GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

REPORT OF AUDIT

WITH SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDING FEBRUARY 28, 2013 & FEBRUARY 29, 2012

BOWMAN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
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GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

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GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Roster of Officials
As of February 28, 2013

Members	Position
Richard P. Calabrese	Chairman
Frank Simiriglia	Vice-Chairman
Dora Guevara	Treasurer
Amy Tarves	Secretary
Richard Edgar	Assistant Secretary
Joseph Pillo	Assistant Treasurer/ Alternate Member
Ken Garbowski	Alternate Member

Other Officials	
Robert Benson	Executive Director
Carol Tarves	Administrative Secretary
Marlene Hrynio	Recording Secretary
Thomas Leisse	Engineer
Howard C. Long, Jr., Esq.	Solicitor
TD Bank, N.A.	Trustee

GLOUCESTER TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY

PART I

FINANCIAL SECTION

FOR THE FISCAL YEARS ENDED
FEBRUARY 28, 2013 & FEBRUARY 29, 2012

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities 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 years ending February 28, 2013 and February 29, 2012 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

601 White Horse Road | Voorhees, NJ 08043 | P 856.435.6200 | F 856.435.0440 | www.bowmanllp.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Gloucester Township Municipal Utilities Authority, in the County of Camden, State of New Jersey as of February 28, 2013 and February 29, 2012, and its changes in financial position and its cash flows thereof for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, in 2012, the Authority adopted new accounting guidance contained in GASB Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement 65 Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

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

Other Information

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

The accompanying supplementary schedules as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 31, 2013 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
July 31, 2013

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

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey the financial statements of the business-type activities of the Gloucester Township Municipal Utilities Authority, in the County of Camden, State of New Jersey, a component unit of the Township of Gloucester, (Authority), as of and for the fiscal year ended February 28, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 31, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified one deficiency in internal control that we consider to be material weakness.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as finding no. 2013-1 to be a material weakness.

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Compliance and Other Matters

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

The Authority's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
July 31, 2013

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 five (5) years ago is for repairing and updating 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 four (4) 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 once threw into their trash cans, into their recycling containers instead. This has lightened the load of trash disposal considerably, thereby reducing the costs for the Township. The Township purchased four (4) Single-Stream Automated Recycling Trucks, one Compactor Truck and retro-fitted another truck in our fleet. The Township also purchased 20,500 Automated Recycling Carts (Toters), of which 17,500 are used with the trucks for Residential Collection. The GTMUA began Single-Stream Recycling Collection on November 28, 2012. After almost one (1) one year of this new State-of the Art Collection System, the Township has increased its Recycling tonnage amount by 40%. Due to this increase, cost savings and revenue earned, it amounted to an additional $ 200,000.00 after the 1st year of Single Stream.

Another innovative addition that has been implemented in the Solid Waste Budget is the Capturit electronic carts for Recycling that have scans in them, which tells the Authority the address, the tonnage amount recycled and if they recycle at all. This is made possible by the Recycling Trucks having a GPS installed so it that can tell where the truck has been. At this time, the Authority has about 18,000 plus carts out on the street and the majority of them are being used regularly. This is a huge savings to the Township, as they fund the Solid Waste Department of the Authority. Plus, the bill for Trash Collection is much lower now, because so much is Recycled instead of going into the trash.

In order for all of 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's 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 had decreased measurably in the last few years because of declining new construction within the Township. However, last year, connection fee revenue increased $167,800.00 while prepaid connections decreased $183,200.00.

For the Fiscal year ending February 29, 2012, the Authority's net revenues were not sufficient to satisfy the Authority's Bond Resolution requirement contained in Section 6.10. Also, that without an adjustment to its Service Rates, the Authority would not generate sufficient revenues to support its future operations or meet the Bond Resolution requirement. Unfortunately, Connection Fee Revenue for the fiscal year ending February 29, 2012 was $113,850.00. This represented a 34.11% decrease compared to the previous year. Revenues produced from Connection Fees, Interest and other sources had leveled off or decreased for quite a while. In addition, the Authority's Management had taken steps over the past few years to minimize its operating expenses in an effort not to raise rates. This approach had been successful for a number of years and as a result the Authority had not had a rate increase since 2006. The Rate Hearing was held August 16, 2012. The increases were as follows: October 1, 2012 - $41.00 to $43.00, January 1, 2014 - $43.00 to $46.00 for a total increase of $5.00 per Quarter.

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, twenty-one (21) remote telemetry units and 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 28, 2013 was 92.44% Sewer rents were up approximately $126,200.00.

6) **Connection Fees** – Connection fee revenue for FY ending February 28, 2013 was $281,650. This represents a 147.39% increase compared to last year.

7) **Total Sewer Operating Revenue** – Operating revenue for fiscal year ending February 28, 2013 was $5,141,250.11 which is an increase from last year's amount of $4,840,838.60.

8) **Total Sewer Operating Expenses** – For fiscal year ending February 28, 2013, operating expenses of $3,217,906.86 were down from last year's amount of $3,235,757.29.

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 $388,638.31, which is an increase of $45,192.85 from the previous fiscal 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.

FINANCIAL HIGHLIGHTS (CONT'D)

10) **Total Fixed Assets** -Total fixed assets for fiscal year ending February 28, 2013 were $65,940,303.28, which includes land, buildings, pipelines, pump stations, vehicles, equipment, alarms, telemetering, etc. Asset value, net of accumulated depreciation is $46,476,823.22.

11) **1993 Debt Service** - As of March 1, 2013, the Authority has outstanding Revenue Bonds totaling $3,950,000.00. 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 28, 2013, the percentage of "Net Revenues" to Debt Service was 129%. 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 28, 2013, the Authority generated $2,878.48 in interest income from investments. This was $806.10 higher than fiscal year ending February 29, 2012.

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 $55,558,326.10 on February 28, 2013. Total assets, total liabilities and total net assets are detailed below.

Gloucester Township Municipal Utilities Authority
Net Assets

	Feb. 28, 2013	Restated Feb. 29, 2012	Restated Feb. 28, 2011
Current Assets	$ 2,188,788.26	$ 2,084,860.66	$ 2,066,008.28
Non-Current Assets	4,642,538.12	5,265,249.60	8,250,592.06
Capital Assets (net of accumulated depreciation)	48,726,999.72	52,262,152.60	50,825,531.53
Total Assets	**$ 55,558,326.10**	**$ 59,612,262.86**	**$ 61,142,131.87**
Current Liabilities	$ 2,241,965.69	$ 1,679,577.18	$ 1,763,222.83
Long-Term Liabilities	12,230,136.18	13,412,239.41	14,456,705.68
Total Liabilities	**$ 14,472,101.87**	**$ 15,091,816.59**	**$ 16,219,928.51**
Total Deferred Inflows of Resources	**$ 339,600.00**	**$ 522,800.00**	**$ 596,400.00**
Net Assets			
Invested in Capital Assets, Net of Related Debt	$ 36,401,486.41	$ 39,388,487.65	$ 39,489,117.72
Restricted	3,450,024.81	3,500,122.22	3,543,280.89
Unrestricted	895,113.01	1,109,036.40	1,293,404.75
Total Net Assets	**$ 40,746,624.23**	**$ 43,997,646.27**	**$ 44,325,803.36**

The Authority realized operating income of $652,647.39 for the current fiscal year, combined with net non-operating expenses of $3,919,261.64, net assets decreased by $3,251,022.04.

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

	Feb. 28, 2013	Restated Feb. 29, 2012	Restated Feb. 28, 2011
Operating Revenues:			
Service Charges	$ 4,718,033.65	$ 4,591,838.13	$ 4,622,225.92
Service Agreements (Twp.)	1,062,043.14	1,036,526.04	950,148.87
Connection Fees	281,650.00	113,850.00	172,800.00
Miscellaneous Charges	530,204.77	478,595.93	467,618.91
Total Operating Revenues	**6,591,931.56**	**6,220,810.10**	**6,212,793.70**
Operating Expenses:	4,954,248.12	5,040,645.79	4,408,257.45
Depreciation Expense:	985,036.05	1,039,812.27	965,832.64
Total Operating Expenses	**5,939,284.17**	**6,080,458.06**	**5,374,090.09**
Operating Income	**652,647.39**	**140,352.04**	**838,703.61**
Non-Operating Revenues (Expenses)			
Investment Income	2,878.48	2,072.38	1,682.20
Net Unemployment Claims	19,254.06	24,004.84	(10,806.94)
Bond Interest	(432,645.85)	(475,024.59)	(515,042.31)
Cancellation of Other Accounts Receivable		(709.83)	
Cancellation of Due from/to Township	(5,449.13)	(3,782.43)	
Cancellation of Construction In Progress	(15,077.55)		
Net Reserve for System Improvements	(28,386.58)		
Loss on Disposal of Fixed Assets	(3,456,323.72)	(11,558.15)	(71,625.21)
Prepaid Bond Insurance Expense	(3,511.30)	(3,511.35)	(3,511.35)
Total Non-Operating Expenses	**(3,919,261.64)**	**(468,509.13)**	**(599,303.61)**
Developer's Contributions-Capital Assets	15,592.21	-	111,048.00
Change in Net Assets	**(3,251,022.04)**	**(328,157.09)**	**350,448.00**
Net Assets, Beginning of Year	**43,997,646.27**	**44,325,803.36**	**43,975,355.36**
Net Assets, End of Year			
Restricted	**$ 3,450,024.81**	**$ 3,500,122.22**	**$ 3,543,280.89**
Unrestricted	**$ 935,124.42**	**$ 1,109,036.40**	**$ 1,293,404.75**
Invested in Capital Assets, Net of Related Debt	**$ 36,401,486.41**	**$ 39,388,487.65**	**$ 39,489,117.72**

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.

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. Unfortunately, after six (6) years, due to our Connections and Interest on Investments dropping off, the Authority regretted having to increase the Sewer Rates. The Authority's net revenues for its Fiscal Year ended February 29, 2012 were not sufficient to satisfy the Authority's Bond Resolution requirement. Revenues produced from Connection Fees and Interest on Investments had leveled off or decreased. In addition, the Authority's Management had taken steps over the past years to minimize its Operating expenses in an effort to not raise rates. This approach has been successful for a number of years and as a result the Authority has not had a rate increase since 2006. Unfortunately, Connection Fee Revenue for the fiscal year ending February 29, 2012 was $113,850.00. This represented a 34.11% decrease compared to the previous year. Revenues produced from Connection Fees, Interest and other sources had leveled off or decreased for quite a while.

Connection fee revenue last year was down from the prior year by $58,950.00. Connection fee revenue in the current year was up from the prior year by $167,800.00. 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 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.

OVERALL ANALYSIS (CONT'D)

Three (3) 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 eleven (11) 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.

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.

OVERALL ANALYSIS (CONT'D)

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 $126,524.00 from this source in our fiscal year ending February 28, 2013. 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 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 $216,272.56 in our fiscal year ending February 28, 2013. Total Revenue for all three (3) programs was $388,638.31. 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 $1.2 million 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 91.69% of its $3,509,509.00 Sewer operating budget with a few major variances. It expended 85.66% of its $1,716,230.00 Solid Waste operating budget with several major variances. The Authority was not required to amend its fiscal year ending February 28, 2013 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 $1,168,801.20 from its Renewal & Replacement Fund for capital activities. $263,108.97 was classified as repairs/ other expenses and charged as operating expenses. The remaining $905,692.23 was capitalized as either construction in progress or capital assets. During the current year, the Authority disbursed $376,272.27 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 28, 2013 capital budget and five-year capital program are $1,715,000.00 and $3,919,000.00 respectively. The major line items of the capital budget are:

1) Emergency Repairs	$ 250,000.00
2) Equipment Replacement	170,000.00
3) Telemetry	50,000.00
4) Standby Generators	95,000.00
5) Sewer Rehab Program	470,000.00
6) Buildings & Grounds	110,000.00
7) Computer Upgrade	52,000.00
8) Electrical Upgrade	22,000.00
9) Pump Station Upgrades	1,110,000.00
10) Maintenance Equipment/Repairs	100,000.00
11) Administration Building	75,000.00
12) Record Maintenance	35,000.00
13) Health & Safety	25,000.00
14) Vehicles	265,000.00
15) Solar Energy Project	1,090,000.00

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 Position
As of February 28, 2013 and February 29, 2012

	Feb. 28, 2013	Feb. 29, 2012 (Restated)
ASSETS		
Current Unrestricted Assets:		
Revenue/Operating Account:		
Cash and Cash Equivalents	$ 1,546,848.42	$ 1,615,912.53
Consumer Accounts Receivable	381,522.99	332,074.85
Penalties on Delinquent Accounts Receivable		27,016.12
Refunds Receivable	5,379.43	3,906.05
Other Accounts Receivable	211,903.43	57,528.63
Prepaid Expenses	43,133.99	48,422.48
Total Unrestricted Assets	2,188,788.26	2,084,860.66
Non-Current Assets:		
Restricted Assets:		
Debt Service Account:		
Cash and Cash Equivalents	1,441,334.18	948,769.67
Debt Service Reserve Account:		
Cash and Cash Equivalents	931,913.82	937,008.15
Renewal and Replacement Account:		
Cash and Cash Equivalents	1,155,980.34	1,762,492.85
Due from New Jersey Environmental Infrastructure Trust	854,666.31	1,367,681.31
Prepaid Bond Insurance Expense	17,556.80	21,068.15
Other Accounts:		
Cash and Cash Equivalents	241,086.67	228,229.47
Total Restricted Assets	4,642,538.12	5,265,249.60
Property, Plant and Equipment:		
Construction in Progress	2,250,176.50	3,423,434.09
Completed (Net of Accumulated Depreciation)	46,476,823.22	48,838,718.51
Total Property, Plant and Equipment	48,726,999.72	52,262,152.60
Total Assets	$ 55,558,326.10	$ 59,612,262.86

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Comparative Statements of Net Position
As of February 28, 2013 and February 29, 2012

	Feb. 28, 2013	Feb. 29, 2012 (Restated)
LIABILITIES		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable--Operations	$ 133,855.34	$ 129,910.09
Prepaid Rental Charges	536,940.83	36,298.12
Unearned Revenue	1,902.20	2,649.98
Accrued Liabilities	20,704.10	26,367.64
Total Current Liabilities Payable from Unrestricted Assets	693,402.47	195,225.83
Current Liabilities Payable from Restricted Assets:		
Serial Bonds Payable--Current Portion	570,000.00	540,000.00
N. J. Environmental Infrastructure Loans Payable -- Current Portion	606,407.09	589,309.43
Accrued Bond and Loan Interest Payable	129,533.86	145,811.77
Accrued Liabilities	8,710.60	8,710.60
Reseve for Payment of Bond Principal and Interest	719.59	821.67
OPEB Liability	57,839.00	17,827.59
Escrow Deposits	175,353.08	181,870.29
Total Current Liabilities Payable from Restricted Assets	1,548,563.22	1,484,351.35
Long-term Liabilities:		
Serial Bonds Payable	3,380,000.00	3,950,000.00
N. J. Environmental Infrastructure Loans Payable	8,623,772.53	9,230,179.62
Compensated Absences	226,363.65	232,059.79
Total Long-term Liabilities	12,230,136.18	13,412,239.41
Total Liabilities	14,472,101.87	15,091,816.59
DEFERRED INFLOWS OF RESOURCES		
Deferred Connection Fee Revenue	339,600.00	522,800.00
NET POSITION		
Net Invested in Capital Assets	36,401,486.41	39,388,487.65
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	1,785,534.75	1,707,433.50
Reserve to Pay Debt Service in Accordance with Township Agreement		119,066.14
Unemployment Claims	65,613.05	46,358.99
Reserve for System Upgrades	302,089.51	330,476.09
	3,450,024.81	3,500,122.22
Unrestricted	895,113.01	1,109,036.40
Total Net Position	$ 40,746,624.23	$ 43,997,646.27

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

Exhibit B

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Comparative Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended February 28, 2013 and February 29, 2012

	Feb. 28, 2013	Feb. 29, 2012 (Restated)
Operating Revenues:		
Service Charges	$ 4,718,033.65	$ 4,591,838.13
Service Agreements	1,062,043.14	1,036,526.04
Connection Fees	281,650.00	113,850.00
Miscellaneous Charges	530,204.77	478,595.93
Total Operating Revenues	6,591,931.56	6,220,810.10
Operating Expenses:		
Administrative Expenses:		
Salaries and Wages	560,732.30	542,758.27
Fringe Benefits	307,888.34	300,630.97
Other	276,669.67	258,636.78
	1,145,290.31	1,102,026.02
Cost of Service:		
Salaries and Wages	1,630,656.75	1,674,887.70
Fringe Benefits	890,630.15	840,060.96
Other	1,021,418.46	1,053,876.35
	3,542,705.36	3,568,825.01
Additional Prior Year Orders		14,850.31
Refund of Prior Year Revenue	3,143.48	
Major Repairs and Other Expenses	263,108.97	354,944.45
Depreciation	985,036.05	1,039,812.27
Total Operating Expenses	5,939,284.17	6,080,458.06
Operating Income	652,647.39	140,352.04
Non-operating Revenue (Expenses):		
Investment Income	2,878.48	2,072.38
Net Unemployment Claims	19,254.06	24,004.84
Bond Interest	(432,645.85)	(475,024.59)
Loss on Disposal of Property, Plant and Equipment	(3,456,323.72)	(11,558.15)
Cancellation of Due from Township	(5,449.13)	(3,782.43)
Cancellation of Other Accounts Receivable		(709.83)
Cancellation of Construction in Progress	(15,077.55)	
Net Reserve for System Improvements	(28,386.58)	
Prepaid Bond Insurance Expended	(3,511.35)	(3,511.35)
Total Non-Operating Expenses	(3,919,261.64)	(468,509.13)
Contributions -- Capital Assets	15,592.21	-
Change in Position (Carried Forward)	(3,251,022.04)	(328,157.09)

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Comparative Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended February 28, 2013 and February 29, 2012

	Feb. 28, 2013	Feb. 29, 2012 (Restated)
Change in Net Position (Brought Forward)	$ (3,251,022.04)	$ (328,157.09)
Net Position, Beginning - Before Cumulative Effects of Changes in Accounting Principles	43,997,646.27	44,380,723.75
Cumulative Effects of Changes in Accounting Principles (See Note 11)	-	(54,920.39)
Net Position, Beginning -As Adjusted for Cumulative Effects of Changes in Accounting Principles	43,997,646.27	44,325,803.36
Net Position, End of Year:		
Net Invested in Capital Assets	$ 36,401,486.41	$ 39,388,487.65
Restricted	$ 3,450,024.81	$ 3,500,122.22
Unrestricted	$ 895,113.01	$ 1,109,036.40

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 28, 2013 and February 29, 2012

	Feb. 28, 2013	Feb. 29, 2012
Cash Flows from Operating Activities:		
Receipts from Customers	$ 5,349,561.26	$ 4,884,680.43
Receipts from Township	932,843.21	1,027,294.48
Payments to Suppliers	(2,707,192.92)	(2,713,786.28)
Payments to Employees	(2,191,389.05)	(2,217,645.97)
Other Operating Receipts	443,966.07	335,384.61
Net Cash Provided by Operating Activities	1,827,788.57	1,315,927.27
Cash Flows from Noncapital Financing Activities:		
Planning Escrow Activity	(6,396.86)	(107,951.03)
Cash Flows from Capital and Related Financing Activities:		
Loan Proceeds	513,015.00	2,607,614.69
Capital Aquisitions	(905,692.23)	(2,487,991.49)
Developer's Contributions - System Upgrades	(28,386.58)	
Interest Earned on Investments - Reserved to Pay Debt Service	10,897.92	10,844.97
Debt Service:		
Principal	(1,129,309.43)	(1,081,720.65)
Interest	(459,923.76)	(501,373.76)
Net Cash Used in Capital and Related Financing Activities	(1,999,399.08)	(1,452,626.24)
Cash Flows from Investing Activities:		
Interest on Investments	2,758.13	2,072.19
Net Increase (Decrease) in Cash and Cash Equivalents	(175,249.24)	(242,577.81)
Cash and Cash Equivalents--Beginning	5,492,412.67	5,734,990.48
Cash and Cash Equivalents--Endin(	$ 5,317,163.43	$ 5,492,412.67
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$ 652,647.39	$ 140,352.04
Adjustments to Reconcile Operating Income to Net Cash Used in Operating Activities:		
Depreciation	985,036.05	1,039,812.27
Cancellation of Due from Township of Gloucester	(5,449.13)	(3,782.43)
Cancellation of Other Accounts Receivable		(709.83)
Change in Assets and Liabilities:		
(Increase) Decrease in Consumer Accounts Receivable	(49,448.14)	114,700.84
(Increase) Decrease in Penalties on Delinquent Accounts Receivable	27,016.12	3,288.14
(Increase) Decrease in Refunds Receivable	(1,473.38)	10,611.82
(Increase) Decrease in Other Accounts Receivable	(154,374.80)	(20,471.19)
(Increase) Decrease in Prepaid Expenses	5,288.49	4,656.62
Increase (Decrease) in Accounts Payable	3,945.25	(37,932.63)
Increase (Decrease) in Prepaid Rents	500,642.71	7,090.67
Increase (Decrease) in Unearned Revenue	(747.78)	33.22
Increase (Decrease) in Deferred Connection Fee Revenue	(183,200.00)	(73,600.00)
Increase (Decrease) in Accrued Liabilities	(5,663.54)	19,939.25
Increase (Decrease) in OPEB Liability	40,011.41	3,090.48
Increase (Decrease) in Reserve for Unemployment Claims	19,254.06	24,004.84
Increase (Decrease) in Compensated Absences Payable	(5,696.14)	84,843.16
Net Cash Provided by Operating Activitie:	$ 1,827,788.57	$ 1,315,927.27

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

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 (GASB) Statement No. 14, *The Financial Reporting Entity*. 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 28, 2013, 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 position (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 and 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 position, revenues and expenditures.

Basis of Accounting

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

Revenues -- Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. 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.

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, 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 Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The Authority 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 units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

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

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the Governmental Units.

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

Inventory and Prepaid Expenses

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

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond February 28, 2013.

Capital Assets

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

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

Expenditures are capitalized when they meet the following requirements:

1) Cost of $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:

	Years
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 Discount and Bond Premium

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

Deferred Loss on Refunding

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

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

Compensated Absences

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

Net Position

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

Net Invested in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. 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 position component as the unspent proceeds.

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

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

Income Taxes

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

Operating and Non-Operating Revenues and Expenses

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

Operating expenses include expenses associated with the operation, maintenance and repair of the sewer system and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's 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 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New Accounting Standards Adopted

During the year ended February 28, 2013, the Authority adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

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

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

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

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

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

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

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

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

New Accounting Standards Adopted (Cont'd)

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

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

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

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

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

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

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

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

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

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

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

New Accounting Standards Adopted (Cont'd)

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

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

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

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

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

Issued in March 2012, this Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

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

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

New Accounting Standards Pronouncements to be Implemented in the Future

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

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

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

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

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

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

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.

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

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

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

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

New Accounting Standards Pronouncements to be Implemented in the Future (Cont'd)

Statement No. 66, Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62(Cont'd)

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

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

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

Issued in June 2012, The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

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

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

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

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

New Accounting Standards Pronouncements to be Implemented in the Future (Cont'd)

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

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

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

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

This Statement is effective for financial statements for fiscal years beginning after June 15, 2013

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

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

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

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

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

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

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

New Accounting Standards Pronouncements to be Implemented in the Future (Cont'd)

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

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

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

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

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

This Statement is effective for fiscal years beginning after June 15, 2014.

Statement No. 69, Government Combinations and Disposals of Government Operations

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

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

Note 1: <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)</u>

New Accounting Standards Pronouncements to be Implemented in the Future (Cont'd)

Statement No. 69, Government Combinations and Disposals of Government Operations (Cont'd)

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

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

The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

Note 2: <u>STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY</u>

Compliance with Finance Related Legal and Contractual Provisions
Management of the Authority is unaware of any material violations of finance related legal and contractual provisions.

General Bond Resolution
The Authority is subject to the provisions and restrictions of the 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.

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.

2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)

General Bond Resolution (Cont'd)

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.

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:

	Bond Year Ending March 1	
	2013	2012
1993 Revenue Bond Resolution		
Operating Revenue	$ 6,591,931.56	$ 6,220,810.10
Interest Revenue	2,878.48	2,072.38
Total Revenues	6,594,810.04	6,222,882.48
Operating Expenses:		
Administrative	1,145,290.31	1,102,026.02
Cost of Service	3,542,705.36	3,568,825.01
Total Operating Expenses	4,647,984.26	4,670,851.03
Excess of Revenues	1,906,814.37	1,552,031.45
110% of Current Fiscal Year's Annual Debt Service Requirement	1,622,435.08	1,617,662.66
Excess (Deficit) of Revenues	$ 284,379.29	($ 65,631.21)
Percentage of Net revenues to Debt Service	129%	106%

The ratio for bond year ending March 1, 2013 meets the required debt service coverage of 110% required under the 1993 Bond Resolution. The ratio for bond year ending March 1, 2012 did not meet the required debt service coverage of 110% required under the 1993 Bond Resolution. Bond years ending March 1, 2013 and 2012 include 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 $5,355,852.20 as of February 28, 2013, $250,000.00 was insured by the Federal Deposit Insurance Corporation, and $5,105,852.20 was collateralized under the Governmental Unit Deposit Protection Act.

Capital Assets

During the year ended February 28, 2013 and February 29, 2012, the following changes in Capital Assets occurred:

	Balance Feb. 29, 2012	Additions	Deletions	Balance Feb. 28, 2013
Land	$ 214,000.00			$ 214,000.00
Buildings	863,753.19	$ 3,875.00		873,128.19
Major Movable Equipment	2,190,993.42	68,503.97	$ 97,419.24	2,161,928.51
Vehicles	1,324,809.26	21,945.00	21,761.60	1,233,192.66
Infrastructure	62,776,978.98	1,985,140.51	3,515,246.37	61,458,053.92
	67,495,266.01	2,079,464.48	3,634,427.21	65,940,303.28
Accumulated Depreciation	18,656,547.50	985,036.05	178,103.49	19,463,480.06
	$ 48,838,718.51	$ 1,094,428.43	$ 3,456,323.72	$ 46,476,823.22

	Balance Feb. 28, 2011	Additions	Deletions	Balance Feb. 29, 2012
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	62,776,978.98	219,000.50		62,776,978.98
	67,370,534.85	231,372.51	106,641.35	67,495,266.01
Accumulated Depreciation	17,711,818.43	1,039,812.27	95,083.20	18,656,547.50
	$ 49,658,716.42	$ (808,439.76)	$ 11,558.15	$ 48,838,718.51

Note 3: DETAIL NOTES – ASSETS (CONT"D)

Service Fees

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

Fiscal Year	Beginning Balance	Billings	Total Collections	Percentage of Collections
2013	$ 332,074.85	$ 4,718,033.65	$ 4,668,585.51	92.45%
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%

Note 4: DETAIL NOTES - LIABILITIES

Compensated Absences

Authority employees are entitled to fifteen (15) paid sick leave days each year. Unused sick leave may be accumulated and carried forward to subsequent years, up to a maximum of forty-five (45) days. 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 sell back a maximum of fifteen sick days a year. Upon separation in good standing or retirement from the Authority, the employee may sell back up to forty-five accumulated sick days at the time of departure or retirement. Any Employee hired after March 1, 2010 shall be limited to thirty (30) days upon separation of service or retirement. The payout at the time of separation or retirement shall be paid at the salary level in effect for the employee at that time.

Authority Employees are also entitled to compensatory time, which is defined as paid time away from the job that is earned and accrued by an employee in lieu of cash payment for overtime, which is accrued at the rate of no less than one and one half hours of compensatory time for each hour of overtime worked. Accrued Compensatory time can be paid out at time of good separation or retirement from Authority. Employees cannot accrue more than 240 hours of compensatory time, and any employee engaged in public safety activity, emergency response activity, or seasonal activity cannot accrue more than 480 hours of compensatory time. The accrued liability for accumulated sick time and compensatory time at February 28, 2013 and February 29, 2012 is estimated at $226,363.65 and $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. In addition, one Authority employee participates in the Defined Contribution Retirement Program, which is a defined contribution pension plan. This too is administered by the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

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

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

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

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased to 6.5% plus an additional 1.0% phased-in over seven years. The phase-in of the additional incremental member contribution amount began July 1, 2012 and increases each subsequent July 1. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

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:

Year	Normal Contribution	Accrued Liability	Contributory Insurance	Total Liability	Paid by Authority
2013	$ 55,526.00	$ 132,765.00	$ 11,207.00	$ 199,498.00	$ 199,498.00
2012	58,171.00	116,342.00	11,119.00	185,632.00	185,632.00
2011	72,191.00	115,031.00	14,219.00	201,441.00	201,441.00

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

Defined Contribution Retirement Program - The Defined Contribution Retirement Program (DCRP) is a cost-sharing multiple-employer defined contribution pension fund which was established in 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.) and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. 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. In addition to the employee contributions, the Authority's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

The Authority's contributions for the fiscal year ending February 28, 2013, its first year contributing and equal to the required contribution, was $141.44.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Post-Employment Benefits

Plan Description - The Authority provides dental/prescription/vision coverage to employees that have retired from the Authority in addition to health and prescription drugs coverage provided through the State Pension Fund. Dental/Prescription/Vision 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 New Jersey State Health Benefits Program ("the SHBP"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP provides medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in the New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295.

Funding Policy - Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Public Employees' Retirement System (PERS), to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of postemployment medical benefits through the PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired State employees. As of February 28, 2013 and February 29, 2012, there were 11 retirees eligible for postemployment medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State's contribution rate is based on the annual required contribution (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) of the plan over a period not to exceed thirty years.

The Authority funds these benefits on a pay-as-you-go basis and therefore does not record accrued expenses related to these benefits. During 2013, there were 11 retired employees who received this benefit. The Authority contributions to SHBP for the years ended February 28, 2013, February 29, 2012 and February 28, 2011, were $127,260.36, $122,570.16 and $118,193.51, respectively, which equaled the required contributions for each year.

Authority's Plan – Dental/Prescription/Vision 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 fiscal years ending February 28, 2013, February 29, 2012 and February 28, 2011, were $3,806.00, $9,611.08 and $8,912.85, respectively.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

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) of the plan over a period not to exceed thirty years.

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation for fiscal years ending is as follows:

Year	Annual OPEB Cost	Pay as You Go Cost (Existing Retirees)	Net OPEB Obligation	Percentage of Annual OPEB Cost Contributed
2013	$ 61,645.00	$ 3,806.00	$ 57,839.00	6%
2012	13,456.00	9,611.08	3,844.92	71%
2011	13,456.00	8,912.85	4,543.15	66%

Funded Status and Funding Progress - As of February 28, 2013, the most recent actuarial valuation date, the Authority's Plan was 0% funded. The actuarial accrued liability for benefits was $598,346.00 and the actuarial value of plan assets was $0.00, resulting in an unfunded actuarial accrued liability (UAAL) of $598,346.00. (For additional information, please refer to the "Required Supplementary Information Schedule of Funding Progress for OPEB 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.

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, 2013, actuarial valuation, the unit cost method was used. 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 0% at age 50; retirement age is no earlier than 60; rate of inflation is 5%; spousal coverage will not change and the actual number of retirees with dependents and an estimated number of active employees with dependents is used to determine dependent coverage. The remaining amortization period at February 28, 2013, was twenty seven years.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Lease Obligations

At February 28, 2013, 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 February 28	Amount
2014	$ 576.00

Rental payments under operating leases for the year ended February 28, 2013 and February 29, 2012 were $576.00.

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 March 1,	Principal	Interest	Total
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	750,000	42,375	792,375
	3,950,000	$ 816,426	$ 4,766,426
Current Portion	570,000		
Long Term	$ 3,380,000		

* 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 28, 2013, the Authority has drawn all of these funds.

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.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

New Jersey Environmental Infrastructure Trust (Cont'd)

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 28, 2013, 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 28, 2013, 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 28, 2013, the Authority has drawn down $1,379,293.69. The balance of $854,666.31 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 March 1,	Principal	Interest	Total
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
2024	592,905.55	58,537.51	651,443.06
2025	622,009.29	43,784.38	665,793.67
2026-30	1,544,900.45	78,587.50	1,623,487.95
	9,230,179.62	$ 1,635,296.99	$ 10,865,476.61
Current Portion	606,407.09		
Long Term	$ 8,623,772.53		

Note 5: DETAIL NOTES – DEFERRED INFLOWS OF RESOURCES

Deferred Revenue

Connection Fees

The Authority receives payments for connection fees when new users connect to the sewer system. The Authority does not supply the user with supplies or services to make the physical connection and is therefore considered a non-exchange transaction. The Authority recognizes the revenue in the period that the user exercises their right to connect to the system.

Note 6: DETAIL NOTES – NET POSITION

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. There is no balance as of February 28, 2013 reserved to pay debt service in accordance with Township agreements. The balance as of February 29, 2012 reserved to pay debt service in accordance with Township agreements was $119,066.14.

Net Position Appropriated

As of February 28, 2013, none of the Authority's unrestricted net position balance of $895,113.01 was appropriated and included as support in the operating budgets for the year ending February 28, 2014. However, $778,000.00 of the unrestricted net position balance was included as support for the Authority's February 28, 2014 capital budgets.

None of the Authority's unrestricted net position balance of $1,109,036.40 as of February 29, 2012 was appropriated and included as support in the operating budgets for the year ending February 28, 2013. However, $595,000.00 of the unrestricted net position balance was included as support for the Authority's February 29, 2013 capital budgets.

Note 7: 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 8: 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 28, 2013 to be $175,910.70 and there is no amount reserved for payment of future debt service.

Note 9: 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 10: 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.

Note 11: CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLE

GASB 63

During fiscal year ending February 28, 2013, there was a change in accounting principles as a result of GASB Statement 63 Items Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

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

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

GASB 65

During fiscal year ending February 28, 2013, there was a change in accounting principles as a result of GASB Statement 65 Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement 65 is retroactive to prior reporting periods. The adjustment is detailed on the following page.

Note 11: CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLE (CONT'D)

GASB 65 (Cont'd)

Summary Statement of Net Position
As of Fedruary 29, 2012

	Previously Reported	Prior Period Adjustment	Restated
Assets			
Current Assets	$ 2,084,860.66		$ 2,084,860.66
Non Current Assets:			
Cash & Cash Equivalents	3,876,500.14		3,876,500.14
Due from New Jersey Environmental Infrastructure Trust	1,367,681.31		1,367,681.31
Prepaid Bond Insurance Expense		$ 21,068.15	21,068.15
Plant Property & Equipment	52,262,152.60		52,262,152.60
Debt Issue Costs	68,142.79	(68,142.79)	
Total Assets	59,659,337.50	(47,074.64)	59,612,262.86
Liabilities			
Current Liabilities	2,202,377.18	(522,800.00)	1,679,577.18
Noncurrent Liabilities			
Serial Bonds Payable	3,950,000.00		3,950,000.00
Other Non-Current Liabilities	9,462,239.41		9,462,239.41
Total Liabilities	15,614,616.59	(522,800.00)	15,091,816.59
Deferred Inflows of Resources			
Deferred Connection Fee Revenue	-	522,800.00	522,800.00
Net Position			
Invested in Capital Assets, Net of Related Debt	39,388,487.65		39,388,487.65
Restricted	3,500,122.22		3,500,122.22
Unrestricted	1,156,111.04	(47,074.64)	1,109,036.40
Total Net Assets	$ 44,044,720.91	$ (47,074.64)	$ 43,997,646.27

Note 11: CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLE (CONT'D)

GASB 65 (Cont'd)

Summary Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended February 29, 2012

	Previously Reported	Prior Period Adjustment	Restated
Operating Revenues	$ 6,220,810.10		$ 6,220,810.10
Operating Expenses	6,080,458.06		6,080,458.06
Non-Operating Expenses			
Bond Issue Costs	(11,357.10)	$ 11,357.10	
Prepaid Bond Insurance Expense		(3,511.35)	(3,511.35)
Other Non-Operating Expenses	(464,997.78)		(464,997.78)
Change in Net Assets	(336,002.84)	7,845.75	(328,157.09)
Net Position January 1	44,380,723.75	(54,920.39)	44,325,803.36
Net Position December 31	$ 44,044,720.91	$ (47,074.64)	$ 43,997,646.27

REQUIRED SUPPLEMENTARY INFORMATION

Schedule RSI-1

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)
2/28/2013 *	$ -	$ 598,346.00	$ 598,346.00	0 %	N/A	N/A
2/28/2010	-	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
2013 *	$ 61,645.00	6%
2012	13,456.00	71%
2011	13,456.00	66%

* Assumption Change - The February 28, 2013 OPEB Plan unfunded actuarial accrued liability and annual required contribution has significantly changed because the maximum annual plan benefit to eligible employees no longer applies.

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Note to Required Supplementary Information
For the Year Ended February 28, 2013

Other Postemployment Benefits

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

Valuation Date	February 28, 2013
Actuarial Cost Method	Unit Credit Cost Method
Amortization Method	Present Value of Straight Line
Remaining Amortization Period	27 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 Position by Department
As of February 28, 2013

	Sewer	Solid Waste	Total
ASSETS			
Current Unrestricted Assets:			
Cash and Cash Equivalents	$ 1,566,648.14	$ (19,799.72)	$ 1,546,848.42
Consumer Accounts Receivable	381,522.99		381,522.99
Refunds Receivable	4,441.39	938.04	5,379.43
Other Accounts Receivable		211,903.43	211,903.43
Prepaid Expenses	23,077.41	20,056.58	43,133.99
Total Unrestricted Assets	1,975,689.93	213,098.33	2,188,788.26
Non- Current Assets:			
Restricted Assets:			
Debt Service Account:			
Cash and Cash Equivalents	1,441,334.18		1,441,334.18
Debt Service Reserve Account:			
Cash and Cash Equivalents	931,913.82		931,913.82
Renewal and Replacement Account:			
Cash and Cash Equivalents	1,155,980.34		1,155,980.34
Due from New Jersey Environmental Infrastructure Trust	854,666.31		854,666.31
Prepaid Bond Insurance Expense	17,556.80		17,556.80
Other Accounts:			
Cash and Cash Equivalents	241,086.67		241,086.67
Total Restricted Assets	4,642,538.12	-	4,642,538.12
Property, Plant and Equipment:			
Construction in Progress	2,250,176.50		2,250,176.50
Completed (Net of Accumulated Depreciation)	45,454,744.25	1,022,078.97	46,476,823.22
Total Property, Plant and Equipment	47,704,920.75	1,022,078.97	48,726,999.72
Total Assets	$ 54,323,148.80	$ 1,235,177.30	$ 55,558,326.10

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Net Position by Department
As of February 28, 2013

	Sewer	Solid Waste	Total
LIABILITIES			
Current Liabilities Payable from Unrestricted Assets:			
Accounts Payable--Operations	$ 99,186.63	$ 34,668.71	$ 133,855.34
Prepaid Rental Charges	536,940.83		536,940.83
Unearned Revenue	1,902.20		1,902.20
Accrued Liabilities	20,704.10		20,704.10
Total Current Liabilities Payable from Unrestricted Assets	658,733.76	34,668.71	693,402.47
Current Liabilities Payable from Restricted Assets:			
Serial Bonds Payable--Current Portion	570,000.00		570,000.00
N. J. Environmental Infrastructure Loans Payable -- Current Portion	548,256.12	58,150.97	606,407.09
Accrued Bond and Loan Interest Payable	127,014.94	2,518.92	129,533.86
Accrued Liabilities	8,710.60		8,710.60
Reserve for Payment of Bond Principal and Interest	719.59		719.59
OPEB Liability	57,839.00		57,839.00
Escrow Deposits	175,353.08		175,353.08
Total Current Liabilities Payable from Restricted Assets	1,487,893.33	60,669.89	1,548,563.22
Long-term Liabilities:			
Serial Bonds Payable	3,380,000.00		3,380,000.00
N. J. Environmental Infrastructure Loans Payable	7,567,136.26	1,056,636.27	8,623,772.53
Compensated Absences	226,363.65		226,363.65
Total Long-term Liabilities	11,173,499.91	1,056,636.27	12,230,136.18
Total Liabilities	13,320,127.00	1,151,974.87	14,472,101.87
DEFERRED INFLOWS OF RESOURCES			
Deferred Connection Fee Revenue	339,600.00	-	339,600.00
Net Position			
Invested in Capital Assets, Net of Related Debt	36,494,194.68	(92,708.27)	36,401,486.41
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	1,785,534.75		1,785,534.75
Unemployment Claims	65,613.05		65,613.05
Reserve for System Upgrades	302,089.51		302,089.51
	3,450,024.81	-	3,450,024.81
Unrestricted	719,202.31	175,910.70	895,113.01
Total Net Position	$ 40,663,421.80	$ 83,202.43	$ 40,746,624.23

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenues, Expenses and Changes in Net Position by Department
For the Fiscal Year Ended February 28, 2013

	Sewer	Solid Waste	Total
Operating Revenues:			
Service Charges	$ 4,718,033.65		$ 4,718,033.65
Service Agreements		$ 1,062,043.14	1,062,043.14
Connection Fees	281,650.00		281,650.00
Miscellaneous Charges	141,566.46	388,638.31	530,204.77
Total Operating Revenues	5,141,250.11	1,450,681.45	6,591,931.56
Operating Expenses:			
Administrative Expenses:			
Salaries and Wages	426,126.57	134,605.73	560,732.30
Fringe Benefits	271,050.07	36,838.27	307,888.34
Other	276,669.67		276,669.67
	973,846.31	171,444.00	1,145,290.31
Cost of Service:			
Salaries and Wages	969,756.12	660,900.63	1,630,656.75
Fringe Benefits	603,859.20	286,770.95	890,630.15
Other	670,445.23	350,973.23	1,021,418.46
	2,244,060.55	1,298,644.81	3,542,705.36
Major Repairs and Other Expenses	263,108.97		263,108.97
Refund of Prior Year Revenue	3,143.48		3,143.48
Depreciation	837,437.01	147,599.04	985,036.05
Total Operating Expenses	4,321,596.32	1,617,687.85	5,939,284.17
Operating Income (Loss)	819,653.79	(167,006.40)	652,647.39
Non-operating Revenue (Expenses):			
Investment Income	2,878.48		2,878.48
Net Unemployment Claims	19,254.06		19,254.06
Loss on Disposal of Property, Plant and Equipment	(3,436,333.72)	(19,990.00)	(3,456,323.72)
Cancellation of Due from Township		(5,449.13)	(5,449.13)
Cancellation of Construction in Progress	(15,077.55)		(15,077.55)
Net Reserve for System Improvements	(28,386.58)		(28,386.58)
Bond Interest	(401,834.35)	(30,811.50)	(432,645.85)
Prepaid Bond Insurance Expended	(3,511.35)		(3,511.35)
Total Non-Operating Expenses	(3,863,011.01)	(56,250.63)	(3,919,261.64)
Contributions		15,592.21	15,592.21
Change in Net Position	(3,043,357.22)	(207,664.82)	(3,251,022.04)
Net Position, Beginning of Year, as Restated	43,706,779.02	290,867.25	43,997,646.27
Net Position, End of Year:			
Invested in Capital Assets, Net of Related Debt	$ 36,494,194.68	$ (92,708.27)	$ 36,401,486.41
Restricted	$ 3,450,024.81		$ 3,450,024.81
Unrestricted	$ 719,202.31	$ 175,910.70	$ 895,113.01

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments
For the Fiscal Year Ended February 28, 2013

		Accounts Required by Bond Resolution					
	Revenue/Operating Accounts	Revenue	Debt Service Reserve	Debt Service	Renewal and Replacement	Other Accounts	Total
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
Receipts:							
Service Fees	4,632,287.39						4,632,287.39
Service Agreements	950,148.87						950,148.87
Connection Fee Deposits	3,250.00						3,250.00
Penalties on Delinquent Accounts -- Sewer	79,980.84						79,980.84
Other Revenue -- Sewer	69,674.10				16,277.66		85,951.76
Other Revenue -- Solid Waste	299,496.31				58,518.00		358,014.31
Prepaid Sewer Rents	536,940.83						536,940.83
Prepaid Connection Fees	95,200.00						95,200.00
Prepaid Land Lease Agreements	1,902.20						1,902.20
Refunds Receivable	3,906.05						3,906.05
Accrued Liabilities	1,642.43						1,642.43
Reserve for System Upgrades					69,900.50		69,900.50
Planning Escrow Deposits						26,298.75	26,298.75
Investment Income	605.46		1,715.60		437.07		2,758.13
Payroll Deduction Payable	1,062,284.52						1,062,284.52
Unemployment Account Deposits						28,582.20	28,582.20
Reserve to Pay Future Debt Service				10,897.92			10,897.92
N.J. Environmental Infrastructure Loan Receivable					513,015.00		513,015.00
Due to Unrestricted - Interest Receivable						120.35	120.35
Transfers In	4,620,985.00	6,598,475.34		2,091,948.09	2,427.54		13,313,835.97
Total Cash and Cash Equivalents Available	12,574,276.89	7,998,414.98	938,723.75	3,051,615.68	2,423,068.62	283,230.77	27,269,330.69

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments
For the Fiscal Year Ended February 28, 2013

		Accounts Required by Bond Resolution					
	Revenue/Operating Accounts	Revenue	Debt Service Reserve	Debt Service	Renewal and Replacement	Other Accounts	Total
Disbursements:							
Budgetary Expenses:							
Sewer	$ 3,055,211.22						$ 3,055,211.22
Solid Waste	1,426,608.10						1,426,608.10
Prepaid Expenses	32,717.25						32,717.25
Accounts Payable	129,910.09						129,910.09
Payroll Deductions Payable	1,067,864.90						1,067,864.90
Refunds Receivable	5,379.43						5,379.43
Accrued Liabilities	1,725.59						1,725.59
Refund of Prior Year Revenue	3,143.48						3,143.48
Due from Gloucester Township	17,305.66						17,305.66
Bond and Loan Principal				$ 1,129,309.43			1,129,309.43
Bond and Loan Interest				459,923.76			459,923.76
Transfers Out	6,594,029.64	$ 6,691,948.09	$ 6,809.93	21,048.31			13,313,835.97
Capital Outlays:							
Expensed					$ 263,108.97		263,108.97
Construction in Progress					529,419.96		529,419.96
Capital Assets					376,272.27		376,272.27
Reserve for System Upgrades					98,287.08		98,287.08
Expenditures for Planning Escrow						$ 32,815.96	32,815.96
Unemployment Claims						9,328.14	9,328.14
Total Disbursements	12,333,895.36	6,691,948.09	6,809.93	1,610,281.50	1,267,088.28	42,144.10	21,952,167.26
Cash and Cash Equivalents Balance February 28, 2013	$ 240,381.53	$ 1,306,466.89	$ 931,913.82	$ 1,441,334.18	$ 1,155,980.34	$ 241,086.67	$ 5,317,163.43

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 28, 2013

	Budget	Actual	Favorable (Unfavorable)
Anticipated Revenues:			
Operating Revenues:			
Service Charges	$ 4,618,000.00	$ 4,718,033.65	$ 100,033.65
Connection Fees	230,000.00	281,650.00	51,650.00
Other Revenue	161,489.00	141,566.46	(19,922.54)
Total Operating Revenues	5,009,489.00	5,141,250.11	131,761.11
Other Budget Revenues:			
Investment Income	17,000.00	2,878.48	(14,121.52)
Total Anticipated Revenues	5,026,489.00	5,144,128.59	117,639.59
Operating Appropriations:			
Administrative:			
Salaries and Wages:			
Boardmembers	30,450.00	30,450.00	
Administrative Employees	181,780.00	179,871.67	1,908.33
Purchasing & Bookkeeping	69,100.00	63,438.57	5,661.43
Office Personnel	141,120.00	135,661.82	5,458.18
Overtime - Summer Help	6,000.00		6,000.00
Longevity	16,760.00	16,704.51	55.49
Total Salaries and Wages	445,210.00	426,126.57	19,083.43
Employee Benefits:			
Prescription	6,500.00	4,339.13	2,160.87
Dental	23,000.00	22,931.40	68.60
Hospitalization	192,055.00	152,056.31	39,998.69
Eye Care	3,750.00	900.00	2,850.00
Social Security Tax	35,850.00	35,961.67	(111.67)
Public Employees' Retirement System	55,130.00	54,581.88	548.12
Unemployment Insurance	2,300.00	279.68	2,020.32
Total Employee Benefits	318,585.00	271,050.07	47,534.93

(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 28, 2013

	Budget	Actual	Variance--Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Administrative (Cont'd):			
Other Expenses:			
Services	$ 2,500.00	$ 3,380.80	$ (880.80)
Compliance Testing	3,000.00	1,312.00	1,688.00
Payroll Services	6,300.00	7,053.65	(753.65)
Postage and Envelopes	42,900.00	43,498.88	(598.88)
Stationery and Printing	11,800.00	15,564.46	(3,764.46)
Maintenance Contracts	11,000.00	10,993.79	6.21
Supplies and Equipment	4,500.00	3,689.39	810.61
Supplies - Office	3,650.00	3,496.15	153.85
Equipment and Repair	4,200.00	4,099.59	100.41
Auditor Fees	45,000.00	40,760.00	4,240.00
Trustee Fees	20,000.00	37,027.50	(17,027.50)
Solicitor Fees/Retainer	38,800.00	30,308.02	8,491.98
Engineer Fees/Retainer	18,000.00	25,039.50	(7,039.50)
Workers' Compensation Insurance	4,400.00	2,802.45	1,597.55
Auto Insurance	1,150.00	1,150.00	
Special Multi-Peril Insurance	5,650.00	5,650.00	
Bank Service Fees	8,000.00	14,425.69	(6,425.69)
Bond Counsel	10,000.00		10,000.00
Public Official Bond	5,800.00	5,800.00	
Contingencies	5,900.00	5,297.50	602.50
Employee Appreciation	4,000.00	1,075.00	2,925.00
Telephone	16,500.00	11,663.28	4,836.72
Gas and Oil	2,500.00	2,364.02	135.98
Registration	200.00	200.00	
Tires	900.00		900.00
Transportation-Other	100.00	18.00	82.00
Total Other Expenses	276,750.00	276,669.67	80.33
Total Administrative	1,040,545.00	973,846.31	66,698.69
Cost of Service:			
Salaries and Wages:			
Foreman Salaries	157,000.00	156,734.23	265.77
Overtime (Foreman)	7,000.00	4,893.60	2,106.40
Laborers Salaries	734,844.00	728,721.91	6,122.09
Overtime (Laborers)	25,500.00	24,446.02	1,053.98
Summer Help	27,000.00	15,898.50	11,101.50
Longevity (Laborers)	30,350.00	30,326.38	23.62
Longevity (Foremen)	8,650.00	8,735.48	(85.48)
Total Salaries and Wages	990,344.00	969,756.12	20,587.88

(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 28, 2013

	Budget	Actual	Variance--Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Cost of Service (Cont'd):			
Employee Benefits:			
Prescription	$ 12,000.00	$ 6,922.12	$ 5,077.88
Dental	46,000.00	45,691.66	308.34
Hospitalization	391,845.00	370,501.62	21,343.38
Eye Care	6,000.00	2,671.94	3,328.06
Social Security Tax	78,500.00	76,600.56	1,899.44
Public Employees' Retirement System	100,950.00	100,900.00	50.00
Unemployment Insurance	5,000.00	571.30	4,428.70
Total Employee Benefits	640,295.00	603,859.20	36,435.80
Other Expenses:			
Services	1,100.00	1,408.32	(308.32)
Stationery and Printing	1,500.00	2,266.83	(766.83)
Custodial Supplies	9,000.00	6,815.16	2,184.84
Supplies and Equipment	2,000.00	1,629.63	370.37
Supplies - Office	2,000.00	1,995.32	4.68
Equipment - Other	15,000.00	12,608.53	2,391.47
Equipment - Automotive	23,000.00	19,556.25	3,443.75
Workers' Compensation Insurance	40,000.00	3,959.56	36,040.44
Auto Insurance	31,925.00	26,127.60	5,797.40
Special Multi-Peril Insurance	14,950.00	12,126.00	2,824.00
Boiler Insurance	8,050.00	2,932.42	5,117.58
Maintenance Contracts	4,500.00	3,880.02	619.98
Electricity	280,000.00	279,680.19	319.81
Uniforms	11,000.00	6,502.45	4,497.55
Telecommunications	12,000.00	9,081.85	2,918.15
Force Main Inspections	10,000.00	1.22	9,998.78
Water	11,500.00	10,907.77	592.23
Cleaning Solvent	2,000.00		2,000.00
Natural Gas	38,000.00	13,072.29	24,927.71
Gas and Oil	80,000.00	58,765.66	21,234.34
Registration	1,600.00	371.00	1,229.00
Garage Expenses	1,000.00	1,139.97	(139.97)
Tires	11,500.00	6,398.32	5,101.68
Transportation-Other	350.00	213.75	136.25
Hardware Supplies	1,400.00	495.52	904.48
Shoes	2,850.00	2,369.86	480.14
Administration Building Expenses	10,000.00	8,201.88	1,798.12
Hydrogen Sulfide Remediation	72,000.00	72,690.78	(690.78)
Accessories	1,200.00	466.78	733.22
Collection System Pump Stations	25,000.00	19,514.19	5,485.81
Collection System Supplies	25,000.00	15,747.96	9,252.04

(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 28, 2013

	Budget	Actual	Variance--Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Other Expenses:			
Solicitor Fees	$ 8,500.00	$ 781.25	$ 7,718.75
Engineer Fees	10,500.00	16,687.25	(6,187.25)
Miscellaneous	800.00	615.66	184.34
Trash Disposal	2,100.00	2,084.83	15.17
Markouts	7,000.00	6,173.34	826.66
Mobile Units	2,500.00	358.34	2,141.66
Safety Equipment	14,000.00	14,608.16	(608.16)
Generator Repairs	30,000.00	15,303.37	14,696.63
MUA Contribution/Unemployment	12,500.00	12,500.00	
Contingencies	1,000.00	405.95	594.05
Total Other Expenses	838,325.00	670,445.23	167,879.77
Total Cost of Service	2,468,964.00	2,244,060.55	224,903.45
Total Operating Appropriations	3,509,509.00	3,217,906.86	291,602.14
Principal Payments on Debt in Lieu of Depreciation	1,103,110.00	1,073,106.63	30,003.37
Non-operating Appropriations:			
Interest on Bonds and Loans	413,870.00	401,834.35	12,035.65
Total Operating Appropriations, Principal Payments and Non-Operating Appropriations	5,026,489.00	4,692,847.84	333,641.16
Excess Anticipated Revenues over Operating Appropriations, Principal Payments and Non-Operating Appropriations	$ -	$ 451,280.75	$ 451,280.75

Reconciliation to Operating Income

Excess Anticipated Revenues over Operating Appropriations, Principal Payments and Non-Operating Appropriations		$ 451,280.75
Add:		
Bond and Loan Principal	$ 1,073,106.63	
Bond and Loan Interest	401,834.35	
		1,474,940.98
		1,926,221.73
Less:		
Depreciation	837,437.01	
Major Repairs and Other Expenses	263,108.97	
Refund of Prior Year Revenue	3,143.48	
Interest on Investments	2,878.48	
		1,106,567.94
Operating Income (Schedule 2)		$ 819,653.79

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 28, 2013

	Budget	Actual	Variance--Favorable (Unfavorable)
Anticipated Revenues:			
Operating Revenues:			
Service Agreements	$ 1,488,245.00	$ 1,062,043.14	$ (426,201.86)
Other Revenue	315,000.00	388,638.31	73,638.31
Total Anticipated Revenues	1,803,245.00	1,450,681.45	(352,563.55)
Operating Appropriations:			
Administrative:			
Salaries and Wages	133,650.00	129,356.17	4,293.83
Longevity	4,380.00	5,249.56	(869.56)
	138,030.00	134,605.73	3,424.27
Employees Benefits:			
Prescription	500.00	525.00	(25.00)
Dental	5,000.00	1,005.46	3,994.54
Hospitalization	42,590.00	24,766.57	17,823.43
Eye Care	900.00	875.00	25.00
Social Security Tax	9,200.00	3,218.39	5,981.61
Public Employees' Retirement System	6,425.00	6,425.00	
Unemployment Insurance	600.00	22.85	577.15
Total Employee Benefits	65,215.00	36,838.27	28,376.73
Total Administration	203,245.00	171,444.00	31,801.00
Cost of Service:			
Salaries and Wages:			
Laborers	541,300.00	541,150.36	149.64
Foreman	25,500.00	23,356.42	2,143.58
Temporary Help	127,500.00	74,989.53	52,510.47
Summer Help	7,200.00		7,200.00
Overtime	29,000.00	1,277.35	27,722.65
Longevity	19,700.00	20,126.97	(426.97)
Total Salaries and Wages	750,200.00	660,900.63	89,299.37
Employees Benefits:			
Prescription	7,500.00	4,365.84	3,134.16
Dental	24,000.00	10,544.25	13,455.75
Hospitalization	188,710.00	181,487.39	7,222.61
Eye Care	3,150.00	300.00	2,850.00
Social Security Tax	49,800.00	47,574.22	2,225.78
Public Employees' Retirement System	42,050.00	42,050.00	
Unemployment Insurance	5,700.00	449.25	5,250.75
Total Employee Benefits	320,910.00	286,770.95	34,139.05

(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 28, 2013

	Budget	Actual	Variance--Favorable (Unfavorable)
Other Expenses:			
Workers' Compensation Insurance	$ 34,000.00	$ 4,160.49	$ 29,839.51
Auto Insurance	24,050.00	25,737.00	(1,687.00)
Office Supplies	3,350.00	2,494.63	855.37
Gas and Oil	106,000.00	138,420.52	(32,420.52)
Registration	300.00	105.00	195.00
Tires	40,500.00	38,939.02	1,560.98
Compost Testing	1,250.00	476.00	774.00
Uniforms	5,000.00	5,047.96	(47.96)
Other Services	3,300.00	4,093.20	(793.20)
Special Multi Peril Insurance	5,425.00	5,425.00	
Hardware	1,000.00	49.79	950.21
Towing	1,850.00	350.00	1,500.00
Safety Shoes	2,250.00	1,899.91	350.09
Grass Phone	750.00	531.84	218.16
Testing Equipment	900.00		900.00
Other Equipment	19,500.00	15,861.29	3,638.71
Equipment - Automotive	26,500.00	22,089.68	4,410.32
Printing	1,000.00	977.10	22.90
Disposal and Tipping Fees	3,500.00	557.26	2,942.74
Trailer -- Electric	7,500.00	4,774.73	2,725.27
RFID Software Rental	12,000.00		12,000.00
Miscellaneous	5,600.00	6,057.24	(457.24)
Stationery and Printing	150.00	73.06	76.94
Residue Disposal	50,000.00		50,000.00
Compost Marketing	3,000.00	585.55	2,414.45
Compost Delivery Costs	1,000.00	32.50	967.50
Compost Packaging	500.00		500.00
Grading Materials	12,000.00	17,050.75	(5,050.75)
Solicitor Fees	9,500.00	4,068.75	5,431.25
Auditing Fees	6,000.00	7,725.00	(1,725.00)
Compliance Testing	1,000.00		1,000.00
Engineering Fees	13,500.00	9,211.87	4,288.13
Communications	5,200.00	3,525.09	1,674.91
MUA Contribution/Unemployment	12,500.00	12,500.00	
N.J. Recycling Center Fees	19,500.00	18,153.00	1,347.00
N.J. Permits	2,500.00		2,500.00
Total Other Expenses	441,875.00	350,973.23	90,901.77
Total Cost of Services	1,512,985.00	1,298,644.81	214,340.19
Total Operating Appropriations	1,716,230.00	1,470,088.81	246,141.19

(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 28, 2013

	Budget	Actual	Variance--Favorable (Unfavorable)
Principal Payments on Debt In Lieu of Depreciation	$ 56,205.00	$ 56,202.80	$ 2.20
Non-operating Appropriations:			
Interest on Bonds	30,810.00	30,811.50	(1.50)
Total Operating Appropriations, Principal Payments and Non-Operating Appriations	1,803,245.00	1,557,103.11	246,141.89
Deficit Anticipated Revenues over Operating and Non-Operating Appropriations	$ -	$ (106,421.66)	$ (106,421.66)

Deficit Anticipated Revenues over Operating Appropriations		$ (106,421.66)
Add:		
Loan Principal	$ 56,202.80	
Loan Interest	30,811.50	
		87,014.30
		(19,407.36)
Less:		
Depreciation		147,599.04
Operating Loss (Schedule 2)		$ (167,006.40)

Schedule 5

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Consumer Accounts Receivable
For the Fiscal Year Ended February 28, 2013

Balance Feb. 29, 2012		$ 332,074.85
Increased by:		
Service Fees		4,718,033.65
		5,050,108.50
Decreased by:		
Collections	$ 4,632,287.39	
Prepayments Applied	36,298.12	
		4,668,585.51
Balance Feb. 28, 2013		$ 381,522.99

Schedule 6

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Connection Fees Receivable
For the Fiscal Year Ended February 28, 2013

Connection Charges 2012-13		$ 281,650.00
Decreased by:		
Collections	$ 3,250.00	
Prepaid Connection Permit Applied	278,400.00	
		$ 281,650.00

Schedule 7

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Penalties on Delinquent Accounts
For the Fiscal Year Ended February 28, 2013

Balance Feb. 29, 2012	$ 27,016.12
Increased by:	
Accrued in Fiscal Year 2013	52,964.72
	79,980.84
Decreased by:	
Collections	$ 79,980.84

Schedule 8

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Refunds Receivable
For the Fiscal Year Ended February 28, 2013

	Sewer	Solid Waste	Total
Balance Feb. 29, 2012	$ 3,617.03	$ 289.02	$ 3,906.05
Add:			
Accrued 2012-2013	4,441.39	938.04	5,379.43
	8,058.42	1,227.06	9,285.48
Less:			
Cash Receipts	3,617.03	289.02	3,906.05
Balance Feb. 28, 2013	$ 4,441.39	$ 938.04	$ 5,379.43

Schedule 9

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Interest Receivable
For the Fiscal Year Ended February 28, 2013

	Balance Feb. 29, 2012	Interest Earned	Interest Collected	Balance Feb. 28, 2013	
Unrestricted Earnings:					
Revenue Fund	$ 0.19	$ 725.81	$ 605.46	$ 120.54	(1)
Debt Service Reserve Fund		1,715.60	1,715.60		
Renewal and Replacement Fund		437.07	437.07		
	0.19	2,878.48	2,758.13	120.54	
Restricted Earnings:					
Performance Escrow Deposits	(0.19)		120.35	(120.54)	(2)
	$ -	$ 2,878.48	$ 2,878.48	$ -	

(1) Includes Due from Escrow Deposit Fund

(2) Due to Revenue Fund

Schedule 10

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Service Agreements with the Township of Gloucester
For the Fiscal Year Ended February 28, 2013

Fiscal Year 2013 Service Agreements:	
Recycling Services	$ 463,436.47
Grass Collection	403,027.89
Compost	108,564.49
	975,028.84
Agreement to Pay Debt Service	87,014.30
	1,062,043.14
Decreased by:	
Collections	950,148.87
Balance Feb. 28, 2013	$ 111,894.27

Schedule 11

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Prepaid Expenses
For the Fiscal Year Ended February 28, 2013

	Sewer	Solid Waste	Total
Balance Feb. 29, 2012	$ 37,277.15	$ 11,145.33	$ 48,422.48
Add:			
Disbursements Fiscal Year 2013	14,994.00	17,723.25	32,717.25
	52,271.15	28,868.58	81,139.73
Less:			
Charged to Operations Fiscal Year 2013	29,193.74	8,812.00	38,005.74
Balance Feb. 28, 2013	$ 23,077.41	$ 20,056.58	$ 43,133.99

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Prepaid Connection Fees
For the Fiscal Year Ended February 28, 2013

Balance Feb. 29, 2012	$ 522,800.00
Increased by:	
Cash Received	95,200.00
	618,000.00
Decreased by:	
Applied	278,400.00
Balance Feb. 28, 2013	$ 339,600.00

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Capital Assets - Completed
For the Fiscal Year Ended February 28, 2013

	Balance Feb. 29, 2012	Additions	Disposals	Balance Feb. 28, 2013	Useful Life
Sewer:					
Land	$ 114,000.00			$ 114,000.00	
Buildings and Improvements	282,970.96	$ 3,875.00		286,845.96	40 Yrs.
Sewer Mains	50,622,995.23	948,512.98		51,571,508.21	40 Yrs.
Pumping Stations	11,668,027.96	1,022,095.53	$ 3,089,166.92	9,600,956.57	40 Yrs.
Telemetry	697,136.59	14,532.00	426,079.45	285,589.14	15 Yrs.
Alarm System	24,637.86			24,637.86	15 Yrs.
Paging System	1,861.50			1,861.50	20 Yrs.
Camera System	48,990.00			48,990.00	7 Yrs.
Vehicles	1,233,009.26	21,945.00	21,761.60	1,233,192.66	7 Yrs.
Telephone System	16,198.50		8,778.50	7,420.00	20 Yrs.
Furniture	16,419.93	22,475.36		38,895.29	10 Yrs.
Equipment-Other	704,615.25	34,940.50	68,650.74	670,905.01	5-10 Yrs.
	65,430,863.04	2,068,376.37	3,614,437.21	63,884,802.20	
Less: Accumulated Depreciation	17,770,724.43	837,437.01	178,103.49	18,430,057.95	
	$ 47,660,138.61	$ 1,230,939.36	$ 3,436,333.72	$ 45,454,744.25	
Solid Waste:					
Land	$ 100,000.00			$ 100,000.00	
Improvements	537,292.23			537,292.23	40 Yrs.
Equipment-Other	1,427,110.74	$ 11,088.11	$ 19,990.00	1,418,208.85	7 Yrs.
	2,064,402.97	11,088.11	19,990.00	2,055,501.08	
Less: Accumulated Depreciation	885,823.07	147,599.04		1,033,422.11	
	$ 1,178,579.90	$ (136,510.93)	$ 19,990.00	$ 1,022,078.97	
Recap:					
Total Capital Assets	$ 67,495,266.01	$ 2,079,464.48	$ 3,634,427.21	$ 65,940,303.28	
Less: Accumulated Depreciation	18,656,547.50	985,036.05	178,103.49	19,463,480.06	
	$ 48,838,718.51	$ 1,094,428.43	$ 3,456,323.72	$ 46,476,823.22	

Transfer from Construction in Progress	$ 1,687,600.00
Contributed	15,592.21
Cash Disbursed	376,272.27
	$ 2,079,464.48

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Construction in Progress

For the Fiscal Year Ended February 28, 2013

Balance Feb. 29, 2012		$ 3,423,434.09
Increased by:		
Cash Disbursed		529,419.96
		3,952,854.05
Decreased by:		
Transferred to Capital Assets	$ 1,687,600.00	
Canceled	15,077.55	
		1,702,677.55
Balance Feb. 28, 2013		$ 2,250,176.50

Analysis of Balance

	Sewer	Solid Waste	Total
Construction of Administration Building	$ 1,162,196.75		$ 1,162,196.75
Sewer Main Rehabilitation	292,351.66		292,351.66
Pump Station Rehabilitation	566,343.06		566,343.06
Orr Road By-Pass Pump	182,976.82		182,976.82
Solar Energy Panels	46,308.21		46,308.21
	$ 2,250,176.50	$ -	$ 2,250,176.50

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Accrued Interest Payable on Bonds and Loans
For the Fiscal Year Ended February 28, 2013

Balance Feb. 29, 2012		$ 145,811.77
Interest Charges for the Fiscal Year Ended Feb. 28, 2013:		
Budget - Sewer:		
Series 1993 Revenue Bonds	$ 212,175.00	
NJEIT Loans	189,659.35	
	401,834.35	
Budget - Solid Waste:		
NJEIT Loan	30,811.50	
Bond Service Account Interest (Sewer)	11,000.00	
		443,645.85
		589,457.62
Paid		459,923.76
Balance Feb. 28, 2013		$ 129,533.86

Analysis of Balance

Sewer:	
Bonds	$ 111,587.50
NJEIT Loans	15,427.44
	127,014.94
Solid Waste - NJEIT Loans	2,518.92
	$ 129,533.86

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

PART II

FINDINGS AND RECOMMENDATIONS

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Recommendations
For the Fiscal Year Ended February 28, 2013

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. 2013-1

Criteria or Specific Requirement
N.J.A.C. 5:30-5.7 requires the maintenance of a general ledger accounting record. This record summarizes all account balances of the Authority. It should be reconciled monthly to other subsidiary control records.

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.

Context
The Authority implemented new accounting software during the fiscal year. The new software caused confusion amongst the accounting personnel resulting in a number of issues such as how to correctly post adjustments to the consumer accounts receivable records, which reports needed to be generated and reconciled to the general ledger and how cash postings related to the corresponding receipts and disbursements. As a result, the general ledger was not posted and reconciled to other subsidiary records on a monthly basis.

Effect
The Authority did not comply with N.J.A.C. 5:30-5.7 requirements. In addition, by not reconciling the general ledger monthly to other subsidiary records, proper accounting of the Authority's finances may not be achieved.

Cause
Confusion with the new accounting software and what records could be generated resulted in the general ledger not being reconciled to other subsidiary records.

Recommendation
That all Authority general ledger account balances be reconciled monthly to subsidiary records as required by N.J.A.C. 5:30-5.7.

View of Responsible Officials and Planned Corrective Action
The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

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. 2012-1

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.

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

Kirk N. Applegate

Kirk N. Applegate
Certified Public Accountant
Registered Municipal Accountant