

**GLOUCESTER TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

REPORT OF AUDIT

**WITH
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEARS ENDING
FEBRUARY 29, 2012 & FEBRUARY 28, 2011**



GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
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**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Roster of Officials
As of February 29, 2012**

Members

Richard P. Calabrese
Frank Simiriglia
Dora Guevara
Amy Tarves
Richard Edgar
Joseph Pillo

Ken Garbowski

Position

Chairman
Vice-Chairman
Treasurer
Secretary
Assistant Secretary
Assistant Treasurer/
 Alternate Member
Alternate Member

Other Officials

Robert Benson
Carol Tarves
Marlene Hrynio
Thomas Lisse
Howard C. Long, Jr., Esq.
TD Bank, N.A.

Executive Director
Administrative Secretary
Recording Secretary
Engineer
Solicitor
Trustee

**GLOUCESTER TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

PART I

FINANCIAL SECTION

**FOR THE FISCAL YEARS ENDED
FEBRUARY 29, 2012 & FEBRUARY 28, 2011**

INDEPENDENT AUDITORS' REPORT

The Chairman and Members of
The Gloucester Township Municipal Utilities Authority
Glendora, New Jersey

We have audited the accompanying statements of net assets of the Gloucester Township Municipal Utilities Authority, in the County of Camden, State of New Jersey, a component unit of the Township of Gloucester, as of February 29, 2012 and February 28, 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the fiscal years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Gloucester Township Municipal Utilities Authority, in the County of Camden, State of New Jersey as of February 29, 2012 and February 28, 2011, and the respective changes in financial position thereof for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 28, 2012 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for the OPEB plan and budgetary comparison information 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 of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gloucester Township Municipal Utilities Authority's basic financial statements as a whole. The accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and is not a required part of the financial statements. In addition, the supplementary schedules listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of State Financial Assistance and supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
June 28, 2012

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

The Chairman and Members of
Gloucester Township Municipal Utilities Authority
Glendora, New Jersey

We have audited the financial statements of the Gloucester Township Municipal Utilities Authority, in the County of Camden, State of New Jersey, a component unit of the Township of Gloucester, as of and for the fiscal year ended February 29, 2012, and have issued our report thereon dated June 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Gloucester Township Municipal Utilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey which is described in the accompanying Schedule of Findings and Questioned Costs as finding no. 2012-1.

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

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
June 28, 2012

THE GLOUCESTER TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY

Management's Discussion & Analysis

The Gloucester Township Municipal Utilities Authority's (the "Authority") primary function is to maintain and service the Gloucester Township sewer system, which consists of 55 pumping stations with an associated 11 miles of sanitary sewer force mains, 368 miles of sanitary gravity sewer mains and 4,584 manholes. We maintain 300 miles of pipe that transport 5.5 million gallons of sewage per day from the Authority to the Camden County M.U.A.'s regional treatment plant. The age of various system components range from 45 plus years to the present. Currently there are 28,054 equivalent dwelling units (300 GPD/EDU) with an associated estimated average daily flow (# of EDU's x 300 g/EDU) of 8.33 MGD.

Flows from the Authority collection system are discharged into the Camden County Municipal Utilities Authority (CCMUA) regional collection system for treatment and disposal at the CCMUA's Delaware No. 1 Treatment Plant in the City of Camden.

The Authority primarily services Gloucester Township. There are also minor points of connection from the neighboring municipalities of the Boroughs of Runnemede, Pine Hill, Magnolia and the Township of Winslow.

The majority of Gloucester Township is serviced by public sewer, with the exception of a few small areas still on individual septic systems or the Camden County Technical School which has its own treatment plant with surface water discharge. In order to accomplish these services, the Authority must maintain a fleet of 24 vehicles, including TV camera, generator and Jet Vac trucks. The TV camera can capture and record on video, pictures of such problems as breaks in sewer mains, grease blockages and intrusive tree roots. Once this camera pinpoints the problem, it enables a crew to uncover the underground pipe and make repairs with minimal interruption of service. Some problems can be fixed without unearthing the pipe by simply using a high pressure Jet Vac that can clear many blockages. When no emergencies exist, both of these pieces of equipment are used to inspect and clean the Township's sewer mains on a routine schedule as part of a preventative maintenance program. The Millwright Truck that was purchased four (4) years ago is for repairing updated Pump Stations. The new pumps in these stations are much larger and the truck has a very large crane attached to it, which makes repairs much easier. The emergency generators are located at pumping stations in case there is a power outage. The generators will "power up" to insure that there is no interruption in service.

Although budgeted separately, the Authority is also responsible for the Township's Solid Waste program. The primary function of this program is to collect recyclables (cans, bottles, newspapers) and grass & leaves. We maintain and operate a 60 acre compost site. This budget is supported by the Township along with revenue from compost sales and tipping fees. In order to accomplish these services, the Authority must maintain another fleet of vehicles, which includes recycling trucks, compactor trucks and composting equipment. The Authority purchased a Compost Screener three (3) years ago. This machine can screen three (3) times the amount of compost per day than our old screener could. Since we are screening faster, we have the time to re-screen overs (waste material from screener). This procedure saves on disposal fees, trucking cost and increases our material available for sale. The Authority also purchased a new Compost Turner. This machine can turn a windrow (leaf & grass pile) in seven (7) minutes. Our old turner needed two (2) twenty minute passes to complete. The process of turning windrows almost six (6) times as fast enables us to turn more often. This all results in giving us a better product and gives our operators more time for site maintenance. Both of these pieces of equipment were acquired through the NJ Environmental Infrastructure Trust Loan – Series 2008A. Gloucester Township has joined several other towns across New Jersey by successfully implementing a Single-Stream Recycling program. Single-Stream Recycling refers to a collection system where all of your recyclables can be put into a single collection container. Rather than having to separate items such as paper and cardboard from items like metal and glass, the new system allows for commingling of all recyclable items for the first time. The new system allows more of what people currently throw into their trash cans, into their recycling containers instead. This has lightened the load of trash disposal considerably, thereby reducing the bill for the Township. The Township purchased four (4) Single-Stream Automated Recycling Trucks, one Compactor Truck and retro-fitted another truck in our fleet. Township also purchased 20,500 Automated Recycling Carts (Toters), of which 17,500 were used with the trucks for Residential Collection. The GTMUA began Single-Stream Recycling Collection on November 28, 2011. After seven months of Single-Stream Recycling collection, the Township has increased its Recycling tonnage amount by 40%. Due to this increase, cost savings and revenue earned could likely amount to an additional \$ 200,000.00 a year.

In order for all these services to run smoothly, we have to maintain billing, bookkeeping and accounting departments. Primary functions include budgeting; accounting; managing and investing cash; managing debt; paying invoices; executing payroll; and billing and collection of receivables (sewer rents, interest on delinquent accounts, connection fees, searches, tower rentals and other various revenues). The Authority management is responsible for financial reporting to the Board of Commissioners. We are also responsible for purchasing and maintaining

all operating equipment and supplies at our location. In addition, we provide service calls to our users 7 days a week, for sewer back-ups.

The Authority's main office is located on Landing Road, in the Chews Landing section of the Township, adjacent to the central maintenance garage and composting facility. All data processing, billing and administration are conducted at this location. We even have a convenient Drive-Up Window for payment of sewer bills. Rules and Regulations, plus standards for operation and control, are maintained to regulate development and existing facilities.

The major source of revenue for our sewer budget is sewer service charges. Another source of revenue is connection fees, which has decreased measurably in the last few years because of declining new construction within the Township. Last year, connection fee revenue decreased \$58,950.00; prepaid connections also decreased \$73,600.00.

FINANCIAL HIGHLIGHTS

- 1) NJ Environmental Infrastructure Trust Loan – Series 2001A.** On November 1, 2001, The Authority received a Wastewater Trust Infrastructure Loan, which enabled us to implement preventive measures in the repair of old lines and pump stations. These measures have kept our emergency repairs to a minimum. We borrowed 2.1 million dollars, of which half is interest free and the other half carries a 4% rate of interest. Although the Authority does not operate under any debt limitations, it is required to receive approval by Township resolution prior to issuing any new debt. The Authority has completed the slip-lining of some of the oldest lines in the Township and upgraded several pump stations. The result of these major improvements is being realized already. The Glen Oaks, College Drive, Girard Ave. and Cherrywood Pump Stations have all been completely renovated due to the funds received from this loan.

- 2) NJ Environmental Infrastructure Trust Loan – Series 2004A.** The Authority applied for and received a second loan from the Trust in the amount of 4.1 million dollars. These funds were used for the following projects: Fifteen (15) new emergency generators, a new truck mounted hydraulic sewer cleaner with video inspection equipment, one (1) central station and twenty-one (21) remote telemetry units. Sliplining in Catalina Hills, the Pine Run Interceptor and Prospect Ave. This encompassed the rehab of 29,500 linear ft. of gravity sewer main. Manholes were slip-lined due to deterioration from hydrogen sulfide. The Black Horse Pike needed new manholes because they are too far apart and we needed to fill in the gaps. The following pump stations were upgraded: Pine Run and Timber Cove. Also, a new Pumping Station at Lincoln Drive has been installed to completion. Planning and implementation of these projects began in 2005. So far, the Authority has accomplished the complete installation and successful operation of new generators in fifteen (15) pump stations; the procurement of a truck mounted hydraulic sewer cleaner; the planned slip-lining for this loan is complete, which was a massive undertaking for the Pine Run Interceptor. The Authority had been band-aiding that line since 1985 with expensive emergency repairs. This preventive maintenance has been very cost effective.

FINANCIAL HIGHLIGHTS (CONT'D)

- 3) NJ Environmental Infrastructure Trust Loan – Series 2008A** The Authority received a third loan from the Trust in the amount of 4.5 million dollars. The Authority has completed 100% of the work funded by the third loan. We have sliplined many areas in the Township that are thirty (30) years old or more. The lines consisted of asbestos and concrete pipes, which were badly deteriorating. Work on sliplining of all easements has been completed; this included some properties with wooded and marshy areas behind the homes. Laurel Hills, Tilford Rd. and Woods Lane Pump Stations were the last to be rehabilitated. They are the latest pump stations to convert to submersible Flygt Pumps. These conversions make the pumps more accessible and less hazardous to repair. The major difference is that instead of sending four (4) men out for a problem, we only need one (1). A sorely needed project was a new Administration Building. The original building was very old and it would not be cost effective to renovate it. The Authority went out for bids last year and the project moved forward. The employees moved into the building in May, 2012.
- 4) NJ Environmental Infrastructure Trust Loan – Series 2010A** The Authority applied for and received a fourth loan from the Trust in the amount of 2.2 million dollars. Planned projects were as follows: Pump Station installation and rehab - Clementon Ave. submersible pump, including site work, pumps, control system, generator set, electrical work, etc. This is the very last station that was converted to the new submersible Flygt Pumps. The work on this Pump Station has now been totally accepted. Other Projects included will be Gravity sewer lines, wet well rehab, Sanitary Sewer CIPP and manhole rehab. One (1) wet well was slip-lined at the Glen Oaks Pump Station, which included cleaning and coating of the wet well. The concrete deteriorates, so the epoxy coating protects the well from erosion that is incurred by gases. White Birch and the older sections of Glendora were all sliplined to include Front & Rowand. Lined Wetwell at Orr Rd with bypass pump, 3 vari-drives, 3 motors and a new Channel Monster.
- 5) Sewer Charge Collection Rate** – The collection rate for fiscal year ending February 29, 2012 was 93.41% Sewer rents were down approximately \$30,400.00.
- 6) Connection Fees** – Connection fee revenue for FY ending February 29, 2012 was \$113,850. This represents a 34.11% decrease compared to last year.

FINANCIAL HIGHLIGHTS (CONT'D)

- 7) **Total Sewer Operating Revenue** – Operating revenue for fiscal year ending February 29, 2012 was \$4,840,838.60 which is a decrease from last year's amount of \$4,939,118.23.
- 8) **Total Sewer Operating Expenses** – For fiscal year ending February 29, 2012, operating expenses of \$4,488,424.81 were up from last year's amount of \$3,893,340.11.
- 9) **Solid Waste Revenue** -The Authority operates a state-of-the-art composting facility that converts leaves and grass into high quality compost and topsoil that is sold to the public. Compost sales and tipping fees generated revenue totaling \$343,445.46, which is an increase of \$19,918.86 from the previous year. The Authority also collects all of the recyclable materials in the Township. All of this is accomplished with a savings of more than a half million dollars per year to the Township.
- 10) **Total Fixed Assets** -Total fixed assets for fiscal year ending February 29, 2012 were \$67,495,266.01, which includes land, buildings, pipelines, pump stations, vehicles, equipment, alarms, telemetering, etc. Asset value, net of accumulated depreciation is \$48,838,718.51.
- 11) **1993 Debt Service** - As of March 1, 2012, the Authority has outstanding Revenue Bonds totaling \$4,490,000.00. The Authority's Bond Resolution requires the Authority to generate "Net Revenues" that will exceed 110% of their current fiscal years' Debt Service. For the fiscal year ending February 29, 2012, the percentage of "Net Revenues" to Debt Service was 106%. At the present time, other than the four (4) Wastewater Trust loans, this is our only major debt and it will be paid off by 2018.
- 12) **Interest Income** – For the fiscal year ending February 29, 2012, the Authority generated \$2,072.38 in interest income from investments. This was \$390.18 higher than fiscal year ending February 28, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statement of cash flows provides a breakdown of the various sources of cash which include operating activities, non-capital financing activities, capital and related financing activities and investing activities.

FINANCIAL ANALYSIS OF THE AUTHORITY

The Authority's total assets were \$59,659,337.50 on February 29, 2012. Total assets, total liabilities and total net assets are detailed below.

Gloucester Township Municipal Utilities Authority Net Assets

	<u>Feb. 29, 2012</u>	<u>Feb. 28, 2011</u>	<u>Feb. 28, 2010</u>
Current Assets	\$ 2,084,860.66	\$ 2,066,008.28	\$ 2,064,580.95
Non-Current Assets	5,244,181.45	8,226,012.56	6,907,608.62
Capital Assets (net of accumulated depreciation)	52,262,152.60	50,825,531.53	50,308,815.76
Unamortized Bond Issue Costs	68,142.79	79,499.89	90,856.99
Total Assets	\$ 59,659,337.50	\$ 61,197,052.26	\$ 59,371,862.32
Current Liabilities	\$ 2,202,377.18	\$ 2,359,622.83	\$ 1,910,384.32
Long-Term Liabilities	13,412,239.41	14,456,705.68	13,423,356.50
Total Liabilities	\$ 15,614,616.59	\$ 16,816,328.51	\$ 15,333,740.82
Net Assets			
Invested in Capital Assets,			
Net of Related Debt	\$ 39,388,487.65	\$ 39,489,117.72	\$ 38,750,863.07
Restricted	3,500,122.22	3,543,280.89	3,572,207.88
Unrestricted	1,156,111.04	1,348,325.14	1,715,050.55
Total Net Assets	\$ 44,044,720.91	\$ 44,380,723.75	\$ 44,038,121.50

The Authority realized operating income of \$140,352.04 for the current fiscal year, combined with net non-operating expenses of \$476,354.88, net assets decreased by \$336,002.84.

**THE GLOUCESTER TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY
REVENUES, EXPENSES AND NET ASSETS**

	<u>Feb. 29, 2012</u>	<u>Feb. 28, 2011</u>	<u>Feb. 28, 2010</u>
Operating Revenues:			
Service Charges	\$ 4,591,838.13	\$ 4,622,225.92	\$ 4,567,770.66
Service Agreements (Twp.)	1,036,526.04	950,148.87	1,138,669.00
Connection Fees	113,850.00	172,800.00	359,450.00
Miscellaneous Charges	<u>478,595.93</u>	<u>467,618.91</u>	<u>434,773.57</u>
Total Operating Revenues	6,220,810.10	6,212,793.70	6,500,663.23
Operating Expenses:			
Depreciation Expense:	<u>5,040,645.79</u>	<u>4,408,257.45</u>	<u>4,496,415.20</u>
	<u>1,039,812.27</u>	<u>865,832.64</u>	<u>1,022,140.15</u>
Total Operating Expenses	6,080,458.06	5,374,090.09	5,518,555.35
Operating Income	140,352.04	838,703.61	982,107.88
Non-Operating Revenues (Expenses)			
Investment Income	2,072.38	1,682.20	7,412.32
Net Unemployment Claims	24,004.84	(10,806.94)	(3,026.77)
Bond Interest	(475,024.59)	(515,042.31)	(563,296.26)
Cancellation of Escrow Deposits			67.43
Cancellation of Other Accounts Receivable	(709.83)		
Cancellation of Due from/to Township	(3,782.43)		80,417.16
Loss on Disposal of Fixed Assets	(11,558.15)	(71,625.21)	
Amortization of Bond Issue Costs	<u>(11,357.10)</u>	<u>(11,357.10)</u>	<u>(11,357.10)</u>
Total Non-Operating Expenses	(476,354.88)	(607,149.36)	(489,783.22)
Developer's Contributions-Capital Assets	-	111,048.00	1,794.00
Change in Net Assets	(336,002.84)	342,602.25	494,118.66
Net Assets, Beginning of Year	<u>44,380,723.75</u>	<u>44,038,121.50</u>	<u>43,544,002.84</u>
Net Assets, End of Year			
Restricted	\$ 3,500,122.22	\$ 3,543,280.89	\$ 3,572,207.88
Unrestricted	\$ 1,156,111.04	\$ 1,348,325.14	\$ 1,715,050.55
Invested in Capital Assets, Net of Related Debt	<u>\$ 39,388,487.65</u>	<u>\$ 39,489,117.72</u>	<u>\$ 38,750,863.07</u>

OVERALL ANALYSIS

Overall, the Authority is in a sound financial position due, in part, to the long term goal of eliminating its reliance on connection fee revenue in order to meet its revenue obligations. It is felt that connection fees, particularly at the level the Authority has long been accustomed to, are winding down and at some future date, the Authority must be in a financial position to afford operating expenses, debt service and capital expenditures without a substantial portion of revenue dependent on connection fees.

Six (6) years ago, management evaluated revenues to determine if sewer service charge increases would be needed to pay additional debt service and we felt that an increase was warranted. With pending new financing, plus the present debt service, funds were needed to support Authority operations. We raised the sewer rates, which allowed us to meet our Debt Service comfortably and realize a surplus to continue our rehabilitation of old sewer lines and pump stations.

Unfortunately, after six (6) years, due to our Connections & Interest on Investments dropping off, the Authority regrets having to increase the Sewer Rates. Plus, we maintain a fleet of 24 vehicles, which are needed to service all of our sewer lines and pump stations. We have all been feeling the high cost of gasoline for our vehicles, not to mention repairs. The 55 Pump Stations, which run constantly, are powered by electricity. Natural gas has gone sky-high, also. When these utilities go up, the Authority must also increase its Budget.

Connection fee revenue in the current year was down from the prior year by \$58,950.00. Developers pay connection fees upon submittal of plans to connect residential developments, commercial properties, etc. into the Authority's sewer system. The Authority treats these payments as liabilities until issuing the developer a Certificate of Approval of their hookup into our system. Then the developer must acquire a Certificate of Occupancy (CO) from the Township. This release of a CO triggers the Authority's recognition of connection fee revenue and the property is sub-sequently billed for sewer charges.

The Authority operates very efficiently with a minimal staff. We have saved a substantial amount of money in the past few years by having several high salaried employees retire. We did not replace most of them because we have a very hard working staff in place that has absorbed much of the extra work. The few positions that were filled were at lower entry level salaries. We have also saved money because our diligent workers provided the labor for some projects in lieu of hiring independent contractors. A few examples are Highland Village Pump Station, which saved us \$100,000.00, slip-lining some of our aged lines saved

OVERALL ANALYSIS (CONT'D)

another \$100,000.00, replacement of air relief valves on the East/West Interceptor was a savings of \$75,000.00 and Brookwood Pump Station rehab saved \$40,000.00. Our GTMUA employees also performed the labor for the rehab of Glenn Ave. Pump Station and also replaced all the piping at the Mayfair Pump Station. These saving measures all help to keep the sewer charges as low as we possibly can.

Two (2) years ago, the GTMUA work force inspected and marked all Force Main locations in order to get to them faster in an emergency. If not, we would be subject to fines from the State. The Authority personnel also performed the following services this year: Emergency callouts, most of which were outside normal working hours, lateral & main repairs, inspection of new facilities, pipe line inspection and cleaning, maintenance of vehicles, generators and pumps, review of proposed pump station design and internal pipe inspection with closed circuit television and cleaning.

The Authority also changed its health care plan ten (10) years ago from a private provider to the State of New Jersey Health Care Plan for an initial cost savings of \$100,000.00 per year. The State has presently mandated that all employees must pay 1.5% of their premiums.

The Authority has a very old sewer system. Some of our lines were put in as early as 1958. The original pipe that was installed was called orangeburg and wasn't much better than heavy cardboard. Over the years these pipes have deteriorated badly and need to be replaced. In order to do this, utilizing conventional methods, the street would have to be dug up, the lines replaced with PVC pipe and then the street filled in and repaved. This is a very costly measure. The Authority found a better, less expensive method called Slip-lining. This procedure is done by creating a bypass to the existing line of flow. Then a heavy canvass bag is inserted in the old line and pulled through to the other end. It is then heated to a very high temperature, cooled for several hours and it hardens to the same diameter as the old pipe. This procedure has been very successful and has a 50 year warranty. All this is done without tearing up the street and replacing it. In the past, pipes would deteriorate, the street would collapse and total restoration would have to be implemented. Obviously, it is easier and accomplished at a much lower cost than the old methods.

OVERALL ANALYSIS (CONT'D)

The U.S. Environmental Protection Agency and the Gems Landfill Trust are using the public sewer system as a vehicle for removing groundwater from the Superfund site, despite the possibility that the groundwater could be contaminated with radioactive uranium, radium and other pollutants. The DEP and “Gems Superfund” contended that the water was now at “Drinking Water Standards”.

The Authority believed that the groundwater could possibly still be contaminated with radioactive material. The Authority maintains that the safety of their men is the top priority, as they are the ones who have to monitor, maintain and repair the pump stations that will be handling this water. As a result, the men had to take HAZMAT courses and they need to wear badges that will detect levels of radiation. They need portable meters and preventive safety gear, such as boots, gloves and protective suits. The Camden County MUA performs monthly tests on the groundwater before it is discharged into the closest pump station, which is located in Erial. The Authority collects user fees of approximately \$12,500.00 per year. These funds are used for the purchase of all the safety equipment noted above. Testing is still performed regularly and on a positive note, after six (6) full years of reporting, there are still no problems and Gems has met their Industrial Discharge Monitoring standards.

The Authority’s recycling; grass/leaf collection and composting facility have become enormously successful. In 2011, we collected 10,794 tons of recyclables/vegetative waste and the total amount of materials that Gloucester Township accepted at our facility was 12,459 tons. If a private contractor had taken this to a landfill, the cost to the Township would have exceeded \$1,000,000.00 plus collection costs. The cost of operating these programs during that period was approximately \$1,200,000.00. The Authority has been accepting leaves and grass clippings from twenty (20) neighboring communities, who are paying us a tipping fee of \$3.00 per cubic yard for leaves and \$8.00 for a cubic yard of grass. The Authority also accepts material from landscapers for a charge of \$6.00 per cubic yard for leaves and \$9.50 per cubic yard for grass. Revenue was \$128,605.00 from this source in our fiscal year ending February 29, 2012. This added income lowers the Authority’s operational costs as well as provides us with another source of income from selling compost derived from other community’s waste co-mingled

OVERALL ANALYSIS (CONT'D)

with our own. Expanding this and other revenue producing endeavors is high on our list of priorities. The composting program processes grass and leaves only. Composting of yard waste is done on-site by Authority employees. Revenue from the sale of compost was \$214,840.46 in our fiscal year ending February 29, 2012. Total Revenue for all three (3) programs was \$343,445.46. Additional fees would be added to the Trash Collection Fees paid by the Township, if the Authority were not collecting grass and leaves. That figure could be well over \$300,000.00 a year for collection and \$370,000.00 for disposal. If these programs were implemented privately, additional costs and fees would be well over \$800,000.00 a year. After operational costs are factored in, we realize a savings of over \$500,000.00 yearly.

Since the Camden County M.U.A. took over the treatment of our wastewater several years ago, we feel that the Gloucester Township M.U.A. has been very innovative in finding other avenues of responsibility and revenue to support them. We are always looking for ways to improve the Authority in order to better serve our community.

BUDGET VARIANCES

The Authority expended 93.59% of its \$3,457,405.00 Sewer operating budget with a few major variances. It expended 87.99% of its \$1,631,050.00 Solid Waste operating budget with several major variances. The Authority was not required to amend its fiscal year ending February 29, 2012 budgets. The percentage of amount expended to amount budgeted compares favorably to past years budgets.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During the current year, the Authority expended \$2,842,935.94 from its Renewal & Replacement Fund for capital activities. \$354,944.45 was classified as repairs/other expenses and charged as operating expenses. The remaining \$2,487,991.49 was capitalized as either construction in progress or fixed assets. During the current year, the Authority disbursed \$231,372.51 for capital assets. The more significant disbursements were for sewer system rehabilitation and pump station upgrades. These projects were funded by the NJDEP Environmental Infrastructure Trust Loans – Series 2001A, 2004A and 2008A and 2010A. The result of these major improvements is being felt already. Our major emergency repairs were down from past fiscal years as a result of slip-lining and pump station upgrades. The Authority is now in the middle of implementing work funded by the fourth NJEIT Loan. The Authority still needs to slip-line many areas in the Township that are 30 years or older. The lines presently consist of asbestos and concrete pipes, which are badly deteriorating. The Authority is planning for continuation of slip-lining and various other improvements. Improvements for the 2008A loan included: upgrade of eight (8) more pump stations, new fleet of trucks and a new administration building. Projects completed this year from the 2004 NJEIT loan were basically covered in The Financial Highlights, but some interesting notes: The Emergency Generators that were installed in fourteen (14) Pump Stations: When power goes out from a storm, now the generator automatically switches on and keeps the station pumping. This prevents raw sewage from overflowing into streams or backing up into homes. Now this is accomplished without any manpower having to be on site. The (6) six new manholes installed gives the Authority access to lines that they couldn't reach before and precludes digging up the street. The new Lincoln Drive pump station has replaced the need for an inverted siphon that ran under the south branch of the Timber creek and was ready to collapse. Also, a Telemetry system is being installed in twenty-two (22) pump stations. It serves as an alarm system to let Authority personnel know when there is a problem with a station. All of these improvements will help the Authority to serve the public in a safer, more efficient capacity.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY (CONT'D)

The fiscal year ending February 29, 2012 capital budget and five-year capital program are \$5,365,000.00 and \$7,579,000.00 respectively. The major line items of the capital budget are:

1) Emergency Repairs	\$ 50,000.00
2) Equipment Replacement	50,000.00
3) Telemetry	20,000.00
4) Standby Generators	25,000.00
5) Sewer Rehab Program	1,800,000.00
6) Buildings & Grounds	10,000.00
7) Computer Upgrade	40,000.00
8) Electrical Upgrade	10,000.00
9) Pump Station Upgrades	1,200,000.00
10) Maintenance Equipment/Repairs	20,000.00
11) Administration Building	1,050,000.00
12) General Site Work	30,000.00
13) Record Maintenance	15,000.00
14) Health & Safety	5,000.00
15) Vehicles	40,000.00
16) Solar Energy Project	1,000,000.00

These projects are currently underway at different stages in the process.

Looking at the five-year Capital Program, three projects should be mentioned because these are the projects that we are actively pursuing.

1) Sewer Rehab Program	FY 13	\$1,800,000.00
2) Pump Station Upgrades	FY 13	1,200,000.00
3) Administration Building	FY 13	1,050,000.00
4) Solar Energy Project	FY 13	1,000,000.00

In any planning that is done by the Authority, these projects must be included as part of the capital budget. They are essential projects that will have an effect on the operation of our sewer facilities. The two projects are set up to upgrade and renew our aging lines and pump stations. We have been reaping the benefits of the first three (3) trust loans by seeing a major drop in emergency repairs. This is due to the fact that we were able to upgrade several pump stations and implement slip-lining of the Sewer lines, which we have discussed in detail in our Overall Analysis. The second and third trust loans have given the Authority more than double the financial relief from emergency repairs and hopefully the fourth loan will just about eliminate them.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide New Jersey, Gloucester Township residents and in particular, our customers, clients, investors and creditors, with a general overview of the Authority's finances. If you have any questions about this report or need additional information, contact the Authority at The Gloucester Township Municipal Utilities Authority, P.O. Box 216, Glendora, NJ 08029 or visit our website at: www.gtmua.com.

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Comparative Statements of Net Assets
 As of February 29, 2012 and February 28, 2011

	<u>Feb. 29, 2012</u>	<u>Feb. 28, 2011</u>
ASSETS		
Current Unrestricted Assets:		
Revenue/Operating Account:		
Cash and Cash Equivalents	\$ 1,615,912.53	\$ 1,484,273.92
Consumer Accounts Receivable	332,074.85	446,775.69
Penalties on Delinquent Accounts Receivable	27,016.12	30,304.26
Refunds Receivable	3,906.05	14,517.87
Other Accounts Receivable	57,528.63	37,057.44
Prepaid Expenses	48,422.48	53,079.10
	<hr/>	<hr/>
Total Unrestricted Assets	2,084,860.66	2,066,008.28
Non-Current Assets:		
Restricted Assets:		
Debt Service Account:		
Cash and Cash Equivalents	948,769.67	1,004,211.81
Debt Service Reserve Account:		
Cash and Cash Equivalents	937,008.15	936,242.10
Renewal and Replacement Account:		
Cash and Cash Equivalents	1,762,492.85	1,997,570.75
Due from New Jersey Environmental Infrastructure Trust	1,367,681.31	3,975,296.00
Other Accounts:		
Cash and Cash Equivalents	228,229.47	312,691.90
	<hr/>	<hr/>
Total Restricted Assets	5,244,181.45	8,226,012.56
Property, Plant and Equipment:		
Construction in Progress	3,423,434.09	1,166,815.11
Completed (Net of Accumulated Depreciation)	48,838,718.51	49,658,716.42
	<hr/>	<hr/>
Total Property, Plant and Equipment	52,262,152.60	50,825,531.53
Deferred Assets:		
Bond Issue Costs	68,142.79	79,499.89
	<hr/>	<hr/>
Total Noncurrent Assets	57,574,476.84	59,131,043.98
	<hr/>	<hr/>
Total Assets	\$ 59,659,337.50	\$ 61,197,052.26

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Comparative Statements of Net Assets
 As of February 29, 2012 and February 28, 2011

	<u>Feb. 29, 2012</u>	<u>Feb. 28, 2011</u>
LIABILITIES		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable--Operations	\$ 129,910.09	\$ 167,842.72
Prepaid Rental Charges	36,298.12	29,207.45
Deferred Revenues	525,449.98	599,016.76
Accrued Liabilities	26,367.64	6,428.39
	<hr/>	<hr/>
Total Current Liabilities Payable from Unrestricted Assets	718,025.83	802,495.32
	<hr/>	<hr/>
Current Liabilities Payable from Restricted Assets:		
Serial Bonds Payable--Current Portion	540,000.00	510,000.00
N. J. Environmental Infrastructure Loans Payable -- Current Portion	589,309.43	571,720.65
Accrued Bond and Loan Interest Payable	145,811.77	161,160.94
Accrued Liabilities	8,710.60	8,710.60
Reserve for Payment of Bond Principal and Interest	821.67	976.70
OPEB Liability	17,827.59	14,737.11
Escrow Deposits	181,870.29	289,821.51
	<hr/>	<hr/>
Total Current Liabilities Payable from Restricted Assets	1,484,351.35	1,557,127.51
	<hr/>	<hr/>
Long-term Liabilities:		
Serial Bonds Payable	3,950,000.00	4,490,000.00
N. J. Environmental Infrastructure Loans Payable	9,230,179.62	9,819,489.05
Compensated Absences	232,059.79	147,216.63
	<hr/>	<hr/>
Total Long-term Liabilities	13,412,239.41	14,456,705.68
	<hr/>	<hr/>
Total Liabilities	15,614,616.59	16,816,328.51
	<hr/>	<hr/>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	39,388,487.65	39,489,117.72
Restricted for:		
Bond Covenants:		
Debt Service Reserve Requirement	796,787.50	796,787.50
Renewal and Replacement	500,000.00	500,000.00
Operating Requirement	1,707,433.50	1,671,808.75
Reserve to Pay Debt Service in Accordance with Township Agreement	119,066.14	221,854.40
Unemployment Claims	46,358.99	22,354.15
Reserve for System Upgrades	330,476.09	330,476.09
	<hr/>	<hr/>
	3,500,122.22	3,543,280.89
	<hr/>	<hr/>
Unrestricted	1,156,111.04	1,348,325.14
	<hr/>	<hr/>
Total Net Assets	\$ 44,044,720.91	\$ 44,380,723.75
	<hr/>	<hr/>

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

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Comparative Statements of Revenues, Expenses and Changes in Net Assets
 For the Fiscal Years Ended February 29, 2012 and February 28, 2011

	<u>Feb. 29, 2012</u>	<u>Feb. 28, 2011</u>
Operating Revenues:		
Service Charges	\$ 4,591,838.13	\$ 4,622,225.92
Service Agreements	1,036,526.04	950,148.87
Connection Fees	113,850.00	172,800.00
Miscellaneous Charges	478,595.93	467,618.91
	<hr/>	<hr/>
Total Operating Revenues	6,220,810.10	6,212,793.70
Operating Expenses:		
Administrative Expenses:		
Salaries and Wages	542,758.27	527,162.25
Fringe Benefits	300,630.97	278,609.07
Other	258,636.78	264,365.54
	<hr/>	<hr/>
	1,102,026.02	1,070,136.86
Cost of Service:		
Salaries and Wages	1,674,887.70	1,569,116.75
Fringe Benefits	840,060.96	750,249.80
Other	1,053,876.35	959,893.55
	<hr/>	<hr/>
	3,568,825.01	3,279,260.10
Additional Prior Year Orders	14,850.31	
Major Repairs and Other Expenses	354,944.45	58,860.49
Depreciation	1,039,812.27	965,832.64
	<hr/>	<hr/>
Total Operating Expenses	6,080,458.06	5,374,090.09
Operating Income	<hr/>	<hr/>
	140,352.04	838,703.61
Non-operating Revenue (Expenses):		
Investment Income	2,072.38	1,682.20
Net Unemployment Claims	24,004.84	(10,806.94)
Bond Interest	(475,024.59)	(515,042.31)
Loss on Disposal of Property, Plant and Equipment	(11,558.15)	(71,625.21)
Cancellation of Due from Township	(3,782.43)	
Cancellation of Other Accounts Receivable	(709.83)	
Amortization of Bond Issue Costs	(11,357.10)	(11,357.10)
	<hr/>	<hr/>
Total Non-Operating Expenses	(476,354.88)	(607,149.36)
Developer's Contributions -- Capital Assets	<hr/>	<hr/>
	-	111,048.00
Change in Net Assets	<hr/>	<hr/>
	(336,002.84)	342,602.25
Net Assets, Beginning of Year	<hr/>	<hr/>
	44,380,723.75	44,038,121.50
Net Assets, End of Year:		
Invested in Capital Assets, Net of Related Debt	\$ 39,388,487.65	\$ 39,489,117.72
Restricted	\$ 3,500,122.22	\$ 3,543,280.89
Unrestricted	\$ 1,156,111.04	\$ 1,348,325.14
	<hr/> <hr/>	<hr/> <hr/>

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

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Comparative Statements of Cash Flows
For the Fiscal Years Ended February 29, 2012 and February 28, 2011

	<u>Feb. 29, 2012</u>	<u>Feb. 28, 2011</u>
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 4,884,680.43	\$ 5,061,483.34
Receipts from Township	1,027,294.48	984,713.60
Payments to Suppliers	(2,713,786.28)	(2,307,950.82)
Payments to Employees	(2,217,645.97)	(2,096,279.00)
Other Operating Receipts	335,384.61	375,174.74
Net Cash Provided by Operating Activities	<u>1,315,927.27</u>	<u>2,017,141.86</u>
Cash Flows from Noncapital Financing Activities:		
Planning Escrow Activity	<u>(107,951.03)</u>	93,310.76
Cash Flows from Capital and Related Financing Activities:		
Loan Proceeds	2,607,614.69	802,158.00
Capital Acquisitions	(2,487,991.49)	(1,510,155.62)
Developer's Contributions - System Upgrades		67,030.00
Interest Earned on Investments - Reserved to Pay Debt Service	10,844.97	12,190.84
Debt Service:		
Principal	(1,081,720.65)	(1,035,053.98)
Interest	(501,373.76)	(539,683.14)
Net Cash Used in Capital and Related Financing Activities	<u>(1,452,626.24)</u>	<u>(2,203,513.90)</u>
Cash Flows from Investing Activities:		
Interest on Investments	<u>2,072.19</u>	1,505.69
Net Increase (Decrease) in Cash and Cash Equivalents	(242,577.81)	(91,555.59)
Cash and Cash Equivalents--Beginning	<u>5,734,990.48</u>	<u>5,826,546.07</u>
Cash and Cash Equivalents--Ending	<u>\$ 5,492,412.67</u>	<u>\$ 5,734,990.48</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 140,352.04	\$ 838,703.61
Adjustments to Reconcile Operating Income to Net Cash Used in Operating Activities:		
Depreciation	1,039,812.27	965,832.64
Cancellation of Due from Township of Gloucester	(3,782.43)	
Cancellation of Other Accounts Receivable	(709.83)	
Change in Assets and Liabilities:		
(Increase) Decrease in Consumer Accounts Receivable	114,700.84	(61,713.99)
(Increase) Decrease in Penalties on Delinquent Accounts Receivable	3,288.14	(4,462.80)
(Increase) Decrease in Refunds Receivable	10,611.82	23,573.30
(Increase) Decrease in Other Accounts Receivable	(20,471.19)	22,010.96
(Increase) Decrease in Prepaid Expenses	4,656.62	797.67
Increase (Decrease) in Accounts Payable	(37,932.63)	(9,866.57)
Increase (Decrease) in Prepaid Rents	7,090.67	(183.32)
Increase (Decrease) in Deferred Revenue	(73,566.78)	252,927.13
Increase (Decrease) in Accrued Liabilities	19,939.25	(9,621.75)
Increase (Decrease) in OPEB Liability	3,090.48	4,543.11
Increase (Decrease) in Reserve for Unemployment Claims	24,004.84	(10,806.94)
Increase (Decrease) in Compensated Absences Payable	84,843.16	5,408.81
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,315,927.27</u>	<u>\$ 2,017,141.86</u>

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

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Notes to Financial Statements

For the Years Ended February 29, 2012 and February 28, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Township of Gloucester (the "Township") is located in the western portion of the County of Camden, approximately 15 miles southeast of Philadelphia, Pennsylvania and 59 miles south of Trenton, New Jersey, and is bounded by the Borough of Runnemede on the north, the Boroughs of Lindenwold, Stratford and Pine Hill on the east, Winslow Township on the south and Deptford Township on the west.

The Township, by ordinance dated October 6, 1958 and amended November 29, 1963, created the Gloucester Township Municipal Utilities Authority (the "Authority"). The Authority is organized under P.L. 1957 C.183 of the laws of the State of New Jersey (the Act). The Act grants power to every municipality of the State by means and through agency of a municipal utilities authority to acquire, construct, maintain, operate or improve works for the accumulation, supply or distribution of water and works for the collection, treatment, purification or disposal of sewage or other wastes. A seven-member board governs the Authority. The Township Council appoints members of the Board for five-year terms on a staggered basis. The members of the Board oversee the Authority's operations.

The Authority operates and maintains a sewage collection system within the municipal boundaries of the Township. The sewerage is then passed on to the Camden County Municipal Utilities Authority (CCMUA) system. The CCMUA in turn is responsible for the treatment of all waste materials.

The Authority bills and collects for its services from all customers and is entitled to a connection fee for new hook-ups.

Under its solid waste department, the Authority provides curbside recycling for the Township under an Intra-Local Service agreement that is executed annually detailing the arrangements with the Township. In addition to its curbside recycling, the Authority collects grass and leaves throughout the Township and receives grass and leaves from other municipalities within the County at a compost facility that is operated and maintained by the Authority.

Component Unit

The Authority is a component unit of the Township as described in Governmental Accounting Standards Board Statement No. 14. These financial statements would be either blended or discreetly presented as part of the Township's financial statements if the Township reported using generally accepted accounting principles applicable to governmental entities.

GASB Statement No. 14 also provides 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 Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. As of February 29, 2012, it has been determined by the Authority that no component units exist.

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

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

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

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

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. Sewer and solid waste service charges are recognized as revenue when services are provided. Connection fees are collected in advance and, accordingly, the Authority defers these revenues until the municipality issues a release for certificate of occupancy and determines that sewage collection services are being provided to the properties.

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

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

Governmental Accounting Standards Board - Statement No. 20

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Budgets and Budgetary Accounting**

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

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

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

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

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

Inventory

The Authority has determined that the inventories are immaterial and are not recorded in the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Property, Plant and Equipment**

Property, Plant, and Equipment primarily consists of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets are stated at actual or estimated historical cost.

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

Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$1,000.00 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

Depreciation

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

	<u>Years</u>
Buildings	30-40
Major Moveable Equipment	5-20
Vehicles	7
Infrastructure	40

Assets are recorded during the year by acquisition date and depreciation is calculated monthly from that date forward.

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

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

<u>Issuance Costs</u>	<u>Balance February 29, 2012</u>
1993 Bonds	\$ 283,927.69
Less:	
Accumulated Amortization	<u>215,784.90</u>
	<u>\$ 68,142.79</u>

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 is 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.

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

Net assets comprise the various earnings from operating income, non-operating revenues, expenses, and capital contributions. Net assets are classified in the following three components:

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

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

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

Income Taxes

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

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from facility charges (i.e., sewer and solid waste revenues) and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and certificates of deposit.

Operating expenses include expenses associated with the operation, maintenance and repair of the sewer system, solid waste facility and general administrative expenses. Non-operating expenses principally include expenses attributable to debt service interest.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates

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

The Authority has one violation of finance related to legal or contractual provisions as described in finding no. 2012-1 in the Findings and Questioned Costs section of this report.

General Bond Resolution

The Authority is subject to the provisions and restrictions of the 1993 Bond Resolution. A summary of the activities of each account created by the Bond Resolution is covered below.

Revenue Account - All revenues collected by the Authority are required to be deposited in the Revenue Account. A balance equal to an amount for operating expenses for the ensuing three months is maintained in the Revenue Account. In each quarter commencing with February 15th of each year the Trustee to the extent that monies are available, is required to transfer or credit to the following accounts: Operating, Sinking/Debt Service, Debt Service Reserve and Renewal and Replacement.

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

Sinking Account - Required sinking account installments of the Revenue Bonds, Series 1993 are deposited in this account. The Trustee may apply moneys on deposit to the redemption of 1993 Bonds, maturing March 1, 2018.

Debt Service Account - This fund is maintained to pay maturing interest and principal on the 1993 Revenue Bonds and the New Jersey Environmental Infrastructure Trust Loans of the Authority. On or before February 15, May 15, August 15 and November 15 amounts equal to a pro rata portion of the Debt Service Requirement for the immediately ensuing Interest Payment Date plus a pro rata portion of the amount necessary to pay the maturing Bond and loan principal should be deposited from the Revenue Account into this Account.

Debt Service Reserve Account - The amount of funds on deposit must be maintained at a level equal to the maximum annual debt service of all the series of bonds and loans then outstanding. In accordance with the Authority's bond resolution, an amount totaling \$796,787.50 was restricted by the Authority and deposited with the Authority's trustee. This amount satisfies the debt service reserve requirement for the 1993 revenue bonds.

Funding of the debt service reserve requirement for the 2001 and 2004 New Jersey Environmental Infrastructure Loans has been provided by the New Jersey Environmental Infrastructure Trust. The debt service reserve fund contribution for the 2001 loan was \$94,134.99 and for the 2004 loan was \$178,776.61. These funds were deposited with an agent for the Trust and will be returned to the Trust upon maturity of the loans. The 2008 and 2010 loans were issued as subordinate debt under the General Bond Resolution and shall be payable out of and secured by a subordinate pledge of gross revenues and there was no deposit required into the Debt Service Reserve Fund.

Renewal and Replacement Account - All excess funds of the Authority are recorded in the Renewal and Replacement account. Amounts may be withdrawn from this account for costs necessary with respect to the System for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals. Funds on deposit must be equal to the System Reserve Requirement, currently established at \$500,000.00. The System Reserve Requirement is established by the Consulting Engineer's Certificate most recently filed with the Trustee or five percent of the Gross Revenues set forth in the Authority's then-current budget.

Construction Account - The Construction account is designated as depository for moneys from any source including proceeds from the sale of additional bonds for the construction or acquisition to the system. All moneys in the Construction account are pledged to secure the principal or redemption price and interest on the Bonds. Currently, there is no balance or required balance for the Construction Account.

Rebate Account - This account was established for the purpose of paying to the United States any rebatable arbitrage. All amounts in this account shall be held by the Trustee free and clear of any liens created by the Bond resolution. Currently, there is no balance or required balance for the rebate account.

Other Restricted Accounts - In addition to those accounts required by the trust indentures, an escrow fund and an unemployment trust account are maintained to hold monies that are being held in trust for others.

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

Section 6.10 of the 1993 Bond Resolution requires certain ratios of Net Revenues to Debt Service. Compliance with this covenant is calculated as follows:

	<u>Bond Year Ending March 1</u>	
	<u>2012</u>	<u>2011</u>
<u>1993 Revenue Bond Resolution:</u>		
Operating Revenues	\$ 6,220,810.10	\$ 6,212,793.70
Interest Revenue	<u>2,072.38</u>	<u>1,682.20</u>
Total Revenues	<u>6,222,882.48</u>	<u>6,214,475.90</u>
Operating Expenses:		
Administrative	1,102,026.02	1,070,136.86
Cost of Services	3,568,825.01	3,279,260.10
Miscellaneous	<u> </u>	<u> </u>
Total Operating Expenses	<u>4,670,851.03</u>	<u>4,349,396.96</u>
Excess of Revenues	1,552,031.45	1,865,078.94
110% of Current Fiscal Year's Annual Debt Service Requirement	<u>1,614,362.63</u>	<u>1,608,431.55</u>
Excess (Deficit) of Revenues	<u>(\$ 62,331.18)</u>	<u>\$ 256,647.39</u>
Percentage of Net Revenues to Debt Service	106%	127%

The ratio for bond year ending March 1, 2012 does not meet the required debt service coverage of 110% required under the 1993 Bond Resolution. Bond year ending March 1, 2012 includes the Authority's four New Jersey Environmental Infrastructure Loans.

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. Of the Authority's bank balances totaling \$5,517,938.97 as of February 29, 2012, \$380,781.27 was insured by the Federal Deposit Insurance Corporation, and \$5,137,157.70 was collateralized under the Governmental Unit Deposit Protection Act.

Service Fees

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Billings</u>	<u>Total Collections</u>	<u>Percentage of Collections</u>
2012	\$ 446,775.69	\$ 4,591,838.13	\$ 4,706,538.97	93.41%
2011	385,061.70	4,622,225.92	4,560,511.93	91.08%
2010	304,455.87	4,567,770.66	4,487,164.83	92.10%

Property, Plant and Equipment

During the year ended February 29, 2012, the following changes in Property, Plant and Equipment occurred:

	<u>Balance Feb. 28, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Feb. 29, 2012</u>
Land	\$ 214,000.00			\$ 214,000.00
Buildings & Improvements	863,753.19	\$ 5,500.00		863,753.19
Major Movable Equipment	2,190,993.42	6,872.01	\$ 7,819.70	2,190,993.42
Vehicles	1,324,809.26		91,800.00	1,324,809.26
Infrastructure	<u>62,776,978.98</u>	<u>219,000.50</u>		<u>62,776,978.98</u>
	67,370,534.85	231,372.51	106,641.35	67,495,266.01
Depreciation	<u>17,711,818.43</u>	<u>1,039,812.27</u>	<u>95,083.20</u>	<u>18,656,547.50</u>
	<u>\$ 49,658,716.42</u>	<u>\$ (808,439.76)</u>	<u>\$ 11,558.15</u>	<u>\$ 48,838,718.51</u>

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

Authority employees are entitled to 15 paid sick leave days each year. Unused sick leave may be accumulated and carried forward to subsequent years. Vacation days not used during the year may not be accumulated and carried forward. However, employees have until March 31 of the succeeding year to use any unused vacation days from the prior year. Authority employees are permitted to buy back a maximum of 15 sick days a year. The accrued liability for accumulated sick leave and vacation time at February 29, 2012 is estimated at \$232,059.79.

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. The 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 will be increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

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

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Paid by Authority</u>
2012	\$58,171.00	\$116,342.00	\$174,513.00	\$174,513.00
2011	72,191.00	115,031.00	187,222.00	187,222.00
2010	64,118.00	82,384.00	146,502.00	146,502.00

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

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

The Authority provides dental coverage to employees that have retired from the Authority in addition to health and prescription drugs coverage provided through the State Pension Fund. Dental coverage and the amount of the benefit are established by the Authority. GASB Statement 45 requires that accrued liabilities associated with the dental coverage be recorded on the Authority's financial statements.

The State Pension Fund provides health benefits and a prescription drug plan through the State Health Benefit Plan which is a cost-sharing multiple-employer defined benefit postemployment healthcare plan. As a result, GASB Statement 45 requires that the actuarial accrued liability for employee benefits are recorded as an obligation of the State Health Benefit Plan and not the Authority.

State Health Benefit Plan**Plan Description**

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP.

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 Authority contributions to SHBP for the years ended February 29, 2012 and February 28, 2011 and 2010 were \$122,570.16, \$118,193.51, and \$116,832.42, respectively, which equaled the required contributions for each year. There were 11 retired participants eligible at February 29, 2012 and February 28, 2011 and 2010.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Authority's Plan – Dental/Prescription Coverage****Plan Description**

The Authority also provides dental and prescription coverage to retirees and their covered dependents. The reimbursements are administered by the Authority; therefore, payments are made directly by the Authority to the retirees.

Funding Policy

The Authority presently funds its current retiree post-employment benefit costs on a "pay-as-you-go" basis. The Authority's contributions to the plan for the year ending February 29, 2012 were \$9,611.08.

Future Retirees

Under GASB Statement 45, the Authority is now required to expense 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 ARC includes the costs of both current and future retirees. The current ARC was determined to be \$13,456.00 at an unfunded discount rate of 5.0%. The Authority has funded the cost of existing retirees in the amount of \$9,611.08 and in year ending February 29, 2012, the Authority has accrued the benefit costs for future eligible employees, but has not yet begun funding this outstanding liability.

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.

For the fiscal year ending February 29, 2012, the Authority's annual OPEB cost (expense) of \$13,456.00 for the plan was equal to the ARC. The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending February 29, 2012 is as follows:

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Pay as You Go Cost (Existing Retirees)</u>	<u>Net OPEB Obligation</u>	<u>Percentage of Annual OPEB Cost Contributed</u>
2012	\$ 13,456.00	\$ 9,611.08	\$ 3,844.92	71%
2011	13,456.00	8,912.85	4,543.15	66%
2010	13,456.00	3,262.04	10,193.96	24%

Funded Status and Funding Progress

As of February 28, 2010, the most recent actuarial valuation date, the Authority's Plan was 0% funded. The actuarial accrued liability for benefits was \$113,228.00, and the actuarial value of plan assets was \$0.00, resulting in an unfunded actuarial accrued liability (UAAL) of \$113,228.00. (For additional information, please refer to the "Required Supplementary Information Schedule of Funding Progress for Health Benefits Plan" shown at the end of the footnote section.) 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 the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Authority's Plan – Dental/Prescription Coverage (Cont'd)****Actuarial Methods and Assumptions**

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

In the February 28, 2010 actuarial valuation, the unit credit actuarial cost method was used. Under this method, an actuarial accrued liability is determined as the actuarial present value of the portion of projected benefits which is allocated to service before the current plan year. In addition, a normal cost is determined as the actuarial present value of the portion of projected benefits which is allocated to service in the current plan year for each active participant under the assumed retirement age. The actuarial assumptions included the following: a discount rate of 5% on future benefit costs; turnover rate of 70.4% starting at age 20 decreasing to a rate of 0% at age 50; and lastly, the actual number of retirees with dependents and an estimated number of active employees with dependents is used to determine dependent coverage.

Revenue Bonds Payable - Series 1993

The Revenue Bonds, Series 1993 were issued to provide funds: (i) to advance refund the Authority's Second Lien Revenue Bonds, Series A, which were originally issued in February 1988 in the principal amount of \$3,660,000; (ii) to advance refund the Authority's Second Lien Revenue Bonds, Series B, which were originally issued in May 1988 in the principal amount of \$6,040,000; and (iii) to defray issuance costs of the 1993 Bonds.

The Bonds were issued originally for \$10,440,000 and carried interest rates ranging from 2.75% to 5.65% with a final maturity in 2018.

The following schedule reflects the Debt Service Requirements until 2018.

Bond Year Ending <u>March 1,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 540,000	\$ 253,685	\$ 793,685
2013	570,000	223,175	793,175
2014	605,000	190,970	795,970
2015	640,000	156,788	796,788 *
2016	675,000	120,628	795,628
2017	710,000	82,490	792,490
2018	<u>750,000</u>	<u>42,375</u>	<u>792,375</u>
	4,490,000	<u>\$ 1,070,111</u>	<u>\$ 5,560,111</u>
Current Portion	<u>540,000</u>		
Long Term	<u>\$ 3,950,000</u>		

* Maximum Debt Service

New Jersey Environmental Infrastructure Trust

In November 2001, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$1,095,000.00 from the Trust and a \$1,095,500.00 from the Fund. The loan proceeds were used to fund a sewer system rehabilitation project. As of February 29, 2012, the Authority has drawn all of these funds.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**New Jersey Environmental Infrastructure Trust (Cont'd)**

The Fund Loan is a non-interest bearing loan with the first semi-annual principal payment paid August 1, 2003. The Trust Loan carries rates from 4.00% to 5.50%. Both loans have a final maturity of August 1, 2021.

In November 2004, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$2,110,000.00 from the Trust and a \$2,069,790.00 from the Fund. The loan proceeds were used to fund the continuation of a sewer system rehabilitation project. As of February 29, 2012, the Authority has drawn all of these funds.

The Fund Loan is a non-interest bearing loan with its semi-annual principal payment due August 1 and February 1. The Trust Loan carries rates from 3.00% to 5.00%. Both loans have a final maturity of August 1, 2024.

In November 2008, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling 1,960,000.00 from the Trust and a \$1,937,488.00 from the Fund. The loan proceeds are being used to fund the continuation of a sewer system rehabilitation project, construct a new administration building and provide equipment for its composting facility. As of February 29, 2012, the Authority has drawn all of these funds.

The Fund Loan is a non-interest bearing loan with its semi-annual principal payment due August 1 and February 1. The Trust Loan carries rates from 5.00% to 5.50%. Both loans have a final maturity of August 1, 2029.

In November 2010, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$540,000.00 from the Trust and a \$1,653,750.00 from the Fund. The loan proceeds are being used to fund the continuation of a sewer system rehabilitation project. As of February 29, 2012, the Authority has drawn down \$866,278.69. The balance of \$1,367,681.31 of loan proceeds is recorded as a receivable on Exhibit A.

The Fund Loan is a non-interest bearing loan with its semi-annual principal payment due August 1 and February 1. The Trust Loan carries rates from 3.00% to 5.00%. Both loans have a final maturity of August 1, 2029.

The following schedule reflects the Debt Service Requirements for all N.J.E.I.T. Loans until 2029.

Bond Year Ending <u>March 1,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 589,309.43	\$ 221,493.76	\$ 810,803.19
2014	606,407.09	208,831.26	815,238.35
2015	607,366.96	196,331.26	803,698.22
2016	624,711.27	184,031.26	808,742.53
2017	638,426.58	171,006.26	809,432.84
2018	646,501.95	156,806.26	803,308.21
2019	662,045.72	141,431.26	803,476.98
2020	685,209.00	125,181.26	810,390.26
2021	704,473.89	107,775.01	812,248.90
2022	710,101.45	89,750.01	799,851.46
2023	585,120.42	73,243.76	658,364.18

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**New Jersey Environmental Infrastructure Trust (Cont'd)**

2024	\$ 592,905.55	\$ 58,537.51	\$ 651,443.06
2025	622,009.29	43,784.38	665,793.67
2026	351,376.63	32,150.00	383,526.63
2027	355,240.97	23,962.50	379,203.47
2028	366,906.59	15,400.00	382,306.59
2029	375,316.88	6,275.00	381,591.88
2030	<u>96,059.38</u>	<u>800.00</u>	<u>96,8593.38</u>
	9,819,489.05	<u>\$ 1,856,790.75</u>	<u>\$ 11,676,279.80</u>
Current Portion	<u>589,309.43</u>		
Long Term	<u>\$ 9,230,179.62</u>		

Lease Obligations

At February 29, 2012, the Authority had lease agreements in effect for a postage meter and a copy machine. Future minimum rental payments under operating lease agreements are as follows:

Fiscal Year Ending <u>February 28</u>	<u>Amount</u>
2013	\$ 576.00
2014	576.00

Rental payments under operating leases for the year ended February 29, 2012 were \$2,616.00.

Note 5: DETAIL NOTES – NET ASSETS**Net Assets Appropriated****Reserve for System Upgrades**

The Authority has several agreements with developers whose projects have connected to the Authority's system. These agreements require that money be deposited with the Authority for future costs that the Authority may incur as a result of the impact on the system by the developer's project. The Authority records these funds as "Reserve for System Upgrades".

Reserve to Pay Debt Service

The solid waste agreements (See Note 7) between the Township of Gloucester and the Authority stipulate that the Authority shall reserve for payment of the Township's share of the Authority's future debt service any unreserved retained earnings generated from grass collection, recycling and composting activities in excess of 35% of the compost facilities operating budget. The balance as of February 29, 2012 reserved to pay debt service in accordance with Township agreements is \$119,066.14.

Net Assets Appropriated

None of the Authority's unrestricted net assets totaling \$1,156,111.04 as of February 29, 2012 was appropriated and included as support in the operating budgets for the year ending February 28, 2013.

Note 6: 1983 SERVICE CONTRACT

Under a Service Contract, dated October 24, 1983 between the Township of Gloucester and the Authority, the Township is obligated to pay to the Authority "amounts" equal to any deficits in Authority revenues necessary to pay or provide for (i) operation and maintenance expenses and administrative or other expenses of the Authority, (ii) the principal of and interest on bonds or notes of the Authority, (iii) the maintenance of such reserves as may be required by the General Bond Resolution or by any contract deemed necessary by the Authority, and (iv) amounts necessary to enable the Authority to comply with the terms of the General Bond Resolution.

Amounts referred to above are considered revenues if and when received under the General Bond Resolution and are available to provide for the 1993 Revenue Bonds and the requirements of the General Bond Resolution.

Note 7: INTERGOVERNMENTAL AGREEMENTS

The Authority has entered into three agreements with the Township of Gloucester. The first agreement is for the collection of residential grass clippings. The Authority provides curbside collection from April to October. The second agreement is for recycling in the Township. The Authority provides curbside collection of recyclable material on a year round basis. Each agreement is renewed annually.

The third agreement is for the expansion of the Authority's compost facilities. The Township has agreed to provide the funding for this project. Section IIB, Paragraph 7 of the agreement stipulates that the Authority shall reserve any earnings generated from grass collection, recycling and composting activities in excess of 35% of the compost facilities operating budget for payment of the Township's share of the Authority's future debt service. The Authority has determined the amount of allowable Unrestricted Net Assets at February 29, 2012 to be \$164,211.25 and the amount reserved for payment of future debt service is \$119,066.14.

Note 8: COMMITMENTS AND CONTINGENCIES**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 9: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded coverage for the past several years.

REQUIRED SUPPLEMENTARY INFORMATION

GLOUCESTER TOWNSHIP 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
2/28/2010	\$ 0	\$ 113,228.00	\$ 113,228.00	0 %	N/A	N/A

Schedule RSI-2

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Required Supplementary Information
 Schedule of Employer Contributions to the OPEB Plan

Year Ended February 28,	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2012	\$ 13,456.00	71%
2011	13,456.00	66%
2010	13,456.00	24%

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Note to Required Supplementary Information
For the Year Ended February 29, 2012

Other Postemployment Benefits

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

Valuation Date	February 28, 2010
Actuarial Cost Method	Unit Credit Cost Method
Amortization Method	Present Value of Straight Line
Remaining Amortization Period	28 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Mortality	Group Annuity Morality Table
Future Costs Discount Rate	5% Compounded
Turnover Rate	U.S. Office of Personnel Management
Disability	No terminations due to disability
Age at Retirement	No Earlier than 60
Spousal Coverage	Married Employees will remain Married
Rate of Medical Inflation	5%
Administration Expenses	Cost included in Dental Care Costs

For determining the GASB ARC, the rate of employer contributions to the Gloucester Township Municipal Utilities Authority 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.

SUPPLEMENTAL SCHEDULES

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Net Assets by Department
 As of February 29, 2012

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
ASSETS			
Current Unrestricted Assets:			
Cash and Cash Equivalents	\$ 1,368,691.32	\$ 247,221.21	\$ 1,615,912.53
Consumer Accounts Receivable	332,074.85		332,074.85
Penalties on Delinquent Accounts Receivable	27,016.12		27,016.12
Refunds Receivable	3,617.03	289.02	3,906.05
Other Accounts Receivable		57,528.63	57,528.63
Prepaid Expenses	37,277.15	11,145.33	48,422.48
	<hr/>	<hr/>	<hr/>
Total Unrestricted Assets	1,768,676.47	316,184.19	2,084,860.66
Non- Current Assets:			
Restricted Assets:			
Debt Service Account:			
Cash and Cash Equivalents	948,769.67		948,769.67
Debt Service Reserve Account:			
Cash and Cash Equivalents	937,008.15		937,008.15
Renewal and Replacement Account:			
Cash and Cash Equivalents	1,762,492.85		1,762,492.85
Due from New Jersey Environmental Infrastructure Trust	1,367,681.31		1,367,681.31
Other Accounts:			
Cash and Cash Equivalents	228,229.47		228,229.47
	<hr/>	<hr/>	<hr/>
Total Restricted Assets	5,244,181.45	-	5,244,181.45
Property, Plant and Equipment:			
Construction in Progress	3,423,434.09		3,423,434.09
Completed (Net of Accumulated Depreciation)	47,660,138.61	1,178,579.90	48,838,718.51
	<hr/>	<hr/>	<hr/>
Total Property, Plant and Equipment	51,083,572.70	1,178,579.90	52,262,152.60
Deferred Assets:			
Bond Issue Costs	68,142.79	-	68,142.79
	<hr/>	<hr/>	<hr/>
Total Noncurrent Assets	51,151,715.49	1,178,579.90	57,574,476.84
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 58,164,573.41	\$ 1,494,764.09	\$ 59,659,337.50

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Net Assets by Department
 As of February 29, 2012

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
LIABILITIES			
Current Liabilities Payable from Unrestricted Assets:			
Accounts Payable--Operations	\$ 99,702.78	\$ 30,207.31	\$ 129,910.09
Prepaid Rental Charges	36,298.12		36,298.12
Accrued Liabilities	26,284.48	83.16	26,367.64
Deferred Revenues	525,449.98		525,449.98
	<hr/>		
Total Current Liabilities Payable from Unrestricted Assets	687,735.36	30,290.47	718,025.83
	<hr/>		
Current Liabilities Payable from Restricted Assets:			
Serial Bonds Payable--Current Portion	540,000.00		540,000.00
N. J. Environmental Infrastructure Loans Payable -- Current Portion	533,106.62	56,202.81	589,309.43
Accrued Bond and Loan Interest Payable	143,195.44	2,616.33	145,811.77
Accrued Liabilities	8,710.60		8,710.60
Reserve for Payment of Bond Principal and Interest	821.67		821.67
OPEB Liability	17,827.59		17,827.59
Escrow Deposits	181,870.29		181,870.29
	<hr/>		
Total Current Liabilities Payable from Restricted Assets	1,425,532.21	58,819.14	1,484,351.35
	<hr/>		
Long-term Liabilities:			
Serial Bonds Payable	3,950,000.00		3,950,000.00
N. J. Environmental Infrastructure Loans Payable	8,115,392.39	1,114,787.23	9,230,179.62
Compensated Absences	232,059.79		232,059.79
	<hr/>		
Total Long-term Liabilities	12,297,452.18	1,114,787.23	13,412,239.41
	<hr/>		
Total Liabilities	\$ 14,410,719.75	\$ 1,203,896.84	\$ 15,614,616.59
	<hr/>		
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 39,380,897.79	\$ 7,589.86	39,388,487.65
Restricted for:	<hr/>		
Bond Covenants:			
Debt Service Reserve Requirement	796,787.50		796,787.50
Renewal and Replacement	500,000.00		500,000.00
Operating Requirement	1,707,433.50		1,707,433.50
Unemployment Claims	46,358.99		46,358.99
Reserve to Pay Debt Service in Accordance with Township Agreement		119,066.14	119,066.14
Reserve for System Upgrades	330,476.09		330,476.09
	<hr/>		
	3,381,056.08	119,066.14	3,500,122.22
	<hr/>		
Unrestricted	991,899.79	164,211.25	1,156,111.04
	<hr/>		
Total Net Assets	\$ 43,753,853.66	\$ 290,867.25	\$ 44,044,720.91
	<hr/>		

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenues, Expenses and Changes in Net Assets by Department
 For the Fiscal Year Ended February 29, 2012

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Operating Revenues:			
Service Charges	\$ 4,591,838.13		\$ 4,591,838.13
Service Agreements		\$ 1,036,526.04	1,036,526.04
Connection Fees	113,850.00		113,850.00
Miscellaneous Charges	135,150.47	343,445.46	478,595.93
Total Operating Revenues	4,840,838.60	1,379,971.50	6,220,810.10
Operating Expenses:			
Administrative Expenses:			
Salaries and Wages	434,135.96	108,622.31	542,758.27
Fringe Benefits	260,438.85	40,192.12	300,630.97
Other	258,636.78		258,636.78
	953,211.59	148,814.43	1,102,026.02
Cost of Service:			
Salaries and Wages	997,527.69	677,360.01	1,674,887.70
Fringe Benefits	579,813.56	260,247.40	840,060.96
Other	705,204.45	348,671.90	1,053,876.35
	2,282,545.70	1,286,279.31	3,568,825.01
Major Repairs and Other Expenses	354,944.45		354,944.45
Additional Prior Year Orders	14,850.31		14,850.31
Depreciation	882,872.76	156,939.51	1,039,812.27
Total Operating Expenses	4,488,424.81	1,592,033.25	6,080,458.06
Operating Income (Loss)	352,413.79	(212,061.75)	140,352.04
Non-operating Revenue (Expenses):			
Investment Income	2,072.38		2,072.38
Net Unemployment Claims	24,004.84		24,004.84
Loss on Disposal of Property, Plant and Equipment	(11,558.15)		(11,558.15)
Cancellation of Due from Township	(3,782.43)		(3,782.43)
Cancellation of Other Accounts Receivable	(709.83)		(709.83)
Bond Interest	(443,085.84)	(31,938.75)	(475,024.59)
Amortization of Bond Issue Costs	(11,357.10)		(11,357.10)
Total Non-Operating Expenses	(444,416.13)	(31,938.75)	(476,354.88)
Change in Net Assets	(92,002.34)	(244,000.50)	(336,002.84)
Net Assets, Beginning of Year	43,845,856.00	534,867.75	44,380,723.75
Net Assets, End of Year:			
Invested in Capital Assets, Net of Related Debt	\$ 39,380,897.79	\$ 7,589.86	\$ 39,388,487.65
Restricted	\$ 3,381,056.08	\$ 119,066.14	\$ 3,500,122.22
Unrestricted	\$ 991,899.79	\$ 164,211.25	\$ 1,156,111.04

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments
 For the Fiscal Year Ended February 29, 2012

	Accounts Required by Bond Resolution						Total
	Revenue/Operating Accounts	Revenue	Debt Service Reserve	Debt Service	Renewal and Replacement	Other Accounts	
Cash and Cash Equivalents Balance February 28, 2011	\$ 179,405.92	\$ 1,304,868.00	\$ 936,242.10	\$ 1,004,211.81	\$ 1,997,570.75	\$ 312,691.90	\$ 5,734,990.48
Receipts:							
Service Fees	4,677,331.52						4,677,331.52
Service Agreements	1,036,526.04						1,036,526.04
Connection Fee Deposits	13,050.00						13,050.00
Penalties on Delinquent Accounts -- Sewer	92,183.90						92,183.90
Other Revenue -- Sewer	43,637.95						43,637.95
Other Revenue -- Solid Waste	291,365.96						291,365.96
Prepaid Sewer Rents	36,298.12						36,298.12
Prepaid Connection Fees	27,200.00						27,200.00
Prepaid Land Lease Agreements	2,649.98						2,649.98
Other Accounts Receivable -- Sewer	380.70						380.70
Other Accounts Receivable -- Solid Waste	35,966.91						35,966.91
Refunds Receivable	14,517.87						14,517.87
Accrued Liabilities	1,382.92						1,382.92
Planning Escrow Deposits						18,070.15	18,070.15
Investment Income	494.08		1,334.76		243.35		2,072.19
Payroll Deduction Payable	1,018,030.58						1,018,030.58
Unemployment Account Deposits						28,977.84	28,977.84
Reserve to Pay Future Debt Service				10,844.97			10,844.97
N.J. Environmental Infrastructure Loan Receivable					2,607,614.69		2,607,614.69
Due to Unrestricted - Interest Receivable						0.19	0.19
Transfers In	4,667,820.00	6,279,786.75		1,534,715.11			12,482,321.86
Total Cash and Cash Equivalents Available	12,138,242.45	7,584,654.75	937,576.86	2,549,771.89	4,605,428.79	359,740.08	28,175,414.82

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GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments
 For the Fiscal Year Ended February 29, 2012

	Accounts Required by Bond Resolution						
	Revenue/Operating Accounts	Revenue	Debt Service Reserve	Debt Service	Renewal and Replacement	Other Accounts	Total
Disbursements:							
Budgetary Expenses:							
Sewer	\$ 3,018,778.20						\$ 3,018,778.20
Solid Waste	1,381,150.00						1,381,150.00
Prepaid Expenses	48,422.48						48,422.48
Accounts Payable	182,693.03						182,693.03
Payroll Deductions Payable	998,174.49						998,174.49
Refunds Receivable	3,906.05						3,906.05
Accrued Liabilities	1,299.76						1,299.76
Due from Gloucester Township	9,231.56						9,231.56
Bond and Loan Principal				\$ 1,081,720.65			1,081,720.65
Bond and Loan Interest				501,373.76			501,373.76
Transfers Out	6,278,613.99	\$ 6,184,715.11	\$ 568.71	17,907.81		\$ 516.24	12,482,321.86
Capital Outlays:							
Expensed					\$ 354,944.45		354,944.45
Construction in Progress					2,256,618.98		2,256,618.98
Capital Assets					231,372.51		231,372.51
Expenditures for Planning Escrow						126,021.37	126,021.37
Unemployment Claims						4,973.00	4,973.00
Total Disbursements	11,922,269.56	6,184,715.11	568.71	1,601,002.22	2,842,935.94	131,510.61	22,683,002.15
Cash and Cash Equivalents							
Balance February 29, 2012	\$ 215,972.89	\$ 1,399,939.64	\$ 937,008.15	\$ 948,769.67	\$ 1,762,492.85	\$ 228,229.47	\$ 5,492,412.67

GLOUCESTER TOWNSHIP 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 February 29, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Anticipated Revenues:			
Operating Revenues:			
Service Charges	\$ 4,619,700.00	\$ 4,591,838.13	\$ (27,861.87)
Connection Fees	230,000.00	113,850.00	(116,150.00)
Other Revenue	103,335.00	135,150.47	31,815.47
Total Operating Revenues	4,953,035.00	4,840,838.60	(112,196.40)
Other Budget Revenues:			
Investment Income	17,000.00	2,072.38	(14,927.62)
Total Anticipated Revenues	4,970,035.00	4,842,910.98	(127,124.02)
Operating Appropriations:			
Administrative:			
Salaries and Wages:			
Boardmembers	30,450.00	30,087.50	362.50
Administrative Employees	176,000.00	175,830.68	169.32
Office Personnel	202,500.00	202,072.68	427.32
Overtime - Summer Help	10,000.00	10,000.00	
Longevity	16,300.00	16,145.10	154.90
Total Salaries and Wages	435,250.00	434,135.96	1,114.04
Employee Benefits:			
Prescription	6,500.00	3,609.22	2,890.78
Dental	23,500.00	18,693.40	4,806.60
Hospitalization	195,050.00	142,841.01	52,208.99
Eye Care	4,050.00	1,437.34	2,612.66
Social Security Tax	34,650.00	36,363.43	(1,713.43)
Public Employees' Retirement System	57,130.00	57,130.00	
Unemployment Insurance	4,650.00	364.45	4,285.55
Total Employee Benefits	325,530.00	260,438.85	65,091.15

(Continued)

GLOUCESTER TOWNSHIP 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 February 29, 2012

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Administrative (Cont'd):			
Other Expenses:			
Services	\$ 2,500.00	\$ 3,697.71	\$ (1,197.71)
Compliance Testing	3,000.00	1,312.00	1,688.00
Payroll Services	6,300.00	6,097.77	202.23
Postage and Envelopes	43,900.00	40,985.59	2,914.41
Stationery and Printing	11,800.00	8,467.33	3,332.67
Maintenance Contracts	13,000.00	6,311.01	6,688.99
Supplies and Equipment	4,500.00	2,754.54	1,745.46
Supplies - Office	3,600.00	3,479.34	120.66
Equipment and Repair	4,200.00	2,074.05	2,125.95
Auditor Fees	45,000.00	41,400.00	3,600.00
Trustee Fees	12,000.00	37,027.50	(25,027.50)
Solicitor Fees/Retainer	38,800.00	33,737.12	5,062.88
Engineer Fees/Retainer	18,000.00	18,106.50	(106.50)
Workers' Compensation Insurance	4,400.00	3,727.78	672.22
Auto Insurance	1,150.00	958.34	191.66
Special Multi-Peril Insurance	5,650.00	7,087.95	(1,437.95)
Bank Service Fees		10,926.03	(10,926.03)
Bond Counsel	25,000.00	1,590.00	23,410.00
Public Official Bond	5,800.00	5,800.00	
Contingencies	5,900.00	5,233.95	666.05
Employee Appreciation	4,500.00	857.12	3,642.88
Telephone	16,500.00	13,636.09	2,863.91
Gas and Oil	2,500.00	2,500.00	
Registration	200.00	71.50	128.50
Tires	700.00	792.56	(92.56)
Transportation-Other	100.00	5.00	95.00
Total Other Expenses	279,000.00	258,636.78	20,363.22
Total Administrative	1,039,780.00	953,211.59	86,568.41
Cost of Service:			
Salaries and Wages:			
Foreman Salaries	152,450.00	157,204.77	(4,754.77)
Overtime (Foreman)	8,000.00	7,259.41	740.59
Laborers Salaries	725,800.00	723,763.38	2,036.62
Overtime (Laborers)	36,500.00	34,800.98	1,699.02
Summer Help	37,000.00	36,817.05	182.95
Longevity (Laborers)	29,600.00	29,364.53	235.47
Longevity (Foremen)	8,400.00	8,317.57	82.43
Total Salaries and Wages	997,750.00	997,527.69	222.31

(Continued)

GLOUCESTER TOWNSHIP 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 February 29, 2012

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Cost of Service (Cont'd):			
Employee Benefits:			
Prescription	\$ 12,500.00	\$ 10,031.28	\$ 2,468.72
Dental	50,000.00	38,421.60	11,578.40
Hospitalization	358,900.00	347,171.84	11,728.16
Eye Care	5,850.00	3,555.99	2,294.01
Social Security Tax	79,100.00	74,980.03	4,119.97
Public Employees' Retirement System	104,950.00	104,925.00	25.00
Unemployment Insurance	9,350.00	727.82	8,622.18
Total Employee Benefits	<u>620,650.00</u>	<u>579,813.56</u>	<u>40,836.44</u>
Other Expenses:			
Services	1,300.00	396.44	903.56
Stationery and Printing	1,400.00	1,215.99	184.01
Custodial Supplies	6,000.00	4,916.32	1,083.68
Supplies and Equipment	1,700.00	857.33	842.67
Supplies - Office	1,300.00	1,634.64	(334.64)
Equipment - Other	13,500.00	14,390.27	(890.27)
Equipment - Automotive	23,000.00	15,598.91	7,401.09
Workers' Compensation Insurance	40,000.00	11,224.93	28,775.07
Auto Insurance	31,925.00	30,443.29	1,481.71
Special Multi-Peril Insurance	14,950.00	11,889.92	3,060.08
Boiler Insurance	8,050.00	8,050.00	
Maintenance Contracts	4,000.00	2,303.74	1,696.26
Electricity	250,000.00	292,695.93	(42,695.93)
Uniforms	13,000.00	5,210.05	7,789.95
Telecommunications	11,000.00	6,753.01	4,246.99
Force Main Inspections	20,000.00	1,615.66	18,384.34
Water	10,500.00	5,729.51	4,770.49
Cleaning Solvent	1,000.00	361.25	638.75
Natural Gas	38,000.00	9,820.44	28,179.56
Gas and Oil	64,000.00	64,500.00	(500.00)
Registration	1,600.00	371.00	1,229.00
Garage Expenses	1,000.00	793.78	206.22
Tires	11,500.00	9,603.05	1,896.95
Transportation-Other	350.00	40.85	309.15
Hardware Supplies	1,400.00	230.00	1,170.00
Shoes	3,150.00	2,840.12	309.88
Administration Building Expenses	10,000.00	7,213.18	2,786.82
Hydrogen Sulfide Remediation	70,000.00	69,031.27	968.73
Accessories	1,200.00	152.01	1,047.99
Mobile Units	3,000.00	455.01	2,544.99
Miscellaneous	800.00	702.83	97.17
Collection System Pump Stations	30,000.00	21,868.40	8,131.60

(Continued)

GLOUCESTER TOWNSHIP 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 February 29, 2012

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Other Expenses:			
Collection System Supplies	\$ 25,000.00	\$ 21,113.54	\$ 3,886.46
Solicitor Fees	7,500.00	8,343.85	(843.85)
Engineer Fees	9,000.00	10,450.80	(1,450.80)
Trash Disposal	3,600.00	2,370.10	1,229.90
Markouts	6,000.00	6,753.93	(753.93)
Safety Equipment	16,000.00	15,731.42	268.58
Generator Repairs	30,000.00	24,215.79	5,784.21
MUA Contribution/Unemployment	12,500.00	12,500.00	
Contingencies	1,000.00	815.89	184.11
	<u>799,225.00</u>	<u>705,204.45</u>	<u>94,020.55</u>
Total Other Expenses	799,225.00	705,204.45	94,020.55
Total Cost of Service	<u>2,417,625.00</u>	<u>2,282,545.70</u>	<u>135,079.30</u>
Total Operating Appropriations	<u>3,457,405.00</u>	<u>3,235,757.29</u>	<u>221,647.71</u>
Principal Payments on Debt in lieu of Depreciation	<u>1,057,580.00</u>	<u>1,027,516.58</u>	<u>30,063.42</u>
Non-operating Appropriations:			
Interest on Bonds and Loans	<u>455,050.00</u>	<u>443,085.84</u>	<u>11,964.16</u>
Total Operating Appropriations, Principal Payments and Non-Operating Appropriations	<u>4,970,035.00</u>	<u>4,706,359.71</u>	<u>263,675.29</u>
Excess Anticipated Revenues over Operating Appropriations, Principal Payments and Non-Operating Appropriations	<u>\$ -</u>	<u>\$ 136,551.27</u>	<u>\$ 136,551.27</u>
<u>Reconciliation to Operating Income</u>			
Excess Anticipated Revenues over Operating Appropriations, Principal Payments and Non-Operating Appropriations			\$ 136,551.27
Add:			
Bond and Loan Principal		\$ 1,027,516.58	
Bond and Loan Interest		<u>443,085.84</u>	
			<u>1,470,602.42</u>
			1,607,153.69
Less:			
Depreciation		882,872.76	
Major Repairs and Other Expenses		354,944.45	
Additional Prior Year Orders		14,850.31	
Interest on Investments		<u>2,072.38</u>	
			<u>1,254,739.90</u>
Operating Income (Schedule 2)			<u>\$ 352,413.79</u>

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Solid Waste Anticipated Revenues, Operating Appropriations and
 Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
 For the Fiscal Year Ended February 29, 2012

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Anticipated Revenues:			
Operating Revenues:			
Service Agreements	\$ 1,402,200.00	\$ 1,036,526.04	\$ (365,673.96)
Other Revenue	315,000.00	343,445.46	28,445.46
Total Anticipated Revenues	<u>1,717,200.00</u>	<u>1,379,971.50</u>	<u>(337,228.50)</u>
Operating Appropriations:			
Administrative:			
Salaries and Wages	104,450.00	104,384.25	65.75
Longevity	4,250.00	4,238.06	11.94
	<u>108,700.00</u>	<u>108,622.31</u>	<u>77.69</u>
Employees Benefits:			
Prescription	500.00	690.06	(190.06)
Dental	6,000.00	2,833.00	3,167.00
Hospitalization	40,400.00	23,703.31	16,696.69
Eye Care	600.00	600.00	
Social Security Tax	5,200.00	5,732.38	(532.38)
Public Employees' Retirement System	6,425.00	6,425.00	
Unemployment Insurance	500.00	208.37	291.63
Total Employee Benefits	<u>59,625.00</u>	<u>40,192.12</u>	<u>19,432.88</u>
Total Administration	<u>168,325.00</u>	<u>148,814.43</u>	<u>19,510.57</u>
Cost of Service:			
Salaries and Wages:			
Laborers	620,450.00	566,210.88	54,239.12
Foreman	25,500.00	34,205.90	(8,705.90)
Summer Help	30,000.00	25,200.00	4,800.00
Overtime	29,000.00	12,314.79	16,685.21
Longevity	42,700.00	39,428.44	3,271.56
Total Salaries and Wages	<u>747,650.00</u>	<u>677,360.01</u>	<u>70,289.99</u>
Employees Benefits:			
Prescription	7,500.00	3,403.38	4,096.62
Dental	22,500.00	9,060.50	13,439.50
Hospitalization	184,200.00	161,626.08	22,573.92
Eye Care	3,900.00	756.27	3,143.73
Social Security Tax	42,100.00	42,827.95	(727.95)
Public Employees' Retirement System	42,050.00	42,050.00	
Unemployment Insurance	4,700.00	523.22	4,176.78
Total Employee Benefits	<u>306,950.00</u>	<u>260,247.40</u>	<u>46,702.60</u>

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Solid Waste Anticipated Revenues, Operating Appropriations and
 Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
 For the Fiscal Year Ended February 29, 2012

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable <u>(Unfavorable)</u>
Other Expenses:			
Workers' Compensation Insurance	\$ 34,000.00	\$ 7,762.18	\$ 26,237.82
Auto Insurance	24,050.00	24,048.33	1.67
Office Supplies	3,350.00	2,474.88	875.12
Gas and Oil	89,000.00	119,888.12	(30,888.12)
Registration	300.00	105.00	195.00
Tires	40,500.00	22,718.11	17,781.89
Transportation - Other	600.00		600.00
Compost Testing	750.00	463.00	287.00
Uniforms	5,000.00	4,613.27	386.73
Other Services	300.00	456.25	(156.25)
Special Multi Peril Insurance	5,425.00	5,754.27	(329.27)
Hardware	1,000.00	356.09	643.91
Safety Shoes	2,250.00	1,679.92	570.08
Grass Phone	750.00	551.35	198.65
Accessories	1,100.00	740.00	360.00
Testing Equipment	900.00		900.00
Other Equipment	19,500.00	17,930.56	1,569.44
Equipment - Automotive	26,500.00	25,655.47	844.53
Printing	1,000.00	747.25	252.75
Disposal and Tipping Fees	3,500.00	673.84	2,826.16
Trailer -- Electric	7,500.00	4,126.97	3,373.03
Miscellaneous	5,300.00	5,051.55	248.45
Stationery and Printing	150.00	32.50	117.50
Residue Disposal	50,000.00	11,189.85	38,810.15
Compost Marketing	3,000.00	255.97	2,744.03
Compost Delivery Costs	1,000.00	450.00	550.00
Contingencies	500.00		500.00
Grading Materials	12,000.00	10,062.05	1,937.95
Solicitor Fees	9,500.00	7,372.48	2,127.52
Auditing Fees	6,000.00	6,000.00	
Compliance Testing	1,500.00	110.00	1,390.00
Engineering Fees	8,500.00	29,332.61	(20,832.61)
Communications	5,200.00	4,939.12	260.88
MUA Contribution/Unemployment	16,200.00	15,862.91	337.09
N.J. Recycling Center Fees	9,000.00	8,138.00	862.00
N.J. Permits	13,000.00	9,130.00	3,870.00
Total Other Expenses	<u>408,125.00</u>	<u>348,671.90</u>	<u>59,453.10</u>
Total Cost of Services	<u>1,462,725.00</u>	<u>1,286,279.31</u>	<u>176,445.69</u>
Total Operating Appropriations	<u>1,631,050.00</u>	<u>1,435,093.74</u>	<u>195,956.26</u>

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Solid Waste Anticipated Revenues, Operating Appropriations and
 Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
 For the Fiscal Year Ended February 29, 2012

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Principal Payments on Debt In Lieu of Depreciation	\$ 54,210.00	\$ 54,204.07	\$ 5.93
Non-operating Appropriations: Interest on Bonds	31,940.00	31,938.75	1.25
Total Operating Appropriations, Principal Payments and Non-Operating Appriations	<u>1,717,200.00</u>	<u>1,521,236.56</u>	<u>195,963.44</u>
Deficit Anticipated Revenues over Operating and Non-Operating Appropriations	<u>\$ -</u>	<u>\$ (141,265.06)</u>	<u>\$ (141,265.06)</u>
Deficit Anticipated Revenues over Operating Appropriations			\$ (141,265.06)
Add:			
Loan Principal		\$ 54,204.07	
Loan Interest		<u>31,938.75</u>	
			<u>86,142.82</u>
			(55,122.24)
Less:			
Depreciation			<u>156,939.51</u>
Operating Loss (Schedule 2)			<u>\$ (212,061.75)</u>

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Consumer Accounts Receivable
 For the Fiscal Year Ended February 29, 2012

Balance Feb. 28, 2011		\$ 446,775.69
Increased by:		
Service Fees		<u>4,591,838.13</u>
		5,038,613.82
Decreased by:		
Collections	\$ 4,677,331.52	
Prepayments Applied	<u>29,207.45</u>	
		<u>4,706,538.97</u>
Balance Feb. 29, 2012		<u><u>\$ 332,074.85</u></u>

Schedule 6

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Connection Fees Receivable
 For the Fiscal Year Ended February 29, 2012

Connection Charges 2011-12		\$ 113,850.00
Decreased by:		
Collections	\$ 13,050.00	
Prepaid Connection Permit Applied	<u>100,800.00</u>	
		<u><u>\$ 113,850.00</u></u>

Schedule 7

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Penalties on Delinquent Accounts
 For the Fiscal Year Ended February 29, 2012

Balance Feb. 28, 2011		\$ 30,304.26
Increased by:		
Accrued in Fiscal Year 2012		<u>88,895.76</u>
		119,200.02
Decreased by:		
Collections		<u>92,183.90</u>
Balance Feb. 29, 2012		<u><u>\$ 27,016.12</u></u>

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Refunds Receivable
For the Fiscal Year Ended February 29, 2012

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Balance Feb. 28, 2011	\$ 11,849.83	\$ 2,668.04	\$ 14,517.87
Add:			
Accrued 2011-2012	3,617.03	289.02	3,906.05
	15,466.86	2,957.06	18,423.92
Less:			
Cash Receipts	11,849.83	2,668.04	14,517.87
Balance Feb. 29, 2012	<u>\$ 3,617.03</u>	<u>\$ 289.02</u>	<u>\$ 3,906.05</u>

Schedule 9

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Interest Receivable
For the Fiscal Year Ended February 29, 2012

	<u>Balance Feb. 28, 2011</u>	<u>Interest Earned</u>	<u>Interest Collected</u>	<u>Balance Feb. 29, 2012</u>
Unrestricted Earnings:				
Revenue Fund	\$ 176.51	\$ 317.76	\$ 494.08	\$ 0.19 (1)
Debt Service Reserve Fund		1,334.76	1,334.76	
Renewal and Replacement Fund		243.35	243.35	
	176.51	1,895.87	2,072.19	0.19
Restricted Earnings:				
Performance Escrow Deposits	(176.51)	176.51	0.19	(0.19) (2)
	<u>\$ -</u>	<u>\$ 2,072.38</u>	<u>\$ 2,072.38</u>	<u>\$ -</u>

(1) Includes Due from Escrow Deposit Fund

(2) Due to Revenue Fund

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Service Agreements with the Township of Gloucester
 For the Fiscal Year Ended February 29, 2012

Increased by:			
Collections			\$ 1,036,526.04
Decreased by:			
Fiscal Year 2012 Service Agreements:			
Recycling Services	\$	447,954.53	
Grass Collection		391,537.77	
Compost		<u>110,890.92</u>	
		950,383.22	
Agreement to Pay Debt Service		<u>86,142.82</u>	
			<u>\$ 1,036,526.04</u>

Schedule 11

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Prepaid Expenses
 For the Fiscal Year Ended February 29, 2012

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Balance Feb. 28, 2011	\$ 29,342.67	\$ 23,736.43	\$ 53,079.10
Add:			
Disbursements Fiscal Year 2012	<u>37,277.15</u>	<u>11,145.33</u>	<u>48,422.48</u>
	66,619.82	34,881.76	101,501.58
Less:			
Charged to Operations Fiscal Year 2012	<u>29,342.67</u>	<u>23,736.43</u>	<u>53,079.10</u>
Balance Feb. 29, 2012	<u>\$ 37,277.15</u>	<u>\$ 11,145.33</u>	<u>\$ 48,422.48</u>

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Prepaid Connection Fees
For the Fiscal Year Ended February 29, 2012

Balance Feb. 28, 2011	\$ 596,400.00
Increased by:	
Cash Received	<u>27,200.00</u>
	623,600.00
Decreased by:	
Applied	<u>100,800.00</u>
Balance Feb. 29, 2012	<u><u>\$ 522,800.00</u></u>

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Property Plant and Equipment - Completed
 For the Fiscal Year Ended February 29, 2012

	Balance Feb. 28, 2011	Cash Disbursed	Disposals	Balance Feb. 29, 2012	Useful Life
Sewer:					
Land	\$ 114,000.00			\$ 114,000.00	
Buildings and Improvements	277,470.96	\$ 5,500.00		282,970.96	40 Yrs.
Sewer Mains	50,594,527.25	28,467.98		50,622,995.23	40 Yrs.
Pumping Stations	11,477,495.44	190,532.52		11,668,027.96	40 Yrs.
Telemetry	704,956.29		\$ 7,819.70	697,136.59	15 Yrs.
Alarm System	24,637.86			24,637.86	15 Yrs.
Computer System	42,096.49			42,096.49	5 Yrs.
Paging System	1,861.50			1,861.50	20 Yrs.
Camera System	48,990.00			48,990.00	7 Yrs.
Vehicles	1,324,809.26		91,800.00	1,233,009.26	7 Yrs.
Telephone System	16,198.50			16,198.50	20 Yrs.
Furniture	16,419.93			16,419.93	10 Yrs.
Equipment-Other	662,668.40	6,872.01	7,021.65	662,518.76	5-10 Yrs.
	65,306,131.88	231,372.51	106,641.35	65,430,863.04	
Less: Accumulated Depreciation	16,982,934.87	882,872.76	95,083.20	17,770,724.43	
	<u>\$ 48,323,197.01</u>	<u>\$ (651,500.25)</u>	<u>\$ 11,558.15</u>	<u>\$ 47,660,138.61</u>	
Solid Waste:					
Land	\$ 100,000.00			\$ 100,000.00	
Improvements	537,292.23			537,292.23	40 Yrs.
Equipment-Other	1,427,110.74			1,427,110.74	7 Yrs.
	2,064,402.97	\$ -	\$ -	2,064,402.97	
Less: Accumulated Depreciation	728,883.56	156,939.51		885,823.07	
	<u>\$ 1,335,519.41</u>	<u>\$ (156,939.51)</u>	<u>\$ -</u>	<u>\$ 1,178,579.90</u>	
Recap:					
Total Capital Assets	\$ 67,370,534.85	\$ 231,372.51	\$ 106,641.35	\$ 67,495,266.01	
Less: Accumulated Depreciation	17,711,818.43	1,039,812.27	95,083.20	18,656,547.50	
	<u>\$ 49,658,716.42</u>	<u>\$ (808,439.76)</u>	<u>\$ 11,558.15</u>	<u>\$ 48,838,718.51</u>	

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Construction in Progress
 For the Fiscal Year Ended February 29, 2012

Balance Feb. 28, 2011	\$	1,166,815.11
Increased by:		
Cash Disbursed		2,256,618.98
Balance Feb. 29, 2012	\$	3,423,434.09

Analysis of Balance

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Construction of Administration Building	\$ 1,139,809.45		\$ 1,139,809.45
Sewer Main Rehabilitation	1,131,067.43		1,131,067.43
Pump Station Rehabilitation	981,411.42		981,411.42
Orr Road Grinder/Controls	15,077.55		15,077.55
Orr Road By-Pass Pump	111,842.53		111,842.53
Solar Energy Panels	44,225.71		44,225.71
	\$ 3,423,434.09	\$ -	\$ 3,423,434.09

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Accrued Interest Payable on Bonds and Loans
 For the Fiscal Year Ended February 29, 2012

Balance Feb. 28, 2011		\$ 161,160.94
Interest Charges for the Fiscal Year Ended Feb. 29, 2012:		
Budget - Sewer:		
Series 1993 Revenue Bonds	\$ 242,685.00	
NJEIT Loan	200,400.84	
	443,085.84	
Budget - Solid Waste:		
NJEIT Loan	31,938.75	
Bond Service Account Interest (Sewer)	11,000.00	
		486,024.59
		647,185.53
Paid		501,373.76
Balance Feb. 29, 2012		\$ 145,811.77
<u>Analysis of Balance</u>		
Sewer:		
Bonds		\$ 126,842.50
NJEIT Loans		16,352.94
		143,195.44
Solid Waste - NJEIT Loans		2,616.33
		\$ 145,811.77

**GLOUCESTER TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

PART II

SINGLE AUDIT

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
STATE OF NEW JERSEY CIRCULAR 04-04-OMB**

The Chairman and Members of
Gloucester Township Municipal Utilities Authority
Glendora, New Jersey

Compliance

We have audited the compliance of the Gloucester Township Municipal Utilities Authority, in the County of Camden, State of New Jersey, with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the New Jersey State Grant Compliance Supplement that could have a direct and material effect on each of the Authority's major state program for the fiscal year ended February 29, 2012. The Authority's major state program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133, and State of New Jersey Circular 04-04-OMB, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, Gloucester Township Municipal Utilities Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the fiscal year ended February 29, 2012.

Internal Control Over Compliance

Management of the Gloucester Township Municipal Utilities Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on its major state program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey Circular 04-04-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
June 28, 2012

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Expenditures of State Financial Assistance
 For the Fiscal Year Ended February 29, 2012

State Grantor/ Program Title	State GMIS Number	Program or Award Amount	Grant Period		February 28, 2011			February 29, 2012			
			From	To	Deferred Revenue	(Accounts Receivable)	Cash Received	Adjustments	Expenditures	Deferred Revenue	(Accounts Receivable)
State Department of Environmental Protection Division of Water Quality:											
Environmental Infrastructure Trust-2004	N/A	\$ 4,179,790.00	01/01/05	N/A		\$ (40,210.00)		\$ 40,210.00			
Environmental Infrastructure Trust-2008	N/A	3,897,488.00	01/01/09	N/A	\$ 1,768,581.30	(1,741,336.00)	\$ 1,741,336.00		\$ 950,710.88	\$ 817,870.42	
Environmental Infrastructure Trust-2010	N/A	2,193,750.00	01/01/10	N/A	2,091,822.37	(2,193,750.00)	866,278.69	(40,210.00)	1,368,039.20	723,783.17	\$ (1,367,681.31)
					<u>\$ 3,860,403.67</u>	<u>\$ (3,975,296.00)</u>	<u>\$ 2,607,614.69</u>	<u>\$ -</u>	<u>\$ 2,318,750.08</u>	<u>\$ 1,541,653.59</u>	<u>\$ (1,367,681.31)</u>

The Accompanying Notes to Financial Statements and Notes to the Schedule of Expenditures of State Financial Assistance are an integral part of this Schedule.

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended February 29, 2012

Note 1: GENERAL

The accompanying schedule of expenditures of state financial assistance presents the activity of all state financial assistance programs of the Gloucester Township Municipal Utilities Authority. The Authority is defined in the Notes to Financial Statements, Note 1. All state awards received directly from state agencies are included on the schedule of state financial assistance.

Note 2: BASIS OF ACCOUNTING

The accompanying schedule of state financial assistance is presented using the accrual basis of accounting. This basis of accounting is described in the Notes to Financial Statements, Note 1. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 3: RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported in the Authority's financial statements.

Note 4: STATE LOANS OUTSTANDING

The Authority had the following loan balances outstanding at February 29, 2012:

<u>Loan Program Title</u>	<u>Amount Outstanding</u>
NJ Environmental Infrastructure Trust: 2001	\$ 1,279,798.83
NJ Environmental Infrastructure Trust: 2004	3,043,489.86
NJ Environmental Infrastructure Trust: 2008	3,490,628.32
NJ Environmental Infrastructure Trust: 2010	<u>2,005,572.04</u>
	<u>\$ 9,819,489.05</u>

Note 5: MAJOR PROGRAMS

The New Jersey Environmental Infrastructure Trust is the Authority's only major program.

**GLOUCESTER TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

PART III

FINDINGS AND QUESTIONED COSTS

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Cost:
For the Year Ended February 29, 2012

Section 1- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting

Material weaknesses identified: ___ yes X no

Were significant deficiencies identified that were not considered to be a material weakness: ___ yes X none reported

Noncompliance material to financial statements noted: ___ yes X no

Federal Awards

Not Applicable

Internal control over compliance

Material weaknesses identified: ___ yes ___ no

Were significant deficiencies identified that were not considered to be a material weakness: ___ yes ___ none reported

Type of auditor's report on compliance for major program: _____

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a)): ___ yes ___ no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

Dollar threshold used to determine Type A program: \$ _____

Auditee qualified as low-risk auditee: ___ yes ___ no

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended February 29, 2012

Section 1- Summary of Auditor's Results (Cont'd)

State Financial Assistance

Internal control over compliance:

Material weaknesses identified? ___ yes X no

Were significant deficiencies identified that were not considered to be a material weakness? ___ yes X none reported

Type of auditor's report on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a)) or New Jersey Circular 04-04-OMB? X yes ___ no

Identification of major programs:

<u>GMIS Numbers</u>	<u>Name of State Program</u>
N/A	New Jersey Environmental Infrastructure Trust Loan Program

Dollar threshold used to determine Type A programs \$ 300,000.00

Auditee qualified as low-risk auditee? ___ yes X no

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended February 29, 2012

Section 2- 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, and State of New Jersey.

Finding No. 2012-1

Criteria or Specific Requirement

The Authority's bond resolution, section 6.10, Rates and Charges requires the Authority to provide "Net Revenues" at least equal to 1.10 times the Authority's "Debt Service Requirement". "Net Revenues" shall mean for any period Gross Revenues less Operating Expenses but before the deduction of interest on outstanding bonds and amortization of financing charges on outstanding bonds. "Debt Service Requirement" shall mean, for a specified period, interest payable, mandatory sinking fund deposits and amounts required to pay principal maturing during the period.

Condition

The Authority's "Net Revenues" generated for the fiscal year ending February 29, 2012 were not at least equal to 1.10 times the Authority's "Debt Service Requirement" as required by the Authority's bond resolution, section 6.10.

Context

In addition to the Authority's 1993 Bonds, the Authority has obtained four loans through the New Jersey Environmental Infrastructure Trust over the last decade. These loans have significantly increased the Authority's "Debt Service Requirement". The Authority has carefully monitored its spending over those years in an effort to avoid increasing its user rates and complying with its bond resolution, section 6.10. As "Net Revenues" have decreased, the Authority's management continued to monitor the situation and has made plans to adjust the rates in its fiscal year 2013. Unfortunately, the Authority's "Net Revenues" decreased in fiscal year 2012 below the amount necessary to meet the bond resolution requirement.

Effect

The Authority did not comply with requirements contained in its bond resolution, section 6.10.

Cause

Loss of significant revenues such as connection fees and interest on investments.

Recommendation

That the Authority provide sufficient "Net Revenues" that are at least equal to 1.10 times its "Debt Service Requirement" as required by the Authority's bond resolution, section 6.10.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will take action in its fiscal year 2013 to adjust its user rates to provide the revenue necessary to comply with its bond resolution requirements contained in section 6.10.

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended February 29, 2012**

Section 3- Schedule of Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by OMB Circular A-133.

Not Applicable

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended February 29, 2012**

Section 4- Schedule of State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major State programs, as required by OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

None

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Summary Schedule of Prior Year Audit Findings
And Questioned Costs as Prepared by Management

This section identifies the status of prior year findings related to the financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with Government Auditing Standards, OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

FINANCIAL STATEMENT FINDINGS

Finding No. 2011-1

Condition

The Authority's general ledger accounting record was not properly maintained and reconciled monthly with other subsidiary records as required by N.J.A.C. 5:30-5.7.

Current Status

The condition has been corrected.

FEDERAL AWARDS

N/A - None

STATE FINANCIAL ASSISTANCE PROGRAMS

N/A - None

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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

A handwritten signature in black ink, appearing to read "K. N. Applegate".

Kirk N. Applegate
Certified Public Accountant
Registered Municipal Accountant

