

MONROE MUNICIPAL UTILITIES AUTHORITY

REPORT OF AUDIT

FOR THE FISCAL YEARS ENDED

JUNE 30, 2013 AND 2012



MONROE MUNICIPAL UTILITIES AUTHORITY
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MONROE MUNICIPAL UTILITIES AUTHORITY

Roster of Officials

June 30, 2013

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
Ralph J. Manfredi, Jr.
Charlene Denny
Wendy Mahoney
Patricia Gallagher
John W. Trimble, Jr., Esq.
Joseph F. Federici

POSITION

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

MONROE MUNICIPAL UTILITIES AUTHORITY

PART I

FINANCIAL SECTION

FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities 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 years ending June 30, 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 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and in compliance with the 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Monroe Municipal Utilities Authority, in the County of Gloucester, State of New Jersey as of June 30, 2013 and 2012, and its changes in financial position and its cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the fiscal year ended June 30, 2013, the Authority adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB): *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and *Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements.

The accompanying supplementary schedules as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic 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 December 23, 2013 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
December 23, 2013

**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**

INDEPENDENT AUDITORS' REPORT

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

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 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 the financial statements of the business-type activities of the Monroe Municipal Utilities Authority, in the County of Gloucester, State of New Jersey, a component unit of the Township of Monroe, (Authority), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 23, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Recommendations that we consider to be a significant deficiency 2013-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

The Authority's Response to Findings

The Authority's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
December 23, 2013

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, 2013.

Key financial highlights for the Authority's fiscal year 2013 were:

- The Authority generated investment income of \$17,708.04 during the current year as compared to \$27,318.31 in fiscal year 2012.
- Operating revenues for fiscal year 2013 were \$11,036,283.37 as compared to \$11,510,767.48 for fiscal year 2012.
- Operating expenses for fiscal year 2013 were \$10,293,118.20 as compared to \$9,708,338.71 for fiscal year 2012.
- Operating income for fiscal year 2013 was \$743,165.17 as compared to \$1,802,428.77 for fiscal year 2012.
- Change in Net Position for fiscal year 2013 was \$577,877.20 as compared to \$765,392.92 for fiscal year 2012.
- At year-end, total Net Position was \$32,135,424.64 as compared to \$31,557,547.44 for fiscal year 2012.

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 position 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 position - the difference between the Authority's assets and liabilities - is a measure of the Authority's financial health or position.

The statement of revenues, expenses and changes in fund net position 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 position was \$32,135,424.64 as of June 30, 2013 as shown below:

Comparative Statement of Net Position As of June 30, 2013, 2012 and 2011

	2013	2012 <u>Restated</u>	2011 <u>Restated</u>
Unrestricted Assets	\$ 4,947,085.90	\$ 5,178,896.21	\$ 4,064,884.02
Restricted Assets	8,605,556.25	10,954,158.35	13,013,483.47
Capital Assets	41,735,855.43	39,726,289.08	39,645,491.33
	<u>55,288,497.58</u>	<u>55,859,343.64</u>	<u>56,723,858.82</u>
Deferred Outflows of Resources	216,967.40	244,088.32	271,209.25
Current Liabilities	2,419,416.10	2,160,736.07	2,451,747.08
Long Term Liabilities	20,868,318.63	22,304,387.06	23,672,169.20
	<u>23,287,734.73</u>	<u>24,465,123.13</u>	<u>26,123,916.28</u>
Deferred Inflows of Resources	82,305.61	80,761.39	78,997.26
Net Position			
Net Investment in Capital Assets	22,210,566.75	21,552,501.57	21,294,512.90
Restricted	4,935,214.58	4,894,099.13	5,221,484.25
Unrestricted	4,989,643.31	5,110,946.74	4,276,157.38
	<u>\$ 32,135,424.64</u>	<u>\$ 31,557,547.44</u>	<u>\$ 30,792,154.53</u>

For the current fiscal year, the Authority realized operating income of \$743,165.17, non-operating loss of \$479,020.98 and capital contributions of \$313,733.01, resulting in a change in net position for the current year of \$577,877.20. Major components of this activity are detailed on the subsequent page.

Comparative Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2013, 2012, and 2011

	<u>2013</u>	<u>2012</u> <u>Restated</u>	<u>2011</u> <u>Restated</u>
Operating Revenues:			
Service Charges	\$ 10,295,918.68	\$ 9,886,386.63	\$ 9,962,609.91
Connection Fees	592,685.22	1,478,960.16	930,218.21
Other Operating Revenues	147,679.47	145,420.69	367,573.19
Total Operating Revenues	<u>11,036,283.37</u>	<u>11,510,767.48</u>	<u>11,260,401.31</u>
Operating Expenses:			
Administration:			
Salaries and Wages	748,946.86	735,588.90	717,627.88
Fringe Benefits	386,779.26	341,293.64	335,149.32
Other Expenses	537,940.11	437,093.95	391,094.52
Total Administration	<u>1,673,666.23</u>	<u>1,513,976.49</u>	<u>1,443,871.72</u>
Cost of Providing Service:			
Salaries and Wages	1,736,459.37	1,705,290.80	1,663,382.13
Fringe Benefits	902,484.93	796,351.82	782,015.09
Other Expenses	4,541,483.67	4,316,496.60	4,349,513.89
Total Cost of Providing Services	<u>7,180,427.97</u>	<u>6,818,139.22</u>	<u>6,794,911.11</u>
Net OPEB Cost (GASB 45 Accrual)	66,632.00	60,791.00	59,911.00
Repairs and Other Expenses			
Depreciation	<u>1,372,392.00</u>	<u>1,315,432.00</u>	<u>989,073.00</u>
Total Operating Expenses	<u>10,293,118.20</u>	<u>9,708,338.71</u>	<u>9,287,766.83</u>
Operating Income	<u>743,165.17</u>	<u>1,802,428.77</u>	<u>1,972,634.48</u>
Non-operating Revenue (Expenses)	<u>(479,020.98)</u>	<u>(1,047,719.00)</u>	<u>(1,044,132.99)</u>
Change in Net Position Before Capital Contributions	264,144.19	754,709.77	928,501.49
Capital Contributions	<u>313,733.01</u>	<u>10,683.15</u>	<u>541,017.00</u>
Change in Net Position	577,877.20	765,392.92	1,469,518.49
Net Position July 1	<u>31,557,547.44</u>	<u>30,792,154.52</u>	<u>29,322,636.04</u>
Net Assets June 30	<u>\$ 32,135,424.64</u>	<u>\$ 31,557,547.44</u>	<u>\$ 30,792,154.53</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 \$592,685.22 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 \$592,685.22. 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 Position has increased by \$577,877.20 to \$32,135,424.64. Unrestricted Net Position decreased by \$121,303.43 to \$4,989,643.31. 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's Fiscal 2013 projected revenues for the sewer utility and water utility were collected and were sufficient to satisfy all fiscal 2013 operating and non-operating expenditures.

Budgeted sewer revenues in the amount of \$6,329,284.00 exceeded actual sewer revenues of \$6,139,962.37 by \$189,321.63 primarily due to a decreased in realized service charges and connection fee revenues.

Actual sewer budgetary expenditures of \$5,951,224.30 were less than the adopted budget of \$6,329,284.00 by \$378,059.70. Individual appropriation budget variances are detailed in Schedule 2.

Budgeted water revenues in the amount of \$5,462,078.00 exceeded actual water revenues of \$4,914,029.04 by \$548,048.96, due to a decreased in realized service charges in 2013.

Actual water budgetary expenditures of \$5,217,357.15 were less than the adopted budget of \$5,462,078.00 by \$244,720.85. 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 \$3,078,434.74 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
 Statements of Net Position
 As of June 30, 2013 and 2012

	2013	2012 Restated
<u>ASSETS</u>		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 3,839,708.23	\$ 4,421,333.09
Consumer Accounts Receivable	538,464.07	552,097.54
Other Receivables	366,241.19	-
Inventory	105,982.12	105,982.12
Prepaid Expenses	96,690.29	99,483.46
	4,947,085.90	5,178,896.21
Restricted Assets:		
Cash and Cash Equivalents	8,208,923.30	10,871,258.41
Due from State of New Jersey	396,632.95	82,899.94
	8,605,556.25	10,954,158.35
Total Current Assets	13,552,642.15	16,133,054.56
Noncurrent Assets:		
Property, Plant and Equipment:		
Completed (Net of Accumulated Depreciation)	35,920,021.31	36,683,410.37
Construction in Progress	5,815,834.12	3,042,878.71
	41,735,855.43	39,726,289.08
Total Assets	55,288,497.58	55,859,343.64
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Loss on Defeasance of Debt	216,967.40	244,088.32
	216,967.40	244,088.32

(Continued)

MONROE MUNICIPAL UTILITIES AUTHORITY
 Statements of Net Position
 As of June 30, 2013 and 2012

	2013	2012 Restated
<u>LIABILITIES</u>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable - Operations	\$ 84,873.42	\$ 128,630.37
Payroll Deductions Payable	-	48,218.55
Other Reserves	77.78	309.35
Developer Escrow Deposits	84,744.75	66,129.80
	<u>169,695.95</u>	<u>243,288.07</u>
Current Liabilities Payable from Restricted Assets:		
Revenue Bonds Payable - Current Portion	1,460,000.00	1,420,000.00
Accrued Interest Payable	427,081.25	449,730.00
Contracts Payable	317,025.42	47,718.00
Retained Percentage Due Contractor	45,613.48	-
	<u>2,249,720.15</u>	<u>1,917,448.00</u>
Long-term Liabilities:		
Revenue Bonds Payable	20,486,852.51	21,976,571.48
Net OPEB Obligation	291,374.00	224,742.00
Accrued Compensated Absences	90,092.12	103,073.58
	<u>20,868,318.63</u>	<u>22,304,387.06</u>
Total Liabilities	<u>23,287,734.73</u>	<u>24,465,123.13</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Unearned Assessment Revenues	82,305.61	80,761.39
	<u>82,305.61</u>	<u>80,761.39</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	22,210,566.75	21,552,501.57
Restricted:		
Bond Resolution Covenants	4,935,214.58	4,894,099.13
Unrestricted	4,989,643.31	5,110,946.74
	<u>4,989,643.31</u>	<u>5,110,946.74</u>
Total Net Position	<u>\$ 32,135,424.64</u>	<u>\$ 31,557,547.44</u>

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

MONROE MUNICIPAL UTILITIES AUTHORITY
 Statements of Revenue, Expenses and Changes in Net Position
 For the Fiscal Years Ended June 30, 2013 and 2012

	2013	2012 Restated
Operating Revenues:		
Service Charges	\$ 10,295,918.68	\$ 9,886,386.63
Connection Fees	592,685.22	1,478,960.16
Other Operating Revenues	147,679.47	145,420.69
Total Operating Revenues	<u>11,036,283.37</u>	<u>11,510,767.48</u>
Operating Expenses:		
Administration:		
Salaries and Wages	748,946.86	735,588.90
Fringe Benefits	386,779.26	341,293.64
Other Expenses	537,940.11	437,093.95
Cost of Providing Service:		
Salaries and Wages	1,736,459.37	1,705,290.80
Fringe Benefits	902,484.93	796,351.82
Other Expenses	4,541,483.67	4,316,496.60
Net OPEB Cost (GASB 45 Accrual)	66,632.00	60,791.00
Depreciation	1,372,392.00	1,315,432.00
Total Operating Expenses	<u>10,293,118.20</u>	<u>9,708,338.71</u>
Operating Income	<u>743,165.17</u>	<u>1,802,428.77</u>
Non-operating Revenue (Expenses):		
Investment Income	17,708.04	27,318.31
Interest Expense	(851,564.49)	(896,861.99)
Other Non-Operating	366,232.72	-
Loss on Disposal of Fixed Assets	(624.00)	-
Major Repairs and Other Expenses	(10,773.25)	(22,184.64)
Cancel NJDEP Receivables	-	(155,990.68)
Total Non-operating Revenue (Expenses)	<u>(479,020.98)</u>	<u>(1,047,719.00)</u>
Change in Net Position Before Capital Contributions	264,144.19	754,709.77
Capital Contributions	<u>313,733.01</u>	<u>10,683.15</u>
Change in Net Position	577,877.20	765,392.92
Net Position July 1 - Before Cumulative Effects of Changes in Accounting Principles		31,227,442.41
Cumulative Effects of Changes in Accounting Principles (See Note 12)		<u>(435,287.89)</u>
Net Position July 1 - As Adjusted For Cumulative Effects of Changes in Accounting Principles	<u>31,557,547.44</u>	<u>30,792,154.52</u>
Net Assets June 30	<u>\$ 32,135,424.64</u>	<u>\$ 31,557,547.44</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, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 11,049,916.84	\$ 11,436,745.90
Payments to Suppliers	(6,605,745.72)	(6,308,245.26)
Payments to Employees	(2,546,614.71)	(2,407,854.79)
Other Operating Receipts	214,477.35	199,832.00
Net Cash Provided by Operating Activities	<u>2,112,033.76</u>	<u>2,920,477.85</u>
Cash Flows from Noncapital Financing Activities:		
Deferred Assessment Revenues	1,544.22	1,764.13
Net Cash Provided by Noncapital Financing Activities	<u>1,544.22</u>	<u>1,764.13</u>
Cash Flows from Capital and Related Financing Activities:		
Capital Acquisitions	(3,078,434.74)	(1,461,475.18)
Bond Principal	(1,420,000.00)	(1,370,000.00)
Interest Expense	(876,811.25)	(923,972.50)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(5,375,245.99)</u>	<u>(3,755,447.68)</u>
Cash Flows from Investing Activities:		
Interest on Investments	17,708.04	27,318.31
Net Cash Provided by Investing Activities	<u>17,708.04</u>	<u>27,318.31</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,243,959.97)	(805,887.39)
Cash and Cash Equivalents -- July 1	15,292,591.50	16,098,478.89
Cash and Cash Equivalents -- June 30	<u>\$ 12,048,631.53</u>	<u>\$ 15,292,591.50</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 743,165.17	\$ 1,802,428.77
Adjustments to Reconcile Operating Income to Net Cash Net Provided (Used) by Operating Activities:		
Depreciation Expense	1,372,392.00	1,315,432.00
Change in Assets and Liabilities:		
Change in Consumer Accounts Receivable	13,633.47	(74,021.58)
Change in Prepaid Expenses	2,793.17	(16,905.64)
Change in Accounts Payable - Operations	(43,756.95)	(133,276.11)
Change in Payroll Deductions Payable	(48,218.55)	11,879.08
Change in Accrued Liabilities	53,642.07	81,936.83
Change in Other Reserves	(231.57)	0.34
Change in Developers' Escrow Deposits	18,614.95	(66,995.84)
Net Cash Provided from Operating Activities	<u>\$ 2,112,033.76</u>	<u>\$ 2,920,477.85</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, 2013 and 2012

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

Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, provide guidance that all entities associated with a primary government are potential component units, and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statements No. 14 and No. 39. In addition, GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. In addition, GASB Statement No. 61 clarifies the manner in which component units are presented, whether discretely presented, blended, or included in the fiduciary fund financial statements.

The Authority is a component unit of the Township as described in Governmental Accounting Standards Board Statements described in the preceding paragraph because of a service agreement (See Note 7 Intergovernmental Agreements) between the Authority and the Township. These financial statements would be either blended or discretely presented as part of the Township's financial statements if the Township reported using generally accepted accounting principles applicable to governmental entities.

As of June 30, 2013, it has been determined by the Authority that no component units exist.

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.

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

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 position, revenues and expenditures.

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.

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, 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 Position. 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.

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.

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

New Jersey governments units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

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 Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having 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 amount of their deposits to the Governmental Units.

Inventory and Prepaid Expenses

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.

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond June 30, 2013.

Capital Assets

Capital Assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets are stated at historical cost or estimated historical cost. Donated capital assets are recorded at their fair market value as of the date received.

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the year that the project is completed, these costs are transferred to Capital Assets - 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.

Bond Discount and Bond Premium

Bond discount and bond premium arising from the issuance of the revenue bonds are recorded as liabilities. They are amortized by the straight-line method from the issue date to maturity as a component of interest expense. Bond discount and bond premium are presented as an adjustment of the face amount on the bonds.

Deferred Loss on Refunding

Deferred loss on refunding arising from the issuance of the revenue refunding bonds is recorded as a deferred outflow of resources. It is amortized by the straight-line method from the issue date to maturity as a component of interest expense.

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.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue.

Net Position

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 position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Net Position (Cont'd)**

Restricted - This component of net position 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 position.

Unrestricted - This component of net position consist of net position that do not meet the definition of "restricted" or "net investment in capital assets." This component includes net position 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.

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.

New Accounting Standards Adopted

During the year ended June 30, 2013, the Authority adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements

The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. A transferor reports the facility subject to an SCA as its capital asset, generally following existing measurement, recognition, and disclosure guidance for capital assets. New facilities constructed or acquired by the operator or improvements to existing facilities made by the operator are reported at fair value by the transferor. A liability is recognized, for the present value of significant contractual obligations to sacrifice financial resources imposed on the transferor, along with a corresponding deferred inflow of resources. Revenue is recognized by the transferor in a systematic and rational manner over the term of the arrangement.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**New Accounting Standards Adopted (Cont'd)***Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements (Cont'd)*

This Statement also provides guidance for governments that are operators in an SCA. The governmental operator reports an intangible asset at cost for its right to access the facility and collect third-party fees; it amortizes the intangible asset over the term of the arrangement in a systematic and rational manner. For existing facilities, a governmental operator's cost may be the amount of an up-front payment or the present value of installment payments. For new or improved facilities, a governmental operator's cost may be its cost of improving an existing facility or constructing or acquiring a new facility.

For revenue sharing arrangements, this Statement requires governmental operators to report all revenues and expenses. A transferor reports its portion of the shared revenues.

This Statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments.

Implementation of this statement had no material impact on the Authority's fiscal year 2013 financial statements.

Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

Issued in November 2010, the objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements."

This Statement also supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

Implementation of this statement had no material impact on the Authority's fiscal year 2013 financial statements.

Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

Issued in June 2011, this Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**New Accounting Standards Adopted (Cont'd)**

Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (Cont'd)

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Implementation of this statement materially affected the classification of several balances. See Note 11.

Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53

Some governments have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider, commits or experiences either an act of default or a termination event as both are described in the swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty's credit support providers, either by amending existing swap agreements or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. Those provisions require a government to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income.

Issued in June 2011, the objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

Implementation of this statement had no material impact on the Authority's fiscal year 2013 financial statements.

Statement No. 65, Items Previously Reported as Assets and Liabilities

Issued in March 2012, this Statement establishes accounting and financial reporting standards that reclassify, 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.

Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**New Accounting Standards Adopted (Cont'd)***Statement No. 65, Items Previously Reported as Assets and Liabilities (Cont'd)*

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.

Implementation of this statement materially affected the classification of several balances. See Note 11.

Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34

Issued in November 2010, the objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset.

Implementation of this statement had no material impact on the Authority's fiscal year 2013 financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**New Accounting Standards Pronouncements to be Implemented in the Future**

The Authority plans to implement the following pronouncements by the required implementation dates or earlier, when deemed feasible:

Statement No. 66, Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62

Issued in March 2012, The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements although no impact is expected

Statement No. 67, Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25

Issued in June 2012, the objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This Statement is effective for periods beginning after June 15, 2013. The Authority does not administer any state or local pension plans; therefore, the adoption of GASBS 67 will not have any impact on the Authority's financial statements.

Statement No. 68, Accounting and Financial Reporting for Pensions, establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**New Accounting Standards Pronouncements to be Implemented in the Future (Cont'd)**

Statement No. 67, Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25 (Cont'd)

This Statement and Statement 68 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The scope of this Statement addresses accounting and financial reporting for the activities of pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. Distinctions are made regarding the particular requirements depending upon the type of pension plan administered, as follows:

- Single-employer pension plans—those in which pensions are provided to the employees of only one employer (as defined in this Statement)
- Agent multiple-employer pension plans (agent pension plans)—those in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees
- Cost-sharing multiple-employer pension plans (cost-sharing pension plans) those in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

This Statement also details the note disclosure requirements for defined contribution pension plans administered through trusts that meet the identified criteria

This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. The Authority does not administer any state or local pension plans; therefore, the adoption of GASBS 67 will not have any impact on the Authority's financial statements.

Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27

Issued in June 2012, the primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**New Accounting Standards Pronouncements to be Implemented in the Future (Cont'd)**

Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 (Cont'd)

Statement No. 67, Financial Reporting for Pension Plans, revises existing standards of financial reporting for most pension plans. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. The Authority does not administer any state or local pension plans; therefore, the adoption of GASBS 67 will not have any impact on the Authority's financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**New Accounting Standards Pronouncements to be Implemented in the Future (Cont'd)***Statement No. 69, Government Combinations and Disposals of Government Operations*

Issued in January 2013, This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold.

This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements although no impact is expected.

Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees

Issued in April 2013, the objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This Statement is effective for periods beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements although no impact is expected.

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

Management of the Authority is unaware of any 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, 2013, 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, 2013, 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, 2013, 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, 2013, 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 2010 project and are pledged, pending application to such costs, for the security of the payment of principal and interest on the Revenue Bonds.

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 2004, Series 2007, and Series 2010 Bonds.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)**Debt Service Coverage**

The computation of sufficiency of revenues for the years ended June 30, 2013 and 2012 as defined by the Utility System Revenue Bond Resolution as follows:

	<u>2013</u>	<u>2012</u>
Operating Revenues:		
Utility Service Charges	\$ 10,295,918.68	\$ 9,886,386.63
Connection Fees	592,685.22	1,478,960.16
Investments and Miscellaneous Income	<u>531,620.23</u>	<u>172,739.00</u>
	11,420,224.13	11,538,085.79
Operating Expenses:		
Operating Expenses and Capital Outlay	<u>8,854,094.20</u>	<u>8,332,115.71</u>
	2,566,129.93	3,205,970.08
110% on Next Succeeding Bond Year's Annual Debt Service Requirement	<u>2,519,147.81</u>	<u>2,526,492.38</u>
Excess (Deficit) of Revenues	<u>\$ 46,982.12</u>	<u>\$ 679,477.71</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.

As of June 30, 2013 and 2012, the Authority's bank balances of \$12,276,712.32 and \$15,361,785.62 were exposed to custodial credit risk as follows:

	<u>2013</u>	<u>2012</u>
Insured by FDIC	\$ 834,825.83	\$ 816,499.65
Uninsured and Collateralized with Securities Held by Pledging Financial Institutions	<u>11,441,886.49</u>	<u>14,545,285.97</u>
Total bank balance	<u>\$ 12,276,712.32</u>	<u>\$ 15,361,785.62</u>

Note 3: DETAIL NOTES – ASSETS (CONT'D)**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>
2013	\$ 552,097.54	\$ 10,410,495.46	\$ 10,424,128.93	95.09%
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%

Capital Assets

During the year ended June 30, 2013 and June 30, 2012, the following changes in Capital Assets occurred:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance June 30, 2013</u>
Land, Plants & Buildings	\$ 23,879,937.59			\$ 256,506.94	\$ 24,136,444.53
Machinery & Equipment	3,170,150.00	\$ 209,274.00	\$ 6,243.00	22,536.00	3,395,717.00
Furniture & Fixtures	156,300.00		3,904.00		152,396.00
Mains & Laterals	28,053,494.78			121,310.00	28,174,804.78
Construction in Progress	<u>3,042,878.71</u>	<u>3,173,308.35</u>		<u>(400,352.94)</u>	<u>5,815,834.12</u>
	58,302,761.08	3,382,582.35	10,147.00	-	61,675,196.43
Less:					
Accumulated Depreciation	<u>18,576,472.00</u>	<u>1,372,392.00</u>	<u>9,523.00</u>		<u>19,939,341.00</u>
	<u>\$ 39,726,289.08</u>	<u>\$ 2,010,190.35</u>	<u>\$ 624.00</u>	<u>\$ -</u>	<u>\$ 41,735,855.43</u>
	<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 4: DETAIL NOTES – DEFERRED OUTFLOWS OF RESOURCES**Deferred Loss of Defeasance of Debt**

In August of 2010, the Authority refunded \$5,055,000.00 of the 2001 Revenue Bonds. The Authority issued \$5,205,000.00 in Revenue Refunding Bonds and received \$123,388.65 in NOI premium, of which \$5,275,780.31 was used to provide resources to purchase government obligations that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$293,810.02 (restated). This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations over the life of the refunding bonds using the straight-line method. The advance refunding was undertaken to reduce total debt payments over the next 10 years by \$213,535.83 and to obtain a present value economic gain of \$182,061.14.

Note 5: 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 \$90,092.12 as of June 30, 2013 and \$103,073.58 as of June 30, 2012.

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.

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 increased to 6.5% plus an additional 1.0% phased-in over seven years. The phase-in of the additional incremental member contribution amount began July 1, 2012 and increases each subsequent July 1. 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.

Note 5: DETAIL NOTES - LIABILITIES**Public Employees' Retirement System (Cont'd)**

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>
2013	\$ 64,756.00	\$ 154,833.00	\$ 13,069.00	\$ 232,658.00	\$ 232,658.00
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

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

Post-employment Benefits

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/.

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, 2013, 2012, and 2011, were \$74,898.84, \$36,652.46, and \$46,398.70 respectively, which equaled the required contributions for each year. There were approximately 5, 3, and 3 retired participants eligible at June 30, 2013, 2012, and 2011, 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.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Post-employment Benefits (Cont'd)**

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, 2013, 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:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Normal cost	\$ 30,255.00	\$ 27,257.00	\$ 28,509.00
Amortization Payment	<u>42,393.00</u>	<u>39,550.00</u>	<u>35,261.00</u>
Annual required contribution (expense)	72,648.00	66,807.00	63,770.00
Contributions Made	6,016.00	6,016.00	3,859.00
Net OPEB obligation - beginning of year	<u>224,742.00</u>	<u>163,951.00</u>	<u>104,040.00</u>
Net OPEB obligation - end of year	<u>\$ 291,374.00</u>	<u>\$ 224,742.00</u>	<u>\$ 163,951.00</u>

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.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Post-employment Benefits (Cont'd)**

Actuarial Methods and Assumptions (Cont'd) -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, 2013, was twenty-five years.

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 2004, Series 2007 and Series 2010A, and Utility System Revenue Refunding Bonds Series 2010B.

A summary of maturities on the 2004, 2007, 2010A, and 2010B Revenue Bonds Payable at June 30, 2013 is as shown on the following page:

	Fiscal Year <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	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
		21,695,000.00	<u>\$ 6,138,312.43</u>	<u>\$ 27,833,312.43</u>
Less:				
Current Maturities		(1,460,000.00)		
Premium/Discount on Bonds		<u>251,852.51</u>		
Long Term Portion		<u>\$ 20,486,852.51</u>		

Note 6: DETAIL NOTES – DEFERRED INFLOWS OF RESOURCES**Unearned Revenue**

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

Note 7: DETAIL NOTES – NET POSITION**Net Position Appropriated**

As of June 30, 2013, the Authority had an unrestricted net position balance of \$4,989,643.31. None of the balance of unrestricted net position has been appropriated and included as support in the operating budgets for the year ending June 30, 2014.

As of June 30, 2012, the Authority had an unrestricted net position balance of \$5,110,946.74. None of the balance of unrestricted net position has been appropriated and included as support in the operating budgets for the year ending June 30, 2013.

Net Position Designated

Of the \$4,989,643.31 Unrestricted Net Position at June 30, 2013, \$138,203.19 is designated to complete various approved capital projects.

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

Note 8: 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 9: COMMITMENTS AND CONTINGENCIES**Commitments**

The Authority had several outstanding or planned construction projects as of June 30, 2013. 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	\$ 73,000.00	\$ 73,000.00
Well # 8 Repairs	33,460.00	33,460.00
Computerized Accounting Software	22,536.00	22,536.00
Construction:		
Well # 12 & 13 Horizontal Drill	897,918.00	200,626.13
Well # 13 Pump Equipment	25,687.00	25,687.00
Well # 9 & 10 Water Treatment	<u>2,332,333.00</u>	<u>1,136,341.00</u>
	<u>\$ 3,384,934.00</u>	<u>\$ 1,491,650.13</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 10: 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 11: 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 \$250,000 for each insured event.

The Fund publishes its own financial report for the year ended June 30, 2013 which can be obtained from:

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

Note 12: CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLE**GASB 63**

During fiscal year ending June 30, 2013 there was a change in accounting principles as a result of GASB Statement 63 Items Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB 65

During fiscal year ending June 30, 2013 there was a change in accounting principles as a result of GASB Statement 65 Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, 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. GASB Statement 65 is retroactive to prior reporting periods. The adjustment is detailed on the following pages.

Note 12: CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLE (CONT'D)**GASB 65 (Cont'd)**

Summary Statement of Net Position
As of June 30, 2012

	Previously <u>Reported</u>	Prior Period <u>Adjustment</u>	<u>Restated</u>
Assets			
Current Assets	\$ 16,133,054.56		\$ 16,133,054.56
Non Current Assets:			
Capital Assets	39,726,289.08		39,726,289.08
Debt Issue Costs	364,172.91	(364,172.91)	-
Total Assets	56,223,516.55	(364,172.91)	55,859,343.64
Deferred Outflows of Resources			
Deferred Loss on Defeasance of Debt		244,088.32	244,088.32
Total Deferred Outflows of Resources	-	244,088.32	244,088.32
Liabilities			
Current Liabilities	2,241,497.46	(80,761.39)	2,160,736.07
Noncurrent Liabilities			
Revenue Bonds Payable	21,697,593.82	278,977.66	21,976,571.48
Other Non Current Liabilities	327,815.58		327,815.58
Total Liabilities	24,266,906.86	198,216.27	24,465,123.13
Deferred Inflows of Resources			
Unearned Assessment Revenues	-	80,761.39	80,761.39
Total Deferred Outflows of Resources	-	80,761.39	80,761.39
Net Position			
Net Investment in			
Capital Assets	21,951,563.82	(399,062.25)	21,552,501.57
Restricted	4,894,099.13		4,894,099.13
Unrestricted	5,110,946.74		5,110,946.74
Total Net Assets	\$ 31,956,609.69	\$ (399,062.25)	\$ 31,557,547.44

Note 12: CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLE (CONT'D)**GASB 65 (Cont'd)**

Summary Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2012

	Previously <u>Reported</u>	Prior Period <u>Adjustment</u>	<u>Restated</u>
Operating Revenues	\$ 11,510,767.48		\$ 11,510,767.48
Operating Expenses	9,708,338.71		9,708,338.71
Non-Operating Expenses			
Bond Issue Costs	(32,349.04)	\$ 32,349.04	-
Other Non-Operating Expenses	(1,051,595.60)	3,876.60	(1,047,719.00)
Capital Contributions	10,683.15		10,683.15
Change in Net Assets	729,167.28	36,225.64	765,392.92
Net Position July 1	31,227,442.41	(435,287.89)	30,792,154.52
Net Position June 30	\$ 31,956,609.69	\$ (399,062.25)	\$ 31,557,547.44

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%
06/30/09	-	489,321	489,321	0%	1,940,921	25.21%

SCHEDULE RSI-2

Required Supplementary Information
 Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2013	\$72,648.00	8.28%
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, 2013

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	25 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 Position
For the Fiscal Year Ended June 30, 2013

	Unrestricted	Restricted			Total
		Debt Service	Debt Service Reserve	Renewal and Replacement	
Operating Revenues:					
Service Charges	\$ 10,295,918.68				\$ 10,295,918.68
Connection Fees	592,685.22				592,685.22
Other Operating Revenues	147,679.47				147,679.47
Total Operating Revenues	11,036,283.37	-	-	-	11,036,283.37
Operating Expenses:					
Administration:					
Salaries and Wages	748,946.86				748,946.86
Fringe Benefits	386,779.26				386,779.26
Other Expenses	537,940.11				537,940.11
Cost of Providing Service:					
Salaries and Wages	1,736,459.37				1,736,459.37
Fringe Benefits	902,484.93				902,484.93
Other Expenses	4,541,483.67				4,541,483.67
Net OPEB Cost (GASB 45 Accrual)	66,632.00				66,632.00
Depreciation				\$ 1,372,392.00	1,372,392.00
Total Operating Expenses	8,920,726.20	-	-	-	10,293,118.20
Operating Income (Loss)	2,115,557.17	-	-	-	743,165.17
Non-operating Revenue (Expenses):					
Investment Income	17,708.04				17,708.04
Interest Expense		\$ (854,162.54)	\$ -		2,598.05
Other Non-Operating	366,232.72				366,232.72
Loss on Disposal of Fixed Assets				(624.00)	(624.00)
Major Repairs and Other Expenses				\$ (10,773.25)	(10,773.25)
Net Income (Loss) Before Transfers and Capital Contributions	2,499,497.93	(854,162.54)	-	(10,773.25)	264,144.19

(Continued)

MONROE MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenue, Expenses and Changes in Net Position
 For the Fiscal Year Ended June 30, 2013

	Unrestricted	Restricted			Total
		Debt Service	Debt Service Reserve	Renewal and Replacement	
Transfers Between Funds	\$ (2,448,921.77)	\$ 884,702.00	\$ -	\$ (465,407.17)	\$ 2,029,626.94
Capital Contributions				313,733.01	-
					\$ 313,733.01
Increase (Decrease) in Net Position	50,576.16	30,539.46	-	(162,447.41)	659,208.99
Net Position July 1, as Restated	1,580,319.67	1,429,460.71	\$ 2,304,318.75	7,395,165.74	18,848,282.57
Net Position June 30:					
Net Investment in Capital Assets				2,703,075.19	\$ 19,507,491.56
Restricted	\$ 1,630,895.83		\$ 2,304,318.75	1,000,000.00	22,210,566.75
Unrestricted		\$ 1,460,000.17	-	\$ 3,529,643.14	4,935,214.58
					\$ 4,989,643.31

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, 2013

	Original Budget	Budget Transfers	Final Budget	2012-13 Actual	Favorable (Unfavorable)
Anticipated Revenues:					
Operating Revenues:					
Service Charges	\$ 5,898,494.00		\$ 5,898,494.00	\$ 5,844,863.88	\$ (53,630.12)
Connection Fees	418,200.00		418,200.00	286,796.01	(131,403.99)
Other Operating Revenues:					
Application Fees	2,500.00		2,500.00	1,485.00	(1,015.00)
Search Fees	90.00		90.00	97.50	7.50
Other	2,500.00		2,500.00	699.25	(1,800.75)
Total Operating Revenues	6,321,784.00	-	6,321,784.00	6,133,941.64	(187,842.36)
Non-Operating Revenues:					
Investment Income	7,500.00		7,500.00	6,020.73	(1,479.27)
Total Non-Operating Revenues	7,500.00	-	7,500.00	6,020.73	(1,479.27)
Total Anticipated Revenues	6,329,284.00	-	6,329,284.00	6,139,962.37	(189,321.63)
Operating Appropriations:					
Administration					
Salaries and Wages:					
Authority Members	2,375.00	-	2,375.00	2,375.00	-
Office Administration	391,337.00	-	391,337.00	372,098.42	19,238.58
Total Salaries and Wages	393,712.00	-	393,712.00	374,473.42	19,238.58
Fringe Benefits:					
Pension	34,962.00	-	34,962.00	34,898.70	63.30
Social Security	24,366.00	-	24,366.00	22,717.99	1,648.01
Medicare	5,700.00	-	5,700.00	5,589.94	110.06
Unemployment Insurance	1,650.00	-	1,650.00	1,483.25	166.75
Health Insurance	137,250.00	\$ (5,370.00)	131,880.00	128,699.76	3,180.24
Total Fringe Benefits	203,928.00	(5,370.00)	198,558.00	193,389.64	5,168.36
Other Expenses:					
Insurance	61,500.00	1,000.00	62,500.00	62,397.11	102.89
Advertising	2,000.00	500.00	2,500.00	2,460.70	39.30
Computer Expense	23,400.00	1,750.00	25,150.00	25,091.90	58.10
Dues and Subscriptions	5,925.00	-	5,925.00	3,973.71	1,951.29
Office Maintenance Contracts	6,125.00	(1,400.00)	4,725.00	3,805.80	919.20
Postage	19,750.00	250.00	20,000.00	19,494.54	505.46
Office Supplies	18,500.00	1,500.00	20,000.00	19,967.84	32.16
Training and Seminars	2,500.00	(500.00)	2,000.00	1,599.00	401.00
Accounting Fees	25,000.00	(1,500.00)	23,500.00	20,457.50	3,042.50
Engineer Fees	50,000.00	12,500.00	62,500.00	62,492.52	7.48
Solicitor	25,000.00	6,250.00	31,250.00	31,090.47	159.53
Litigation	15,000.00	13,750.00	28,750.00	23,567.89	5,182.11
Trustee Fees	6,500.00	-	6,500.00	6,500.00	-
Miscellaneous	2,500.00	1,300.00	3,800.00	3,126.85	673.15
Total Other Expenses	263,700.00	35,400.00	299,100.00	286,025.83	13,074.17
Total Administration	861,340.00	30,030.00	891,370.00	853,888.89	37,481.11
Cost of Providing Services:					
Salaries and Wages:					
Plant Salaries	918,663.00	-	918,663.00	868,229.69	50,433.31
Total Salaries and Wages	918,663.00	-	918,663.00	868,229.69	50,433.31

(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, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>2012-13 Actual</u>	<u>Favorable (Unfavorable)</u>
Operating Appropriations (Cont'd):					
Fringe Benefits:					
Pension	\$ 81,577.00	-	\$ 81,577.00	\$ 81,430.30	\$ 146.70
Social Security	56,854.00	-	56,854.00	53,008.65	3,845.35
Medicare	13,300.00	-	13,300.00	13,043.18	256.82
Unemployment Insurance	3,850.00	-	3,850.00	3,460.91	389.09
Health Insurance	<u>320,250.00</u>	<u>\$(12,530.00)</u>	<u>307,720.00</u>	<u>300,299.43</u>	<u>7,420.57</u>
Total Fringe Benefits	<u>475,831.00</u>	<u>(12,530.00)</u>	<u>463,301.00</u>	<u>451,242.47</u>	<u>12,058.53</u>
Other Expenses:					
Utilities	599,750.00	(4,000.00)	595,750.00	506,179.58	89,570.42
Chemicals	175,500.00	9,500.00	185,000.00	184,841.76	158.24
Sewerage Treatment Costs	2,244,750.00	(40,500.00)	2,204,250.00	2,073,091.20	131,158.80
Repairs and Maintenance	147,500.00	5,500.00	153,000.00	113,683.58	39,316.42
Paging Expenses	500.00	1,700.00	2,200.00	2,156.70	43.30
Vehicle Expenses	96,500.00	11,050.00	107,550.00	106,270.84	1,279.16
Alarm Monitoring Expenses	6,000.00	(250.00)	5,750.00	4,453.45	1,296.55
Maintenance Contracts - Operations	17,500.00	250.00	17,750.00	17,700.32	49.68
Operations Equipment and Materials	225,500.00	(3,700.00)	221,800.00	210,164.32	11,635.68
Uniforms	13,750.00	1,250.00	15,000.00	14,825.64	174.36
Buildings and Grounds	<u>15,000.00</u>	<u>1,700.00</u>	<u>16,700.00</u>	<u>17,165.11</u>	<u>(465.11)</u>
Total Other Expenses	<u>3,542,250.00</u>	<u>(17,500.00)</u>	<u>3,524,750.00</u>	<u>3,250,532.50</u>	<u>274,217.50</u>
Total Cost of Providing Service	<u>4,936,744.00</u>	<u>(30,030.00)</u>	<u>4,906,714.00</u>	<u>4,570,004.66</u>	<u>336,709.34</u>
Principal Payments on Debt Service in Lieu of Depreciation	<u>332,250.00</u>	<u>-</u>	<u>332,250.00</u>	<u>323,250.00</u>	<u>9,000.00</u>
Non-Operating Appropriations:					
Interest on Bonds	<u>198,950.00</u>	<u>-</u>	<u>198,950.00</u>	<u>204,080.75</u>	<u>(5,130.75)</u>
Total Non-Operating Appropriations	<u>198,950.00</u>	<u>-</u>	<u>198,950.00</u>	<u>204,080.75</u>	<u>(5,130.75)</u>
Total Budget Appropriations	<u>6,329,284.00</u>	<u>-</u>	<u>6,329,284.00</u>	<u>5,951,224.30</u>	<u>378,059.70</u>
Excess Budgetary Revenues Over Budgetary Appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,738.07</u>	<u>\$ 188,738.07</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, 2013

	Original Budget	Budget Transfers	Final Budget	2012-13 Actual	Favorable (Unfavorable)
Anticipated Revenues:					
Operating Revenues:					
Service Charges	\$ 4,892,268.00		\$ 4,892,268.00	\$ 4,451,054.80	\$ (441,213.20)
Connection Fees	405,000.00		405,000.00	305,889.21	(99,110.79)
Other Operating Revenues:					
Application Fees	2,500.00		2,500.00	1,485.00	(1,015.00)
Hydrant Rentals	36,800.00		36,800.00	35,833.67	(966.33)
Search Fees	90.00		90.00	97.50	7.50
Sprinkler Systems	25,420.00		25,420.00	24,900.86	(519.14)
Meters and Yolks	30,000.00		30,000.00	28,605.62	(1,394.38)
Water Permit Loans	50,000.00		50,000.00	53,775.82	3,775.82
Other	2,500.00		2,500.00	699.25	(1,800.75)
Total Operating Revenues	5,444,578.00	-	5,444,578.00	4,902,341.73	(542,236.27)
Non-Operating Revenues:					
Investment Income	17,500.00		17,500.00	11,687.31	(5,812.69)
Total Anticipated Revenues	5,462,078.00	-	5,462,078.00	4,914,029.04	(548,048.96)
Operating Appropriations:					
Administration					
Salaries and Wages:					
Authority Members	2,375.00		2,375.00	2,375.00	-
Office Administration	391,337.00		391,337.00	372,098.44	19,238.56
Total Salaries and Wages	393,712.00	-	393,712.00	374,473.44	19,238.56
Fringe Benefits:					
Pension	34,962.00	-	34,962.00	34,898.70	63.30
Social Security	24,366.00	-	24,366.00	22,717.99	1,648.01
Medicare	5,700.00	-	5,700.00	5,589.93	110.07
Unemployment Insurance	1,650.00	-	1,650.00	1,483.25	166.75
Health Insurance	137,250.00	\$ (5,370.00)	131,880.00	128,699.75	3,180.25
Total Fringe Benefits	203,928.00	(5,370.00)	198,558.00	193,389.62	5,168.38
Other Expenses:					
Insurance	61,500.00	1,000.00	62,500.00	62,397.11	102.89
Advertising	2,000.00	500.00	2,500.00	2,460.70	39.30
Computer Expense	23,400.00	1,750.00	25,150.00	25,091.90	58.10
Dues and Subscriptions	2,675.00	-	2,675.00	1,785.29	889.71
Office Maintenance Contracts	5,875.00	(1,400.00)	4,475.00	3,805.80	669.20
Postage	19,750.00	250.00	20,000.00	19,494.54	505.46
Office Supplies	18,500.00	1,500.00	20,000.00	19,967.84	32.16
Training and Seminars	2,500.00	(500.00)	2,000.00	1,599.00	401.00
Accounting Fees	25,000.00	(1,500.00)	23,500.00	20,457.50	3,042.50
Engineer Fees	20,000.00	27,500.00	47,500.00	47,143.48	356.52
Solicitor	10,000.00	6,250.00	16,250.00	16,016.29	233.71
Litigation	5,000.00	13,750.00	18,750.00	15,067.99	3,682.01
Trustee Fees	13,500.00	-	13,500.00	13,500.00	-
Miscellaneous	2,500.00	1,300.00	3,800.00	3,126.84	673.16
Total Other Expenses	212,200.00	50,400.00	262,600.00	251,914.28	10,685.72
Total Administration	809,840.00	45,030.00	854,870.00	819,777.34	35,092.66
Cost of Providing Services:					
Salaries and Wages:					
Plant Salaries	918,663.00		918,663.00	868,229.68	50,433.32
Total Salaries and Wages	918,663.00	-	918,663.00	868,229.68	50,433.32

(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, 2013

	Original Budget	Budget Transfers	Final Budget	2012-13 Actual	Favorable (Unfavorable)
Operating Appropriations (Cont'd):					
Fringe Benefits:					
Pension	\$ 81,577.00	-	\$ 81,577.00	\$ 81,430.30	\$ 146.70
Social Security	56,854.00	-	56,854.00	53,008.65	3,845.35
Medicare	13,300.00	-	13,300.00	13,043.18	256.82
Unemployment Insurance	3,850.00	-	3,850.00	3,460.91	389.09
Health Insurance	320,250.00	\$ (12,530.00)	307,720.00	300,299.42	7,420.58
Total Fringe Benefits	475,831.00	(12,530.00)	463,301.00	451,242.46	12,058.54
Other Expenses:					
Utilities	202,750.00	-	202,750.00	188,883.70	13,866.30
Chemicals	108,000.00	(19,200.00)	88,800.00	68,712.29	20,087.71
Repairs and Maintenance	142,500.00	(8,500.00)	134,000.00	67,919.09	66,080.91
Laboratory Fees	41,600.00	(5,800.00)	35,800.00	28,666.75	7,133.25
Meters and Yolks	156,700.00	(1,000.00)	155,700.00	155,177.20	522.80
State Water Tax and Allocation Assessment	38,500.00	-	38,500.00	23,675.27	14,824.73
Water Purchases	606,000.00	-	606,000.00	598,367.50	7,632.50
Paging Expenses	2,100.00	100.00	2,200.00	2,156.70	43.30
Vehicle Expenses	73,150.00	9,400.00	82,550.00	80,892.87	1,657.13
Alarm Monitoring Expenses	6,000.00	(250.00)	5,750.00	4,453.45	1,296.55
Maintenance Contracts - Operations	17,500.00	250.00	17,750.00	17,700.31	49.69
Operations Equipment and Materials	54,700.00	(10,300.00)	44,400.00	40,031.30	4,368.70
Uniforms	15,000.00	-	15,000.00	14,825.63	174.37
Buildings and Grounds	15,000.00	2,800.00	17,800.00	17,165.11	634.89
Total Other Expenses	1,479,500.00	(32,500.00)	1,447,000.00	1,308,627.17	138,372.83
Total Cost of Providing Service	2,873,994.00	(45,030.00)	2,828,964.00	2,628,099.31	200,864.69
Principal Payments on Debt Service in Lieu of Depreciation	1,117,750.00		1,117,750.00	1,096,750.00	21,000.00
Non-Operating Appropriations: Interest on Bonds	660,494.00		660,494.00	672,730.50	(12,236.50)
Total Non-Operating Appropriations	660,494.00	-	660,494.00	672,730.50	(12,236.50)
Total Budget Appropriations	5,462,078.00	-	5,462,078.00	5,217,357.15	244,720.85
Excess Budgetary Revenues Over Budgetary Appropriations	\$ -	\$ -	\$ -	\$ (303,328.11)	\$ (303,328.11)

MONROE MUNICIPAL UTILITIES AUTHORITY
 Reconciliation of Budgetary Inflows and Outflows with GAAP Revenues and Expenditures
 For the Fiscal Year Ended June 30, 2013

Reconciliation to Operating Income

Excess Budgetary Revenues Over Budgetary Appropriations:		
Sewer Utility - Schedule 2	\$ 188,738.07	
Water Utility - Schedule 3	<u>(303,328.11)</u>	\$ (114,590.04)
Add:		
Principal Payments	1,420,000.00	
Interest on Bonds	876,811.25	
Expenditures Capitalized	<u>17,676.00</u>	<u>2,314,487.25</u>
		2,199,897.21
Less:		
Non-Operating Income:		
Investment Income	17,708.04	
Depreciation	1,372,392.00	
GASB 45 Accrual	<u>66,632.00</u>	<u>1,456,732.04</u>
Operating Income - Schedule 1		<u><u>\$ 743,165.17</u></u>

MONROE MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenue Bonds Payable
 For the Fiscal Year Ended June 30, 2013

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding June 30, 2013		Interest Rate	Balance July 1, 2012	Paid	Balance June 30, 2013
			Date	Amount				
2004 Revenue Bonds	9/15/04	\$ 7,370,000.00	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%			
2007 Revenue Bonds	9/15/07	7,445,000.00	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%			
					6,385,000.00	290,000.00	6,095,000.00	

(Continued)

MONROE MUNICIPAL UTILITIES AUTHORITY
PART 2
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2013

MONROE MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Recommendations
For the Year Ended June 30, 2013

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. 2013-1

Criteria or Specific Requirement

Proper internal control practices dictate that a complete and accurate inventory of materials and supplies be maintained to ensure proper expenditure recognition and safeguard of Authority assets. Proper internal control practices also dictate that complete and accurate records should be maintained to ensure adequate control over the preparation of the financial statements including related footnotes.

Condition

The inventory control system has not been properly updated since June 30, 2011.

Context

The Authority has not maintained the inventory system as required.

Effect

As a result of the non-existence of controls over the Authority's inventory records, the inventory number in the Authority's June 30, 2013 financial statements could not be verified.

Cause

Internal control policies and procedures are not in place to properly maintain the inventory system.

Recommendation

That internal control policies and procedures be established to properly maintain the inventory system.

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.

Finding No. 2012-1

Condition

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

Current Status

The condition has been resolved.

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APPRECIATION

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

Respectfully submitted,

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Michael J. Welding
Certified Public Accountant
Registered Municipal Accountant

