

**PEMBERTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2013**

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

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PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**OFFICIALS IN OFFICE
AT DECEMBER 31, 2013**

AUTHORITY MEMBERS

Sherry Scull
Chairperson

Robert Bailey
Vice Chairperson

Adrienne B. Leonard
Treasurer

Corrine Kemp
Secretary

Elmer D'Imperio
Assistant Secretary

Kara C. Schnure
Alternate

Owen Martindale
Alternate

OTHER OFFICIALS

Gina Scully
Administrator – Administration

Charles W. Vester
Administrator – Operations

Brian Guest
Solicitor

CME
Engineer

Public Employees Dishonesty Bond coverage of \$250,000 is in effect as of December 31, 2013.

**PEMBERTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

**INDEPENDENT AUDITOR'S REPORTS
AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

JOHN J. MALEY, JR.

Certified Public Accountant

Registered Municipal Accountant

P.O. BOX 614

HORDENTOWN, NEW JERSEY 08505

PHONE: (609) 298-8639

FAX: (609) 298-1198

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Chairman and Members of the
Pemberton Township Municipal Utilities Authority
County of Burlington
Pemberton, New Jersey 08068-0247

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Pemberton Township Municipal Utilities Authority, a component unit of Pemberton Township, in the County of Burlington, State of New Jersey, as of and for the fiscal years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Pemberton Township Municipal Utilities Authority as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Budgetary Comparison Information 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.

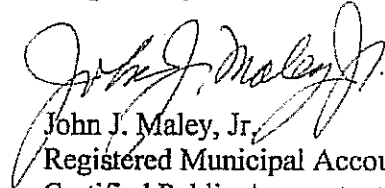
Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pemberton Township Municipal Utilities Authority's basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In my opinion the financial statements stated above are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated April 15, 2014 on my consideration of the Pemberton Township Municipal Utilities Authority's internal control structure over financial reporting and my 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 my 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 District's internal control over financial reporting and compliance.

Respectfully submitted,



John J. Maley, Jr.
Registered Municipal Accountant
Certified Public Accountant

April 15, 2014

JOHN J. MALEY, JR.

Certified Public Accountant

Registered Municipal Accountant

P.O. Box 614

BOHDENTOWN, NEW JERSEY 08505

PHONE: (609) 298-8639

FAX: (609) 298-1198

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

**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**

To the Chairman and Members of the
Pemberton Township Municipal Utilities Authority
Pemberton, New Jersey 08063-0247

I have audited 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 audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Pemberton Township Municipal Utilities Authority, County of Burlington, State of New Jersey, as of and for the fiscal year ended December 31, 2013, and related notes to the financial statements, which collectively comprise the Pemberton Township Municipal Utilities Authority's basic financial statements, and have issued my report thereon dated April 15, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Pemberton Township Municipal Utilities 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pemberton Township Municipal Utilities Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Pemberton Township Municipal Utilities 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 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. I consider the 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.

My 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 and therefore, material weaknesses or significant

deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

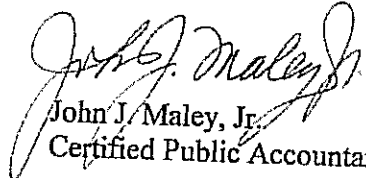
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pemberton Township Municipal Utilities Authority statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the 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 my testing of internal control and compliance and the result 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* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,


John J. Maley, Jr.
Certified Public Accountant

April 15, 2014

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION & ANALYSIS

For The Year Ended December 31, 2013

Introduction

The Pemberton Township Municipal Utilities Authority, hereinafter referred to as the "PTMUA", is presenting this Annual Financial Report developed in accordance with the statement of Governmental Accounting Standard No. 34 entitled "Basic Financial Statement – Management's Discussion Analysis – for State and Local Governments", hereinafter referred to as GASB34, and related statements.

Mission

The PTMUA's mission is to provide wastewater treatment services. All operations are monitored by State and Federal Regulations. The Authority is "dedicated to a clean environment."

Locations

Administration – Business Office:

131 Fort Dix Road, P. O. Box 247
Pemberton, New Jersey 08068
609-894-4873

Plant:

"Francis S. Doyle, Jr. Treatment Facility"
Birmingham, New Jersey 08011
609-894-4343

History

The Pemberton Township Municipal Utilities Authority (PTMUA) is a regional wastewater treatment facility created by Pemberton Township Ordinance adopted in July, 1969. In 1995, the treatment plant was renamed the "Francis S. Doyle, Jr. Treatment Facility."

The PTMUA is an entity separate and apart from the Municipality with seven Commissioners appointed by the Township Council to serve five-year terms. The business office/administrative staff consists of three full time & occasional part time personnel staff serving approximately 6,200 accounts. The plant operational staff consists of nine unionized employees, one part time employee and two managerial personnel.

The PTMUA, which adopted its own Rules and Regulations, services the Township of Pemberton and the Borough of Pemberton, covering an area of 64.67 square miles.

The PTMUA owns and operates a 2.5 MGD activated sludge wastewater treatment plant, with both aerobic and anaerobic digestion. Secondary effluent is designed with tertiary treatment for phosphorous removal and a final process of ultraviolet disinfection into the North Branch of the Rancocas Creek, located in the Birmingham area of Pemberton Township.

Biosolids are applied on 259 acres of farm ground, owned and operated by the PTMUA. Crops consisting of field corn, and hay are grown and harvested on the farm site.

The PTMUA manages and maintains a billing office, wastewater treatment facility, land application site, 16 pump stations, over 200 miles of gravity sewers, force mains, interceptors and inverted siphons.

Rates

The PTMUA authorized a rate study during the year 2003. As a result of this study, the sewer service rates were increased from an annual rate of \$200.00 to \$240.00. This increase took place in 2004. Prior to this increase the service rates had not been increased since October, 1977. Another rate study was done in 2005 which increased the rates to \$320.00 annually. During 2011 a rate study was conducted which increased the rates to \$360.00 annually effective in 2012.

Connection fees are reviewed and adjusted more frequently due to increases in capital costs.

Financial Statements

The financial statements included on this report are the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows for the years ended December 31, 2013 and 2012.

The Statements of Net Position shows the financial position of Pemberton Township Municipal Utilities Authority (the Authority) at December 31, 2013. Assets are compared with Liabilities and Net Position is the result.

The Statements of Revenues, Expenses, and Changes in Net Position measure performance for the year and how this performance impacts Net Position.

Finally, the Statements of Cash Flows demonstrates why cash balances increased or decreased during the year.

Financial Analysis

The Authority, at December 31, 2013, has total Assets of \$7,830,230 compared to \$7,439,704 at December 31, 2012. The increase of \$390,526 can be attributed to an increase in cash and cash equivalents and leasehold improvements.

The Authority's total Liabilities of \$470,352 at December 31, 2013, was a decrease of \$132,866 over the prior year. This decrease is mainly due to a decrease in contracts payable.

In Summary, Net Position increased \$523,392 for the year ended December 31, 2013.

The Authority's Statements of Revenues, Expenses, and Changes in Net Position accounts for this increase in Net Position. The Authority's net profit for the year was \$523,392. The Board anticipated this profit during the budgeting process to increase surplus. The Authority successfully reduced expenses for 2013 in order to increase the Net Position. The Board will monitor the change in Net Position to see if a rate increase will be necessary in the future.

Financial Highlights

Major Revenue Source	2013	2012	Increase/ (Decrease)	% Change
User Charges	\$3,277,490	\$3,298,107	\$(20,617)	(0.63)%
Other Operating Revenue	185,213	192,273	(7,060)	(3.67)%
Interest on Investments	4,057	7,277	(12,367)	(4.43)%

The decrease in user charges of 0.63% is due to a less connections fees in 2013.

The decrease in other operating revenue is due to decreased crop revenue in 2013.

Interest on investments decreased due to lower interest rates than in prior years.

Summary of Operating Expenses

	2013	2012	Increase/ (Decrease)	% Change
Cost of Providing Services	\$1,375,177	\$1,426,816	\$(51,639)	(3.60)%
Administrative Expenses	347,412	337,349	10,063	2.98%
Rent Payment to Pemberton Township	575,640	575,640	-	-
Employee Benefits	402,865	421,832	(18,967)	(4.50)%

The decrease in overall expenses is due to a decrease in wages and employee benefits.

Condensed Financial Information

Key Authority financial information for the years 2013 and 2012 include the following balances:

Financial Position:

ASSETS	2013	2012
Current Unrestricted Assets	\$2,810,530	\$2,886,686
Current Restricted Assets	1,839,870	1,829,016
Property, Plant and Equipment	<u>3,179,830</u>	<u>2,724,002</u>
Total Assets	<u>7,830,230</u>	<u>7,439,704</u>
LIABILITIES		
Current Unrestricted Liabilities	281,124	326,154
Current Restricted Liabilities	<u>189,228</u>	<u>277,064</u>
NET POSITION		
Net Position	<u>\$7,359,878</u>	<u>\$6,836,486</u>

Other Financial Information:	2013	2012
Total Revenues	\$ 3,462,703	\$ 3,490,380
Interest Revenue	4,057	7,277
Expenses	<u>(2,943,368)</u>	<u>(2,964,284)</u>
Operating Profit	<u>\$ 523,392</u>	<u>\$ 533,373</u>

The Authority's financial report is designed to provide users of the financial statements with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. The financial statements of the Authority are a matter of public record and may be examined, 131 Fort Dix Road, Pemberton, New Jersey during the Authority's business hours.

BASIC FINANCIAL STATEMENTS

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 COMPARATIVE STATEMENT OF NET POSITION
 DECEMBER 31, 2013 AND 2012

EXHIBIT A

ASSETS

	2013	2012
Unrestricted Assets:		
Cash & Cash Equivalents		
User Charges Receivable	\$2,312,688	2,287,844
User Charges & Connection Fee - Liens Receivable	483,428	583,201
Interest Receivable on Investments	14,162	15,310
	252	331
Total Unrestricted Current Assets	2,810,530	2,886,686
Restricted Assets:		
Customer Deposits:		
Cash		
Special Reserve Fund:	30,466	19,994
Cash & Cash Equivalents		
Assets Designated for Future Construction, Reconstruction, Repairs, Maintenance & Replacement:	1,110,000	1,110,000
Cash & Cash Equivalents		
Interest Receivable on Investments	699,363	698,638
	41	384
Total Restricted Current Assets	1,839,870	1,829,016
Land, Property & Leasehold Improvements:		
Land		
Property	124,247	124,247
Vehicles	496,986	496,986
Leasehold Improvements	297,145	311,045
Less: Accumulated Depreciation	5,379,987	4,681,885
	(3,118,535)	(2,890,161)
Total Net Land, Property, Equipment & Leasehold Improvements	3,179,830	2,724,002
Total Assets	7,830,230	7,439,704
 LIABILITIES		
Current Liabilities Payable From Unrestricted Assets:		
Accounts Payable - Operations	136,609	139,559
User Charges Overpayments	9,255	7,128
Compensated Absences Payable	135,260	179,467
	281,124	326,154
Total Current Unrestricted Liabilities	281,124	326,154
Current Restricted Liabilities:		
Customer Deposits	30,466	19,994
Contracts Payable	158,762	257,070
	189,228	276,964
Total Liabilities	470,352	603,218
 NET POSITION		
Net Investment in Capital Assets		
Restricted Net Position:	3,179,830	2,724,002
Reserved for Special Reserve Fund		
Reserved for Repairs, Maintenance & Replacement	1,110,000	1,110,000
Unrestricted Net Position	699,404	699,023
	2,370,644	2,303,461
Total Net Position	\$7,359,878	6,836,486

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

**PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012**

EXHIBIT B

	2013	2012
Operating Revenues:		
User Charges		
Interest on Delinquent Accounts	\$3,277,490	3,298,107
Miscellaneous Charges	106,718	102,718
	78,495	89,555
Total Operating Revenues	<u>3,462,703</u>	<u>3,490,380</u>
Operating Expenses:		
Cost of Providing Services	1,375,177	1,426,816
Administrative Expenses	347,412	337,349
Rent Payment to Pemberton Township	575,640	575,640
Employee Benefits	402,865	421,832
Depreciation of Property & Equipment	242,274	202,647
Total Operating Expenses	<u>2,943,368</u>	<u>2,964,284</u>
Operating Income/(Loss)	<u>519,335</u>	<u>526,096</u>
Nonoperating Revenues:		
Investment Income	4,057	7,277
Total Nonoperating Revenue	<u>4,057</u>	<u>7,277</u>
Net Income/(Loss)	523,392	533,373
Net Position, January 1,	6,836,486	6,303,113
Net Position, December 31,	<u><u>\$7,359,878</u></u>	<u><u>6,836,486</u></u>

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

**PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012**

EXHIBIT C

	2013	2012
Cash Flows From Operating Activities:		
Cash Received From Service Users	\$3,566,173	3,461,470
Cash Paid to Suppliers & Employees	(2,846,559)	(2,537,021)
	719,614	924,449
Cash Flows From Investing Activities:		
Interest On Investments	4,057	7,277
Escrow Activity	10,472	472
	14,529	7,749
Cash Flows From Financing Activities:		
Capital Acquisitions	(698,102)	(687,488)
	(698,102)	(687,488)
Cash & Cash Equivalents at January 1	4,116,476	3,871,766
Cash & Cash Equivalents at December 31	\$4,152,517	4,116,476

Reconciliation on Net Income to Cash Provided/(Used) by Operating Activities

Operating Income/(Loss)	\$519,335	526,096
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) Operating Activities:		
Operating Activities:		
Depreciation	242,274	202,647
Working Capital Changes Which Provided/(Used) Cash:		
Accounts Receivable	103,048	(28,898)
Accrued Interest	422	(12)
Compensated Absences	(44,207)	(16,317)
Accounts Payable	(2,950)	(16,137)
Contracts Payable	(98,308)	257,070
	\$719,614	924,449
Net Cash Provided/(Used) by Operating Activities	\$719,614	924,449

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

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the Pemberton Township Municipal Utilities Authority have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999 the GASB issued Statement 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement established new financial reporting requirements for state and local governmental entities throughout the United States. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected.

The Authority was required to implement these standards for the fiscal year ended December 31, 2004. With the implementation of GASB Statement 34, the Authority prepares required supplementary information titled *Management's Discussion and Analysis*. Also, Net Assets are classified into three components – Invested in Capital Assets, net of related debt; restricted; and unrestricted.

Other GASB Statements are required to be implemented in conjunction with GASB Statement 34. Therefore, the District implemented the following GASB Statements: Statement 33 – *Accounting and Financial Reporting for Nonexchange Transactions*; Statement 36 – *Recipient Reporting for Certain Shared Nonexchange Revenues*; Statement 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and Statement 38 – *Certain Financial Statement Note Disclosures*; Statement 40 – *Deposit and Investment Risk Disclosures* and Statement 44 – *Economic Condition Reporting* and Statement 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, Statement 65- *Items Previously Reported as Assets and Liabilities*.

The accompanying financial statements present the financial position of the Authority, the results of operations of the Authority and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2013.

A. Reporting Entity

The Pemberton Township Municipal Utilities Authority was created by an ordinance adopted July 11, 1969 by the Township of Pemberton council to construct and operate a wastewater collection system to serve the Township of Pemberton. The Authority bills and collects its revenues from users of the system.

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

The New Jersey Department of Environmental Protection (DEP) in accordance with the New Jersey Water Pollution Control Act regulates the Authority. The Authority operates under a New Jersey Pollutant Discharge Elimination System Permit.

The Authority is operated in accordance with regulations of the State of New Jersey, Department of Community Affairs, Division of Local Government Services.

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1. Summary of Significant Accounting Policies (continued):

B. Basis of Presentation - Fund Accounting

The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. The financial statements of the Authority are maintained in accordance with the principles of fund accounting applicable to Proprietary Funds. A proprietary fund is used to account for governmental activities that are similar to activities that may be performed by a commercial enterprise. There are two types of proprietary funds: an Internal Service Fund and an Enterprise Fund. The Authority accounts for its operations in an Enterprise Fund.

Enterprise Funds – are used to account for operations, the measurement of which is a determination of net profit from operations, which includes an accounting for all cost allocations, including depreciation, associated with the fund. The costs of services rendered by the fund are financed primarily through user charges. The accrual method as used by business enterprises is the basis of accounting for proprietary funds.

Proprietary Funds - are reported in accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting". This standard requires that all applicable GASB pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB's) issued on or before November 30, 1989, be applied to proprietary activities unless they (FASB Statements and Interpretations, APB Opinions, and ARB's) conflict with or contradict GASB pronouncements.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets was renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Whereas the provisions of this Statement are effective for financial statements for the periods beginning after December 15, 2011, the Authority has implemented this Statement for the fiscal year ended December 31, 2013 and retroactively for the fiscal year ended November 30, 2012.

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB Statement No. 65 reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statements elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial presentations. The provisions of this Statement are effective for financial statements for periods

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1. Summary of Significant Accounting Policies (continued):

beginning after December 15, 2012, the Authority has implemented this Statement for the fiscal year ended December 31, 2013.

C. Allowance for Doubtful Accounts

An allowance for doubtful accounts has not been established since the Authority utilized the tax sale method to collect old outstanding accounts receivable.

D. Grants and Contributions

Contributions received are recorded in the period received. Developer financed construction is recorded in the period in which applicable costs are incurred. Donated assets are recorded at fair market value at the time of the contribution.

E. Property, Equipment and Leasehold Improvements

Property, Equipment and Leasehold Improvements are stated at cost, which includes direct costs and other expenditures related to their acquisition.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and put in operation.

Depreciation and amortization is determined on a straight-line basis for all property, equipment and leasehold improvements. Depreciation and amortization is provided over the following estimated useful lives:

Depreciation:	
Building	40 Years
Vehicles	5 Years
Amortization:	
Sewer Mains & Interceptors	40 to 75 Years
Pump stations	15 Years
Equipment	5 to 10 Years

Depreciation on assets acquired with grants and contributed capital is recorded as a reduction of contributed capital.

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1. Summary of Significant Accounting Policies (continued):

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Budgets

Budgets which are required by state statute are adopted in accordance with regulations promulgated by the Department of Community Affairs (DCA). An annual appropriated budget is adopted for the operations of the Authority, subject to approval by the DCA. A capital program adopted by the Authority is management's six-year plan for financing the estimated cost of addition or replacement of major fixed assets used in the Authority's operation.

H. Net Assets

Net Assets comprise the various earnings from operating income, non-operating revenues, expenses and capital contributions.

1. **Invested in Capital Assets, net of Related Debt** – This component of net assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
2. **Restricted** – This component of net assets consists of external constraints imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restricts the use of net assets.

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1. Summary of Significant Accounting Policies (continued):

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

The following are the restricted assets as of December 31, 2013:

Restricted Assets	Revenue Source	Use for Which Restricted
Special Reserve Fund	PTMUA Funds	Established under Article IV Sec. 4.2 of lease agreement. Maximum amount stipulated, \$1,110,000. Presently fully funded.
Repair, Maintenance & Replacement	Court judgment plus interest on investment of principal	To correct damage associated with original construction.

I. Compensated Absences Payable

The Authority allows employees to earn vacation time based on the employee’s length of service and time worked during the preceding year. Any unused vacation days may be carried forward to the following calendar year only, unless otherwise directed by the Administrator. No employee should receive an allowance for more than twice the annual vacation allowance to which the employee is entitled in the year immediately preceding termination or retirement.

Unused sick leave may be carried forward into subsequent calendar years. Upon retirement, accumulated sick leave may be converted to a cash payment at 1/3 the employee’s current hourly salary. This also applies to employees who leave for other reasons than retirement.

It is estimated that the cost of unpaid vacation and sick time as of December 31, 2013 are \$33,028 and \$102,232 respectively.

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 2. Cash and Cash Equivalents and Investments

The Authority is governed by the deposit and investment limitations of New Jersey state law. The deposit and investments held at December 31, 2013 which are reported at fair value are as follows:

Type	Carrying Value
Deposits:	
Demand Deposits	\$1,049,910
Certificate of Deposits	<u>3,102,607</u>
Total Deposits & Investments	<u>\$4,152,517</u>
Reconciliation of Statement of Net Position	
Current:	
Unrestricted Assets:	
Cash & Cash Equivalents	\$2,312,688
Restricted Assets:	
Cash & Cash Equivalents	<u>1,839,829</u>
Total Reconciliation of Statement of Net Position	<u>\$4,152,517</u>

Custodial Credit Risk – Deposits in financial institutions, reported as components of cash, cash equivalents and investments had a bank balance of \$4,117,671 at December 31, 2011. Of the bank balance \$250,000.00 was fully insured by the FDIC (Federal Depository Insurance Corporation) and \$3,867,671 was secured by a collateral pool held by the bank, but not in the Authority's name, as required by New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Governmental Unit Deposit Protection Act is more fully described below.

Investment Interest Rate Risk – The Authority has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investment held at December 31, 2012, are provided in the above schedule.

Investment Credit Risk – The Authority has no investment policy that limits its investment choices other than the limitation of state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 2. Cash and Cash Equivalents and Investments

- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Authority or bonds or other obligations of the local unit or units within which the Authority is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Authority;
- Local Governments investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities with certain limitations.

Concentration of Investment Credit Risk – The Authority places no limit on the amount it may invest in any one issuer. At December 31, 2013, all of the Authority's investments are with TD Bank.

Note 3. Governmental Unit Deposit Protection Act (GUDPA)

The Authority has deposited cash in 2012 with an approved public fund depository qualified under the provisions of the Government Unit Deposit Protection Act. In addition to savings and checking accounts the Authority invests monies in certificates of deposits.

The Governmental Unit Deposit Protection Act P.L. 1970, Chapter 236, was passed to afford protection against bankruptcy or default by a depository. C.17:9-42 provides that no governmental unit shall deposit funds in a public depository unless such funds are secured in accordance with this act. C.17:9-42 provides that every public depository having public funds on deposit shall, as security for such deposits, maintain eligible collateral having a market value at least equal to either (1) 5% of the average daily balance of collected public funds on deposit during the 6 month period ending on the next preceding valuation date (June 30 or December 31) or (2) at the election of the depository, at least equal to 5% of the average balance of collected public funds on deposit on the first, eighth, fifteenth, and twenty-second days of each month in the 6 month period ending on the next preceding valuation date (June 30 or December 31). No public depository shall be required to maintain any eligible collateral pursuant to this act as security for any deposit or deposits of any governmental unit to the extent such deposits are insured by F.D.I.C. or any other U.S. agency which insures public depository funds.

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3. Governmental Unit Deposit Protection Act (GUDPA) (continued):

No public depository shall at any time receive and hold on deposit for any period in excess of 15 days public funds of a governmental unit(s) which, in the aggregate, exceed 75% of the capital funds of the depository, unless such depository shall, in addition to the security required to be maintained under the paragraph above; secure such excess by eligible collateral with a market value at least equal to 100% of such excess.

In the event of a default, the Commissioner of Banking within 20 days after the default occurrence shall ascertain the amount of public funds on deposit in the defaulting depository and the amounts covered by federal deposit insurance and certify the amounts to each affected governmental unit. Within 10 days after receipt of this certification, each unit shall furnish to the Commissioner verified statements of its public deposits. The Commissioner shall ascertain the amount derived or to be derived from the liquidation of the collateral maintained by the defaulting depository and shall distribute such proceeds pro rata among the governmental units to satisfy the net deposit liabilities to such units.

If the proceeds of the sale of the collateral are insufficient to pay in full the liability to all affected governmental units, the Commissioner shall assess the deficiency against all other public depositories having public funds on deposit determined by a formula determined by law. All sums collected by the Commissioner shall be paid to the governmental units having deposits in the defaulting depository in the proportion that the net deposit liability to each such governmental unit bears to the aggregate of the net deposit liabilities to all such governmental units.

All public depositories are required to furnish information and reports dealing with public funds on deposit every six months, June 30th and December 31st, with the Commissioner of Banking. Any public depository which refuses or neglects to give any information so requested may be excluded by the Commissioner from the right to receive public funds for deposit until such time as the Commissioner shall acknowledge that such depository has furnished the information requested.

Upon review and approval of the Certification Statement that the public depository complies with statutory requirements, the Commissioner issues forms approving the bank as a municipal depository. The Authority should request copies of these approval forms semiannually to assure that all depositories are complying with requirements.

Note 4. Property, Equipment and Leasehold Improvements

The following is a summary of changes in the Authority's property, plant and equipment for the year ended December 31, 2013:

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 4. Property, Equipment and Leasehold Improvements (continued):

Description	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2013
Land	\$ 124,247			\$ 124,247
Property	496,986			496,986
Vehicles	311,045		13,900	297,145
Leasehold Improvements	<u>3,681,885</u>	<u>698,102</u>		<u>5,379,987</u>
Total Property, Plant & Equipment	5,614,163	698,102	13,900	6,298,365
Less: Accumulated Depreciation	<u>(2,890,161)</u>	<u>(242,274)</u>	<u>13,900</u>	<u>(3,118,535)</u>
Net Property, Plant & Equipment	\$ <u>2,724,002</u>	\$ <u>455,828</u>	<u>-</u>	\$ <u>3,179,830</u>

Note 5. Pension Plan

A. Plan Description

The Authority contributes to a cost-sharing multiple-employer defined benefit pension plan, Public Employees' Retirement System (P.E.R.S.), administered by the State of New Jersey, Division of Pensions and Benefits. It provides retirement, disability, medical and death benefits to plan members and beneficiaries. The State of New Jersey P.E.R.S. program was established as of January 1, 1955.

The program was established under the provisions of *N.J.S.A.43:15A*, which assigns authority to establish and amend benefit provisions to the plan's board of trustees. P.E.R.S. 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, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625, or calling (609) 984-1684.

B. Funding Policy

The System's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the System is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction. The System's Board of Trustees is primarily responsible for the administration of the System.

According to the State of New Jersey administrative code, all obligations of the System will be assumed by the State of New Jersey should the System terminate.

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 5. Pension Plan (continued):

Plan members are required to contribute 6.64% of their annual covered salary for P.E.R.S through June 30, 2013 and 6.78% thereafter, and the Authority is required to contribute at an actuarially determined rate. The current rate represents approximately 5.5% for P.E.R.S. of annual covered payroll. The contribution requirements of plan members and the Authority are established and may be amended by the plan's board of trustees. The Authority's contributions to P.E.R.S. for the years ending December 31, 2013, 2012 and 2011 were \$132,100, \$79,800 and \$71,561, respectively, equal to the required contributions for each year.

Note 6: Post-Retirement Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required PERS, to fund post-retirement medical benefits for those State employees who retire after reaching 60 and accumulating 25 years of credited service. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the PERS system. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees. As of June 30, 2012, there were 97,661 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and TPAF. The State paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in Fiscal Year 2012.

State Health Benefits Plan Description

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 2008, the Pemberton Township Municipal Utilities Authority authorized participation in the SHBP's post-retirement benefit

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 6. Post-Retirement Plan (continued):

program through resolution number 2008-02 on April 1, 2008. The Authority adopted the provision of Chapter 88, Public Laws of 1974 as amended by Chapter 436, P.L. 1981 to permit local public employers to pay the premium charges for certain eligible pensioners and their dependents and to pay Medicare charges for such retirees and their spouses covered by the New Jersey Health Benefits Program. In 2011 Authority employees began making health benefit contributions of 1.5% of their base salaries towards the health benefit costs.

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/gasb-43-aug2011.pdf.

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. As a participating employer the Authority will pay and remit to the State treasury contributions to cover the full cost of premiums for eligible pensioners on a basis comparable to the reimbursement made by the State to its eligible pensioners and their spouses in accordance with provisions of chapter 75, Public Laws of 1972.

The Pemberton Township Municipal Utilities Authority contributions to SHBP for the years ended December 31, 2013, 2012, and 2011, were \$27,871, \$15,274, and \$14,558 respectively, which equaled the required contributions for each year. There were two, two, and one retired participants eligible at December 31, 2013, 2012, and 2011 respectively.

Note 7. 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. The Authority carries commercial insurance for all risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past several years. There was no reduction in commercial coverage during the year.

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 8. Unrestricted Net Assets Appropriated

Of the \$2,370,644 unrestricted and undesignated net assets at December 31, 2013, \$617,250 was appropriated and anticipated as revenue in the 2014 budget as adopted.

Note 9. Lease Agreement – Township of Pemberton

On May 29, 1980, the Authority entered into agreement with the Township of Pemberton to lease sewerage facilities. Those facilities have been owned by the Authority prior to 1980 and were purchased by the Township with the proceeds of a Farmer Home Administration Grant of \$3,000,000 and a Farmers Home Administration Loan of \$9,750,000.

The lease provides that the Authority will make annual lease payments of \$575,640 for forty (40) years in amount equal to the debt service payments due on the Farmers Home Administration Loan to the Township. Payments commenced on May 28, 1981 and will continue until May 28, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 SCHEDULE OF REVENUES & EXPENSES - BUDGET & ACTUAL
 NON-GAAP BUDGETARY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012

	2013			2012			VARIANCE FAVORABLE/ (UNFAVORABLE)
	BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)	
Operating Revenue:							
User Charges	3,200,000	3,277,490	77,490	2,930,000	3,298,107	368,107	
Interest On Delinquent Accounts	25,000	106,718	81,718	57,000	102,718	45,718	
Other	7,000	78,495	71,495	7,000	89,555	82,555	
Nonoperating Revenue:							
Investment Income	30,000	4,057	(25,943)	30,000	7,277	(22,723)	
Total Revenues	3,262,000	3,466,760	204,760	3,024,000	3,497,657	473,657	
Cost of Providing Services:							
Salaries & Wages	650,000	558,196	91,804	665,000	590,707	74,293	
Engineering Services & Costs	30,250	1,998	28,252	30,250	4,993	25,257	
Chemicals & Chemical Supplies	140,000	110,727	29,273	140,000	98,836	41,164	
Gasoline & Diesel Fuel	95,000	34,056	60,944	75,000	59,291	15,709	
Repairs & Maintenance	140,000	70,601	69,399	135,000	91,267	43,733	
Vehicle Expenses	28,000	14,596	13,404	28,000	15,408	12,592	
Water	2,600	1,925	675	2,600	1,515	1,085	
Telephone & Alarms	21,000	12,109	8,891	21,000	15,417	5,583	
Dumping Fees	10,000	6,627	3,373	10,000	4,456	5,544	
D.E.P. Permit Fees	55,000	35,766	19,234	55,000	36,955	18,045	
Uniform Rental	6,000	4,293	1,707	6,000	4,895	1,105	
Other	10,000	9,553	447	10,000	6,079	3,921	
Electric	575,000	449,258	125,742	575,000	433,423	141,577	
Heat	60,000	44,644	15,356	60,000	26,829	33,171	
UV Pans	15,000		15,000	15,000	12,668	2,332	
Farming Operations	20,000	20,828	(828)	20,000	24,077	(4,077)	
Total Costs of Providing Services	1,857,850	1,375,177	482,673	1,847,850	1,426,816	421,034	
Employee Benefits:							
Public Employees' Retirement Systems	88,069	80,644	7,425	84,884	84,884		
Social Security Tax	73,000	58,392	14,608	73,000	60,488	12,512	
Unemployment Compensation & Disability Insurance	7,000	3,483	3,517	6,000	3,920	2,080	
Workers' Compensation Insurance	50,000	32,098	17,902	50,000	39,543	10,457	
Group Insurance Plans	300,000	228,248	71,752	300,000	232,997	67,003	
Total Employee Benefits	518,069	402,865	115,204	513,884	421,832	95,052	

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES & EXPENSES - BUDGET & ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012

	2013		2012		VARIANCE FAVORABLE/ (UNFAVORABLE)
	BUDGET	ACTUAL	BUDGET	ACTUAL	
Administrative Expenses:					
Salaries & Wages	215,000	207,612	220,000	186,290	33,710
Legal Services & Costs	25,000	14,923	25,000	17,196	7,804
Legal Services & Costs - Special Counsel	25,000	624	25,000	19,194	5,806
Auditing & Accounting Costs	16,500	8,707	16,500	8,214	8,286
Insurance	80,000	66,190	80,000	63,924	16,076
Utilities	20,000	9,487	20,000	7,126	12,874
Other	46,000	39,869	44,000	35,405	8,595
Total Administrative Expenses	427,500	347,412	430,500	337,349	93,151
Rent Payment to Pemberton Township	575,700	575,640	575,700	575,640	60
Other Cost Funded by Operating Revenues:					
Capital Outlay:					
Purchase of Vehicles, Equipment and/or Other Improv	145,000		140,000	654,284	(514,284)
Pump Station Rehabilitation	60,000	33,002	60,000	26,071	33,929
Facility Improvements	290,000	665,100	250,000	7,134	242,866
Total Costs Funded by Operating Revenues	495,000	698,102	450,000	687,489	(237,489)
Total Expenditures	3,874,119	3,399,196	3,817,934	3,449,126	368,808
Excess or (Deficit) of Revenue over Expenditures	(\$612,119)	67,564	(\$793,934)	48,531	842,465
RECONCILIATION TO NET INCOME					
Excess Anticipated Revenues Over Operating Expenses & Debt Services Increased by:		67,564		48,531	
Capital Outlay		698,102		687,489	
Decreased by:					
Depreciation	242,274		202,647		
Net Income (Exhibit B)		242,274		202,647	
		<u>\$523,392</u>		<u>533,373</u>	

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
 CHANGES IN CASH AND INVESTMENTS UNRESTRICTED ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2013

SCHEDULE 2

Balance - December 31, 2012		\$2,287,844
Cash Receipts:		
Sewer Rents		
Connection Charges	\$3,367,664	
	12,875	
Total User Charges		3,380,539
Interest on Investments		
Delinquent Penalties	1,400	
Other	106,718	
	104,888	213,006
Total Cash Receipts		5,881,389
Cash Disbursements:		
Operations		3,568,689
Cash & Investments December 31, 2013		<u>\$2,312,700</u>
Balance Comprised of:		
Petty Cash & Change Fund		\$350
Checking & Savings Accounts		446,936
Certificates of Deposit		1,865,414
Total		<u>\$2,312,700</u>

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
 CHANGES IN CASH AND INVESTMENTS RESTRICTED ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2013

SCHEDULE 3

	SPECIAL RESERVE FUND	CUSTOMERS DEPOSIT FUND	FUTURE RECONSTRUCTION REPLACEMENT OR MAINTENANCE
Cash & Investments - January 1, 2012	\$1,110,000	19,994	698,638
Cash Receipts:			
Escrow Deposits		18,133	
Interest Earned on Investments		6	725
Total Cash Receipts	<u>1,110,000</u>	<u>38,133</u>	<u>699,363</u>
Cash Disbursements:			
Escrow Deposits		7,667	
Total Cash Disbursements		<u>7,667</u>	
Cash & Investments December 31, 2013	<u>\$1,110,000</u>	<u>30,466</u>	<u>699,363</u>
Balance Comprised of:			
Checking & Savings Accounts		30,466	
Investments:			
Certificates of Deposit	1,110,000		699,363
Total	<u>\$1,110,000</u>	<u>30,466</u>	<u>699,363</u>

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 ANALYSIS OF ACCOUNTS RECEIVABLE - USER CHARGES
 FOR THE YEAR ENDED DECEMBER 31, 2013

Balance January 1, 2013		\$583,201
Increase:		
User Charges Billed in 2013	\$3,264,615	
Connection Fees	12,875	
Sewer Rent Overpayments	9,255	3,286,745
		<hr/>
Subtotal		3,869,946
Decrease:		
Collected in 2013	3,372,356	
Transfer to Lien	14,162	3,386,518
		<hr/>
Balance December 31, 2013		<u>\$483,428</u>

**PEMBERTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

**COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013**

JOHN J. MALEY, JR.

Certified Public Accountant

Registered Municipal Accountant

P.O. Box 614

BORDENTOWN, NEW JERSEY 08505

PHONE: (609) 298-8639

FAX: (609) 298-1198

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

To the Chairperson and Members of the
Pemberton Township Municipal Utilities Authority
Pemberton, New Jersey

We have audited the financial accounts and transactions of the Pemberton Township Municipal Utilities Authority in the County of Burlington for the fiscal year ended December 31, 2013. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS

Contracts and Agreements Required to be advertised by (N.J.S.A.40A:11-4)

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500 except by contract or agreement.

It is pointed out that the Members of the Authority has the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising for the following items:

Electric & Mechanical Maintenance, Portable Generator, Digester Repair & Cleaning,
Liquid Aluminum Sulfate, Hydrated Lime and Lakehurst Road Project

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures did not reveal any instances where individual payments, contracts or agreements in excess of \$2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of *(N.J.S.A. 40A:11-6.1)*.

Examination of Vouchers

A test examination of vouchers paid during the year under audit indicated them to be in good order.

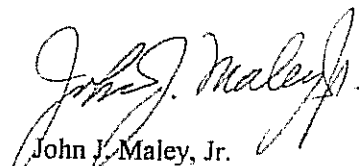
RECOMMENDATIONS

There are no recommendations at this time.

Acknowledgment

We received the complete cooperation of all the Authority's officials and employees and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,


John J. Maley, Jr.
Certified Public Accountant

Bordentown, New Jersey
April 15, 2014