934,765</u>	 \$ <u>16,563,751</u>	 \$ <u>7,269,468</u>	 \$ <u>9,294,283</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY Schedule IV
Administrative Expenses
For the years ended March 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Salaries	\$ 4,149,288	\$ 4,265,564
Employee benefits	2,332,682	2,349,425
Repairs and maintenance	33,488	31,508
Vehicles	20,571	18,859
Utilities	230,770	209,734
Supplies	87,545	84,476
Insurance	320,865	292,195
Information systems	95,426	132,455
Professional services	323,426	352,079
Postage	80,050	72,343
Usage, fees, permits, and licenses	4,896	1,414
Education, travel, exams, and dues	27,900	36,725
Other expenses	46,012	40,133
Shared services – solar	<u>60,925</u>	<u>-</u>
 Total administrative expenses	 \$ <u><u>7,813,844</u></u>	 \$ <u><u>7,886,910</u></u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Operating Revenues and Expenditures Funded by Operating Revenues,
Compared to Budget
For the Years Ended March 31, 2015 and 2014

Schedule V

	2015				2014			
	Original Budget	Final Budget	Actual	Excess/ (Deficit)	Original Budget	Final Budget	Actual	Excess/ (Deficit)
Operating revenues:								
Annual service charges	\$ 33,329,415	\$ 33,329,415	\$ 33,378,234	\$ 48,819	\$ 35,068,690	\$ 32,887,410	\$ 31,851,068	\$ (1,036,342)
Initial service charges	556,353	556,353	752,380	196,027	208,346	208,346	761,898	553,552
Tap-ins, permits and other fees	446,502	446,502	472,372	25,870	348,000	348,000	438,109	90,109
Review and inspection fees	20,000	20,000	57,631	37,631	24,000	24,000	32,980	8,980
Interest on delinquent accounts	167,000	167,000	180,831	13,831	210,000	210,000	161,767	(48,233)
Interest on Investments	101,000	101,000	155,587	54,587	133,000	133,000	126,147	(6,853)
Shared service income	20,000	20,000	76,988	56,988	10,000	10,000	15,837	5,837
Miscellaneous income	426,546	426,546	486,656	60,110	422,057	422,057	384,377	(37,680)
Total operating revenues	\$ <u>35,066,816</u>	\$ <u>35,066,816</u>	\$ <u>35,560,679</u>	\$ <u>493,863</u>	\$ <u>36,424,093</u>	\$ <u>34,242,813</u>	\$ <u>33,772,183</u>	\$ <u>(470,630)</u>
Expenses:								
Cost of providing services								
Payment to other authorities :								
Treatment of Sewerage	\$ 7,642,000	\$ 7,642,000	\$ 7,300,237	\$ 341,763	\$ 7,712,000	\$ 7,622,000	\$ 7,094,152	\$ 527,848
Operating labor	4,667,291	4,667,291	4,641,489	25,802	4,602,650	4,559,525	4,334,468	225,057
Employee benefits	2,441,057	2,441,057	2,279,975	161,082	2,476,132	2,441,999	2,160,286	281,713
Repairs and maintenance	406,250	406,250	379,136	27,114	434,700	434,700	329,816	104,884
Remediation/restoration expense	14,400	14,400	13,824	576	13,400	13,400	11,948	1,452
Vehicle expense	131,700	131,700	128,220	3,480	129,000	129,000	111,743	17,257
Utilities	1,297,689	1,297,689	1,049,370	248,319	1,200,096	1,230,480	1,010,465	220,015
Supplies	164,065	164,065	231,463	(67,398)	165,935	165,935	187,337	(21,402)
Water quality testing	40,760	40,760	52,181	(11,421)	41,000	46,760	43,380	3,380
Chemicals	407,500	407,500	343,060	64,440	501,500	501,500	264,196	237,304
Information systems	48,150	48,150	39,549	8,601	48,000	48,000	39,323	8,677
Usage fees and permits	64,830	64,830	64,665	165	70,950	70,950	68,516	2,434
Education, travel, exams, and dues	19,500	19,500	22,534	(3,034)	17,400	17,400	19,416	(2,016)
Professional services	20,000	20,000	5,393	14,607	20,000	20,000	17,945	2,055
Other	17,050	17,050	12,655	4,395	17,600	17,600	3,137	14,463
Total cost of providing services	\$ <u>17,382,242</u>	\$ <u>17,382,242</u>	\$ <u>16,563,751</u>	\$ <u>818,491</u>	\$ <u>17,450,363</u>	\$ <u>17,319,249</u>	\$ <u>15,696,128</u>	\$ <u>1,623,121</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Operating Revenues and Expenditures Funded by Operating Revenues,
Compared to Budget
For the Years Ended March 31, 2015 and 2014

Schedule V(Continued)

	2015				2014			
	Original Budget	Final Budget	Actual	Excess/ (Deficit)	Original Budget	Final Budget	Actual	Excess/ (Deficit)
Expenses (continued)								
Administrative expenses:								
Salaries	\$ 4,456,978	\$ 4,456,978	\$ 4,149,288	\$ 307,690	\$ 4,692,407	\$ 4,432,712	\$ 4,265,564	\$ 167,148
Employee benefits	2,534,812	2,534,812	2,332,682	202,130	2,624,677	2,513,490	2,349,425	164,065
Repairs and maintenance	61,700	61,700	33,488	28,212	67,650	66,200	31,508	34,692
Vehicle expenses	23,000	23,000	20,571	2,429	23,000	23,000	18,859	4,141
Utilities	260,682	260,682	230,770	29,912	231,521	239,118	209,734	29,384
Supplies	90,960	90,960	87,545	3,415	85,650	85,950	84,476	1,474
Insurance	315,120	315,120	320,865	(5,745)	295,293	295,293	292,195	3,098
Information systems	166,000	166,000	95,426	70,574	224,650	219,500	132,455	87,045
Professional services	458,100	458,100	323,426	134,674	559,900	568,300	352,079	216,221
Postage	100,000	100,000	80,050	19,950	100,000	100,000	72,343	27,657
Usage, fees, permits, and licenses	4,050	4,050	4,896	(846)	4,800	4,800	1,414	3,386
Education, travel, exams, and dues	54,915	54,915	27,900	27,015	66,205	65,105	36,725	28,380
Other expenses	54,851	54,851	46,012	8,839	97,400	96,400	40,133	56,267
Shared services - solar	-	-	60,925	(60,925)	-	-	-	-
Total administrative expense	<u>8,581,168</u>	<u>8,581,168</u>	<u>7,813,844</u>	<u>767,324</u>	<u>9,073,153</u>	<u>8,709,868</u>	<u>7,886,910</u>	<u>822,958</u>
Total operating expenses	<u>25,963,410</u>	<u>25,963,410</u>	<u>24,377,595</u>	<u>1,585,815</u>	<u>26,523,516</u>	<u>26,029,117</u>	<u>23,583,038</u>	<u>2,446,079</u>
Principal maturity	6,919,863	6,919,863	6,567,559	352,304	6,884,030	6,450,053	6,693,331	(243,278)
Interest expense	2,183,543	2,183,543	1,992,592	190,951	3,029,449	2,520,521	2,211,068	168,639
Total debt service	<u>9,103,406</u>	<u>9,103,406</u>	<u>8,560,151</u>	<u>543,255</u>	<u>9,913,479</u>	<u>8,970,574</u>	<u>8,904,399</u>	<u>168,639</u>
Total costs funded by operating activities	<u>35,066,816</u>	<u>35,066,816</u>	<u>32,937,746</u>	<u>2,129,070</u>	<u>36,436,995</u>	<u>34,999,691</u>	<u>32,487,437</u>	<u>2,614,718</u>
Excess/(deficit) of revenues over/(under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,622,933</u>	<u>\$ 2,622,933</u>	<u>\$ (12,902)</u>	<u>\$ (756,878)</u>	<u>\$ 1,284,746</u>	<u>\$ 2,144,088</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY Schedule V(Continued)
Operating Revenues and Expenditures Funded by Operating Revenues,
Compared to Budget
For the Years Ended March 31, 2015 and 2014

Reconciliation of budget results to net income

Budget results	\$ 2,622,933	\$ 1,284,746
Principal maturity	6,567,559	6,693,331
Grant revenue	157,208	56,137
Reservoir sponsorship and scrap fund	5,430	3,830
Contribution to Township of Brick	(1,000,000)	-
Depreciation expense	(6,418,619)	(6,409,198)
Change in OPEB obligation	(1,041,317)	(3,708,406)
Loss on disposal of assets	(296,759)	(243,566)
Amortization of debt issue costs	(218,063)	(128,001)
Amortization of loss on defeasance	<u>(122,808)</u>	<u>(122,808)</u>
Net income (loss)	<u>\$ 255,564</u>	<u>\$ (2,573,935)</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Insurance Coverage
March 31, 2015

Package Policy:	
Property and Inland Marine.....	\$150,000,000
Boiler and Machinery Systems Breakdown.....	150,000,000
Auto Fleet:	
Liability.....	10,000,000
Physical Damage.....	58,677,455
Public Officials' Liability.....	3,000,000
General Liability.....	10,000,000
Employment Practices Liability.....	3,000,000
Workers' Compensation.....	1,700,000
Public Officials Liability.....	3,000,000

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

COMMENTS AND RECOMMENDATIONS

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Comments and Recommendations
March 31, 2015

None.

Respectfully submitted,

Charles J. Fallon CPA RMA

Charles J. Fallon, CPA, RMA
Fallon & Larsen LLP