

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)

Financial Statements and Supplementary Schedules

For the years ended December 31, 2013 and 2012

(With Independent Auditor's Report thereon)

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)
Financial Statements and Supplementary Data
For the years ended December 31, 2013 and 2012

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TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
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HOLMAN | FRENIA
ALLISON, P.C.

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners of
Toms River Municipal Utilities Authority

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Toms River Municipal Utilities Authority as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-7 and 24-25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Toms River Municipal Utilities Authority's basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget 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 and State Aid* respectively, and is also 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. Such 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014 on our consideration of the Toms River Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Toms River Municipal Utilities Authority's internal control over financial reporting and compliance.

Other Matters

As discussed in Note 16 to the financial statements, the Authority did not properly identify expenditures of federal awards for the year ended December 31, 2013. The Authority has revised the accompanying Schedule of Findings and Questioned Costs to include Disaster Grants – Public Assistance and the New Jersey Environmental Infrastructure as major federal programs as of December 31, 2013 and performed additional audit testing as described in the “Auditor’s Responsibility” section above. The additional audit work was completed on March 14, 2015, which resulted in the dual-dating of our audit report.



HOLMAN FRENIA ALLISON, P.C.

Certified Public Accountants

March 28, 2014 except for as described in the “Other Matter” paragraph, as to which the date is March 14, 2015
Toms River, New Jersey



TOMS RIVER MUNICIPAL UTILITIES AUTHORITY

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Virginia Haines, Commissioner
Charles Valvano, Alternate Commissioner
Tariq Siddiqui, Alternate Commissioner
Stephen C. Acropolis, Executive Director

March 28, 2014

Board of Commissioners of
Toms River Municipal Utilities Authority
County of Ocean
Toms River, New Jersey 08753

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of Toms River Municipal Utilities Authority's (the Authority) financial activities for the fiscal years ended December 31, 2013 and 2012 and as compared to the prior year. It should be read in conjunction with the accompanying financial statements.

Financial Statements

The financial statements included in this report are the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows for the years ended December 31, 2013 and 2012.

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

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

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

Financial Analysis

The Authority, at December 31, 2013, has total assets of \$67,932,775 compared to \$66,448,537 at December 31, 2012. Total assets increased, primarily due to the NJEIT work completed and increase in property, plant and equipment that were funded by the Authority, less current year depreciation.

The Authority, at December 31, 2012, has total assets of \$66,448,537 compared to \$69,398,647 at December 31, 2011. Although total assets decreased, property, plant and equipment increased based on NJEIT work completed and Authority funded Capital Expenditures offset against the decrease attributed to NJEIT receivable based on the loans and current year depreciation.

The Authority's total liabilities of \$15,996,447 at December 31, 2013 increased \$3,694,020 from 2012. The increase is accounted for primarily by the increase in debt associated with the Community Disaster Loan, increase in deferred sewerage charges and a decrease in the Authority's debt associated with the NJEIT loans.

The Authority's total liabilities of \$12,302,427 at December 31, 2012 decreased \$1,834,562 from 2011. The decrease is accounted for primarily by the decrease in deferred sewerage charges due to Super Storm Sandy and a decrease in the Authority's debt associated with the NJEIT loans.

The Authority's net position decreased \$2,209,782 for the year ended December 31, 2013. This is a combination of depreciation, additional CDL debt, reduction in interest on investments offset against a credit from OCUA.

The Authority's net position decreased \$1,115,548 for the year ended December 31, 2012. This is a combination of depreciation, reduction in connection fees and delinquent charges offset against a credit from OCUA.

Condensed Financial Information

Key Authority Financial Information for the years 2013 and 2012 include the following balances:
Financial Position:

	<u>2013</u>	<u>2012</u>
ASSETS		
Current unrestricted assets	\$ 8,490,776	\$ 8,970,422
Current restricted assets	20,187,681	19,904,913
Capital assets, net	39,254,318	37,573,202
Total assets	<u>67,932,775</u>	<u>66,448,537</u>
LIABILITIES AND DEFERRED INFLOW OF RESOURCES		
Current unrestricted liabilities	3,274,075	1,595,222
Current restricted liabilities	2,082,407	1,941,132
Long-term liabilities	10,639,965	8,766,073
Total liabilities	<u>15,996,447</u>	<u>12,302,427</u>
NET POSITION		
Investments in capital assets, net of related debt	32,900,161	37,571,106
Unrestricted net position	19,036,167	16,575,004
Total net position	<u>\$ 51,936,328</u>	<u>\$ 54,146,110</u>

	<u>2013</u>	<u>2012</u>
Total revenues	\$ 17,225,773	\$ 18,642,609
Expenses	<u>(19,435,555)</u>	<u>(19,758,157)</u>
Net loss	<u>\$ (2,209,782)</u>	<u>\$ (1,115,548)</u>
Capital spending	\$ 4,028,910	\$ 7,394,952
Contributed by developers	-	20,060
Connection fees	315,172	219,226
Bonds paid down	494,474	489,474
Bonds payable, net	8,648,579	9,143,803

Key Authority Financial Information for the years 2012 and 2011 include the following balances:
Financial Position:

	<u>2012</u>	<u>2011</u>
ASSETS		
Current unrestricted assets	\$ 8,970,422	\$ 11,928,988
Current restricted assets	19,904,913	24,973,734
Capital assets, net	<u>37,573,202</u>	<u>32,495,925</u>
Total assets	<u>66,448,537</u>	<u>69,398,647</u>
LIABILITIES AND DEFERRED INFLOW OF RESOURCES		
Current unrestricted liabilities	1,595,222	2,920,378
Current restricted liabilities	1,941,132	1,942,469
Long-term liabilities	<u>8,766,073</u>	<u>9,274,142</u>
Total liabilities	<u>12,302,427</u>	<u>14,136,989</u>
NET POSITION		
Investments in capital assets, net of related debt	37,571,106	32,495,925
Unrestricted net position	<u>16,575,004</u>	<u>22,765,733</u>
Total net position	<u>\$ 54,146,110</u>	<u>\$ 55,261,658</u>

	<u>2012</u>	<u>2011</u>
Total revenues	\$ 18,642,609	\$ 19,156,568
Expenses	<u>(19,758,157)</u>	<u>(19,880,956)</u>
Net loss	<u>\$ (1,115,548)</u>	<u>\$ (724,388)</u>
Capital spending	\$ 7,394,952	\$ 2,012,129
Contributed by developers	20,060	212,292
Connection fees	219,226	411,758
Bonds paid down	489,474	484,474
Bonds payable, net	9,143,803	9,634,026

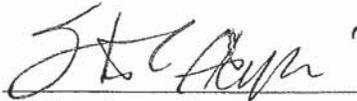
Authority revenues were \$850,499 over budget for 2013 and \$433,833 under budget 2012. For 2013, this was primarily due to funds received from FEMA due to storm related issues and a settlement from a law suit. Although sewer revenues and delinquent charges were favorable over budget, lower interest on investments was received.

Authority revenues were \$433,833 under budget for 2012 and \$627,496 over budget for 2011. For 2012, this was primarily due to fewer connection fees, delinquent charges and sewerage revenues.

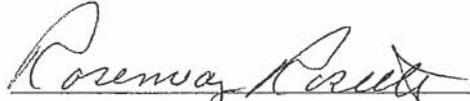
Due to Super Storm Sandy devastations the Authority was awarded \$4,679,306 through the Community Disaster Loan based on a 5 year estimate of loss revenue. At present the Authority received a disbursement of \$2,359,650 in October 2013.

The Authority's financial report is designed to provide users of the financial statements with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. The financial statements of the Authority are a matter of public record and may be examined at 340 West Water Street, Toms River, New Jersey during the Authority's business hours.

Respectfully Submitted,



Stephen Acropolis
Executive Director



Rosemary Rosetto
Controller

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)
Statements of Net Position
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current unrestricted assets:		
Cash	\$ 5,359,660	\$ 5,978,158
Accounts receivable	1,840,340	2,177,387
Inventory	176,449	112,961
Due from OCUA	1,090,066	673,139
Prepaid expenses	24,261	28,777
Total current unrestricted assets	8,490,776	8,970,422
Current restricted assets:		
Restricted cash and investments:		
Capital reserve:		
Cash	2,394,500	96,200
Rate stabilization:		
Cash	5,499,597	6,600,558
Investments	2,088,672	1,064,114
Interest receivable	1,508	528
System renovation:		
Cash	4,795,116	5,599,371
Investments	1,303,349	522,904
Interest receivable	1,023	1,183
Other restricted funds:		
Cash	1,559,494	1,421,241
Operating:		
Investments	250,000	-
Due from NJ Environmental Infrastructure Trust	2,294,422	4,598,814
Total current restricted assets	20,187,681	19,904,913
Property, plant and equipment	112,903,273	109,167,336
Less: accumulated depreciation	(73,648,955)	(71,594,134)
Property, plant and equipment, net	39,254,318	37,573,202
Total assets	\$ 67,932,775	\$ 66,448,537

The accompanying notes are an integral part of this statement.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)
Statements of Net Position (continued)
December 31, 2013 and 2012

	2013	2012
LIABILITIES		
Current unrestricted liabilities:		
Accounts payable	\$ 598,711	\$ 643,749
Accrued expenses	203,829	142,813
Deposits on connection fees	4,295	4,295
Total current unrestricted liabilities	806,835	790,857
Current restricted liabilities:		
Long-term debt, current portion	499,475	494,474
Accrued interest payable	39,323	41,302
Escrow performance bonds	1,479,150	1,340,661
Unemployment trust fund	64,459	64,695
Total restricted current liabilities	2,082,407	1,941,132
Long-term liabilities:		
Long-term debt, net of current portion	8,137,104	8,636,579
Community Disaster Loan	2,359,650	-
Reserve for compensated absences	131,211	116,744
Total long-term liabilities	10,627,965	8,753,323
Total liabilities	13,517,207	11,485,312
DEFERRED INFLOW OF RESOURCES		
Unearned sewerage charges	2,467,240	804,365
Long-term debt premium, net of accumulated amortization	12,000	12,750
Total deferred inflow of resources	2,479,240	817,115
NET POSITION		
Investments in capital assets, net of related debt	32,900,161	37,571,106
Unrestricted net position	19,036,167	16,575,004
Total net position	\$ 51,936,328	\$ 54,146,110

The accompanying notes are an integral part of this statement.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)
Statements of Revenues, Expenses and Changes in Net Position
For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Sewerage charges	\$ 15,617,434	\$ 17,470,952
Connection fees	315,172	219,226
Engineering and inspection fees	13,679	13,110
Delinquent charges	372,990	299,740
Miscellaneous	479,146	58,168
Total operating revenues	<u>16,798,421</u>	<u>18,061,196</u>
Operating expenses:		
Administrative expenses	1,999,671	1,904,426
Maintenance and treatment	14,127,063	14,500,390
Depreciation	2,347,225	2,337,736
Total operating expenses	<u>18,473,959</u>	<u>18,742,552</u>
Net loss from operations	<u>(1,675,538)</u>	<u>(681,356)</u>
Non-operating revenues (expenses):		
Investment income	76,462	112,438
Realized gain/(loss) on sale of investments	(1,298)	(14,545)
Unrealized gain/(loss) on investments	(112,622)	(22,808)
Interest expense	(96,396)	(101,000)
Transfer to the Township of Toms River (See Note 9)	(865,200)	(914,605)
Gain on disposal of fixed assets	40,690	48,282
Capital contributions	-	20,060
FEMA reimbursement	424,120	437,986
Total non-operating revenues (expenses)	<u>(534,244)</u>	<u>(434,192)</u>
Change in net position	(2,209,782)	(1,115,548)
Net position, January 1,	<u>54,146,110</u>	<u>55,261,658</u>
Net position, December 31,	<u>\$ 51,936,328</u>	<u>\$ 54,146,110</u>

The accompanying notes are an integral part of this statement.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)
Statements of Cash Flows
For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from service users	\$ 18,798,343	\$ 16,664,257
Cash paid to suppliers and employees	<u>(16,572,188)</u>	<u>(16,021,458)</u>
Net cash flows from operating activities	<u>2,226,155</u>	<u>642,799</u>
Cash flows from investing activities:		
Transfers from investments, net	(2,055,003)	1,317,951
Interest received	(38,278)	114,136
Acquisition and construction of fixed assets	(4,028,340)	(7,396,194)
Gain on disposal of fixed assets	40,690	48,282
Net cash flows from investing activities	<u>(6,080,931)</u>	<u>(5,915,825)</u>
Cash flows from financing activities:		
Payment to Township of Toms River	(865,200)	(914,605)
Proceeds from long-term debt	4,764,191	4,989,698
Repayment of debt	(494,474)	(489,474)
Interest paid	(98,375)	(101,000)
FEMA reimbursement	424,120	437,986
Net cash flows from investing activities	<u>3,730,262</u>	<u>3,922,605</u>
Change in cash	(124,514)	(1,350,421)
Unrestricted and restricted cash, January 1	<u>19,732,881</u>	<u>21,083,302</u>
Unrestricted and restricted cash, December 31	<u>\$ 19,608,367</u>	<u>\$ 19,732,881</u>
Reconciliation to Statements of Net Position:		
Current unrestricted assets:		
Cash	\$ 5,359,660	\$ 5,978,158
Current restricted assets:		
Cash	<u>14,248,707</u>	<u>13,717,370</u>
Unrestricted and restricted cash, December 31	<u>\$ 19,608,367</u>	<u>\$ 19,695,528</u>

The accompanying notes are an integral part of this statement.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)
Statements of Cash Flows (continued)
For the years ended December 31, 2013 and 2012

	2013	2012
Reconciliation of net income to cash flows		
from operating activities:		
Net loss from operations	\$ (1,675,538)	\$ (681,356)
Items which did not use cash:		
Depreciation	2,347,225	2,337,736
Working capital changes which provided (used) cash:		
Accounts receivable	337,047	292,286
Inventory	(63,488)	86,287
Due from OCUA	(416,927)	(42,779)
Prepaid expenses	4,516	(5,528)
Accounts payable	(45,038)	370,657
Contractor retainage payable	-	(5,845)
Accrued expenses	61,016	(6,588)
Deferred sewerage charges	1,662,875	(1,689,225)
Reserve for compensated absences	14,467	(12,846)
	\$ 2,226,155	\$ 642,799
Net cash flows from operating activities	\$ 2,226,155	\$ 642,799

The accompanying notes are an integral part of this statement.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)
Notes to Financial Statements
For the years ended December 31, 2013 and 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Creation of Authority

Dover Municipal Utilities Authority, originally named the Dover Sewerage Authority, was created under the Municipal Utilities Law constituting Chapter 143 of the Laws of the State of New Jersey of 1957 (Chapter 14-8, Title 40 of the revised statutes of the State of New Jersey) and was created by an ordinance of the Dover Township Committee on April 26, 1949.

On November 28, 2007, the Authority changed its name to “Toms River Municipal Utilities Authority”. The name change was done in conjunction with Dover Township, which had changed its name to the “Township of Toms River”.

B. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles applicable to enterprise funds of governmental units.

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 December 31, 2012.

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. Whereas the provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012, the Authority has implemented this Statement for the years ended December 31, 2013 and 2012.

C. Investments

Investments are carried at lower of cost or market plus accrued interest shown separately and consists of interest-bearing bank deposits, certificates of deposit and U.S. Government Securities.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Inventory

Inventory consists principally of parts and supplies utilized in maintaining the system and gasoline storage and is stated at lower of cost (determined on a first-in, first-out basis) or market.

E. Property, Plant and Equipment

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

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

<u>Category</u>	<u>Method</u>	<u>Estimated Useful Lives</u>
Furniture and fixtures	Straight-line	5-7 years
Equipment	Straight-line	3-10 years
Collection systems	Straight-line	40 years
Building, additions and improvements	Straight-line	10-40 years

F. Use of Estimates

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

G. Subsequent Events

The Authority has evaluated subsequent events occurring after December 31, 2013 through March 28, 2014, which is the date the financial statements were available to be issued.

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 December 31, 2013 and 2012, and reported at fair value are as follows:

<u>Carrying Type</u>	<u>2013</u> <u>Value</u>	<u>2012</u> <u>Value</u>
Deposits:		
Demand deposits	\$ 9,563,654	\$ 7,495,599
Money Market Funds	<u>10,294,713</u>	<u>12,199,929</u>
Total deposits	<u>\$ 19,858,367</u>	<u>\$ 19,695,528</u>

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NOTE 2: CASH AND CASH EQUIVALENTS (continued)

Reconciliation to Statements of Net Position:

Current unrestricted assets:		
Cash	\$ 5,359,660	\$ 5,978,158
Current restricted assets:		
Cash	<u>14,498,707</u>	<u>13,717,370</u>
Total current unrestricted and restricted assets	<u>\$ 19,858,367</u>	<u>\$ 19,695,528</u>

A. Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2013 and 2012, the Authority's bank balance of \$13,133,528 and \$19,829,416, respectively, was insured or collateralized as follows:

	<u>2013</u>	<u>2012</u>
Insured	\$ 750,000	\$ 250,000
Collateralized not in the Authority's name under GUDPA	<u>12,383,528</u>	<u>19,579,416</u>
Total	<u>\$ 13,133,528</u>	<u>\$ 19,829,416</u>

B. Restricted Cash and Investments

The Board approved Cash Management and Investment Policy that was adopted February 26, 2013, establishes the following restricted cash and investment accounts:

<u>Account</u>	<u>Amount</u>	<u>Use for which restricted</u>
System renovation	Amount designated by Board.	To pay for infrastructure repairs for the collection system.
Rate stabilization	Amount designated by Board.	To maintain stable sewer rates for customers.
Capital reserve	Varies annually.	To reserve for capital expenditures.

In addition to the above, the Authority has restricted accounts pertaining to performance on contracts, unemployment trust funds, and construction funds.

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.

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NOTE 3: INVESTMENTS (continued)

B. Investment Interest Rate Risk

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

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

<u>Investment</u>	<u>Maturities</u>	<u>Rating</u>	<u>2013</u> <u>Fair Value</u>	<u>2012</u> <u>Fair Value</u>
Collateralized Mortgage Obligations	12/16/30	N/A	\$ 3,392,020	\$ 1,587,018
Total General Fund			<u>\$ 3,392,020</u>	<u>\$ 1,587,018</u>

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NOTE 3: INVESTMENTS (continued)

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 December 31, 2013:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Collateralized mortgage obligations of US government agencies	\$ 3,460,335	\$ 3,392,021	\$ 1,542,711	\$ 1,587,018
Interest receivable	<u>2,531</u>	<u>2,531</u>	<u>1,712</u>	<u>1,712</u>
Total fair value of investments	<u>\$ 3,462,866</u>	<u>\$ 3,394,552</u>	<u>\$ 1,544,423</u>	<u>\$ 1,588,730</u>

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Accounts receivable – customers	\$ 1,772,717	\$ 2,099,949
Review and inspection fees	7,503	-
Other receivables	1,885	17,903
Other municipalities	<u>58,235</u>	<u>59,535</u>
Total	<u>\$ 1,840,340</u>	<u>\$ 2,177,387</u>

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Land and easements	\$ 1,779,650	\$ 1,779,650
Collection system – authority and grant funded	94,231,562	93,396,408
Administration buildings and improvements	2,434,451	2,442,539
Equipment	5,118,941	4,252,639
GIS deployed	295,493	295,493
Furniture and fixtures	535,500	487,673
Construction in progress–wetlands sewer main	13,418	13,418
NJEIT work in progress	8,230,617	6,372,016
Infrastructure study	127,500	127,500
Construction in progress	<u>136,141</u>	<u>-</u>
Total property, plant, and equipment	112,903,273	109,167,336
Less: accumulated depreciation	<u>(73,648,955)</u>	<u>(71,594,134)</u>
Net property, plant, and equipment	<u>\$ 39,254,318</u>	<u>\$ 37,573,202</u>

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NOTE 6: ACCRUED EXPENSES

Accrued expenses at December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Payroll	\$ 171,334	\$ 115,212
Payroll taxes	13,245	8,901
Professional fees	<u>19,250</u>	<u>18,700</u>
Total accrued expenses	<u>\$ 203,829</u>	<u>\$ 142,813</u>

NOTE 7: DEFERRED SEWERAGE CHARGES

The Authority's customers are billed in December for the following quarter beginning January 1st. Appropriately, customer payments received in December for the following quarter are included in the Authority's liabilities as deferred income and not recognized as revenue until the following year.

NOTE 8: OCUA CREDIT

The Authority makes quarterly estimated payments to the Ocean County Utilities Authority (OCUA) for the amount of sewerage that is discharged. At the end of the year, the OCUA is required to provide Toms River Municipal Utilities Authority with a "Deficiency Notification" in accordance with Articles V and IX of the Service Agreement. The credit or (deficiency) is computed by taking the actual flows for the year and comparing this number to the estimated flows. The Authority had a credit of \$1,090,066 and \$673,139 for 2013 and 2012, respectively. The credit is at a historical level because of the efficiency of the Toms River Municipal Utilities Authority in reducing the amount of groundwater entering the sewer system. This is due to the Authority's diligent rehabilitation efforts, locking manhole covers, pipe relining, and repairs and replacement.

NOTE 9: TRANSFER TO THE TOWNSHIP OF TOMS RIVER

On December 10, 2012, the Authority transferred \$914,605 from the Authority's reserves to the Township of Toms River, County of Ocean, State of New Jersey pursuant to N.J.S.A. 40A:4-35.1. This has been recorded in the statements of revenues, expenses and changes in net position as transfer to the Township of Toms River.

On December 2, 2013, the Authority transferred \$865,200 from the Authority's reserves to the Township of Toms River, County of Ocean, State of New Jersey pursuant to N.J.S.A. 40A:4-35.1. This has been recorded in the statements of revenues, expenses and changes in net position as transfer to the Township of Toms River.

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NOTE 10: LONG-TERM DEBT

During the fiscal year ended December 31, 2013 the following changes occurred in liabilities reported in Long-Term Debt:

	<u>Balance</u> <u>12/31/12</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>12/31/13</u>	<u>Due</u> <u>Within</u> <u>Year</u>
Compensated absences	\$ 116,744	\$ 14,467	\$ -	\$ 131,211	\$ -
Long-term debt premium	12,750	-	750	12,000	750
Loans payable	9,131,053	-	494,474	8,636,579	499,475
Total	<u>\$ 9,260,547</u>	<u>\$ 14,467</u>	<u>\$ 495,224</u>	<u>\$ 8,779,790</u>	<u>\$ 500,225</u>

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

	<u>2013</u>	<u>2012</u>
2010A NJEIT Fund Loans, bearing no interest, maturity dates February 1 from 2011 to 2029.	\$ 6,391,579	\$ 6,791,053
2010A NJEIT Trust Loans, bearing interest ranging from 3.00% to 5.00% per annum; maturity dates each February 1 from 2011 to 2029. Interest payable on February 1 and August 1 each year to maturity.	2,245,000	2,340,000
Less: current portion	<u>(499,475)</u>	<u>(494,474)</u>
	8,137,104	8,636,579
Unamortized bond premium/discount	<u>12,000</u>	<u>12,750</u>
	<u>\$ 8,149,104</u>	<u>\$ 8,649,329</u>

A. New Jersey Environmental Infrastructure Trust Series 2010A Loans Payable

On March 10, 2010, the Authority borrowed \$10,105,000 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The "Fund" (Federal Funds) portion of the Bond Issue, \$7,590,200, was issued with no interest rate. The remaining Bonds mature semi-annually from February 1, 2011 through August 1, 2029 at maturities ranging from \$133,158 to \$266,316.

The "Loan" (State Funds) portion of the Bond Issue, \$2,515,000, the remaining bonds mature annually from August 1, 2011 through 2029 at annual maturities ranging from \$85,000 to \$185,000 and bear interest at rates ranging from 3.00% to 5.00%.

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For the years ended December 31, 2013 and 2012

NOTE 10: LONG-TERM DEBT (continued)

A. New Jersey Environmental Infrastructure Trust Series 2010A Loans Payable (continued)

At December 31, 2013, the debt service requirements on the NJEIT Loans until maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 499,475	\$ 94,376	\$ 593,849
2015	504,474	89,375	593,849
2016	509,474	84,125	593,599
2017	514,474	78,625	593,099
2018	519,474	72,875	592,349
2019-2023	2,677,368	280,875	2,958,243
2024-2028	2,827,368	136,525	2,963,893
2029	<u>584,473</u>	<u>7,400</u>	<u>591,873</u>
Totals	<u>\$ 8,636,579</u>	<u>\$ 844,175</u>	<u>\$ 9,480,754</u>

NOTE 11: PENSION

A. Plan Description

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

B. Vesting and Benefit Provisions

The vesting and benefit provisions of PERS are set by *N.J.S.A.43:15A* and *43.3B*. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

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NOTE 11: PENSION (continued)

B. Vesting and Benefit Provisions (continued)

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Chapter 78, P.L. 2011 changed this for employees enrolled after June 28, 2011. See Note 12C below.

C. Significant Legislation

During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by ½ of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Authority's normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits; accordingly, the pension costs for PERS were reduced.

Legislation signed by the Acting Governor (Chapter 133, Public Laws 2001) changed the formula for calculating retirement benefits for all current and future non-veteran retirees from N/60 to N/55 (a 9.09% increase). This legislation, signed June 29, 2001, provides that all members of the PERS will have their pensions calculated on the basis of years of credit divided by 55. It also provides that all current retirees will have their original pension recalculated under the N/55 formula. Starting February 1, 2002, pension cost of living adjustments will be based on the new original pension.

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".

Chapter 78 also requires all covered employees to contribute a prescribed percentage towards their health costs.

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 provide 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.

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NOTE 12: SERVICE ORGANIZATION’S SOC 2 REQUIREMENT

The Authority utilizes United Water Inc. to provide consumption data of the Authority’s customers’ water usage. This data is used to bill the customers of the Authority, as sewer charges for commercial customers are based on the amount of water consumed. Service Organization Control (SOC) 2 requires the Authority to receive an internal control report from service organizations providing such services mentioned above.

The Authority has requested an internal control report from United Water Inc. but they have not provided the Authority with the report.

NOTE 13: INVESTMENT INCOME

For the years ended December 31, 2013 and 2012, investment income consisted of the following:

	<u>2013</u>	<u>2012</u>
Interest income	\$ 76,462	\$ 112,438
Loss on sale of investments	(1,298)	(14,545)
Net (decrease)/increase in the fair value of investment	<u>(112,622)</u>	<u>(22,808)</u>
Totals	<u>\$ (37,458)</u>	<u>\$ 75,085</u>

NOTE 14: POST-RETIREMENT HEALTH BENEFITS

A. Plan Description

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating entities, including the Authority. The Plans are cost-sharing, multiple employer-defined benefit plans.

As a result of implementing GASB Statement No. 43, Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans (“OPEB”), effective for fiscal year 2007, the State Health Benefits Program (“SHBP”) and the Prescription Drug Program (“PDP”) and Post-Retirement Medical (“PRM”) of the PERS and TPAF are combined and reported as Pension and Other Employee Benefit Trust funds in the State’s Comprehensive Annual Financial Report (“CAFR”). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Fund (Health Benefits Program Fund-State). The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as a separate Fund (Health Benefits Program Fund-Local) in the State’s CAFR.

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

B. Funding Status and Progress

P.L. 1987, c.384 and P.L. 1990, c.6 required the PERS to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2011, there were 93,323 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State and

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NOTE 14: POST-RETIREMENT HEALTH BENEFITS (continued)

B. Funding Status and Progress (continued)

participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

P.L. 1977, c.136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under two provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service. The State and participating local governments contributed \$144 million for 15,709 eligible retired members for fiscal year 2011.

PERS retirees are excluded from the provisions set forth in P.L. 1977, c.136 since their health benefits coverage is funded through each of their respective pension fund systems via an annual appropriation.

C. Funding Status and Progress

The State set in fiscal year 2008 the employer contribution rate based on the annual required contribution of the employers (“ARC”), an amount actuarially-determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years. The Authority’s contributions to the State Health Benefits Program Fund for post-retirement benefits for the years ended December 31, 2011, 2010, and 2009 were not available from the State of New Jersey, Division of Pension and Benefits.

NOTE 15: FEMA COMMUNITY DISASTER LOAN

The Jersey Shore sustained heavy damage from a coastal storm on October 29, 2012. Toms River Municipal Utilities Authority’s infrastructure was damaged and its customer base was reduced by approximately 20% while customers rebuild. The Authority has applied for a low interest FEMA Community Disaster Loan from the U.S. Federal Emergency Management Agency for \$4,679,306. This Community Disaster Loan can be used to replace revenue shortfalls. On October 29, 2013, Toms River Municipal Utilities Authority requested to draw down \$2,359,650 of these funds. The draw down was approved by FEMA on October 31, 2013.

Infrastructure damage from the storm was previously funded for renovation through the New Jersey Environmental Infrastructure Trust fund.

NOTE 16: JUSTIFICATION FOR RE-ISSUANCE

The Authority did not properly identify expenditures of federal awards for the year ended December 31, 2013. The Authority misclassified New Jersey Environmental Infrastructure Fund Grants totaling \$1,728,294 as expenditures of state financial assistance and did not report Disaster Grants – Public Assistance monies totaling \$424,120 on the schedule of expenditures of federal awards. These mistakes were identified subsequent to the issuance of the audit report dated March 28, 2014. The single audit section has been revised to properly reflect all federal and state expenditures.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenues and Costs Compared to Budget
For the year ended December 31, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Sewer	\$ 17,231,704	\$ 14,872,054	\$ 15,332,592	\$ 460,538
Connection fees	312,910	312,910	315,172	2,262
Other municipalities	270,500	270,500	284,842	14,342
Delinquencies	200,000	200,000	372,990	172,990
Interest on investments	195,000	195,000	76,462	(118,538)
Realized gain/(loss) on sale of investments	-	-	(1,298)	(1,298)
Unrealized gain/(loss) on investments	-	-	(112,622)	(112,622)
Engineering and inspection	10,000	10,000	13,679	3,679
Other non-operating revenue	50,000	2,409,650	2,838,796	429,146
	<u>18,270,114</u>	<u>18,270,114</u>	<u>19,120,613</u>	<u>850,499</u>
Costs:				
Administration	2,240,595	2,240,595	1,999,671	240,924
Maintenance of system	3,242,510	3,242,510	3,377,029	(134,519)
Treatment charges - OCUA	11,850,000	11,850,000	10,750,034	1,099,966
Debt service - interest	99,125	99,125	96,396	2,729
Debt service - principal	494,474	494,474	494,474	-
Refunds - connection fees	20,000	20,000	-	20,000
Municipality appropriation	865,200	865,200	865,200	-
Capital outlay (capitalized)	918,000	918,000	1,397,847	(479,847)
Rehabilitation project (capitalized)	1,735,000	3,835,000	772,462	3,062,538
NJ Environmental Infrastructure Trust funding	50,000	50,000	-	50,000
	<u>21,514,904</u>	<u>23,614,904</u>	<u>19,753,113</u>	<u>3,861,791</u>
Net variance	<u>\$ (3,244,790)</u>	<u>\$ (5,344,790)</u>	(632,500)	<u>\$ 4,712,290</u>
Plus:				
Capitalized fixed assets			2,170,309	
Principal maturity			494,474	
Non-operating revenues			464,810	
Less:				
Community Disaster Loan reported as debt			(2,359,650)	
Depreciation expense			<u>(2,347,225)</u>	
Change in net position			<u>\$ (2,209,782)</u>	

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenues and Costs Compared to Budget
For the year ended December 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Sewer	\$ 17,531,704	\$ 17,531,704	\$ 17,175,993	\$ (355,711)
Connection fees	312,910	312,910	219,226	(93,684)
Other municipalities	270,500	270,500	294,959	24,459
Delinquencies	200,000	200,000	299,740	99,740
Interest on investments	195,000	195,000	75,085	(119,915)
Engineering and inspection	10,000	10,000	13,110	3,110
Miscellaneous	50,000	50,000	58,168	8,168
	<u>18,570,114</u>	<u>18,570,114</u>	<u>18,136,281</u>	<u>(433,833)</u>
Total revenues				
Costs:				
Administration	2,113,027	2,113,027	1,904,426	208,601
Maintenance of system	3,089,590	3,089,590	2,945,229	144,361
Treatment charges - OCUA	12,600,000	12,600,000	11,555,161	1,044,839
Debt service - interest	103,625	103,625	101,000	2,625
Debt service - principal	489,474	489,474	489,474	-
Refund - connection fees	20,000	20,000	-	20,000
Municipality appropriation	914,605	914,605	914,605	-
Capital outlay (capitalized)	796,500	796,500	933,183	(136,683)
Rehabilitation project (capitalized)	1,075,000	1,075,000	838,041	236,959
NJ Environmental Infrastructure Trust funding	50,000	50,000	-	50,000
	<u>21,251,821</u>	<u>21,251,821</u>	<u>19,681,119</u>	<u>1,570,702</u>
Total costs				
	<u>\$ (2,681,707)</u>	<u>\$ (2,681,707)</u>	<u>(1,544,838)</u>	<u>\$ 1,136,869</u>
Net variance				
Plus:				
Capitalized fixed assets			1,771,224	
Principal maturity			489,474	
Non-operating revenues			506,328	
Less:				
Depreciation expense			<u>(2,337,736)</u>	
Change in net position			<u>\$ (1,115,548)</u>	



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

Board of Commissioners of the
Toms River Municipal Utilities Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Toms River Municipal Utilities Authority as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Toms River Municipal Utilities Authority's basic financial statements and have issued our report thereon dated March 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Toms River 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 Toms River Municipal Utilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Toms River 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 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 Toms River Municipal Utilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

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



HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

March 28, 2014
Toms River, New Jersey



HOLMAN | FRENIA
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04**

To the Board of Commissioners
Toms River Municipal Utilities Authority

Report on Compliance for Each Major Federal and State Program

We have audited Toms River Municipal Utilities Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the New Jersey OMB Circular 04-04 that could have a direct and material effect on each of Toms River Municipal Utilities Authority's major federal and state programs for the year ended December 31, 2013. Toms River Municipal Utilities Authority's major federal and state programs are identified in the summary of auditor's 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 Toms River 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB Circular 04-04 Single Audit Policy for Receipts of Federal Grants, State Grants and state Aid, respectively. 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 Toms River 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 Toms River Municipal Utilities Authority's compliance with those requirements.

Opinion on Each Major Federal and State Program

In our opinion, Toms River 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 December 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 OMB Circular 04-04.

Report on Internal Control Over Compliance

Management of Toms River 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 Toms River Municipal Utilities Authority's 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 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 Toms River Municipal Utilities Authority's 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 and 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 and state 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 New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

Other Matters

We revised the accompanying Schedule of Findings and Questioned Costs to include Disaster Grants – Public Assistance and the New Jersey Environmental Infrastructure as major federal programs as of December 31, 2013 and performed additional audit testing as described in the “Auditor’s Responsibility” section above. The additional audit work was completed on March 14, 2015, which resulted in the dual-dating of our audit report.



HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

March 28, 2014 except for as described in the “Other Matter” paragraph, as to which the date is March 14, 2015
Toms River, New Jersey

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Number	Total Award Amount	Award Period Covered	Balance as of 12/31/12	Cash Received	Budgetary Expenditures	Balance as of 12/31/13	Cumulative Total Expenditures
<u>State of New Jersey Department of Environmental Protection</u>									
New Jersey Environmental Infrastructure - Fund	66.458	N/A	\$ 7,590,000	2/1/2011-8/1/2029	-	\$ 1,728,294	\$ (1,728,294)	-	\$ 5,869,186
<u>State of New Jersey Department of Law and Public Safety</u>									
Disaster Grants - Public Assistance	97.036	N/A	\$ 424,120	1/1/13 - 12/31/13	-	424,120	(424,120)	-	424,120
<u>U.S. Department of Homeland Security</u>									
Community Disaster Loan	97.030	N/A	\$ 4,679,306	1/1/13 - 12/31/13	-	2,359,650	(2,359,650)	-	2,359,650
Total			\$ 4,512,064		-	\$ 4,512,064	\$ (4,512,064)	-	\$ 8,652,956

* Denotes major programs

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
Schedule of State Financial Assistance
For the year ended December 31, 2013

<u>State Grantor/ Program Title</u>	<u>Agency or Pass-Through Number</u>	<u>Award Amount</u>	<u>Award Period Covered</u>	<u>Balance as of 12/31/12</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Balance as of 12/31/13</u>
<u>State of New Jersey Department of Environmental Protection</u>							
New Jersey Environmental Infrastructure - Trust	*	\$ 2,530,000	2/1/2011-8/1/2029	\$ -	\$ 576,098	\$ (576,098)	\$ -
Total				\$ -	\$ 576,098	\$ (576,098)	\$ -

* Denotes major programs

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)
Notes to Schedules of Expenditures of Federal Awards
and State Financial Assistance
For the year ended December 31, 2013

Note 1: Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of Toms River Municipal Utilities Authority, and are presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 04-04*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of the basic financial statements. Because the accompanying schedules present only a selected portion of the operations of Toms River Municipal Utilities Authority, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Authority.

Note 2: Revision to the Schedule of Findings and Questioned Costs

Section I – Summary of Auditor’s Results of the accompanying Schedule of Findings and Questions Costs has been revised to reflect Disaster Grants – Public Assistance and the New Jersey Environmental Infrastructure, as major federal programs as of December 31, 2013.

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)
Schedule of Findings and Questioned Costs
For the year ended December 31, 2013

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
1) Material weakness(es) identified?	None Reported
2) Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to basic financial statements noted?	None Reported

Federal Awards

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No
Type of auditor’s report issued on compliance for major programs:	<u>Unmodified</u>
Internal Control over major programs:	
1) Material weakness(es) identified?	None Reported
2) Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Any audit findings disclosed that are required to be reported in accordance With Section .510(a) of Circular A-133?	None Reported

Identification of major programs

CFDA Number(s)	Name of Federal Program Cluster
97.030	Community Disaster Loan
97.036	Disaster Grants – Public Assistance
66.458	New Jersey Environmental Infrastructure – Fund

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)
Schedule of Findings and Questioned Costs (continued)
For the year ended December 31, 2013

State Awards

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No
Type of auditor’s report issued on compliance for major programs:	<u>Unmodified</u>
Internal Control over major programs:	
1) Material weakness(es) identified?	None Reported
2) Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Any audit findings disclosed that are required to be reported in accordance With Section .510(a) of Circular A-133?	None Reported

Identification of major programs

State Project Number	Name of State Program Cluster
S340145-01	New Jersey Environmental Infrastructure – Trust

Section II – Financial Statement Findings

This schedule identifies the significant deficiencies, 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 – Federal Expenditures and State Financial Assistance Findings and 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

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)
Summary Schedule of Prior Year Audit Findings and Questioned Costs
For the year ended December 31, 2013

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 Prior Year Findings

TOMS RIVER MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Toms River,
County of Ocean, State of New Jersey)
Board of Commissioners and Management
December 31, 2013

Joseph Bilotta	Chairman
Carmen Memoli	Vice Chairman
Juan Bellu	Commissioner
Deborah Clement	Commissioner
Virginia Haines	Commissioner
Tariq Siddiqui	Alternate Commissioner
Charles Valvano	Alternate Commissioner
Stephen Acropolis	Executive Director/Secretary/Treasurer
Rosemary Rosetto	Controller/Assistant Treasurer
Georgia Benyola	Assistant Secretary



To the Board of Commissioners
of the Toms River Municipal Utilities Authority

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

GENERAL COMMENTS AND RECOMMENDATIONS

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

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

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.

In as much as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. The results of our examination did not disclose any discrepancies.

The minutes indicate that bids were requested by public advertising and awarded by resolution for the following items: Articulated Wheel Loader, Generator and Automatic Transfer Switch for Pump Station #9, 4,000 Gallon Stainless Steel 316 Vacuum Unit, Lighting Upgrades of Office Facilities, Self-Propelled Easement Machine, Wood Chipper, and Pump Station Rehab Upgrades.

The minutes also 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 \$2,625 "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:

CC4 Boxes, Trimble GEO XH Unit GPS, CMD4000MS Repair and Various supplies and Phone Installation.

Examination of Bills

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

Payroll Fund

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

Property, Plant & Equipment

The property, plant and equipment subsidiary ledger was maintained properly and a reconciliation between the physical and perpetual inventory records was performed at year-end.

Inventory

The inventory ledger was maintained properly.

General Ledger

The general ledger was complete with the required journal entries.

Acknowledgment

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

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


HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

March 28, 2014
Toms River, New Jersey