

MONROE MUNICIPAL UTILITIES AUTHORITY
REPORT OF AUDIT
FOR THE FISCAL YEARS ENDED
JUNE 30, 2012 AND 2011

MONROE MUNICIPAL UTILITIES AUTHORITY
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MONROE MUNICIPAL UTILITIES AUTHORITY

Roster of Officials

June 30, 2012

MEMBERS

Michael Milam
Joseph P. DiLolle, Jr.
Hank Calloway
Nicholas Pileggi
Robert Simone
Domenic Mercurio

POSITION

Chairman
Vice-Chairman
Secretary
Treasurer
Assistant Treasurer
Alternate Board Member

OTHER OFFICIALS

Jerry G. Moore
Anne Marie Ryan
George P. Cossabone
Ralph J. Manfredi, Jr.
Charlene Denny
Patricia Gallagher
John W. Trimble, Jr., Esq.
Joseph F. Federici

POSITION

Executive Director, Assistant Secretary
Assistant Executive Director
Superintendent
Assistant Superintendent
Executive Assistant
Assistant Comptroller
Solicitor
Engineer

MONROE MUNICIPAL UTILITIES AUTHORITY
PART I
FINANCIAL SECTION
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

INDEPENDENT AUDITORS' REPORT

The Chairman and Members of
Monroe Municipal Utilities Authority
Williamstown, New Jersey

We have audited the accompanying statements of net assets of the Monroe Municipal Utilities Authority, in the County of Gloucester, State of New Jersey, a component unit of the Township of Monroe, as of June 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 requirements as prescribed by the Bureau of Authority Regulation, 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Monroe Municipal Utilities Authority, in the County of Gloucester, State of New Jersey as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2012 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress for the OPEB plan as listed in the table of contents 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Monroe Municipal Utilities Authority's basic financial statements as a whole. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 basic financial statements as a whole.

Respectfully submitted,


BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
November 13, 2012

**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 Chairman and Members of
Monroe Municipal Utilities Authority
Williamstown, New Jersey

We have audited the financial statements of the Monroe Municipal Utilities Authority, in the County of Gloucester, State of New Jersey, a component unit of the Township of Monroe, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 13, 2012. 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 requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Monroe 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 one instance of noncompliance that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey which is described in the accompanying Schedule of Findings and Recommendations as finding no.: 2012-1.

The Monroe Municipal Utilities Authority's response to the finding identified in our report is described in the accompanying Schedule of Findings and Recommendations. We did not audit the Monroe Municipal Utilities Authority's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management of the Authority, others within the Authority and the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
November 13, 2012

Management's Discussion and Analysis (MD&A)

FINANCIAL HIGHLIGHTS

Management believes the financial position of the Monroe Municipal Utilities Authority (the "Authority") to be strong. According to its bond covenants, the Authority is required to have 110% coverage on debt service. The Authority exceeded the required coverage for the fiscal year ending June 30, 2012.

Key financial highlights for the Authority's fiscal year 2012 were:

- The Authority generated investment income of \$27,318.31 during the current year as compared to \$55,819.68 in fiscal year 2011.
- Operating revenues for fiscal year 2012 were \$11,510,767.48 as compared to \$11,260,401.31 for fiscal year 2011.
- Operating expenses for fiscal year 2012 were \$9,708,338.71 as compared to \$9,287,766.83 for fiscal year 2011.
- Operating income for fiscal year 2012 was \$1,802,428.77 as compared to \$1,972,634.48 for fiscal year 2011.
- Change in Net Assets for fiscal year 2012 was \$729,167.28 as compared to \$1,413,122.58 for fiscal year 2011.
- At year-end, total assets were \$56,223,516.55, which exceeded liabilities of \$24,266,906.86. The resultant net assets at year-end were \$31,956,609.69.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information.

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The comparative statement of net assets includes all of the Authority's assets and liabilities. As the Authority follows the accrual method of accounting, the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. Net assets - the difference between the Authority's assets and liabilities - are a measure of the Authority's financial health or position.

The statement of revenues, expenses and changes in fund net assets provides a breakdown of the various areas of revenues and expenses encountered during the current year.

The statement of cash flows provides a breakdown of the various sources of cash flow, categorized into four areas: Cash flows from operating activities, non-capital financing activities, capital and related financing activities and investing activities.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

The Authority's total net assets were \$31,956,609.69 as of June 30, 2012. Total assets, total liabilities and total net assets are as follows:

	Comparative Statement of Net Assets As of June 30, 2012, 2011, and 2010		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets:			
Unrestricted assets	\$ 5,178,896.21	\$ 4,064,884.02	\$ 4,883,321.02
Restricted Assets	10,954,158.35	13,013,483.47	8,613,157.10
Capital Assets	39,726,289.08	39,645,491.33	37,731,355.68
Unamortized Bond Issue Costs	<u>364,172.91</u>	<u>396,521.95</u>	<u>384,143.65</u>
Total Assets	<u>56,223,516.55</u>	<u>57,120,380.77</u>	<u>51,611,977.45</u>
Liabilities:			
Current Liabilities	2,241,497.46	2,530,744.34	2,678,244.64
Long-term Liabilities	<u>22,025,409.40</u>	<u>23,362,194.02</u>	<u>19,119,412.98</u>
Total Liabilities	<u>24,266,906.86</u>	<u>25,892,938.36</u>	<u>21,797,657.62</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	21,951,563.82	21,729,800.78	19,886,000.81
Restricted	4,894,099.13	5,221,484.25	4,976,830.42
Unrestricted	<u>5,110,946.74</u>	<u>4,276,157.38</u>	<u>4,951,488.60</u>
Total Net Assets	<u>\$ 31,956,609.69</u>	<u>\$ 31,227,442.41</u>	<u>\$ 29,814,319.83</u>

For the current fiscal year, the Authority realized operating income of \$1,802,428.77, non-operating loss of \$1,083,944.64 and capital contributions of \$10,683.15, resulting in a change in net assets for the current year of \$729,167.28. Major components of this activity are detailed on the subsequent page.

Comparative Statements of Revenues, Expenses and Changes in Net Assets
For the Fiscal Years Ended June 30, 2012, 2011 and 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Revenues:			
Service Charges	\$ 9,886,386.63	\$ 9,962,609.91	\$ 9,254,926.67
Connection Fees	1,478,960.16	930,218.21	523,905.79
Other Operating Revenues:	<u>145,420.69</u>	<u>367,573.19</u>	<u>308,043.83</u>
	<u>11,510,767.48</u>	<u>11,260,401.31</u>	<u>10,086,876.29</u>
Operating Expenses:			
Administration:			
Salaries and Wages	735,588.90	717,627.88	677,108.39
Fringe Benefits	341,293.64	335,149.32	303,380.32
Other Expenses	<u>437,093.95</u>	<u>391,094.52</u>	<u>408,740.83</u>
Total Administration	<u>1,513,976.49</u>	<u>1,443,871.72</u>	<u>1,389,229.54</u>
Cost of Providing Services:			
Salaries and Wages	1,705,290.80	1,663,382.13	1,571,315.40
Fringe Benefits	796,351.82	782,015.09	707,887.40
Other Expenses	<u>4,316,496.60</u>	<u>4,349,513.89</u>	<u>4,273,749.49</u>
Total Cost of Providing Services	<u>6,818,139.22</u>	<u>6,794,911.11</u>	<u>6,552,952.29</u>
Net OPEB Cost (GASB 45 Accrual)	60,791.00	59,911.00	54,445.00
Depreciation	<u>1,315,432.00</u>	<u>989,073.00</u>	<u>1,162,275.00</u>
Total Operating Expenses	<u>9,708,338.71</u>	<u>9,287,766.83</u>	<u>9,158,901.83</u>
Operating Income	1,802,428.77	1,972,634.48	927,974.46
Non-operating Revenue (Expenses)	<u>(1,083,944.64)</u>	<u>(1,100,528.90)</u>	<u>(903,913.57)</u>
Net Income/(Loss) Before Contributions	718,484.13	872,105.58	24,060.89
Capital Contributions	<u>10,683.15</u>	<u>541,017.00</u>	<u>354.88</u>
Increase/(Decrease) in Net Assets	<u>729,167.28</u>	<u>1,413,122.58</u>	<u>24,415.77</u>
Net Assets July 1	<u>31,227,442.41</u>	<u>29,814,319.83</u>	<u>29,789,904.06</u>
Net Assets June 30	<u>\$ 31,956,609.69</u>	<u>\$ 31,227,442.41</u>	<u>\$ 29,814,319.83</u>

OVERALL ANALYSIS

The Authority's financial position remains strong, although for the third consecutive period, it has not realized its budgeted excess water revenues. However, the Authority realized \$1,478,960.16 in connection fees, and as a result, the Authority was able to meet the debt service requirements in the current period.

The Authority experienced no decrease in the number or overall mix of its residential, commercial, public and industrial customer billing base. The rate structure is stable.

Connection fee revenue in the current year was \$1,478,960.16. Developers pay connection fees upon submittal of plans to connect residential developments, commercial properties, etc. into the Authority's water and/or sewer systems. The Authority recognizes these payments as revenue on the date payment is received.

Overall, the Authority believes its financial position has remained stable in the current year. Net Assets has increased by \$729,167.28 to \$31,956,609.69. Unrestricted Net Assets increased by \$834,789.36 to \$5,110,946.74. Looking forward, significant advancements have been made in the areas of collections and fixed assets. The Authority continues to be a desirable location for residential and commercial development. The composition of the ratepayer base is well diversified. The residential and public sectors, the most stable when considering the volatility of a billing base, comprise approximately 95% of the Authority's customers. There is no particular emphasis or imbalance in the type of business enterprises within the commercial sector. Industrial users exist, but do not comprise a major portion of the Authority's billing base.

BUDGET VARIANCES

The Authority Fiscal 2012 projected revenues for the sewer utility and water utility were collected and were sufficient to satisfy all fiscal 2012 operating and non-operating expenditures.

Budgeted sewer revenues in the amount of \$6,032,383.00 exceeded actual sewer revenues of \$5,956,004.34 by \$76,378.66 primarily due to connection fees collections being less than the amount anticipated.

Actual sewer budgetary expenditures of \$5,669,232.15 were less than the adopted budget of \$6,032,383.00 by \$363,150.85. Individual appropriation budget variances are detailed in Schedule 2.

Budgeted water revenues in the amount of \$5,368,184.00.00 were exceeded by actual water revenues of \$5,582,081.45 by \$213,897.45, due to larger than anticipated collections of water connection fees.

Actual water budgetary expenditures of \$4,984,287.06 were less than the adopted budget of \$5,368,184.00 by \$383,896.94. Individual appropriation budget variances are detailed in Schedule 3.

CAPITAL ASSET AND LONG-TERM ACTIVITY

The Authority continues to maintain a proactive maintenance philosophy for its capital facilities. The Authority has thirteen ongoing capital projects, five funded through the Renewal and Replacement Fund and eight funded through the Construction Fund. The capital program for the water and sewer funds can be found with the adopted budget for the fiscal year along with the analysis of the infrastructure and equipment considered for proper operation of the water and wastewater systems.

During the current year, the Authority invested an additional \$1,396,229.75 for capital assets. The more significant increases were due to additional construction in progress.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Monroe's citizens and our customers, clients, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have questions about this report or need additional financial information, contact the Executive Director, Monroe Municipal Utilities Authority, 372 South Main Street, Williamstown, NJ 08094.

BASIC FINANCIAL STATEMENTS

MONROE MUNICIPAL UTILITIES AUTHORITY
Comparative Statements of Net Assets
As of June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 4,421,333.09	\$ 3,398,248.12
Consumer Accounts Receivable	552,097.54	478,075.96
Inventory	105,982.12	105,982.12
Prepaid Expenses	<u>99,483.46</u>	<u>82,577.82</u>
Total Unrestricted Assets	<u>5,178,896.21</u>	<u>4,064,884.02</u>
Restricted Assets:		
Cash and Cash Equivalents	10,871,258.41	12,700,230.77
Due from State of New Jersey	<u>82,899.94</u>	<u>313,252.70</u>
Total Restricted Assets	<u>10,954,158.35</u>	<u>13,013,483.47</u>
Total Current Assets	<u>16,133,054.56</u>	<u>17,078,367.49</u>
Noncurrent Assets:		
Property, Plant and Equipment:		
Completed (Net of Accumulated Depreciation)	36,683,410.37	34,802,577.96
Construction in Progress	<u>3,042,878.71</u>	<u>4,842,913.37</u>
Total Property, Plant and Equipment	<u>39,726,289.08</u>	<u>39,645,491.33</u>
Other Assets:		
Unamortized Bond Issuance Costs	<u>364,172.91</u>	<u>396,521.95</u>
Total Non-Current Assets	<u>40,090,461.99</u>	<u>40,042,013.28</u>
	<u>\$ 56,223,516.55</u>	<u>\$ 57,120,380.77</u>

(Continued)

MONROE MUNICIPAL UTILITIES AUTHORITY
Comparative Statements of Net Assets
As of June 30, 2012 and 2011

	2012	2011
<u>LIABILITIES</u>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable - Operations	\$ 128,630.37	\$ 261,906.48
Payroll Deductions Payable	48,218.55	36,339.47
Other Reserves	309.35	309.01
Developer Escrow Deposits	66,129.80	133,125.64
	<u>243,288.07</u>	<u>431,680.60</u>
Total Current Liabilities Payable from Unrestricted Assets		
Current Liabilities Payable from Restricted Assets:		
Revenue Bonds Payable - Current Portion	1,420,000.00	1,370,000.00
Accrued Interest Payable	449,730.00	474,242.50
Contracts Payable	47,718.00	143,233.44
Retained Percentage Due Contractor	-	32,590.54
Deferred Assessment Revenues	80,761.39	78,997.26
	<u>1,998,209.39</u>	<u>2,099,063.74</u>
Total Current Liabilities Payable from Restricted Assets		
Long-term Liabilities:		
Revenue Bonds Payable	21,697,593.82	23,116,315.27
Net OPEB Obligation	224,742.00	163,951.00
Accrued Compensated Absences	103,073.58	81,927.75
	<u>22,025,409.40</u>	<u>23,362,194.02</u>
Total Long-term Liabilities		
Total Liabilities	<u>24,266,906.86</u>	<u>25,892,938.36</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	21,951,563.82	21,729,800.78
Restricted:		
Bond Resolution Covenants	4,894,099.13	5,221,484.25
Unrestricted	5,110,946.74	4,276,157.38
	<u>31,956,609.69</u>	<u>31,227,442.41</u>
Total Net Assets	<u>\$ 31,956,609.69</u>	<u>\$ 31,227,442.41</u>

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

MONROE MUNICIPAL UTILITIES AUTHORITY
 Comparative Statements of Revenue, Expenses and Changes in Net Assets
 For the Fiscal Years Ended June 30, 2012 and 2011

	2012	2011
Operating Revenues:		
Service Charges	\$ 9,886,386.63	\$ 9,962,609.91
Connection Fees	1,478,960.16	930,218.21
Other Operating Revenues	145,420.69	367,573.19
Total Operating Revenues	<u>11,510,767.48</u>	<u>11,260,401.31</u>
Operating Expenses:		
Administration:		
Salaries and Wages	735,588.90	717,627.88
Fringe Benefits	341,293.64	335,149.32
Other Expenses	437,093.95	391,094.52
Cost of Providing Service:		
Salaries and Wages	1,705,290.80	1,663,382.13
Fringe Benefits	796,351.82	782,015.09
Other Expenses	4,316,496.60	4,349,513.89
Net OPEB Cost (GASB 45 Accrual)	60,791.00	59,911.00
Depreciation	1,315,432.00	989,073.00
Total Operating Expenses	<u>9,708,338.71</u>	<u>9,287,766.83</u>
Operating Income	<u>1,802,428.77</u>	<u>1,972,634.48</u>
Non-operating Revenue (Expenses):		
Investment Income	27,318.31	55,819.68
Interest Expense	(900,738.59)	(921,459.98)
Other Non-Operating	-	(7,315.00)
Amortization of Debt Issue Costs	(32,349.04)	(53,165.41)
Loss on Disposal of Fixed Assets	-	(5,165.00)
Loss on Early Extinguishment of Debt	-	(42,991.11)
NJDEP Spill Fund Adjustment	-	3,631.00
Major Repairs and Other Expenses	(22,184.64)	(11,948.74)
Cancel NJDEP Receivables	(155,990.68)	(117,934.34)
Total Non-operating Revenue (Expenses)	<u>(1,083,944.64)</u>	<u>(1,100,528.90)</u>
Net Income Before Capital Contributions	718,484.13	872,105.58
Capital Contributions	<u>10,683.15</u>	<u>541,017.00</u>
Change in Net Assets	729,167.28	1,413,122.58
Net Assets July 1	<u>31,227,442.41</u>	<u>29,814,319.83</u>
Net Assets June 30	<u>\$ 31,956,609.69</u>	<u>\$ 31,227,442.41</u>

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

MONROE MUNICIPAL UTILITIES AUTHORITY
Comparative Statements of Cash Flows
For the Fiscal Years Ended June 30, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 11,436,745.90	\$ 11,220,597.59
Payments to Suppliers	(6,308,245.26)	(6,113,400.21)
Payments to Employees	(2,407,854.79)	(2,485,640.89)
Other Operating Receipts	199,832.00	317,659.30
Net Cash Provided by Operating Activities	<u>2,920,477.85</u>	<u>2,939,215.79</u>
Cash Flows from Noncapital Financing Activities:		
Deferred Assessment Revenues	1,764.13	3,021.32
Deferred Connection Fees	-	(1,200.00)
Net Cash Provided by Noncapital Financing Activities	<u>1,764.13</u>	<u>1,821.32</u>
Cash Flows from Capital and Related Financing Activities:		
Received from NJDEP	-	3,631.00
Capital Acquisitions	(1,461,475.18)	(2,290,527.95)
Bond Principal	(1,370,000.00)	(2,815,000.00)
Loan Principal	-	(80,712.50)
Interest Expense	(923,972.50)	(846,990.12)
Bond Proceeds	-	11,755,000.00
Bond Issue Costs	-	(158,275.99)
Premium on Bonds	-	307,107.30
Transferred to Bond Defeasance Account	-	(5,275,780.31)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(3,755,447.68)</u>	<u>598,451.43</u>
Cash Flows from Investing Activities:		
Interest on Investments	27,318.31	55,819.68
Net Cash Provided by Investing Activities	<u>27,318.31</u>	<u>55,819.68</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(805,887.39)	3,595,308.22
Cash and Cash Equivalents -- July 1	16,098,478.89	12,503,170.67
Cash and Cash Equivalents -- June 30	<u>\$ 15,292,591.50</u>	<u>\$ 16,098,478.89</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 1,802,428.77	\$ 1,972,634.48
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	1,315,432.00	989,073.00
Change in Assets and Liabilities:		
Change in Consumer Accounts Receivable	(74,021.58)	(39,803.72)
Change in Inventory	-	(789.45)
Change in Prepaid Expenses	(16,905.64)	(63,922.32)
Change in Accounts Payable - Operations	(133,276.11)	142,202.97
Change in Payroll Deductions Payable	11,879.08	10,472.48
Change in Accrued Liabilities	81,936.83	(55,192.36)
Change in Other Reserves	0.34	0.49
Change in Developers' Escrow Deposits	(66,995.84)	(15,459.78)
Net Cash Provided from Operating Activities	<u>\$ 2,920,477.85</u>	<u>\$ 2,939,215.79</u>

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

MONROE MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Monroe Municipal Utilities Authority (the "Authority") is a public body corporate and politic of the State of New Jersey and was originally created by an ordinance adopted on September 26, 1957 by the governing body of the Township of Monroe (the "Township"). By Ordinance of the governing body of the Township adopted May 8, 1959, the Authority was reorganized as a municipal utilities authority pursuant to the Municipal and County Utilities Authorities Law.

The Authority provides water distribution and sewerage collection services to substantially all the area constituting the Township. The Authority commenced operations in 1960 and since then has undertaken various construction projects to upgrade and expand the system.

The Authority consists of five members and one alternate, who are appointed by resolution of the Township Council for five-year terms. The daily operations of the Authority are managed by the Executive Director.

Component Unit

The Authority is a component unit of the Township as described in Governmental Accounting Standards Board Statement No. 14 because of a service agreement (See Note 2—Debt Service Coverage) between the Authority and the Township. These financial statements would be either blended or discreetly presented as part of the Township's financial statements if the Township reported using generally accepted accounting principles applicable to governmental entities.

Basis of Presentation

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

The transactions of the Authority are divided into two separate activities (water and sewer) within the enterprise fund type. Each activity is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenditures.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues -- Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Water and sewer service charges are recognized as revenue when services are provided. Connection fees are recognized when fees are received by the Authority.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Expenses / Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Governmental Accounting Standards Board - Statement No. 20

The Authority is required to follow all statements of the GASB. GASB Statement No. 20 was issued to give guidance in determining Generally Accepted accounting principles generally accepted in the United States of America for governmental proprietary funds. It provides that all proprietary fund activities follow all Financial Accounting Standards Board ("FASB") Statements issued prior to November 30, 1989, unless they conflict with GASB standards. It also provides that the governmental unit must elect whether to follow FASB Statements issued after that date.

The Authority has elected not to follow any FASB pronouncements issued after November 30, 1989.

Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense, amortization of bond issue costs, bond discounts, deferred loss on defeasance and the annual required contribution for the Authority's OPEB Plan are not included in the budget appropriations.

The legal level of budgetary control is established at the detail shown on the Statement of Revenues, Expenses and Changes in Net Assets. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The Authority adopted an amended budget resolution during the year.

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Cash, Cash Equivalents and Investments**

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governments are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey governments.

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. The Act was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include State or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

Inventory

Inventory recorded in the financial statements consists primarily of water meters, piping, and fittings, which are valued at cost. The Authority has determined that any water and sewer treatment chemicals that are on hand are immaterial, and therefore, not included in the financial statements.

Property, Plant and Equipment

Property, Plant, and Equipment primarily consists of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased prior to June 30, 1992 are stated at estimated cost. Assets purchased since are stated at actual cost. Assets contributed by developers are valued at estimated fair market value as of the date of contribution.

Costs incurred are recorded as construction in progress. In the year that the project is completed, these costs are transferred to Property, Plant and Equipment - Completed. Interest costs incurred during construction are not capitalized into the cost of the asset.

Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$2,500.00 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Depreciation**

Depreciation is provided using the straight-line method over the following estimated useful life of the assets:

	<u>Years</u>
Major Moveable Equipment	5-20
Vehicles	8
Buildings and Infrastructure	40

Depreciation is taken starting the month after the asset is placed in service.

Debt Issuance Costs, Bond Discount, Bond Premium and Deferred Loss on Refunding

Debt issuance costs, bond discount, bond premium and deferred loss on refunding arising from the issuance of revenue bonds are deferred and amortized by the straight-line method from the issue date to maturity. Bond discount, bond premium and deferred loss on refunding are presented as an adjustment of the face amount on the bonds payable whereas issuance costs are recorded as other assets.

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

Net Assets

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", the Authority has classified its net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in Capital Assets, net of Related Debt - This component of net assets consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted - This component of net assets consists of external constraints imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restricts the use of net assets.

Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." This component includes net assets that may be allocated for specific purposes by the Board.

Income Taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Operating and Non-Operating Revenues and Expenses**

Operating revenues include all revenues derived from water and sewer service charges and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in debt securities.

Operating expenses include expenses associated with the operation, maintenance and repair of the water and sewer systems and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt and major non-recurring repairs.

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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**Compliance with finance related legal and contractual provisions**

The Authority has no material violations of finance related legal and contractual provisions.

General Bond Resolution

The Authority is subject to the provisions and restrictions of the General Bond Resolution adopted June 24, 1987, as amended. As required by the Resolution, certain cash accounts and investments of the Authority are maintained by an independent trustee, accounted for in various accounts and segregated for specific use and for the security of the bondholders. A summary of the activities of each account created by the Bond Resolution is as follows:

Revenue Account - All money collected by the Authority for service charges or from any other source for operating, maintaining or repairing the system is deposited in this account. The Trustee, on the first day of each month, shall make payments into the other accounts to satisfy bond resolution or operating requirements.

Operating Account - The balance on deposit must be equal to at least two months of the annual appropriation for operating expenses. At June 30, 2012, the balance in the operating account meets the requirements of the Bond Resolution.

Debt Service Account - The balance on deposit must be sufficient to enable the Trustee to withdraw amounts equal to interest due on bonds, principal amount maturing on bonds and sinking fund installments when such payments are required. At June 30, 2012, the balance in the debt service account meets the requirements of the Bond Resolution.

Debt Reserve Account - The amount of funds on deposit varies by revenue bond series and must be maintained to insure that funds are available for payment of Debt Service. At June 30, 2012, the balance in the debt service reserve account meets the requirements of the various Bond Resolutions.

Renewal and Replacement Account - These funds are maintained for reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually. At June 30, 2012, the balance in the renewal and replacement account meets the requirements of the Bond Resolution of \$1,000,000.00.

Construction Account - These funds are held by the Trustee and used to pay for the cost of the 2007 and 2010 projects and are pledged, pending application to such costs, for the security of the payment of principal and interest on the Revenue Bonds.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)**General Bond Resolution (Cont'd)**

General Account - All excess funds of the Authority are recorded in the General Account. If the Authority is not in default in the payment of bond principal or interest and all fund requirements are satisfied, the Authority may use the excess funds for any lawful purpose.

Rebate Account – An account established to maintain excess investment earnings per the annual rebate calculation on the Series 2001 Bonds, Series 2004, Series 2007, and Series 2010 Bonds.

Debt Service Coverage

The computation of sufficiency of revenues for the years ended June 30, 2012 and 2011 as defined by the Utility System Revenue Bond Resolution as follows:

	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Utility Service Charges	\$ 9,886,386.63	\$ 9,962,609.91
Connection Fees	1,478,960.16	930,218.21
Investments and Miscellaneous Income	<u>172,739.00</u>	<u>423,392.87</u>
	11,538,085.79	11,316,220.99
Operating Expenses:		
Operating Expenses and Capital Outlay	<u>8,332,115.71</u>	<u>8,238,782.83</u>
	3,205,970.08	3,077,438.16
110% on Next Succeeding Bond Year's Annual Debt Service Requirement	<u>2,526,492.38</u>	<u>2,523,369.75</u>
Excess (Deficit) of Revenues	<u>\$ 679,477.70</u>	<u>\$ 554,068.41</u>

In conjunction with the aforementioned Utility System Revenue Bond Resolution, the Authority has entered into a service agreement with the Township. The Township has agreed to advance to the Authority sufficient monies to eliminate any deficiency in the Authority's revenues required for its operation and administrative expenses, including certain debt service requirements, and to meet its debt service coverage requirements. Any monies advanced in accordance with this agreement would be refunded at such time as the Authority deems appropriate.

Note 3: DETAIL NOTES - ASSETS**Cash and Cash Equivalents**

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below.

Note 3: DETAIL NOTES - ASSETS (CONT'D)**Cash and Cash Equivalents (Cont'd)**

As of June 30, 2012 and 2011, the Authority's bank balances of \$15,361,785.62 and \$16,124,026.29 were exposed to custodial credit risk as follows:

	<u>2012</u>	<u>2011</u>
Insured	\$ 816,499.65	\$ 842,540.14
Collateralized under GUDPA	<u>14,545,285.97</u>	<u>15,281,486.15</u>
	<u>\$ 15,361,785.62</u>	<u>\$ 16,124,026.29</u>

Service Fees

The following is a three-year comparison of service charge billings and collections for all types of accounts maintained by the Authority:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Billings</u>	<u>Total Collections</u>	<u>Percentage of Collections</u>
2012	\$ 478,075.96	\$ 9,986,731.08	\$ 9,912,709.50	94.72%
2011	438,272.24	10,067,363.89	10,027,560.17	95.45%
2010	375,737.28	9,360,347.36	9,297,812.40	95.50%

Property, Plant and Equipment

During the year ended June 30, 2012 and June 30, 2011, the following changes in Property, Plant and Equipment occurred:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance June 30, 2012</u>
Land, Plants & Buildings	\$ 23,881,241.59		\$ 1,304.00		\$ 23,879,937.59
Machinery & Equipment	3,142,719.00	\$ 27,431.00			3,170,150.00
Furniture & Fixtures	156,300.00				156,300.00
Mains & Laterals	24,884,661.37			\$ 3,168,833.41	28,053,494.78
Construction in Progress	<u>4,842,913.37</u>	<u>1,368,798.75</u>		<u>(3,168,833.41)</u>	<u>3,042,878.71</u>
	56,907,835.33	1,396,229.75	1,304.00	-	58,302,761.08
Less:					
Accumulated Depreciation	<u>17,262,344.00</u>	<u>1,315,432.00</u>	<u>1,304.00</u>		<u>18,576,472.00</u>
	<u>\$ 39,645,491.33</u>	<u>\$ 80,797.75</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,726,289.08</u>

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Property, Plant and Equipment (Cont'd)**

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	Balance <u>June 30, 2011</u>
Land, Plants & Buildings	\$ 23,947,414.59		\$ 66,173.00		\$ 23,881,241.59
Machinery & Equipment	3,340,404.00	\$ 84,962.00	282,647.00		3,142,719.00
Furniture & Fixtures	209,596.00		53,296.00		156,300.00
Mains & Laterals	22,007,535.47	555,916.00	1,391.00	\$ 2,322,600.90	24,884,661.37
Construction in Progress	<u>4,898,018.62</u>	<u>2,267,495.65</u>		<u>(2,322,600.90)</u>	<u>4,842,913.37</u>
	54,402,968.68	2,908,373.65	403,507.00	-	56,907,835.33
Less:					
Accumulated Depreciation	<u>16,671,613.00</u>	<u>989,073.00</u>	<u>398,342.00</u>		<u>17,262,344.00</u>
	<u>\$ 37,731,355.68</u>	<u>\$ 1,919,300.65</u>	<u>\$ 5,165.00</u>	<u>\$ -</u>	<u>\$ 39,645,491.33</u>

Note 4: DETAIL NOTES - LIABILITIES**Compensated Absences**

Authority employees may accumulate up to seventy unused sick days. Employees are compensated for accumulated sick leave upon retirement or resignation at their current hourly rate of pay times the number of hours accumulated. The accrued liability for accumulated sick leave is estimated to be \$103,073.58 as of June 30, 2012 and \$81,927.75 as of June 30, 2011.

Retirement Systems

The Authority contributes to a cost-sharing multiple-employer defined benefit pension plan, the Public Employees' Retirement System (PERS), which is administered by the New Jersey Division of Pensions and Benefits. In addition, several Authority employees participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. This too is administered by the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

Public Employees' Retirement System - The PERS was established as of January 1, 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

Note 4: DETAIL NOTES - LIABILITIES (CONT'D)**Retirement Systems (Cont'd)**

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate will be increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Authority is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Non-Contrib. Group Ins.</u>	<u>Total Liability</u>	<u>Paid by Authority</u>
2012	\$ 68,145.00	\$ 136,290.00	\$ 13,025.00	\$ 217,460.00	\$ 217,460.00
2011	73,714.00	117,459.00	14,519.00	205,692.00	205,692.00
2010	60,810.00	78,134.00	19,268.00	158,212.00	158,212.00

Related Party Investments - The Division of Pensions and Benefits does not invest in securities issued by the Authority.

Post-employment Healthcare Benefits Plan

Plan Description - The Authority contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 1965, the Authority authorized participation in the SHBP's post-retirement benefit program through resolution. The Authority provides health benefits to retired employees and their dependents provided that they have met all the retirement criteria of the Public Employees Retirement System (PERS) and completed 25 years of service and attained age 55.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Post-employment Healthcare Benefits Plan (Cont'd)**

Funding Policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Authority on a monthly basis. The charges for this plan are expensed when disbursed; consequently, the liability for these benefits is not recorded on the balance sheet. The Authority's contributions to SHBP for the years ended June 30, 2012, 2011, and 2010, were \$36,652.46, \$46,398.70, and \$33,728.74 respectively, which equaled the required contributions for each year. There were approximately 3, 3, and 3 retired participants eligible at June 30, 2012, 2011, and 2010, respectively.

Plan Description - In addition to the State Health Benefits plan described above, the Authority provides benefits to employees that have retired from the Authority. The Authority provides dental, vision, and life insurance to retired employees and their dependents provided that they have met all the retirement criteria of the Public Employees Retirement System (PERS) and completed 25 years of service and attained age 55.

Funding Policy - The contribution requirement of the Authority is established by the policy of the Authority and certain employment contracts and may be amended by the same. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2012, the Authority contributed \$6,016.00 to the plan for current premiums. Plan members are not required to make any contributions to the plan.

Annual OPEB Cost and Net OPEB Obligation - The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the Authority Plan, and changes in the Authority's net OPEB obligation to the Authority Plan:

Normal cost	\$ 27,257.00
Amortization Payment	<u>39,550.00</u>
Annual required contribution (expense)	66,807.00
Contributions Made	6,016.00
Net OPEB obligation - beginning of year	<u>163,951.00</u>
Net OPEB obligation - end of year	<u><u>\$ 224,742.00</u></u>

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Post-employment Healthcare Benefits Plan (Cont'd)**

Funded Status and Funding Progress - As of June 30, 2012, the most recent actuarial valuation date, the Authority Plan was 0% funded. The actuarial accrued liability for benefits was \$638,374.00, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$638,374.00. The covered payroll (annual payroll of active employees covered by the plan) was \$2,163,956.00, and the ratio of the UAAL to the covered payroll was 29.5%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, compares the assets used for funding purposes to the comparable liabilities to determine how well the Authority Plan is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The Actuarial Accrued Liability under GASB is determined assuming that the Authority Plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2012, actuarial valuation, the "unit credit" actuarial cost method was used. The actuarial assumptions included a 5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 5%. The actuarial value of the Authority Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three year period. The Authority Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2012, was twenty-six years.

Deferred Revenue

The Authority has received developer assessment fees for ongoing construction projects. These fees are recorded as deferred revenues until the Authority provides the services associated with recognizing the funds as revenue.

Revenue Bonds Payable

All outstanding bonds issued by the Authority are secured under a Utility System Revenue Bond Resolution dated June 24, 1987 (Note 2), under which substantially all rents, revenues, receipts, fees and other charges or income received or accrued by the Authority are pledged. Subsequent supplemental bond resolutions were adopted authorizing the issuance of the Utility System Revenue Bonds, Series 2001, Series 2004, Series 2007 and Series 2010A, and Utility System Revenue Refunding Bonds Series 2010B.

A summary of maturities on the 2001, 2004, 2007, 2010A, and 2010B Revenue Bonds Payable at June 30, 2012 is as shown on the following page:

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Revenue Bonds Payable (Cont'd)**

	Fiscal Year <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2013	\$ 1,420,000.00	\$ 876,811.25	\$ 2,296,811.25
	2014	1,460,000.00	830,134.37	2,290,134.37
	2015	1,515,000.00	781,324.99	2,296,324.99
	2016	1,550,000.00	734,112.49	2,284,112.49
	2017	1,605,000.00	686,724.99	2,291,724.99
	2018	1,635,000.00	627,736.24	2,262,736.24
	2019	1,730,000.00	558,872.49	2,288,872.49
	2020	1,805,000.00	485,500.62	2,290,500.62
	2021	1,880,000.00	406,785.00	2,286,785.00
	2022	1,945,000.00	327,135.00	2,272,135.00
	2023	1,415,000.00	257,917.50	1,672,917.50
	2024	1,480,000.00	195,815.62	1,675,815.62
	2025	1,545,000.00	128,990.62	1,673,990.62
	2026	1,070,000.00	70,450.00	1,140,450.00
	2027	520,000.00	35,000.00	555,000.00
	2028	540,000.00	11,812.50	551,812.50
		<u>23,115,000.00</u>	<u>\$ 7,015,123.68</u>	<u>\$ 30,130,123.68</u>
Less:				
Current Maturities		1,420,000.00		
Premium/Discount on Bonds		(281,571.48)		
Deferred Loss on Refunding		<u>278,977.66</u>		
Long Term Portion		<u>\$ 21,697,593.82</u>		

Note 5: DETAIL NOTES – NET ASSETS**Net Assets Appropriated**

The Authority ended the year with a balance in unrestricted net assets of \$5,110,946.74. None of the balance of unrestricted net assets has been appropriated and included as support in the operating budgets for the year ending June 30, 2013.

Net Assets Designated

Of the \$5,110,946.74 Unrestricted Net Assets at June 30, 2012, \$133,275.56 is designated to complete various approved capital projects.

Note 6: INTERGOVERNMENTAL AGREEMENTS

Township of Monroe Service Agreement

A Service Agreement was entered into on June 10, 1960 between the Authority and the Township. Under the Service Agreement, the Township agrees to pay any shortfall the Authority may encounter in making payments for either Operating Expenses and/or Debt Service (Annual Charges).

The purpose of this agreement is to grant temporary relief to the Authority should it experience difficulty in meeting its obligations. The agreement calls for the Township to be reimbursed for any Annual Charges paid by the Township when the Authority's operations permit. Ultimately, all Operating Expenses and Debt Service of the Authority are borne by revenues of the system.

Note 7: COMMITMENTS AND CONTINGENCIES

Commitments

The Authority had several outstanding or planned construction projects as of June 30, 2012. These projects are evidenced by contractual commitments with contractors and include:

<u>Project</u>	<u>Awarded</u>	<u>Commitment Remaining</u>
Renewal and Replacement:		
Well # 7 Carbon Filter	\$ 41,710.00	\$ 41,710.00
Williamsburg Village	380,470.68	380,470.68
	<u>\$ 422,180.68</u>	<u>\$ 422,180.68</u>

Litigation

The Authority is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Authority, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 8: DEFERRED COMPENSATION SALARY ACCOUNT

The Authority offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Authority or its creditors. Since the Authority does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Authority's financial statements.

Note 9: RISK MANAGEMENT

The Authority is a member of New Jersey Utility Authorities Joint Insurance Fund. The Fund provides the Authority with the following coverage:

Property - Blanket Building and Grounds
Boiler and Machinery
General and Automobile Liability

Contributions to the Fund, including a reserve for contingencies are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Authority's agreement with the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of \$200,000 for each insured event.

The Fund publishes its own financial report for the year ended June 30, 2012 which can be obtained from:

New Jersey Utility Authorities Joint Insurance Fund
Park 80 West, Plaza One
Saddle Brook, New Jersey 07663

REQUIRED SUPPLEMENTARY INFORMATION

MONROE MUNICIPAL UTILITIES AUTHORITY
 Required Supplementary Information
 Schedule of Funding Progress for the OPEB Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/12	-	\$ 638,374	\$ 638,374	0%	\$ 2,163,956	29.50%

SCHEDULE RSI-2

Required Supplementary Information
 Schedule of Employer Contributions

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>
2012	\$ 66,807.00	9.01%
2011	59,911.00	6.44%
2010	54,445.00	6.62%
2009	53,454.00	7.22%

MONROE MUNICIPAL UTILITIES AUTHORITY

Note to Required Supplementary Information
For the Year Ended June 30, 2012

Other Postemployment Benefits

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2012
Actuarial Cost Method	Unit Credit
Amortization Method	Level Dollar
Remaining Amortization Period	26 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	5.0%
Rate of Medical Inflation	5% (pre-Medicare and post-Medicare)
Administration Expenses	2% (included in annual health care costs)

For determining the GASB ARC, the rate of employer contributions to the plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a portion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer Normal Costs or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

SUPPLEMENTARY SCHEDULES

MONROE MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenue, Expenses and Changes in Net Assets
 For the Fiscal Year Ended June 30, 2012

	Unrestricted	Restricted			Total
		Debt Service	Debt Service Reserve	Renewal and Replacement	
Operating Revenues:					
Service Charges	\$ 9,886,386.63				\$ 9,886,386.63
Connection Fees	1,478,960.16				1,478,960.16
Other Operating Revenues	145,420.69				145,420.69
Total Operating Revenues	11,510,767.48	-	-	-	11,510,767.48
Operating Expenses:					
Administration:					
Salaries and Wages	735,588.90				735,588.90
Fringe Benefits	341,293.64				341,293.64
Other Expenses	437,093.95				437,093.95
Cost of Providing Service:					
Salaries and Wages	1,705,290.80				1,705,290.80
Fringe Benefits	796,351.82				796,351.82
Other Expenses	4,316,496.60				4,316,496.60
Net OPEB Cost (GASB 45 Accrual)	60,791.00				60,791.00
Depreciation				\$ 1,315,432.00	1,315,432.00
Total Operating Expenses	8,392,906.71	-	-	-	9,708,338.71
Operating Income (Loss)	3,117,860.77	-	-	-	(1,315,432.00)
Non-operating Revenue (Expenses):					
Investment Income	27,318.31				27,318.31
Interest Expense		\$ (891,560.04)	\$ (7,900.00)		(900,738.59)
Amortization of Debt Issue Costs				(32,349.04)	(32,349.04)
Major Repairs and Other Expenses				\$ (22,184.64)	(22,184.64)
Cancel NJDEP Receivables				(155,990.68)	(155,990.68)
Net Income (Loss) Before Transfers and Capital Contributions	3,145,179.08	(891,560.04)	(7,900.00)	(178,175.32)	(1,349,059.59)

(Continued)

MONROE MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenue, Expenses and Changes in Net Assets
 For the Fiscal Year Ended June 30, 2012

	Restricted					Total
	Unrestricted	Debt Service	Debt Service Reserve	Renewal and Replacement	Construction	
Transfers Between Funds	\$ (4,502,478.84)	\$ 951,020.68	\$ (395,000.00)	\$ 2,283,428.17	\$ 1,663,029.99	-
Capital Contributions				10,683.15	-	\$ 10,683.15
Increase (Decrease) in Net Assets	(1,357,299.76)	59,460.64	(402,900.00)	2,115,936.00	313,970.40	729,167.28
Net Assets July 1	2,937,619.43	1,370,000.07	\$ 2,707,218.75	5,279,229.74	18,933,374.42	31,227,442.41
Net Assets June 30:						
Invested in Capital Assets, Net of Related Debt				2,704,219.00	\$ 19,247,344.82	21,951,563.82
Restricted	1,580,319.67	9,460.71	\$ 2,304,318.75	1,000,000.00		4,894,099.13
Unrestricted	\$	\$ 1,420,000.00	-	\$ 3,690,946.74	\$	\$ 5,110,946.74

MONROE MUNICIPAL UTILITIES AUTHORITY
 Schedule of Sewer Anticipated Revenues, Operating Appropriations, Principal Payments and
 Non-Operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
 For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	2011-12 Actual	Favorable (Unfavorable)
Anticipated Revenues:				
Operating Revenues:				
Service Charges	\$ 5,725,612.00	\$ 5,725,612.00	\$ 5,765,194.66	\$ 39,582.66
Connection Fees	294,500.00	294,500.00	167,387.20	(127,112.80)
Other Operating Revenues:				
Application Fees	2,500.00	2,500.00	2,375.00	(125.00)
Search Fees	90.00	90.00	83.33	(6.67)
Other	2,500.00	2,500.00	11,675.92	9,175.92
Total Operating Revenues	6,025,202.00	6,025,202.00	5,946,716.11	(78,485.89)
Non-Operating Revenues:				
Investment Income	7,181.00	7,181.00	9,288.23	2,107.23
Total Non-Operating Revenues	7,181.00	7,181.00	9,288.23	2,107.23
Total Anticipated Revenues	6,032,383.00	6,032,383.00	5,956,004.34	(76,378.66)
Operating Appropriations:				
Administration				
Salaries and Wages:				
Authority Members	2,375.00	2,375.00	2,375.00	-
Office Administration	373,337.00	373,337.00	365,419.44	7,917.56
Total Salaries and Wages	375,712.00	375,712.00	367,794.44	7,917.56
Fringe Benefits:				
Pension	34,317.60	34,317.60	32,619.00	1,698.60
Social Security	24,075.00	24,075.00	21,831.79	2,243.21
Medicare	5,626.20	5,626.20	5,367.92	258.28
Unemployment Insurance	1,650.00	1,650.00	1,402.52	247.48
Health Insurance	128,250.00	128,250.00	109,425.59	18,824.41
Total Fringe Benefits	193,918.80	193,918.80	170,646.82	23,271.98
Other Expenses:				
Insurance	61,500.00	61,500.00	56,288.48	5,211.52
Advertising	2,250.00	2,250.00	2,459.27	(209.27)
Computer Expense	21,350.00	21,350.00	18,658.07	2,691.93
Dues and Subscriptions	5,325.00	5,325.00	5,284.04	40.96
Office Maintenance Contracts	5,875.00	5,875.00	4,573.36	1,301.64
Postage	19,000.00	19,000.00	18,704.55	295.45
Office Supplies	19,000.00	19,000.00	13,267.34	5,732.66
Training and Seminars	1,250.00	1,250.00	1,013.00	237.00
Accounting Fees	25,000.00	25,000.00	24,082.50	917.50
Engineer Fees	50,000.00	50,000.00	67,834.52	(17,834.52)
Solicitor	25,000.00	25,000.00	23,820.05	1,179.95
Litigation	15,000.00	15,000.00	5,164.15	9,835.85
Trustee Fees	6,500.00	6,500.00	6,500.00	-
Miscellaneous	2,500.00	2,500.00	1,518.66	981.34
Total Other Expenses	259,550.00	259,550.00	249,167.99	10,382.01
Total Administration	829,180.80	829,180.80	787,609.25	41,571.55

(Continued)

MONROE MUNICIPAL UTILITIES AUTHORITY
 Schedule of Sewer Anticipated Revenues, Operating Appropriations, Principal Payments and
 Non-Operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
 For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	2011-12 Actual	Favorable (Unfavorable)
Operating Appropriations (Cont'd):				
Cost of Providing Services:				
Salaries and Wages:				
Plant Salaries	\$ 876,663.00	\$ 876,663.00	\$ 852,645.40	\$ 24,017.60
Total Salaries and Wages	<u>876,663.00</u>	<u>876,663.00</u>	<u>852,645.40</u>	<u>24,017.60</u>
Fringe Benefits:				
Pension	80,074.40	80,074.40	76,111.00	3,963.40
Social Security	56,175.00	56,175.00	50,940.84	5,234.16
Medicare	13,127.80	13,127.80	12,525.14	602.66
Unemployment Insurance	3,850.00	3,850.00	3,272.55	577.45
Health Insurance	299,250.00	299,250.00	255,326.38	43,923.62
Total Fringe Benefits	<u>452,477.20</u>	<u>452,477.20</u>	<u>398,175.91</u>	<u>54,301.29</u>
Other Expenses:				
Utilities	556,750.00	556,750.00	461,056.10	95,693.90
Chemicals	180,000.00	180,000.00	179,933.82	66.18
Sewerage Treatment Costs	2,069,100.00	2,069,100.00	2,067,164.31	1,935.69
Repairs and Maintenance	121,500.00	121,500.00	59,874.63	61,625.37
Paging Expenses	500.00	500.00	279.49	220.51
Vehicle Expenses	100,250.00	100,250.00	100,749.48	(499.48)
Alarm Monitoring Expenses	1,500.00	1,500.00	850.44	649.56
Maintenance Contracts - Operations	17,500.00	17,500.00	16,488.97	1,011.03
Operations Equipment and Materials	220,250.00	220,250.00	181,811.19	38,438.81
Uniforms	14,250.00	14,250.00	14,191.30	58.70
Buildings and Grounds	60,000.00	60,000.00	21,899.61	38,100.39
Total Other Expenses	<u>3,341,600.00</u>	<u>3,341,600.00</u>	<u>3,104,299.34</u>	<u>237,300.66</u>
Total Cost of Providing Service	<u>4,670,740.20</u>	<u>4,670,740.20</u>	<u>4,355,120.65</u>	<u>315,619.55</u>
Principal Payments on Debt Service in Lieu of Depreciation	<u>323,250.00</u>	<u>323,250.00</u>	<u>311,750.00</u>	<u>11,500.00</u>
Non-Operating Appropriations:				
Interest on Bonds	<u>209,212.00</u>	<u>209,212.00</u>	<u>214,752.25</u>	<u>(5,540.25)</u>
Total Non-Operating Appropriations	<u>209,212.00</u>	<u>209,212.00</u>	<u>214,752.25</u>	<u>(5,540.25)</u>
Total Budget Appropriations	<u>6,032,383.00</u>	<u>6,032,383.00</u>	<u>5,669,232.15</u>	<u>363,150.85</u>
Excess Budgetary Revenues Over Budgetary Appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 286,772.19</u>	<u>\$ 286,772.19</u>

MONROE MUNICIPAL UTILITIES AUTHORITY
 Schedule of Water Anticipated Revenues, Operating Appropriations, Principal Payments and
 Non-Operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
 For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	2011-12 Actual	Favorable (Unfavorable)
Anticipated Revenues:				
Operating Revenues:				
Service Charges	\$ 4,876,594.00	\$ 4,876,594.00	\$ 4,121,191.97	\$ (755,402.03)
Connection Fees	312,000.00	312,000.00	1,311,572.96	999,572.96
Other Operating Revenues:				
Application Fees	2,500.00	2,500.00	2,375.00	(125.00)
Hydrant Rentals	33,000.00	33,000.00	35,031.32	2,031.32
Search Fees	90.00	90.00	83.33	(6.67)
Sprinkler Systems	14,000.00	14,000.00	20,234.71	6,234.71
Meters and Yolks	30,000.00	30,000.00	16,807.75	(13,192.25)
Water Permit Loans	50,000.00	50,000.00	45,078.41	(4,921.59)
Other	2,500.00	2,500.00	11,675.92	9,175.92
Total Operating Revenues	5,320,684.00	5,320,684.00	5,564,051.37	243,367.37
Non-Operating Revenues:				
Investment Income	47,500.00	47,500.00	18,030.08	(29,469.92)
Total Anticipated Revenues	5,368,184.00	5,368,184.00	5,582,081.45	213,897.45
Operating Appropriations:				
Administration				
Salaries and Wages:				
Authority Members	2,375.00	2,375.00	2,375.00	-
Office Administration	373,337.00	373,337.00	365,419.46	7,917.54
Total Salaries and Wages	375,712.00	375,712.00	367,794.46	7,917.54
Fringe Benefits:				
Pension	34,317.90	34,317.90	32,619.00	1,698.90
Social Security	24,075.00	24,075.00	21,831.79	2,243.21
Medicare	5,626.20	5,626.20	5,367.92	258.28
Unemployment Insurance	1,650.00	1,650.00	1,402.52	247.48
Health Insurance	128,250.00	128,250.00	109,425.59	18,824.41
Total Fringe Benefits	193,919.10	193,919.10	170,646.82	23,272.28
Other Expenses:				
Insurance	61,500.00	61,500.00	56,288.49	5,211.51
Advertising	2,250.00	2,250.00	2,459.27	(209.27)
Computer Expense	21,350.00	21,350.00	18,658.07	2,691.93
Dues and Subscriptions	2,675.00	2,675.00	2,075.00	600.00
Office Maintenance Contracts	5,875.00	5,875.00	4,573.36	1,301.64
Postage	19,000.00	19,000.00	18,704.55	295.45
Office Supplies	19,000.00	19,000.00	13,267.34	5,732.66
Training and Seminars	1,250.00	1,250.00	1,013.00	237.00
Accounting Fees	25,000.00	25,000.00	24,082.50	917.50
Engineer Fees	20,000.00	20,000.00	20,000.00	-
Solicitor	10,000.00	10,000.00	8,900.00	1,100.00
Litigation	5,000.00	5,000.00	3,000.00	2,000.00
Trustee Fees	13,500.00	13,500.00	13,500.00	-
Miscellaneous	2,500.00	2,500.00	1,404.38	1,095.62
Total Other Expenses	208,900.00	208,900.00	187,925.96	20,974.04
Total Administration	778,531.10	778,531.10	726,367.24	52,163.86

(Continued)

MONROE MUNICIPAL UTILITIES AUTHORITY
 Schedule of Water Anticipated Revenues, Operating Appropriations, Principal Payments and
 Non-Operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
 For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	2011-12 Actual	Favorable (Unfavorable)
Operating Appropriations (Cont'd):				
Cost of Providing Services:				
Salaries and Wages:				
Plant Salaries	\$ 876,663.00	\$ 876,663.00	\$ 852,645.40	\$ 24,017.60
Total Salaries and Wages	<u>876,663.00</u>	<u>876,663.00</u>	<u>852,645.40</u>	<u>24,017.60</u>
Fringe Benefits:				
Pension	80,075.10	80,075.10	76,111.00	3,964.10
Social Security	56,175.00	56,175.00	50,940.83	5,234.17
Medicare	13,127.80	13,127.80	12,525.14	602.66
Unemployment Insurance	3,850.00	3,850.00	3,272.56	577.44
Health Insurance	299,250.00	299,250.00	255,326.38	43,923.62
Total Fringe Benefits	<u>452,477.90</u>	<u>452,477.90</u>	<u>398,175.91</u>	<u>54,301.99</u>
Other Expenses:				
Utilities	235,250.00	235,250.00	181,614.76	53,635.24
Chemicals	116,900.00	116,900.00	43,038.87	73,861.13
Repairs and Maintenance	94,500.00	94,500.00	72,549.71	21,950.29
Laboratory Fees	50,000.00	50,000.00	37,443.25	12,556.75
Meters and Yolks	154,100.00	154,100.00	153,918.65	181.35
State Water Tax and Allocation Assessment	70,500.00	70,500.00	34,739.41	35,760.59
Water Purchases	606,000.00	606,000.00	590,558.71	15,441.29
Paging Expenses	500.00	500.00	279.50	220.50
Vehicle Expenses	73,500.00	73,500.00	71,154.82	2,345.18
Alarm Monitoring Expenses	1,500.00	1,500.00	850.45	649.55
Maintenance Contracts - Operations	17,500.00	17,500.00	16,488.96	1,011.04
Operations Equipment and Materials	28,500.00	28,500.00	15,500.00	13,000.00
Uniforms	14,250.00	14,250.00	14,191.30	58.70
Buildings and Grounds	15,000.00	15,000.00	7,299.87	7,700.13
Total Other Expenses	<u>1,478,000.00</u>	<u>1,478,000.00</u>	<u>1,239,628.26</u>	<u>238,371.74</u>
Total Cost of Providing Service	<u>2,807,140.90</u>	<u>2,807,140.90</u>	<u>2,490,449.57</u>	<u>316,691.33</u>
Principal Payments on Debt Service in Lieu of Depreciation	<u>1,086,750.00</u>	<u>1,086,750.00</u>	<u>1,058,250.00</u>	<u>28,500.00</u>
Non-Operating Appropriations:				
Interest on Bonds	<u>695,762.00</u>	<u>695,762.00</u>	<u>709,220.25</u>	<u>(13,458.25)</u>
Total Non-Operating Appropriations	<u>695,762.00</u>	<u>695,762.00</u>	<u>709,220.25</u>	<u>(13,458.25)</u>
Total Budget Appropriations	<u>5,368,184.00</u>	<u>5,368,184.00</u>	<u>4,984,287.06</u>	<u>383,896.94</u>
Excess Budgetary Revenues Over Budgetary Appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 597,794.39</u>	<u>\$ 597,794.39</u>

MONROE MUNICIPAL UTILITIES AUTHORITY
 Reconciliation of Budgetary Inflows and Outflows with GAAP Revenues and Expenditures
 For the Fiscal Year Ended June 30, 2012

Reconciliation to Operating Income

Excess Budgetary Revenues Over Budgetary Appropriations:

Sewer Utility - Schedule 2	\$ 286,772.19	
Water Utility - Schedule 3	597,794.39	
	884,566.58	\$ 884,566.58

Add:

Principal Payments	1,370,000.00	
Interest on Bonds	923,972.50	
Expenditures Capitalized	27,431.00	
	2,321,403.50	2,321,403.50
		3,205,970.08

Less:

Non-Operating Income:		
Investment Income	27,318.31	
Depreciation	1,315,432.00	
GASB 45 Accrual	60,791.00	
	1,403,541.31	1,403,541.31

Operating Income - Schedule 1		\$ 1,802,428.77
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MONROE MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenue Bonds Payable
 For the Fiscal Year Ended June 30, 2012

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding June 30, 2012		Interest Rate	Balance July 1, 2011	Paid	Balance June 30, 2012
			Date	Amount				
2001 Revenue Bonds	10/15/01	\$ 8,395,000.00				\$ 395,000.00	\$ 395,000.00	-
2004 Revenue Bonds	9/15/04	7,370,000.00	7/1/12	\$ 325,000.00	3.250%			
			7/1/13	335,000.00	3.375%			
			7/1/14	350,000.00	3.500%			
			7/1/15	360,000.00	3.625%			
			7/1/16	375,000.00	3.750%			
			7/1/17	390,000.00	3.850%			
			7/1/18	405,000.00	4.000%			
			7/1/19	420,000.00	4.000%			
			7/1/20	440,000.00	4.125%			
			7/1/21	460,000.00	4.250%			
			7/1/22	475,000.00	4.250%			
			7/1/23	500,000.00	4.500%			
			7/1/24	520,000.00	4.500%	5,670,000.00	315,000.00	\$ 5,355,000.00
2007 Revenue Bonds	9/15/07	7,445,000.00	7/1/12	290,000.00	3.650%			
			7/1/13	300,000.00	4.000%			
			7/1/14	315,000.00	3.750%			
			7/1/15	325,000.00	3.800%			
			7/1/16	340,000.00	4.000%			
			7/1/17	325,000.00	5.000%			
			7/1/18	370,000.00	4.125%			
			7/1/19	385,000.00	4.125%			
			7/1/20	400,000.00	4.000%			
			7/1/21	415,000.00	4.000%			
			7/1/22	435,000.00	4.100%			
			7/1/23	455,000.00	4.375%			
			7/1/24	475,000.00	4.375%			
			7/1/25	495,000.00	4.500%			
			7/1/26	520,000.00	4.375%			
			7/1/27	540,000.00	4.375%	6,665,000.00	280,000.00	6,385,000.00

(Continued)

MONROE MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenue Bonds Payable
 For the Fiscal Year Ended June 30, 2012

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding June 30, 2012		Interest Rate	Balance July 1, 2011	Paid	Balance June 30, 2012						
			Date	Amount										
2010A Revenue Bonds	8/29/10	\$ 6,550,000.00	7/1/12	\$ 350,000.00	3.00%	\$ 6,550,000.00	\$ 340,000.00	\$ 6,210,000.00						
			7/1/13	360,000.00	3.00%									
			7/1/14	370,000.00	3.00%									
			7/1/15	380,000.00	2.25%									
			7/1/16	390,000.00	2.50%									
			7/1/17	405,000.00	4.00%									
			7/1/18	420,000.00	4.00%									
			7/1/19	440,000.00	5.00%									
			7/1/20	460,000.00	5.00%									
			7/1/21	480,000.00	4.00%									
			7/1/22	505,000.00	4.25%									
			7/1/23	525,000.00	4.25%									
			7/1/24	550,000.00	4.50%									
			7/1/25	575,000.00	4.50%									
			2010B Refunding Bonds	8/29/10	5,205,000.00				7/1/12	455,000.00	3.00%	5,205,000.00	40,000.00	5,165,000.00
7/1/13	465,000.00	3.00%												
7/1/14	480,000.00	3.00%												
7/1/15	485,000.00	2.25%												
7/1/16	500,000.00	2.50%												
7/1/17	515,000.00	4.00%												
7/1/18	535,000.00	4.00%												
7/1/19	560,000.00	4.00%												
7/1/20	580,000.00	4.00%												
7/1/21	590,000.00	4.00%												
						<u>5,205,000.00</u>	<u>40,000.00</u>	<u>5,165,000.00</u>						
						<u>\$ 24,485,000.00</u>	<u>\$ 1,370,000.00</u>	23,115,000.00						
Less:														
Premium / Discount on Bonds								(281,571.48)						
Deferred Loss on Refunding								<u>278,977.66</u>						
								<u>\$ 23,117,593.82</u>						

MONROE MUNICIPAL UTILITIES AUTHORITY
PART II
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

MONROE MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2012

Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Finding No. 2012-1

Criteria or Specific Requirement

Contracts in excess of the bid threshold should be procured and awarded in accordance with the Local Public Contracts Law N.J.S.A. 40:11-1 et seq. and N.J.A.C. 5:34-1 et seq.

Condition

An examination of bids and contracts disclosed three vendors which were awarded contracts not procured in accordance with the Local Public Contracts Law.

Context

Quotes were obtained for two contracts however the total cost of the contracts exceeded the Authority's bid threshold. One vendor was paid in excess of the Authority's bid threshold without following the Local Public Contracts Law procurement procedures.

Effect

The Authority did not in comply with the Local Public Contracts Law N.J.S.A. 40:11-1 et seq. and N.J.A.C. 5:34-1 et seq.

Cause

Client oversight.

Recommendation

That the Authority procure and award contracts in accordance with the Local Public Contracts Law N.J.S.A. 40:11-1 et seq. and N.J.A.C. 5:34-1 et seq.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

MONROE MUNICIPAL UTILITIES AUTHORITY
Summary Schedule of Prior Year Audit Findings
And Recommendations as Prepared by Management

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

FINANCIAL STATEMENT FINDINGS

None

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APPRECIATION

We express my appreciation for the assistance and courtesies rendered by the Authority officials during the course of the audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Bowman & Company LLP".

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

