

**GLOUCESTER TOWNSHIP  
MUNICIPAL UTILITIES AUTHORITY**

**REPORT OF AUDIT**

**WITH  
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEARS ENDED  
FEBRUARY 28, 2015 & 2014**



**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
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**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
Roster of Officials  
As of February 28, 2015**

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Members

Richard P. Calabrese  
Frank Simiriglia  
Dora Guevara  
Amy Tarves  
Joseph Pillo  
Dorothy Bradley  
  
Ken Garbowski

Position

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

Other Officials

Raymond J. Carr  
Marlene Hrynio  
Thomas Leisse  
Howard C. Long, Jr., Esq.  
TD Bank Wealth Management  
Fulton Bank

Executive Director  
Administrative Secretary  
Engineer  
Solicitor  
Trustee  
Legal Depository

**GLOUCESTER TOWNSHIP  
MUNICIPAL UTILITIES AUTHORITY**

**PART I**

**FINANCIAL SECTION**

**FOR THE FISCAL YEARS ENDED  
FEBRUARY 28, 2015 & 2014**

## **INDEPENDENT AUDITOR'S 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 (Authority), as of and for the fiscal years ended February 28, 2015 and 2014 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2015 and 2014, and the changes in its financial position and its cash flows thereof for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 19, 2015 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  
June 19, 2015

**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 AUDITOR'S REPORT**

The Chairman and Members of  
The 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, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 19, 2015.

**Internal Control Over Financial Reporting**

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

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

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

**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.

**Purpose of this Report**

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

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
June 19, 2015

THE GLOUCESTER TOWNSHIP  
MUNICIPAL UTILITIES AUTHORITY

**Management's Discussion & Analysis**

The Gloucester Township Municipal Utilities Authority's (the "Authority") primary function is to maintain and service the Gloucester Township sewer system, which consists of 50 pumping stations with an associated 13 miles of sanitary sewer force mains, 368 miles of sanitary gravity sewer mains and 4,844 manholes. We maintain over 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 50 plus years to the present. Currently, there are 29,077 equivalent dwelling units (300 GPD/EDU) with an associated estimated average daily flow (# of EDU's x 300 g/EDU) of 8.70 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. In order to accomplish these services, the Authority must maintain a fleet of 20 vehicles, including TV camera and two (2) 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. In addition to the mains, the Authority is also responsible for the lateral line from the curb line to the main. The Millwright Truck that was purchased seven (7) years ago is for repairing and updating Pump Stations. The truck is equipped with a compressor and welding equipment for quicker service repairs. The pumps in these stations are much larger and the truck has a very large crane attached to it, which makes repairs easier. There are emergency generators located at forty (40) pumping stations in case there is a power outage. The generators will automatically "power up" to insure that there is no interruption in service. In addition, there are three (3) portable generators that are utilized to maintain the remaining pump stations.

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 six (6) 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). The toters have scan bars in them which tells the Authority the address, the tonnage amount recycled and if recycling is being done at all. The Recycling Trucks have GPS systems installed which informs the Authority of their locations at all times. The GTMUA began Single-Stream Recycling Collection on November 28, 2012. After almost one (1) 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 1<sup>st</sup> year of Single Stream.

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 the financial reporting to the Board of Commissioners. We are also responsible for purchasing and maintaining all operating equipment and supplies at our location.

The Authority's main office is located at 401 W. Landing Road, Blackwood, 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 and drop box for payment of sewer bills. Rules and Regulations, plus standards for operation and control, are maintained to regulate development and existing facilities.

For the fiscal year ending February 28, 2015, the Authority's net revenues were sufficient to satisfy the Authority's Bond Resolution requirement contained in Section 6.10. The Authority's ability to meet its Bond Resolution requirement for the last two fiscal years is the result of rate increases adopted in August 2012. The increases were as follows: October 1, 2012 - \$41.00 to \$43.00 and 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 Avenue 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 slip-lining in Catalina Hills, the Pine Run Interceptor and Prospect Avenue. This encompassed the rehab of 29,500 linear feet 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.
- 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 slip-lined 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 slip-lining 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 and the project moved forward. The employees moved into the new building in May, 2012.

## **FINANCIAL HIGHLIGHTS (CONT'D)**

- 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 Avenue 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 were 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 slip-lined up to the Front & Rowand Pump Station discharge area. The Orr Road Pump Station was upgraded with a new lined wet well, bypass pump, 3 vari-drives, 3 motors and a new Channel Monster. Slip-lining was completed for the Central Avenue Pump Station sending district and the Glenn Avenue Pump Station sending district.
- 5) Sewer Charge Collection Rate** – The collection rate for fiscal year ending February 28, 2015 was 92.80%. Sewer rents were up approximately \$413,900.00.
- 6) Connection Fees** – Connection fee revenue for fiscal year ending February 28, 2015 was \$112,310.00. This represents a 51.09% decrease compared to last year.
- 7) Total Sewer Operating Revenue** – Operating revenue for fiscal year ending February 28, 2015 was \$5,590,292.61 which is an increase from last year’s amount of \$5,304,039.15.
- 8) Total Sewer Operating Expenses** – For fiscal year ending February 28, 2015, operating expenses of \$3,214,131.22 were down from last year’s amount of \$3,291,117.45.
- 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 \$312,182.36, which is an increase of \$15,570.36 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.
- 10) Total Fixed Assets** -Total fixed assets for fiscal year ending February 28, 2015 were \$68,373,384.76, which includes land, buildings, pipelines, pump stations, vehicles, equipment, alarms, telemetering, etc. Asset value, net of accumulated depreciation is \$46,907,874.36.
- 11) 1993 Debt Service** - As of March 1, 2015, the Authority has outstanding Revenue Bonds totaling \$2,775,000.00. 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, 2015, the percentage of “Net Revenues” to Debt Service was 159%. At the present time, other than the four (4) Wastewater Trust loans, this is our only major debt and it will be paid off in 2018.
- 12) Interest Income** – For the fiscal year ending February 28, 2015, the Authority generated \$638.36 in interest income from investments. This was \$877.25 lower than fiscal year ending February 28, 2014.

## **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 position includes all of the Authority's assets, liabilities and deferred inflows of resources. 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 Position, the difference between the Authority's assets, liabilities and deferred inflows of resources, is a measure of the Authority's financial health or position.

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

The statement of cash flows provides a breakdown of the various sources of cash 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 \$55,249,781.59 on February 28, 2015. Total assets, total liabilities, total deferred inflows of resources and total net position are detailed below.

### Gloucester Township Municipal Utilities Authority Net Position

	<u>Feb. 28, 2015</u>	<u>Feb. 28, 2014</u>	<u>Feb. 28, 2013</u>
Current Assets	\$ 3,690,452.83	\$ 4,083,208.24	\$ 2,188,788.26
Non-Current Assets	3,949,721.13	2,999,723.77	4,642,538.12
Capital Assets (net of accumulated depreciation)	47,609,607.63	48,053,604.56	48,726,999.72
<b>Total Assets</b>	<b>\$ 55,249,781.59</b>	<b>\$ 55,136,536.57</b>	<b>\$ 55,558,326.10</b>
Current Liabilities	\$ 2,731,530.40	\$ 2,567,635.45	\$ 2,241,246.10
Long-Term Liabilities	9,672,977.38	11,005,602.18	12,230,136.18
<b>Total Liabilities</b>	<b>\$ 12,404,507.78</b>	<b>\$ 13,573,237.63</b>	<b>\$ 14,471,382.28</b>
<b>Total Deferred Inflows of Resources</b>	<b>\$ 674,840.00</b>	<b>\$ 228,440.00</b>	<b>\$ 339,600.00</b>
Net Position			
Net Investment in Capital Assets	\$ 36,869,018.37	\$ 36,904,498.34	\$ 36,401,486.41
Restricted	3,815,261.45	3,513,771.51	3,450,744.40
Unrestricted	1,486,153.98	916,589.09	895,113.01
<b>Total Net Position</b>	<b>\$ 42,170,433.80</b>	<b>\$ 41,334,858.94</b>	<b>\$ 40,747,343.82</b>

The Authority realized operating income of \$1,415,819.29 for the current fiscal year, combined with net non-operating revenues (expenses) of (\$599,964.43) and capital contributions of \$19,720.00, net position increased by \$835,574.86.

**THE GLOUCESTER TOWNSHIP  
MUNICIPAL UTILITIES AUTHORITY  
REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	<u>Feb. 28, 2015</u>	<u>Feb. 28, 2014</u>	<u>Feb. 28, 2013</u>
Operating Revenues:			
Service Charges	\$ 5,325,226.41	\$ 4,911,288.70	\$ 4,718,033.65
Service Agreements (Twp.)	1,543,647.03	1,377,485.74	1,062,043.14
Connection Fees	112,310.00	229,620.00	281,650.00
Miscellaneous Charges	<u>464,938.56</u>	<u>459,742.45</u>	<u>530,204.77</u>
<b>Total Operating Revenues</b>	<b>7,446,122.00</b>	<b>6,978,136.89</b>	<b>6,591,931.56</b>
Operating Expenses:	5,046,457.84	4,945,170.22	4,954,248.12
Depreciation Expense:	<u>983,844.87</u>	<u>1,070,362.04</u>	<u>985,036.05</u>
<b>Total Operating Expenses</b>	<b>6,030,302.71</b>	<b>6,015,532.26</b>	<b>5,939,284.17</b>
<b>Operating Income</b>	<b>1,415,819.29</b>	<b>962,604.63</b>	<b>652,647.39</b>
Non-Operating Revenues (Expenses)			
Investment Income	638.36	1,515.61	2,878.48
Net Unemployment Claims	23,917.07	28,313.34	19,254.06
Bond Interest	(329,122.92)	(386,713.76)	(432,645.85)
Cancellation of Due from Township			(5,449.13)
Cancellation of Construction In Progress	(338,678.34)		(15,077.55)
Refund of Prior Year Expenses		797.72	
Net Reserve for System Improvements	47,851.33	(10,164.74)	(28,386.58)
Net Reserve for Payment of Debt	(138.91)	(335.59)	(102.08)
Loss on Disposal of Fixed Assets	(919.67)	(4,990.74)	(3,456,323.72)
Prepaid Bond Insurance Expense	<u>(3,511.35)</u>	<u>(3,511.35)</u>	<u>(3,511.35)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<b><u>(599,964.43)</u></b>	<b><u>(375,089.51)</u></b>	<b><u>(3,919,363.72)</u></b>
Developer's Contributions-Capital Assets	<u>19,720.00</u>	<u>-</u>	<u>15,592.21</u>
<b>Change in Net Position</b>	<b>835,574.86</b>	<b>587,515.12</b>	<b>(3,251,124.12)</b>
<b>Net Position, Beginning of Year</b>	<b><u>41,334,858.94</u></b>	<b><u>40,747,343.82</u></b>	<b><u>43,998,467.94</u></b>
<b>Net Position, End of Year</b>			
Restricted	\$ 3,815,261.45	\$ 3,513,771.51	\$ 3,450,744.40
Unrestricted	\$ 1,486,153.98	\$ 916,589.09	\$ 895,113.01
Net Investment in Capital Assets	<u>\$ 36,869,018.37</u>	<u>\$ 36,904,498.34</u>	<u>\$ 36,401,486.41</u>

## **OVERALL ANALYSIS**

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

Connection fee revenue in the current year was down from the prior year by \$117,310.00. 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 (CA) of their hookup into our system. Then the developer must acquire a Certificate of Occupancy (CO) from the Township. This release of a CA triggers the Authority's recognition of connection fee revenue and the property is subsequently 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 the Revere Run Pump Station. Also, we rehabilitated the Woodbridge Pump Station and installed two (2) new pumps at the Central Avenue and Laurel Hills Pump Stations. Over thirty-three (33) miles of pipe were cleaned and fifteen (15) miles were televised. These saving measures all help to keep the sewer charges as low as possible.

Our force mains are inspected yearly. All force main locations are marked in order to get to them faster in an emergency. 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. Service calls are provided to our users seven (7) days a week for sewer back-ups.

The Authority also changed its health care plan thirteen (13) 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 Authority is complying with Chapter 78, P.L. 2011, which mandates that local government employees pay a portion of their healthcare cost.

## **OVERALL ANALYSIS (CONT'D)**

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 asbestos clay and terracotta. House connections (laterals) were orangeburg and that was not much better than heavy tar paper rolled up to make a pipe. 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 employees 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 employees 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 eight (8) full years of reporting, there are still no problems and Gems has met their Industrial Discharge Monitoring standards.

The Authority's recycling, grass/leaf collection and composting facility have become enormously successful. In 2014, we collected 5,673 tons of recyclables/vegetative waste and the total amount of materials that Gloucester Township accepted at our facility was 13,067 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 \$5.00 per cubic yard for leaves and \$10.00 per cubic yard for grass. Revenue was \$136,218.00 from this source in our fiscal year ending February 28, 2015. 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 ours.

## **OVERALL ANALYSIS (CONT'D)**

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 \$150,086.00 in our fiscal year ending February 28, 2015. Total Revenue for all three (3) programs was \$312,182.36. 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 82.89% of its \$3,877,356.00 Sewer operating budget with a few variances. It expended 84.15% of its \$1,877,772.00 Solid Waste operating budget with several variances. The Authority was not required to amend its fiscal year ending February 28, 2015 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 \$1,065,895.93 from its Renewal & Replacement Fund for capital activities. \$206,169.98 was classified as repairs/other expenses and charged as operating expenses. During the current year, the Authority disbursed \$859,725.95 for capital assets. Purchases include new pumps for the Ballentree, Central Avenue, Little Gloucester Road and Twin Streams pump stations, a new seven (7) yard dump truck and replacement of vari-drives at the Cherrywood pump station. 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 submitting paperwork the fifth 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 terracotta, which are badly deteriorating and at the end of their serviceable life and are subject to hydrogen gases. The Authority is planning for continuation of slip-lining and various other improvements. Future improvements include new pumps at the Laurel Hills and Glenn Avenue Pump Stations, a new bypass pump @ the Pierce Battery Pump Station, replacement of vari-drives at the Girard Avenue pump station, new piping & electrical cabinet at the Jarvis Road Pump Station, impellers for the Front & Rowan pump station, check valves & new piping for the Timbercove pump station and sliplining for the Hydes Chemical pump station sending district. 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, 2015 capital budget and five-year capital program are \$1,218,500.00 and \$3,867,500.00 respectively. The major line items of the capital budget are:

1) Emergency Repairs	\$ 250,000.00
2) Equipment Replacement	195,000.00
3) Telemetry	50,000.00
4) Standby Generators	115,000.00
5) Sewer Rehab Program	950,000.00
6) Buildings & Grounds	115,000.00
7) Computer Upgrade	15,000.00
8) Electrical Upgrade	15,000.00
9) Pump Station Upgrades	1,725,000.00
10) Maintenance Equipment/Repairs	130,000.00
11) Administration Building	30,000.00
12) Record Maintenance	12,500.00
13) Health & Safety	25,000.00
14) Vehicles	240,000.00

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 15	\$ 950,000.00
2) Pump Station Upgrades	FY 15	1,725,000.00

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](http://www.gtmua.com).

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Comparative Statements of Net Position  
 As of February 28, 2015 and 2014

<b>ASSETS</b>	<u>Feb. 28, 2015</u>	<u>Feb. 28, 2014</u>
Current Unrestricted Assets:		
Revenue/Operating Account:		
Cash and Cash Equivalents	\$ 3,126,313.98	\$ 3,407,673.16
Consumer Accounts Receivable	411,131.70	387,628.41
Refunds Receivable		26,216.42
Other Accounts Receivable	47,551.73	159,027.04
Prepaid Expenses	105,455.41	102,663.21
<b>Total Unrestricted Assets</b>	<b>3,690,452.82</b>	<b>4,083,208.24</b>
Non-Current Assets:		
Restricted Assets:		
Debt Service Account:		
Cash and Cash Equivalents	1,261,638.05	847,212.64
Debt Service Reserve Account:		
Cash and Cash Equivalents	931,740.38	931,910.23
Renewal and Replacement Account:		
Cash and Cash Equivalents	1,399,175.83	88,243.15
Due from New Jersey Environmental Infrastructure Trust	50,816.31	854,666.31
Prepaid Bond Insurance Expense	10,534.10	14,045.45
Other Accounts:		
Cash and Cash Equivalents	295,816.46	263,645.99
<b>Total Restricted Assets</b>	<b>3,949,721.13</b>	<b>2,999,723.77</b>
Capital Assets:		
Construction in Progress	701,733.27	1,087,979.75
Completed (Net of Accumulated Depreciation)	46,907,874.36	46,965,624.81
<b>Total Property, Plant and Equipment</b>	<b>47,609,607.63</b>	<b>48,053,604.56</b>
<b>Total Assets</b>	<b>55,249,781.58</b>	<b>55,136,536.57</b>

(Continued)

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
Comparative Statements of Net Position  
As of February 28, 2015 and 2014

	<u>Feb. 28, 2015</u>	<u>Feb. 28, 2014</u>
<b>LIABILITIES</b>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable--Operations	\$ 201,660.68	\$ 186,788.18
Prepaid Rental Charges	760,472.40	727,977.07
Unearned Revenue	1,973.75	4,661.45
Compensated Absences	48,866.43	
Accrued Liabilities	16,192.30	32,279.84
Total Current Liabilities Payable from Unrestricted Assets	1,029,165.56	951,706.54
Current Liabilities Payable from Restricted Assets:		
Serial Bonds Payable--Current Portion	640,000.00	605,000.00
N. J. Environmental Infrastructure Loans Payable -- Current Portion	624,711.27	607,366.96
Accrued Bond and Loan Interest Payable	94,256.77	112,343.86
Accrued Liabilities	8,710.60	8,710.60
OPEB Liability	156,716.11	113,001.32
Escrow Deposits	177,970.09	169,506.17
Total Current Liabilities Payable from Restricted Assets	1,702,364.84	1,615,928.91
Long-term Liabilities:		
Serial Bonds Payable	2,135,000.00	2,775,000.00
N. J. Environmental Infrastructure Loans Payable	7,391,694.30	8,016,405.57
Compensated Absences	146,283.08	214,196.61
Total Long-term Liabilities	9,672,977.38	11,005,602.18
Total Liabilities	12,404,507.78	13,573,237.63
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Connection Fee Revenue	674,840.00	228,440.00
<b>NET POSITION</b>		
Net Investment in Capital Assets	36,869,018.37	36,904,498.34
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	1,864,883.00	1,838,903.75
Reserve for Payment of Bond Principal and Interest	245.09	384.00
Reserve to Pay Debt Service in Accordance with Township Agreement	203,881.20	
Unemployment Claims	117,843.46	93,926.39
Reserve for System Upgrades	331,621.20	283,769.87
	3,815,261.45	3,513,771.51
Unrestricted	1,486,153.98	916,589.09
Total Net Position	\$ 42,170,433.80	\$ 41,334,858.94

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

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Comparative Statements of Revenues, Expenses and Changes in Net Position  
 For the Fiscal Years Ended February 28, 2015 and 2014

	<u>Feb. 28, 2015</u>	<u>Feb. 28, 2014</u>
Operating Revenues:		
Service Charges	\$ 5,325,226.41	\$ 4,911,288.70
Service Agreements	1,543,647.03	1,377,485.74
Connection Fees	112,310.00	229,620.00
Miscellaneous Charges	464,938.56	459,742.45
	<hr/>	<hr/>
Total Operating Revenues	7,446,122.00	6,978,136.89
Operating Expenses:		
Administrative Expenses:		
Salaries and Wages	501,553.81	571,804.08
Fringe Benefits	332,400.32	291,639.25
Other	286,751.72	252,797.83
	<hr/>	<hr/>
	1,120,705.85	1,116,241.16
Cost of Service:		
Salaries and Wages	1,525,063.59	1,694,059.83
Fringe Benefits	965,377.97	909,232.57
Other	1,183,202.95	1,145,637.91
	<hr/>	<hr/>
	3,673,644.51	3,748,930.31
Major Repairs and Other Expenses	252,107.48	79,998.75
Depreciation	983,844.87	1,070,362.04
	<hr/>	<hr/>
Total Operating Expenses	6,030,302.71	6,015,532.26
Operating Income	<hr/>	<hr/>
	1,415,819.29	962,604.63
Non-operating Revenue (Expenses):		
Investment Income	638.36	1,515.61
Net Unemployment Claims	23,917.07	28,313.34
Bond Interest	(329,122.92)	(386,713.76)
Loss on Disposal of Property, Plant and Equipment	(919.67)	(4,990.74)
Cancellation of Construction in Progress	(338,678.34)	
Refund of Prior Year Expenses		797.72
Net Reserve for System Improvements	47,851.33	(10,164.74)
Net Reserve for Payment of Bond		
Principal and Interest	(138.91)	(335.59)
Prepaid Bond Insurance Expended	(3,511.35)	(3,511.35)
	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(599,964.43)	(375,089.51)
Contributions -- Capital Assets	<hr/>	<hr/>
	19,720.00	-
Change in Net Position (Carried Forward)	835,574.86	587,515.12

(Continued)

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Comparative Statements of Revenues, Expenses and Changes in Net Position  
 For the Fiscal Years Ended February 28, 2015 and 2014

	<u>Feb. 28, 2015</u>	<u>Feb. 28, 2014</u>
Change in Net Position (Brought Forward)	\$ 835,574.86	\$ 587,515.12
Net Position, Beginning	<u>41,334,858.94</u>	<u>40,747,343.82</u>
Net Position, End of Year:		
Net Investment in Capital Assets	\$ 36,869,018.37	\$ 36,904,498.34
Restricted	\$ 3,815,261.45	\$ 3,513,771.51
Unrestricted	<u>\$ 1,486,153.98</u>	<u>\$ 916,589.09</u>

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, 2015 and 2014

	<u>Feb. 28, 2015</u>	<u>Feb. 28, 2014</u>
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 5,981,825.47	\$ 5,307,115.84
Receipts from Township	1,664,638.00	1,368,389.04
Payments to Suppliers	(2,939,056.30)	(2,623,855.32)
Payments to Employees	(2,026,617.40)	(2,265,863.91)
Other Operating Receipts	353,847.98	432,836.19
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	3,034,637.75	2,218,621.84
Cash Flows from Noncapital Financing Activities:		
Planning Escrow Activity	8,514.88	(5,754.02)
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities:		
Loan Proceeds	803,850.00	
Capital Aquisitions	(859,725.95)	(401,957.62)
Developer's Contributions - System Upgrades	47,851.33	(10,164.74)
Interest Earned on Investments - Reserved to Pay Debt Service	22,861.09	11,664.41
Debt Service:		
Principal	(1,212,366.96)	(1,176,407.09)
Interest	(370,210.01)	(415,903.76)
	<hr/>	<hr/>
Net Cash Used in Capital and Related Financing Activities	(1,567,740.50)	(1,992,768.80)
Cash Flows from Investing Activities:		
Interest on Investments	587.40	1,422.72
	<hr/>	<hr/>
Net Increase in Cash and Cash Equivalents	1,475,999.53	221,521.74
Cash and Cash Equivalents--Beginning	5,538,685.17	5,317,163.43
	<hr/>	<hr/>
Cash and Cash Equivalents--Ending	\$ 7,014,684.70	\$ 5,538,685.17
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 1,415,819.29	\$ 962,604.63
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	983,844.87	1,070,362.04
Refund of Prior Year Expenses		797.72
Change in Assets and Liabilities:		
(Increase) Decrease in Consumer Accounts Receivable	(23,503.29)	(6,105.42)
(Increase) Decrease in Refunds Receivable	26,216.42	(20,836.99)
(Increase) Decrease in Other Accounts Receivable	111,475.31	52,876.39
(Increase) Decrease in Prepaid Expenses	(2,792.20)	(59,529.22)
Increase (Decrease) in Accounts Payable	14,872.50	52,932.84
Increase (Decrease) in Prepaid Rents	32,495.33	191,036.24
Increase (Decrease) in Unearned Revenue	(2,687.70)	2,759.25
Increase (Decrease) in Deferred Connection Fee Revenue	446,400.00	(111,160.00)
Increase (Decrease) in Accrued Liabilities	(16,087.54)	11,575.74
Increase (Decrease) in OPEB Liability	43,714.79	55,162.32
Increase (Decrease) in Reserve for Unemployment Claims	23,917.07	28,313.34
Increase (Decrease) in Compensated Absences Payable	(19,047.10)	(12,167.04)
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	\$ 3,034,637.74	\$ 2,218,621.84

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

## GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

### Notes to Financial Statements

For the Fiscal Years Ended February 28, 2015 and 2014

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#### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Gloucester Township Municipal Utilities Authority (the "Authority") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these 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**

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be or is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

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

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units and is a component unit of the Township of Gloucester.

**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, deferred outflows of resources, liabilities, deferred inflow of resources, 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** - 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 Other Postemployment Benefits (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 adopt an amending budget resolution during the year.

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

**Cash, Cash Equivalents and Investments**

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

New Jersey governmental 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)****Inventories**

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

**Prepaid Expenses**

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the Authority's fiscal year end.

**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 actual cost or estimated 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:

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

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

**Bond Discounts / Bond Premiums**

Bond discounts / bond premiums arising from the issuance of long-term debt (bonds) are amortized over the life of the bonds, in a systematic and rational method, from the issue date to maturity as a component of interest expense. Bond discounts / bond premiums 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 in a systematic and rational manner over the duration of the related debt as a component of interest expense.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Deferred Inflows of Resources – Deferred Revenue**

Deferred Inflows of Resources - Deferred revenue arises when resources associated with revenue transactions are received or reported as a receivable before the period when resources are required to be used or when use is first permitted in which enabling legislation includes time requirements.

**Compensated Absences**

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

**Unearned Revenue**

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

**Net Position**

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

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

**Restricted** – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Unrestricted** - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." This component includes net position that may be allocated for specific purposes by the Board.

**Income Taxes**

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****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, solid waste operations and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt.

**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.

**Recently Issued and Adopted Accounting Pronouncements**

During the fiscal year ended February 28, 2015, the Authority adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB)

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. GASBS 67 is to improve the usefulness of pension information included in the general purpose external financial reports (financial reports) of state and local governmental pension plans for making decisions and assessing accountability. This Statement is effective for periods beginning after June 15, 2013. The Authority does not administer any state or local pension plans; therefore, the adoption of GASBS 67 will not have any impact on the Authority's financial statements.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. GASBS 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. In addition, 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 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. This Statement is effective for periods beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements and expects the impact to be material.

In January 2013, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. GASBS 69 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. This Statement is effective for periods beginning after December 15, 2013. Management has determined that the adoption of GASBS 67 will not have any impact on the Authority's financial statements.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Recently Issued and Adopted Accounting Pronouncements (Cont'd)**

In April 2013, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASBS 70 is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This Statement is effective for periods beginning after June 15, 2013. The adoption of GASBS 70, however, does not have any impact on the Authority's financial statements.

**Recently Issued Accounting Pronouncements**

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. GASBS 71 is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements and expects the impact to be material when considered in conjunction with the adoption of Statement No. 68.

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. GASBS 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for fiscal years beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements and expects the impact to be material.

**Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY****Compliance with Finance Related Legal and Contractual Provisions**

Management of the Authority is unaware of any material violations of finance related legal and contractual provisions.

**General Bond Resolution**

The Authority is subject to the provisions and restrictions of the 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.

**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.

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

**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:

<u>1993 Revenue Bond Resolution</u>	<u>Bond Year Ending March 1</u>	
	<u>2015</u>	<u>2014</u>
Operating Revenue	\$ 7,242,240.80	\$ 6,978,136.89
Interest Revenue	<u>638.36</u>	<u>1,515.61</u>
Total Revenues	<u>7,242,879.16</u>	<u>6,979,652.50</u>
Operating Expenses:		
Administrative	1,120,705.85	1,116,241.16
Cost of Service	<u>3,673,644.51</u>	<u>3,748,930.31</u>
Total Operating Expenses	<u>4,794,350.36</u>	<u>4,865,171.47</u>
Excess of Revenues	2,448,528.80	2,114,481.03
110% of Current Fiscal Year's Annual Debt Service Requirement	<u>1,695,638.87</u>	<u>1,719,432.94</u>
Excess of Revenues	<u>\$ 752,889.93</u>	<u>\$ 395,048.10</u>
Percentage of Net revenues to Debt Service	159%	135%

The ratio for bond years ending March 1, 2015 and 2014 meets the required debt service coverage of 110% required under the 1993 Bond Resolution. The bond years ending March 1, 2015 and 2014 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 \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below.

As of February 28, 2015 and 2014, the Authority's bank balances were exposed to custodial credit risk as follows:

	<u>2015</u>	<u>2014</u>
Uninsured and Collateralized with Securities		
Held by Pledging Financial Institutions	\$6,751,664.42	\$5,549,995.55
Insured by FDIC	<u>500,000.00</u>	<u>343,947.45</u>
Total Bank Balance	<u>\$7,251,664.42</u>	<u>\$5,893,943.00</u>

**Service Fees**

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Billings</u>	<u>Total Collections</u>	<u>of Collections</u>
2015	\$ 387,628.41	\$ 5,325,226.41	\$ 5,301,723.12	92.80%
2014	381,522.99	4,911,288.70	4,905,183.28	92.68%
2013	332,074.85	4,718,033.65	4,668,585.51	92.45%

**Note 3: DETAIL NOTES – ASSETS (CONT'D)****Capital Assets**

During the fiscal year ended February 28, 2015, the following changes in Capital Assets occurred:

	Balance Feb. 28, 2014	<u>Additions</u>	<u>Deletions</u>	Balance Feb. 28, 2015
Land	\$ 214,000.00			\$ 214,000.00
Buildings & Improvements	2,268,792.19	\$ 19,720.00		2,288,512.19
Major Movable Equipment	2,129,020.07	16,826.26	\$ 6,697.07	2,139,149.26
Vehicles	1,233,192.66	151,889.00		1,385,081.66
Infrastructure	61,609,545.29	738,578.83	1,482.47	62,346,641.65
	67,454,550.21	927,014.09	8,179.54	68,373,384.76
Accumulated Depreciation	20,488,925.10	983,845.17	7,259.87	21,465,510.40
	<u>\$ 46,965,624.81</u>	<u>\$ (56,831.08)</u>	<u>\$ 919.67</u>	<u>\$ 46,907,874.36</u>

During the fiscal year ended February 28, 2014, the following changes in Capital Assets occurred:

	Balance Feb. 28, 2013	<u>Additions</u>	<u>Deletions</u>	Balance Feb. 28, 2014
Land	\$ 214,000.00			\$ 214,000.00
Buildings	873,128.19	\$1,395,664.00		2,268,792.19
Major Movable Equipment	2,161,928.51	16,999.00	\$ 49,907.44	2,129,020.07
Vehicles	1,233,192.66			1,233,192.66
Infrastructure	61,458,053.92	151,491.37		61,609,545.29
	65,940,303.28	1,564,154.37	49,907.44	67,454,550.21
Accumulated Depreciation	19,463,480.06	1,070,362.04	44,916.70	20,488,925.10
	<u>\$ 46,476,823.22</u>	<u>\$ 493,792.33</u>	<u>\$ 4,990.74</u>	<u>\$ 46,965,624.81</u>

**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, 2015 and 2014 is estimated at \$195,149.52 and \$214,196.61, respectively.

**Retirement Systems**

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

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

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

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

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Retirement Systems (Cont'd)****Public Employees' Retirement System (Cont'd)**

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

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Contributory Insurance</u>	<u>Total Liability</u>	<u>Paid by Authority</u>
2015	\$ 37,828.00	\$ 174,982.00	\$ 14,414.00	\$ 227,224.00	\$ 227,224.00
2014	60,229.00	163,158.00	3,406.00	226,793.00	226,793.00
2013	55,526.00	132,765.00	11,207.00	199,498.00	199,498.00

**Defined Contribution Retirement Program** - The Defined Contribution Retirement Program (DCRP) is a single-employer defined contribution pension fund which was established on July 1, 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 Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Division of Pensions and Benefits by Prudential Financial. 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, equal to the required contribution for each year, were as follows:

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Paid by Authority</u>
2015	\$ 136.56	\$ -	136.56	\$ 136.56
2014	130.56	-	130.56	130.56
2013	141.44	-	141.44	141.44

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

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

**Authority 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 State Health Benefits Program ("SHBP"), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan, administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964.

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

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Authority on a monthly basis. The Authority funds these benefits on a pay-as-you-go basis.

The Authority's contributions to SHBP for the fiscal years ended February 28, 2015, 2014 and 2013, were \$201,648.36, \$124,940.05 and \$127,260.36, respectively, which equaled the required contributions each year. There were 15 retired participants eligible at February 28, 2015, 13 retired participants eligible at February 28, 2014 and 11 retired participants eligible at February 28, 2013.

**Authority's Plan – Dental/Prescription/Vision Coverage**

**Plan Description** - The Authority also provides dental, prescription and vision 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, 2015, 2014 and 2013, were \$16,579.38, \$5,791.27 and \$3,806.00, respectively.

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

**Annual OPEB Cost** - For fiscal year 2015, the Authority's annual OPEB cost (expense) of \$60,294.17 for the plan was equal to the ARC plus certain adjustments because the Authority's actual contributions in prior years differed from the ARC.

The Authority's annual required contribution (ARC), the interest on the net OPEB obligation, the adjustment to the ARC, the increase or decrease in the net OPEB obligation, the net OPEB obligation and the percentage of annual OPEB cost contributed to the plan for fiscal years 2015, 2014, and 2013 are as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual Required Contribution (ARC)	\$ 61,645.00	\$ 61,645.00	\$ 61,645.00
Interest on the Net OPEB Obligation	5,650.07	2,891.95	-
Adjustment to the ARC	<u>(7,000.90)</u>	<u>(3,583.36)</u>	<u>(17,827.59)</u>
Annual OPEB Cost	60,294.17	60,953.59	43,817.41
Contributions (Existing Retirees)	<u>(16,579.38)</u>	<u>(5,791.27)</u>	<u>(3,806.00)</u>
Increase in the Net OPEB Obligation	43,714.79	55,162.32	40,011.41
Net OPEB Obligation, Beginning of Fiscal Year	<u>113,001.32</u>	<u>57,839.00</u>	<u>17,827.59</u>
Net OPEB Obligation, End of Fiscal Year	<u>\$ 156,716.11</u>	<u>\$ 113,001.32</u>	<u>\$ 57,839.00</u>
Percentage of Annual OPEB Cost Contributed	27.5%	9.5%	8.7%

**Funded Status and Funding Progress** - The funded status of the plan as of February 28, 2015, was as follows:

Actuarial Accrued Liability (AAL)	\$ 598,346.00
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 598,346.00</u>
Funded Ratio (Actuarial Value of Plan Assets / AAL)	0.0%
Covered Payroll (Active Plan Members)	\$ 2,001,951.30
UAAL as a Percentage of Covered Payroll	29.9%

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** - The 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 benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Post-Employment Benefits (Cont'd)****Actuarial Methods and Assumptions (Cont'd)**

In the February 28, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, an actuarial accrued liability is determined as the actuarial present value of the portion of projected benefits which is allocated to service before the current plan year. In addition, a normal cost is determined as the actuarial present value of the portion of projected benefits which is allocated to service in the current plan year for each active participant under the assumed retirement age. The UAAL is being amortized (straight-line) for thirty (30) years on an open basis. The actuarial assumptions included the following:

- *Mortality.* 1994 sex distinct Group Annuity Mortality Table
- *Turnover.* U.S Office of Personnel Management regarding the experience group covered by the Federal Employees Retirement System
- *Disability.* No terminations of employment due to disability
- *Assumed Retirement Age.* On average, when eligible but no earlier than age 60
- *Spousal Coverage.* Assumed married employees would remain married
- *Annual Discount Rate.* Future costs have been discounted at the rate of 5.00% compounded annually for GASB 45 purposes.
- *Healthcare Cost Inflation.* 5% Annual Rate Increase for Dental benefits
- *Administration Expenses.* Assumed annual cost, approximately 2%, is included in annual healthcare costs
- *Dental Utilization.* Single retirees and employees greater than 55 will utilize the dental benefits

**Lease Obligations**

At February 28, 2015, the Authority had an expired lease agreement in effect for a postage meter. The Authority continues to lease the postage meter on an annual basis. Future minimum rental payments under operating lease agreement for the fiscal year ending February 28, 2016 is \$576.00.

Rental payments under the operating lease for the year ended February 28, 2015 and 2014 were \$657.58 and \$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.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Revenue Bonds Payable - Series 1993 (Cont'd)**

The following schedule reflects the Debt Service Requirements until 2018.

Bond Year Ending March 1,	Principal	Interest	Total
2015	\$ 640,000	\$ 156,788	\$ 796,788 (Maximum Debt Service)
2016	675,000	120,628	795,628
2017	710,000	82,490	792,490
2018	<u>750,000</u>	<u>42,375</u>	<u>792,375</u>
	2,775,000	<u>\$ 402,281</u>	<u>\$ 3,177,281</u>
Current Portion	<u>640,000</u>		
Long Term	<u>\$ 2,135,000</u>		

**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, 2015, 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.

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, 2015, 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, 2015, 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, 2015, the Authority has drawn down \$2,142,933.69. The balance of \$50,816.31 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.

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

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

Bond Year Ending <u>March 1,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>1,544,900.45</u>	<u>78,587.50</u>	<u>1,623,487.95</u>
	8,016,405.57	<u>\$ 1,230,134.47</u>	<u>\$ 9,246,540.04</u>
Current Portion	<u>624,711.27</u>		
Long Term	<u>\$ 7,391,694.30</u>		

**Note 5: DETAIL NOTES – DEFERRED INFLOWS OF RESOURCES**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 excess funds generated from grass collection, recycling and composting activities in excess of 35% of the compost facilities operating budget. There is a \$203,881.20 balance as of February 28, 2015 and no balance as of February 28, 2014 reserved to pay future debt service in accordance with Township agreements.

**Note 6: DETAIL NOTES – NET POSITION (CONT'D)****Net Position Appropriated**

As of February 28, 2015, none of the Authority's unrestricted net position balance of \$1,486,153.98 was appropriated and included as support in the operating budgets for the fiscal year ending February 29, 2016. However, \$808,500.00 of the unrestricted net position balance was included as support for the Authority's February 29, 2016 capital budgets.

As of February 28, 2014, none of the Authority's unrestricted net position balance of \$916,589.09 was appropriated and included as support in the operating budgets for the year ending February 28, 2015. However, \$718,000.00 of the unrestricted net position balance was included as support for the Authority's February 28, 2015 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 Position at February 28, 2015 to be \$174,191.15 and there's a \$203,881.20 balance 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.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Required Supplementary Information  
 Schedule of Funding Progress for the OPEB Plan

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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 %	\$2,173,769.03	27.5%
2/28/2010	-	113,228.00	113,228.00	0 %	2,250,022.82	5.0%

## Schedule RSI-2

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

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Year Ended February 28,	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2015	\$ 61,645.00	27%
2014	61,645.00	10%
2013 *	61,645.00	9%

\* 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, 2015

**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	26 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, 2015

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
<b>ASSETS</b>			
Current Unrestricted Assets:			
Cash and Cash Equivalents	\$ 2,768,465.62	\$ 357,848.36	\$ 3,126,313.98
Consumer Accounts Receivable	411,131.70		411,131.70
Other Accounts Receivable	28,309.73	19,242.00	47,551.73
Prepaid Expenses	64,640.75	40,814.66	105,455.41
	<hr/>		
Total Unrestricted Assets	3,272,547.80	417,905.02	3,690,452.82
Non- Current Assets:			
Restricted Assets:			
Debt Service Account:			
Cash and Cash Equivalents	1,261,638.05		1,261,638.05
Debt Service Reserve Account:			
Cash and Cash Equivalents	931,740.38		931,740.38
Renewal and Replacement Account:			
Cash and Cash Equivalents	1,399,175.83		1,399,175.83
Due from New Jersey Environmental Infrastructure Trust			
	50,816.31		50,816.31
Prepaid Bond Insurance Expense	10,534.10		10,534.10
Other Accounts:			
Cash and Cash Equivalents	295,816.46		295,816.46
	<hr/>		
Total Restricted Assets	3,949,721.13	-	3,949,721.13
Capital Assets:			
Construction in Progress	701,733.27		701,733.27
Completed (Net of Accumulated Depreciation)	46,076,585.65	831,288.71	46,907,874.36
	<hr/>		
Total Property, Plant and Equipment	46,778,318.92	831,288.71	47,609,607.63
	<hr/>		
Total Assets	54,000,587.85	1,249,193.73	55,249,781.58

(Continued)

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Net Position by Department  
 As of February 28, 2015

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
<b>LIABILITIES</b>			
Current Liabilities Payable from Unrestricted Assets:			
Accounts Payable--Operations	\$ 164,188.58	\$ 37,472.10	\$ 201,660.68
Prepaid Rental Charges	760,472.40		760,472.40
Unearned Revenue	1,973.75		1,973.75
Compensated Absences	48,866.43		48,866.43
Accrued Liabilities	16,141.90	50.40	16,192.30
	<hr/>		
Total Current Liabilities Payable from Unrestricted Assets	991,643.06	37,522.50	1,029,165.56
	<hr/>		
Current Liabilities Payable from Restricted Assets:			
Serial Bonds Payable--Current Portion	640,000.00		640,000.00
N. J. Environmental Infrastructure Loans Payable -- Current Portion	565,421.34	59,289.93	624,711.27
Accrued Bond and Loan Interest Payable	91,946.60	2,310.17	94,256.77
Accrued Liabilities	8,710.60		8,710.60
OPEB Liability	156,716.11		156,716.11
Escrow Deposits	177,970.09		177,970.09
	<hr/>		
Total Current Liabilities Payable from Restricted Assets	1,640,764.74	61,600.10	1,702,364.84
	<hr/>		
Long-term Liabilities:			
Serial Bonds Payable	2,135,000.00		2,135,000.00
N. J. Environmental Infrastructure Loans Payable	6,451,740.31	939,953.99	7,391,694.30
Compensated Absences	146,283.08		146,283.08
	<hr/>		
Total Long-term Liabilities	8,733,023.39	939,953.99	9,672,977.38
	<hr/>		
Total Liabilities	11,365,431.19	1,039,076.59	12,404,507.78
	<hr/>		
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Connection Fee Revenue	674,840.00	-	674,840.00
	<hr/>		

(Continued)

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Net Position by Department  
 As of February 28, 2015

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 37,036,973.58	\$ (167,955.21)	\$ 36,869,018.37
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	1,864,883.00		1,864,883.00
Reserve for Payment of Bond Principal and Interest	245.09		245.09
Unemployment Claims	117,843.46		117,843.46
Reserve to Pay Debt Service in Accordance with Township Agreement		203,881.20	203,881.20
Reserve for System Upgrades	331,621.20		331,621.20
	<u>3,611,380.25</u>	<u>203,881.20</u>	<u>3,815,261.45</u>
Unrestricted	<u>1,311,962.83</u>	<u>174,191.15</u>	<u>1,486,153.98</u>
Total Net Position	<u>\$ 41,960,316.66</u>	<u>\$ 210,117.14</u>	<u>\$ 42,170,433.80</u>

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Revenues, Expenses and Changes in Net Position by Department  
 For the Fiscal Year Ended February 28, 2015

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Operating Revenues:			
Service Charges	\$ 5,325,226.41		\$ 5,325,226.41
Service Agreements		\$ 1,543,647.03	1,543,647.03
Connection Fees	112,310.00		112,310.00
Miscellaneous Charges	152,756.20	312,182.36	464,938.56
<b>Total Operating Revenues</b>	<b>5,590,292.61</b>	<b>1,855,829.39</b>	<b>7,446,122.00</b>
Operating Expenses:			
Administrative Expenses:			
Salaries and Wages	363,743.36	137,810.45	501,553.81
Fringe Benefits	258,842.04	73,558.28	332,400.32
Other	286,751.72		286,751.72
	909,337.12	211,368.73	1,120,705.85
Cost of Service:			
Salaries and Wages	916,652.91	608,410.68	1,525,063.59
Fringe Benefits	606,240.50	359,137.47	965,377.97
Other	781,900.69	401,302.26	1,183,202.95
	2,304,794.10	1,368,850.41	3,673,644.51
Major Repairs and Other Expenses	252,107.48		252,107.48
Depreciation	918,202.60	65,642.27	983,844.87
<b>Total Operating Expenses</b>	<b>4,384,441.30</b>	<b>1,645,861.41</b>	<b>6,030,302.71</b>
<b>Operating Income</b>	<b>1,205,851.31</b>	<b>209,967.98</b>	<b>1,415,819.29</b>
Non-operating Revenue (Expenses):			
Investment Income	638.36		638.36
Net Unemployment Claims	23,917.07		23,917.07
Loss on Disposal of Property, Plant and Equipment	(919.67)		(919.67)
Cancellation of Construction in Progress	(338,678.34)		(338,678.34)
Net Reserve for System Improvements	47,851.33		47,851.33
Net Reserve for Payment of Bond			
Principal and Interest	(138.91)		(138.91)
Bond Interest	(300,774.67)	(28,348.25)	(329,122.92)
Prepaid Bond Insurance Expended	(3,511.35)		(3,511.35)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(571,616.18)</b>	<b>(28,348.25)</b>	<b>(599,964.43)</b>
Contributions	-	19,720.00	19,720.00
<b>Change in Net Position</b>	<b>634,235.13</b>	<b>201,339.73</b>	<b>835,574.86</b>
<b>Net Position, Beginning of Year</b>	<b>41,326,081.53</b>	<b>8,777.41</b>	<b>41,334,858.94</b>
Net Position, End of Year:			
Net Investment in Capital Assets	\$ 37,036,973.58	\$ (167,955.21)	\$ 36,869,018.37
Restricted	\$ 3,611,380.25	\$ 203,881.20	\$ 3,815,261.45
Unrestricted	\$ 1,311,962.83	\$ 174,191.15	\$ 1,486,153.98

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments  
 For the Fiscal Year Ended February 28, 2015

	Accounts Required by Bond Resolution						Total
	Revenue/Operating Accounts	Revenue	Debt Service Reserve	Debt Service	Renewal and Replacement	Other Accounts	
Cash and Cash Equivalents							
Balance February 28, 2014	\$ 146,417.28	\$ 3,261,255.88	\$ 931,910.23	\$ 847,212.64	\$ 88,243.15	\$ 263,645.99	\$ 5,538,685.17
Receipts:							
Service Fees	4,563,755.85						4,563,755.85
Service Agreements	1,664,638.00						1,664,638.00
Connection Fee Deposits	59,470.00						59,470.00
Penalties on Delinquent Accounts -- Sewer	96,913.47						96,913.47
Other Revenue -- Sewer	50,499.82						50,499.82
Other Revenue -- Solid Waste	290,216.36						290,216.36
Prepaid Sewer Rents	760,472.40						760,472.40
Prepaid Connection Fees	499,240.00						499,240.00
Prepaid Land Lease Agreements	1,973.75						1,973.75
Tipping Fees Receivable	11,617.00						11,617.00
Refunds Receivable	26,216.42						26,216.42
Accrued Liabilities	17,550.74						17,550.74
Reserve for System Upgrades					52,270.75		52,270.75
Planning Escrow Deposits						45,648.53	45,648.53
Investment Income	396.92		108.80		81.68		587.40
Payroll Deduction Payable	2,395,997.44						2,395,997.44
Unemployment Account Deposits						29,122.94	29,122.94
Reserve to Pay Future Debt Service				22,861.09			22,861.09
Due from/to Township of Gloucester	1,514.80						1,514.80
Due to Unrestricted - Interest Receivable						50.96	50.96
N.J.E.I.T Funds Receivable					803,850.00		803,850.00
Transfers In	5,129,091.48	8,125,317.39		1,988,048.92	1,693,825.82		16,936,283.61
Total Cash and Cash Equivalents Available	15,715,981.73	11,386,573.27	932,019.03	2,858,122.65	2,638,271.40	338,468.42	33,869,436.50

(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, 2015

	<u>Accounts Required by Bond Resolution</u>						<u>Total</u>
	<u>Revenue/Operating Accounts</u>	<u>Revenue</u>	<u>Debt Service Reserve</u>	<u>Debt Service</u>	<u>Renewal and Replacement</u>	<u>Other Accounts</u>	
Disbursements:							
Budgetary Expenses:							
Sewer	\$ 3,017,346.09						\$ 3,017,346.09
Solid Waste	1,493,950.19						1,493,950.19
Prepaid Expenses	105,455.41						105,455.41
Accounts Payable	186,788.18						186,788.18
Payroll Deductions Payable	2,415,268.12						2,415,268.12
Accrued Liabilities	4,377.40						4,377.40
Bond and Loan Principal				\$ 1,212,366.96			1,212,366.96
Bond and Loan Interest				370,210.01			370,210.01
Transfers Out	7,956,652.89	\$ 8,796,402.74	\$ 278.65	13,907.63	\$ 168,780.22	\$ 261.48	16,936,283.61
Capital Outlays:							
Expensed					206,169.98		206,169.98
Capital Assets					859,725.95		859,725.95
Reserve for System Upgrades					4,419.42		4,419.42
Expenditures for Planning Escrow						37,184.61	37,184.61
Unemployment Claims						5,205.87	5,205.87
<b>Total Disbursements</b>	<b>15,179,838.28</b>	<b>8,796,402.74</b>	<b>278.65</b>	<b>1,596,484.60</b>	<b>1,239,095.57</b>	<b>42,651.96</b>	<b>26,854,751.80</b>
Cash and Cash Equivalents							
Balance February 28, 2015	\$ 536,143.45	\$ 2,590,170.53	\$ 931,740.38	\$ 1,261,638.05	\$ 1,399,175.83	\$ 295,816.46	\$ 7,014,684.70

**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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Anticipated Revenues:			
Operating Revenues:			
Service Charges	\$ 4,983,602.00	\$ 5,325,226.41	\$ 341,624.41
Connection Fees	230,000.00	112,310.00	(117,690.00)
Other Revenue	161,500.00	152,756.20	(8,743.80)
Total Operating Revenues	5,375,102.00	5,590,292.61	215,190.61
Other Budget Revenues:			
Investment Income	17,000.00	638.36	(16,361.64)
Total Anticipated Revenues	5,392,102.00	5,590,930.97	198,828.97
Operating Appropriations:			
Administrative:			
Salaries and Wages:			
Boardmembers	30,450.00	30,450.00	
Administrative Employees	181,149.00	179,061.28	2,087.72
Purchasing & Bookkeeping	160,906.00	115,602.63	45,303.37
Office Personnel	42,619.00	26,113.50	16,505.50
Overtime - Summer Help	14,000.00	1,632.86	12,367.14
Longevity	15,842.00	10,883.09	4,958.91
Total Salaries and Wages	444,966.00	363,743.36	81,222.64
Employee Benefits:			
Prescription	6,500.00	3,800.32	2,699.68
Dental	22,500.00	16,406.75	6,093.25
Hospitalization	214,858.00	168,054.29	46,803.71
Eye Care	4,050.00	889.98	3,160.02
Social Security Tax	35,406.00	31,361.85	4,044.15
Public Employees' Retirement System	42,500.00	38,124.88	4,375.12
Unemployment Insurance	900.00	203.97	696.03
Total Employee Benefits	326,714.00	258,842.04	67,871.96

(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, 2015

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Administrative (Cont'd):			
Other Expenses:			
Services	\$ 4,000.00	\$ 3,636.01	\$ 363.99
Compliance Testing	2,000.00	1,657.00	343.00
Payroll Services	11,680.00	10,804.01	875.99
Postage and Envelopes	28,200.00	23,747.04	4,452.96
Stationery and Printing	13,800.00	11,128.86	2,671.14
Maintenance Contracts	16,000.00	13,535.88	2,464.12
Supplies and Equipment	4,700.00	4,660.75	39.25
Supplies - Office	4,800.00	4,706.53	93.47
Equipment and Repair	4,500.00	1,316.66	3,183.34
Auditor Fees	45,000.00	47,435.00	(2,435.00)
Trustee Fees	20,000.00	31,515.00	(11,515.00)
Solicitor Fees/Retainer	38,800.00	45,267.51	(6,467.51)
Engineer Fees/Retainer	27,000.00	31,837.00	(4,837.00)
Workers' Compensation Insurance	4,400.00	1,568.53	2,831.47
Auto Insurance	666.00	666.00	
General Liability Insurance Policies	8,664.00	8,664.00	
Bank Service Fees	14,000.00	8,749.01	5,250.99
Bond Counsel	10,000.00	742.50	9,257.50
Public Official Bond	6,933.00	6,933.00	
Contingencies	6,600.00	6,510.35	89.65
Employee Appreciation	3,000.00	1,231.42	1,768.58
Telephone	12,000.00	6,985.82	5,014.18
Gas and Oil	2,300.00	1,453.84	846.16
I.T. Specialist	12,000.00	12,000.00	
Transportation-Other	100.00		100.00
Total Other Expenses	<u>301,143.00</u>	<u>286,751.72</u>	<u>14,391.28</u>
Total Administrative	<u>1,072,823.00</u>	<u>909,337.12</u>	<u>163,485.88</u>
Cost of Service:			
Salaries and Wages:			
Foreman Salaries	170,450.00	101,005.18	69,444.82
Overtime (Foreman)	7,000.00	5,966.39	1,033.61
Laborers Salaries	862,389.00	741,474.10	120,914.90
Overtime (Laborers)	24,500.00	14,275.03	10,224.97
Summer Help	40,000.00	15,508.97	24,491.03
Longevity (Laborers)	34,451.00	29,224.69	5,226.31
Longevity (Foremen)	9,336.00	9,198.55	137.45
Total Salaries and Wages	<u>1,148,126.00</u>	<u>916,652.91</u>	<u>231,473.09</u>

(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, 2015

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Cost of Service (Cont'd):			
Employee Benefits:			
Prescription	\$ 12,000.00	\$ 5,051.55	\$ 6,948.45
Dental	40,500.00	32,403.35	8,096.65
Hospitalization	470,008.00	394,495.49	75,512.51
Eye Care	5,950.00	2,449.24	3,500.76
Social Security Tax	84,042.00	70,532.11	13,509.89
Public Employees' Retirement System	112,500.00	100,630.80	11,869.20
Unemployment Insurance	1,000.00	677.96	322.04
	<u>726,000.00</u>	<u>606,240.50</u>	<u>119,759.50</u>
Other Expenses:			
Services	1,800.00	1,116.92	683.08
Stationery and Printing	1,500.00	270.84	1,229.16
Custodial Supplies	6,000.00	6,896.97	(896.97)
Supplies and Equipment	2,300.00	2,031.84	268.16
Supplies - Office	2,700.00	1,506.21	1,193.79
Equipment - Other	16,500.00	15,149.16	1,350.84
Equipment - Automotive	25,000.00	22,629.29	2,370.71
Workers' Compensation Insurance	40,000.00	14,756.71	25,243.29
Auto Insurance	17,279.00	17,279.00	
General Liability/Special Multiperil Insurance Policies	54,214.00	49,700.99	4,513.01
Boiler Insurance	10,164.00	10,164.00	
Maintenance Contracts	4,000.00	3,227.00	773.00
Electricity	285,000.00	269,169.48	15,830.52
Uniforms	11,000.00	4,271.97	6,728.03
Telecommunications	11,000.00	10,744.99	255.01
Force Main Inspections	10,000.00	1,300.00	8,700.00
Water	12,500.00	8,997.16	3,502.84
Cleaning Solvent	2,000.00		2,000.00
Natural Gas	26,000.00	21,138.15	4,861.85
Gas and Oil	83,000.00	46,858.94	36,141.06
Registration	1,600.00	491.07	1,108.93
Garage Expenses	8,000.00	6,881.38	1,118.62
Tires	11,000.00	5,604.63	5,395.37
Transportation-Other	350.00	163.00	187.00
Hardware Supplies	1,500.00	321.40	1,178.60
Shoes	4,800.00	2,576.61	2,223.39
Administration Building Expenses	8,000.00	7,233.52	766.48
Hydrogen Sulfide Remediation	75,000.00	73,196.50	1,803.50
Accessories	1,200.00	25.79	1,174.21
Collection System Pump Stations	25,000.00	23,479.44	1,520.56
Collection System Supplies	25,000.00	18,207.12	6,792.88

(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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance-- Favorable (Unfavorable)</u>
Operating Appropriations (Cont'd):			
Other Expenses:			
Solicitor Fees	\$ 9,000.00	\$ 12,087.50	\$ (3,087.50)
Engineer Fees	20,000.00	21,182.22	(1,182.22)
Miscellaneous	800.00	25.00	775.00
Trash Disposal	1,000.00		1,000.00
Markouts	7,000.00	7,506.36	(506.36)
Mobile Units	1,700.00	227.31	1,472.69
Safety Equipment	14,000.00	13,499.11	500.89
Generator Maintenance	50,000.00	45,317.64	4,682.36
Generator Repairs	30,000.00	23,782.47	6,217.53
MUA Contribution/Unemployment	12,500.00	12,500.00	
Contingencies	1,000.00	383.00	617.00
Total Other Expenses	<u>930,407.00</u>	<u>781,900.69</u>	<u>148,506.31</u>
Total Cost of Service	<u>2,804,533.00</u>	<u>2,304,794.10</u>	<u>499,738.90</u>
Total Operating Appropriations	<u>3,877,356.00</u>	<u>3,214,131.22</u>	<u>663,224.78</u>
Principal Payments on Debt in Lieu of Depreciation	<u>1,189,976.00</u>	<u>1,154,974.61</u>	<u>35,001.39</u>
Non-operating Appropriations:			
Interest on Bonds and Loans	<u>324,770.00</u>	<u>300,774.67</u>	<u>23,995.33</u>
Total Operating Appropriations, Principal Payments and Non-Operating Appropriations	<u>5,392,102.00</u>	<u>4,669,880.50</u>	<u>722,221.50</u>
Excess Anticipated Revenues over Operating Appropriations, Principal Payments and Non-Operating Appropriations	<u>\$ -</u>	<u>\$ 921,050.47</u>	<u>\$ 921,050.47</u>
<u>Reconciliation to Operating Income</u>			
Excess Anticipated Revenues over Operating Appropriations, Principal Payments and Non-Operating Appropriations			\$ 921,050.47
Add:			
Bond and Loan Principal		\$ 1,154,974.61	
Bond and Loan Interest		<u>300,774.67</u>	
			<u>1,455,749.28</u>
			2,376,799.75
Less:			
Depreciation		918,202.60	
Major Repairs and Other Expenses		252,107.48	
Interest on Investments		<u>638.36</u>	
			<u>1,170,948.44</u>
Operating Income (Schedule 2)			<u>\$ 1,205,851.31</u>

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Solid Waste Anticipated Revenues, Operating Appropriations and  
 Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis  
 For the Fiscal Year Ended February 28, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance-- Favorable (Unfavorable)</u>
Anticipated Revenues:			
Operating Revenues:			
Service Agreements	\$ 1,648,513.00	\$ 1,543,647.03	\$ (104,865.97)
Other Revenue	315,000.00	312,182.36	(2,817.64)
Total Anticipated Revenues	<u>1,963,513.00</u>	<u>1,855,829.39</u>	<u>(107,683.61)</u>
Operating Appropriations:			
Administrative:			
Salaries and Wages	149,067.00	133,128.74	15,938.26
Longevity	4,834.00	4,681.71	152.29
	<u>153,901.00</u>	<u>137,810.45</u>	<u>16,090.55</u>
Employees Benefits:			
Prescription	1,360.00	774.28	585.72
Dental	3,995.00	2,612.52	1,382.48
Hospitalization	44,837.00	47,346.72	(2,509.72)
Eye Care	527.00	153.00	374.00
Social Security Tax	10,579.00	8,149.70	2,429.30
Public Employees' Retirement System	16,150.00	14,446.11	1,703.89
Unemployment Insurance	255.00	75.95	179.05
Total Employee Benefits	<u>77,703.00</u>	<u>73,558.28</u>	<u>4,144.72</u>
Total Administration	<u>231,604.00</u>	<u>211,368.73</u>	<u>20,235.27</u>
Cost of Service:			
Salaries and Wages:			
Laborers	552,293.00	483,318.51	68,974.49
Foreman	27,500.00	13,195.70	14,304.30
Temporary Help	127,500.00	83,786.46	43,713.54
Summer Help	7,200.00		7,200.00
Overtime	21,000.00	11,452.28	9,547.72
Longevity	19,866.00	16,657.73	3,208.27
Total Salaries and Wages	<u>755,359.00</u>	<u>608,410.68</u>	<u>146,948.32</u>
Employees Benefits:			
Prescription	6,640.00	3,780.31	2,859.69
Dental	19,505.00	12,755.23	6,749.77
Hospitalization	218,911.00	231,163.39	(12,252.39)
Eye Care	2,573.00	747.00	1,826.00
Social Security Tax	51,651.00	39,789.69	11,861.31
Public Employees' Retirement System	78,850.00	70,531.01	8,318.99
Unemployment Insurance	1,245.00	370.84	874.16
Total Employee Benefits	<u>379,375.00</u>	<u>359,137.47</u>	<u>20,237.53</u>

(Continued)

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Solid Waste Anticipated Revenues, Operating Appropriations and  
 Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis  
 For the Fiscal Year Ended February 28, 2015

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable <u>(Unfavorable)</u>
Other Expenses:			
Workers' Compensation Insurance	\$ 34,000.00	\$ 3,506.27	\$ 30,493.73
Auto Insurance	29,636.00	28,877.07	758.93
Office Supplies	3,850.00	4,169.51	(319.51)
Gas and Oil	115,000.00	117,306.53	(2,306.53)
Registration	300.00	105.00	195.00
Tires	50,500.00	52,300.89	(1,800.89)
Compost Testing	750.00	463.00	287.00
Uniforms	5,000.00	2,969.98	2,030.02
Other Services	500.00	747.77	(247.77)
Hardware	1,000.00	131.16	868.84
Towing	1,750.00	650.00	1,100.00
General Liability Insurance Policies	28,444.00	28,865.30	(421.30)
Safety Shoes	2,400.00	1,884.92	515.08
Grass Phone	750.00	1,331.71	(581.71)
Testing Equipment	2,000.00	847.42	1,152.58
Other Equipment	25,500.00	32,819.93	(7,319.93)
Equipment - Automotive	29,000.00	19,887.46	9,112.54
Printing	1,000.00	878.02	121.98
Disposal and Tipping Fees	500.00		500.00
Trailer -- Electric	7,000.00	7,103.16	(103.16)
RFID Software Rental	10,000.00	8,750.00	1,250.00
RFID Reader Fees	7,200.00		7,200.00
Gloucester Township Day	2,000.00	215.75	1,784.25
Miscellaneous	4,800.00	6,376.48	(1,576.48)
Stationery and Printing	150.00	125.00	25.00
Residue Disposal	45,000.00		45,000.00
Trash Disposal	3,000.00		3,000.00
Compost Marketing, Delivery & Packaging	4,500.00		4,500.00
Grading Materials	17,000.00	16,965.79	34.21
Solicitor Fees	8,700.00	11,688.26	(2,988.26)
Auditing Fees	6,000.00	6,000.00	
Compliance Testing	1,500.00	120.35	1,379.65
Payroll Service Fees	5,304.00	5,426.66	(122.66)
Engineering Fees	14,500.00	6,020.32	8,479.68
Communications	7,400.00	5,210.55	2,189.45
MUA Contribution/Unemployment	12,500.00	12,500.00	
N.J. DEP Inspection Fees	10,500.00	9,130.00	1,370.00
N.J. Recycling Center Fees	10,000.00	7,928.00	2,072.00
N.J. Permits	2,500.00		2,500.00
Total Other Expenses	<u>511,434.00</u>	<u>401,302.26</u>	<u>110,131.74</u>
Total Cost of Services	<u>1,646,168.00</u>	<u>1,368,850.41</u>	<u>277,317.59</u>
Total Operating Appropriations	<u>1,877,772.00</u>	<u>1,580,219.14</u>	<u>297,552.86</u>

(Continued)

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Solid Waste Anticipated Revenues, Operating Appropriations and  
 Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis  
 For the Fiscal Year Ended February 28, 2015

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Principal Payments on Debt In Lieu of Depreciation	\$ 57,393.00	\$ 57,392.35	\$ 0.65
Non-operating Appropriations: Interest on Bonds	28,348.00	28,348.25	(0.25)
Total Operating Appropriations, Principal Payments and Non-Operating Appriations	1,963,513.00	1,665,959.74	297,553.26
Deficit Anticipated Revenues over Operating and Non-Operating Appropriations	\$ -	\$ 189,869.65	\$ 189,869.65
Deficit Anticipated Revenues over Operating Appropriations			\$ 189,869.65
Add:			
Loan Principal		\$ 57,392.35	
Loan Interest		28,348.25	
			85,740.60
			275,610.25
Less:			
Depreciation			65,642.27
Operating Income (Schedule 2)			\$ 209,967.98

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Consumer Accounts Receivable  
 For the Fiscal Year Ended February 28, 2015

Balance Feb. 28, 2014		\$ 387,628.41
Increased by:		
Service Fees		<u>5,325,226.41</u>
		5,712,854.82
Decreased by:		
Collections	\$ 4,563,755.85	
Overpayments Applied	9,990.20	
Prepayments Applied	<u>727,977.07</u>	
		<u>5,301,723.12</u>
Balance Feb. 28, 2015		<u><u>\$ 411,131.70</u></u>

## Schedule 6

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Connection Fees Receivable  
 For the Fiscal Year Ended February 28, 2015

Connection Charges 2014-15		\$ 112,310.00
Decreased by:		
Collections	\$ 59,470.00	
Prepaid Connection Permit Applied	<u>52,840.00</u>	
		<u><u>\$ 112,310.00</u></u>

## Schedule 7

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Penalties on Delinquent Accounts  
 For the Fiscal Year Ended February 28, 2015

Balance Feb. 28, 2014		\$ 24,904.27
Accrued in Fiscal Year 2015		<u>100,318.93</u>
		125,223.20
Decreased by:		
Collections		<u>96,913.47</u>
Balance Feb. 28, 2015		<u><u>\$ 28,309.73</u></u>

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Refunds Receivable  
 For the Fiscal Year Ended February 28, 2015

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Balance Feb. 28, 2014	\$ 22,888.08	\$ 3,328.34	\$ 26,216.42
Less:			
Cash Receipts	<u>\$ 22,888.08</u>	<u>\$ 3,328.34</u>	<u>\$ 26,216.42</u>

## Schedule 9

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Interest Receivable  
 For the Fiscal Year Ended February 28, 2015

	<u>Balance Feb. 28, 2014</u>	<u>Interest Earned</u>	<u>Interest Collected</u>	<u>Balance Feb. 28, 2015</u>
Unrestricted Earnings:				
Revenue Fund	\$ 213.43	\$ 186.40	\$ 396.92	\$ 2.91 (1)
Debt Service Reserve Fund		108.80	108.80	
Renewal and Replacement Fund		81.68	81.68	
	<u>213.43</u>	<u>376.88</u>	<u>587.40</u>	<u>2.91</u>
Restricted Earnings:				
Performance Escrow Deposits	<u>(213.43)</u>	<u>261.48</u>	<u>50.96</u>	<u>(2.91) (2)</u>
	<u>\$ -</u>	<u>\$ 638.36</u>	<u>\$ 638.36</u>	<u>\$ -</u>

(1) Includes Due from Escrow Deposit Fund

(2) Due to Revenue Fund

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Service Agreements with the Township of Gloucester  
 For the Fiscal Year Ended February 28, 2015

Balance Feb. 28, 2014		\$ 120,990.97
Fiscal Year 2015 Service Agreements:		
Recycling Services	\$ 673,577.01	
Grass Collection	583,526.22	
Compost	<u>200,702.30</u>	
	1,457,805.54	
Agreement to Pay Debt Service	<u>85,841.49</u>	
		<u>1,543,647.03</u>
		1,664,638.00
Decreased by:		
Collections		<u>\$ 1,664,638.00</u>

Schedule 11

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Prepaid Expenses  
 For the Fiscal Year Ended February 28, 2015

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Balance Feb. 28, 2014	\$ 53,866.36	\$ 48,796.85	\$ 102,663.21
Add:			
Disbursements Fiscal Year 2015	<u>64,640.75</u>	<u>40,814.66</u>	<u>105,455.41</u>
	118,507.11	89,611.51	208,118.62
Less:			
Charged to Operations Fiscal Year 2015	<u>53,866.36</u>	<u>48,796.85</u>	<u>102,663.21</u>
Balance Feb. 28, 2015	<u>\$ 64,640.75</u>	<u>\$ 40,814.66</u>	<u>\$ 105,455.41</u>

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Prepaid Connection Fees  
For the Fiscal Year Ended February 28, 2015

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Balance Feb. 28, 2014	\$ 228,440.00
Increased by:	
Cash Received	<u>499,240.00</u>
	727,680.00
Decreased by:	
Applied	<u>52,840.00</u>
Balance Feb. 28, 2015	<u><u>\$ 674,840.00</u></u>

## GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Capital Assets - Completed  
For the Fiscal Year Ended February 28, 2015

	Balance Feb. 28, 2014	Additions	Disposals	Balance Feb. 28, 2015	Useful Life
<b>Sewer:</b>					
Land	\$ 114,000.00			\$ 114,000.00	
Buildings and Improvements	1,682,509.96			1,682,509.96	40 Yrs.
Sewer Mains	51,571,508.21	\$ 601,087.38		52,172,595.59	40 Yrs.
Pumping Stations	9,746,489.94	137,491.45		9,883,981.39	40 Yrs.
Telemetry	291,547.14			291,547.14	15 Yrs.
Alarm System	24,637.86		\$ 1,482.47	23,155.39	15 Yrs.
Paging System	1,861.50			1,861.50	20 Yrs.
Camera System	48,990.00			48,990.00	7 Yrs.
Vehicles	1,233,192.66	151,889.00		1,385,081.66	7 Yrs.
Telephone System	7,420.00			7,420.00	20 Yrs.
Furniture	38,895.29			38,895.29	10 Yrs.
Equipment-Other	637,996.57	16,826.26	6,697.07	648,125.76	5-10 Yrs.
	65,399,049.13	907,294.09	8,179.54	66,298,163.68	
Less: Accumulated Depreciation	19,310,635.30	918,202.60	7,259.87	20,221,578.03	
	<u>\$ 46,088,413.83</u>	<u>\$ (10,908.51)</u>	<u>\$ 919.67</u>	<u>\$ 46,076,585.65</u>	
<b>Solid Waste:</b>					
Land	\$ 100,000.00			\$ 100,000.00	
Improvements	537,292.23	\$ 19,720.00		557,012.23	40 Yrs.
Equipment-Other	1,418,208.85			1,418,208.85	7 Yrs.
	2,055,501.08	19,720.00	\$ -	2,075,221.08	
Less: Accumulated Depreciation	1,178,290.10	65,642.27		1,243,932.37	
	<u>\$ 877,210.98</u>	<u>\$ (45,922.27)</u>	<u>\$ -</u>	<u>\$ 831,288.71</u>	
<b>Recap:</b>					
Total Capital Assets	\$ 67,454,550.21	\$ 927,014.09	\$ 8,179.54	\$ 68,373,384.76	
Less: Accumulated Depreciation	20,488,925.40	983,844.87	7,259.87	21,465,510.40	
	<u>\$ 46,965,624.81</u>	<u>\$ (56,830.78)</u>	<u>\$ 919.67</u>	<u>\$ 46,907,874.36</u>	
Transfer from Construction in Progress		\$ 47,568.14			
Contributions		19,720.00			
Cash Disbursed		859,725.95			
		<u>\$ 927,014.09</u>			

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Construction in Progress  
 For the Fiscal Year Ended February 28, 2015

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Balance Feb. 28, 2014	\$ 1,087,979.75
Decreased by:	
Transferred to Capital Assets	\$ 47,568.14
Canceled	<u>338,678.34</u>
	<u>386,246.48</u>
Balance Feb. 28, 2015	<u><u>\$ 701,733.27</u></u>

Analysis of Balance

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Pump Station Rehabilitation	\$ 655,425.06		\$ 655,425.06
Solar Energy Panels	46,308.21		46,308.21
	<u>\$ 701,733.27</u>	<u>\$ -</u>	<u>\$ 701,733.27</u>

**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Accrued Interest Payable on Bonds and Loans  
 For the Fiscal Year Ended February 28, 2015

Balance Feb. 28, 2014		\$ 112,343.86
Interest Charges for the Fiscal Year Ended Feb. 28, 2015:		
Budget - Sewer:		
Series 1993 Revenue Bonds	\$ 156,787.50	
NJEIT Loans	143,987.17	
	300,774.67	
Budget - Solid Waste:		
NJEIT Loan	28,348.25	
Bond Service Account Interest (Sewer)	23,000.00	
		352,122.92
		464,466.78
Paid		370,210.01
Balance Feb. 28, 2015		\$ 94,256.77
 <u>Analysis of Balance</u>		
Sewer:		
Bonds		\$ 78,393.75
NJEIT Loans		13,552.85
		91,946.60
Solid Waste - NJEIT Loans		2,310.17
		\$ 94,256.77

**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, 2015**

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***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, State of New Jersey.

**None.**

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

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This section identifies the status of prior year findings related to the financial statements, 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 15-08-OMB.

**FINANCIAL STATEMENT FINDINGS**

**Finding No. 2014-001**

**Condition**

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

**Current Status**

The condition has been corrected.

**Finding No. 2014-002**

**Condition**

The Authority did not prepare accurate, monthly bank reconciliations for its local revenue account.

**Current Status**

The condition has been corrected.

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**APPRECIATION**

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

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

