

**PEMBERTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

REPORT OF AUDIT

**FOR THE YEAR ENDED
DECEMBER 31, 2014**

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

CONTENTS

Roster of Officials

		PAGE
Independent Auditor's Report		1-2
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>		4-5
Management's Discussion and Analysis		6-9
Basic Financial Statements	Exhibit	
Comparative Statement of Net Position	A	10
Comparative Statement of Revenues, Expenses & Changes In Net Position	B	11
Comparative Statement of Cash Flows	C	12
Notes to Financial Statements		13-24
Supplementary Information	Schedule	
Schedule of Operating Revenues and Costs Funded by Operating Revenue – Budget and Actual	1	25-26
Schedule of Cash Receipts, Cash Disbursements & Changes In Cash and Investments Unrestricted Assets	2	27
Schedule of Cash Receipts, Cash Disbursements & Changes In Cash and Investments Restricted Assets	3	28
Analysis of Accounts Receivable – User Charges	4	29
General Comments and Recommendations:		
General Comments		30
Recommendations		31
Acknowledgement		31

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**OFFICIALS IN OFFICE
AT DECEMBER 31, 2014**

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, 2014.

**PEMBERTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

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

FOR THE YEAR ENDED DECEMBER 31, 2014

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

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 governmental activities, the business-type activities and the aggregate remaining fund information 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, 2014 and 2013, 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 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 opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pemberton Township Municipal Utilities Authority as of December 31, 2014 and 2013, and the results of operations and cash flows 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, as listed on 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. 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 Introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

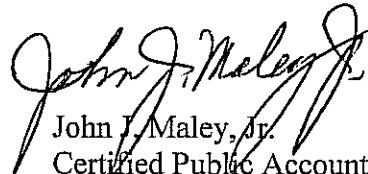
The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 combining and individual non-major financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated April 17, 2015 on my consideration of the Pemberton Township Municipal Utilities Authority's internal control over financial reporting and on 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 Authority's internal control over financial reporting and compliance.

Respectfully submitted,



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

April 17, 2015

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

**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
County of Burlington
Pemberton, New Jersey 08068-0247

I have audited, 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 audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, business-type activities and the aggregate remaining fund information of the Pemberton Township Municipal Utilities Authority, County of Burlington, State of New Jersey, as of and for the fiscal year ended December 31, 2014, 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 17, 2015.

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.

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. 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.

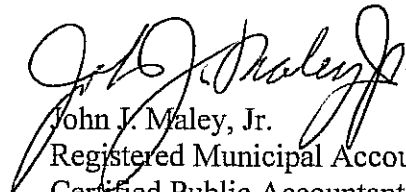
Compliance and Other Matters

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.
Registered Municipal Accountant
Certified Public Accountant

April 17, 2015

MANAGEMENT'S DISCUSSION & ANALYSIS

For The Year Ended December 31, 2014

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, 2014 and 2013.

The Statements of Net Position shows the financial position of Pemberton Township Municipal Utilities Authority (the Authority) at December 31, 2014. 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, 2014, has total Assets of \$8,073,069 compared to \$7,830,230 at December 31, 2013. The increase of \$242,839 can be attributed to an increase in cash and cash equivalents and leasehold improvements.

The Authority's total Liabilities of \$261,239 at December 31, 2014, was a decrease of \$209,113 over the prior year. This decrease is primarily due to a decrease in compensated absences and contracts payable.

In summary, Net Position increased \$451,952 for the year ended December 31, 2014.

The Authority's Statements of Revenues, Expenses, and Changes in Net Position accounts for this increase in Net Position. The increase was anticipated by the Board during the budgeting process. The Authority successfully maintained expenses for 2014 in order to increase 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	2014	2013	Increase/ (Decrease)	% Change
Charges	\$3,303,227	\$3,277,490	\$ 25,737	7.85%
Other Operating Revenue	120,164	185,213	(65,049)	(35.12)%
Interest on Investments	3,823	4,057	(234)	(5.77)%

The increase in user charges of 7.85% is due to more connections fees in 2014.

The decrease in other operating revenue is due to less insurance claims in 2014.

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

Summary of Operating Expenses

	2014	2013	Increase/ (Decrease)	% Change
Cost of Providing Services	\$1,386,846	\$1,375,177	\$ 11,669	0.08%
Administrative Expenses	339,249	347,412	(8,163)	(2.35)%
Rent Payment to Pemberton Township	575,640	575,640	-	-
Employee Benefits	408,509	402,865	5,644	1.40%

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

Condensed Financial Information

Key Authority financial information for the years 2014 and 2013 include the following balances:

Financial Position:

ASSETS	2014	2013
Current Unrestricted Assets	\$2,908,790	\$2,810,530
Current Restricted Assets	1,836,191	1,839,870
Property, Plant and Equipment	<u>3,328,088</u>	<u>3,179,830</u>
Total Assets	<u>8,073,069</u>	<u>7,830,230</u>
LIABILITIES		
Current Unrestricted Liabilities	234,998	281,124
Current Restricted Liabilities	<u>26,241</u>	<u>189,228</u>
NET POSITION		
Net Position	<u>\$7,811,830</u>	<u>\$7,359,878</u>

	2014	2013
Other Financial Information:		
Total Revenues	\$ 3,423,391	\$ 3,462,703
Interest Revenue	3,823	4,057
Expenses	<u>(2,975,262)</u>	<u>(2,943,368)</u>
Operating Profit	<u>\$ 451,952</u>	<u>\$ 523,392</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, 2014 AND 2013

ASSETS	2014	2013
Unrestricted Assets:		
Cash & Cash Equivalents	\$2,415,203	2,312,688
User Charges Receivable	478,560	483,428
User Charges & Connection Fee - Liens Receivable	14,522	14,162
Interest Receivable on Investments	505	252
	<hr/>	<hr/>
Total Unrestricted Current Assets	2,908,790	2,810,530
	<hr/>	<hr/>
Restricted Assets:		
Customer Deposits:		
Cash	26,091	30,466
Special Reserve Fund:		
Cash & Cash Equivalents	1,110,000	1,110,000
Assets Designated for Future Construction, Reconstruction, Repairs, Maintenance & Replacement:		
Cash & Cash Equivalents	699,991	699,363
Interest Receivable on Investments	109	41
	<hr/>	<hr/>
Total Restricted Current Assets	1,836,191	1,839,870
	<hr/>	<hr/>
Land, Property & Leasehold Improvements:		
Land	124,247	124,247
Property	496,986	496,986
Vehicles	297,145	297,145
Leasehold Improvements	5,793,262	5,379,987
Less: Accumulated Depreciation	(3,383,552)	(3,118,535)
	<hr/>	<hr/>
Total Net Land, Property, Equipment & Leasehold Improvements	3,328,088	3,179,830
	<hr/>	<hr/>
Total Assets	8,073,069	7,830,230
	<hr/>	<hr/>
LIABILITIES		
Current Liabilities Payable From Unrestricted Assets:		
Accounts Payable - Operations	137,223	136,609
User Charges Overpayments	9,364	9,255
Compensated Absences Payable	88,411	135,260
	<hr/>	<hr/>
Total Current Unrestricted Liabilities	234,998	281,124
	<hr/>	<hr/>
Current Restricted Liabilities:		
Customer Deposits	26,091	30,466
Contracts Payable	150	158,762
	<hr/>	<hr/>
Total Liabilities	261,239	470,352
	<hr/>	<hr/>
NET POSITION		
Net Investment in Capital Assets	3,328,088	3,179,830
Reserve for Special Reserve Fund	1,110,000	1,110,000
Reserve for Repairs, Maintenance & Replacement	700,101	699,404
Unrestricted	2,673,641	2,370,644
	<hr/>	<hr/>
Total Net Position	\$7,811,830	7,359,878
	<hr/>	<hr/>

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, 2014 AND 2013**

	2014	2013
Operating Revenues:		
User Charges	\$3,303,227	3,277,490
Interest on Delinquent Accounts	95,988	106,718
Miscellaneous Charges	24,176	78,495
	<hr/>	<hr/>
Total Operating Revenues	3,423,391	3,462,703
	<hr/>	<hr/>
Operating Expenses:		
Cost of Providing Services	1,386,846	1,375,177
Administrative Expenses	339,249	347,412
Rent Payment to Pemberton Township	575,640	575,640
Employee Benefits	408,509	402,865
Depreciation of Property & Equipment	265,018	242,274
	<hr/>	<hr/>
Total Operating Expenses	2,975,262	2,943,368
	<hr/>	<hr/>
Operating Income/(Loss)	448,129	519,335
	<hr/>	<hr/>
Nonoperating Revenues:		
Investment Income	3,823	4,057
	<hr/>	<hr/>
Total Nonoperating Revenue	3,823	4,057
	<hr/>	<hr/>
Net Income/(Loss)	451,952	523,392
Net Position, January 1,	7,359,878	6,836,486
	<hr/>	<hr/>
Net Position, December 31,	\$7,811,830	7,359,878
	<hr/> <hr/>	<hr/> <hr/>

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, 2014 AND 2013**

	2014	2013
Cash Flows From Operating Activities:		
Cash Received From Service Users	\$3,427,687	3,566,173
Cash Paid to Suppliers & Employees	<u>(2,915,091)</u>	<u>(2,846,559)</u>
Net Cash Provided/(Used) by Operating Activities	<u>512,596</u>	<u>719,614</u>
Cash Flows From Investing Activities:		
Interest On Investments	3,823	4,057
Escrow Activity	<u>(4,375)</u>	<u>10,472</u>
Net Cash Provided/(Used) by Investing Activities	<u>(552)</u>	<u>14,529</u>
Cash Flows From Financing Activities:		
Capital Acquisitions	<u>(413,276)</u>	<u>(698,102)</u>
Net Cash Provided/(Used) by Financing Activities	<u>(413,276)</u>	<u>(698,102)</u>
Cash & Cash Equivalents at January 1	<u>4,152,517</u>	<u>4,116,476</u>
Cash & Cash Equivalents at December 31	<u><u>\$4,251,285</u></u>	<u><u>4,152,517</u></u>

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

Operating Income/(Loss)	\$448,129	519,335
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) Operating Activities:		
Operating Activities:		
Depreciation	265,018	242,274
Working Capital Changes Which Provided/(Used) Cash:		
Accounts Receivable	4,617	103,048
Accrued Interest	(321)	422
Compensated Absences	(46,849)	(44,207)
Accounts Payable	614	(2,950)
Contracts Payable	<u>(158,612)</u>	<u>(98,308)</u>
Net Cash Provided/(Used) by Operating Activities	<u><u>\$512,596</u></u>	<u><u>719,614</u></u>

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

NOTES TO FINANCIAL STATEMENTS

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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).

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.

B. Basis of Presentation

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles ("GAAP") applicable to enterprise funds of state and local governments.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1. Summary of Significant Accounting Policies

B. Basis of Presentation (continued)

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets net of total liabilities) are segregated into invested capital assets, net of related debt; restricted for capital activity; restricted for debt service; and unrestricted components.

GASB Statement 67 *Financial Reporting for Pension Plans, an Amendment of GASB 25*, this statement improves financial reporting by state and local government pension plans. It replaces the requirements of Statements No. 25 *Financial Reporting for Defined Benefit Pension Plans* and *Note Disclosures for Defined Contributions Plans* and No. 50 *Pension Disclosures*, as they relate to pension plans that are administered through trust or equivalent arrangements that meet certain criteria. This Statement is effective for financial statements beginning after June 15, 2013. There was no impact on the Authority financial statements.

GASB Statement 69 *Government Combinations and Disposals of Government Operations*, this statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement is effective for financial statements beginning after June 15, 2013. There was no impact on the Authority financial statements.

The Authority is also reviewing the following recently issued GASB statements to assess the impact on the Authority financial statements:

GASB Statement 68 *Accounting and Financial Reporting for Pensions*, this statement improves 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. It replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Government 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 Authority does not expect this statement to impact its financial statement. This Statement is effective for financial statements beginning after June 15, 2014. The Authority is evaluating this Statement to determine its impact on the financial statements.

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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

B. Basis of Presentation - Fund Accounting (continued)

GASB Statement 70 *Accounting and Financial Reporting for Non Exchange Financial Guarantees*, this statement requires a government that extends a non exchange 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 that guarantee. The amount of liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of liability to be recognized should be the discounted present value of the minimum amount within the range. When the government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. The Authority does not expect this statement to impact its financial statements.

GASB Statement 71 *Pension Transition for Contributions made Subsequent to the measurement Date- An Amendment of GASB Statement No. 68*, this statement requires a state or local government employer to recognize a net pension liability measured as of a date no earlier than the end of its prior fiscal year. If a state or local government employer or non employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government. The Authority is evaluating this Statement to determine its impact on the financial statements.

GASB Statement 72 *Fair Value Measurement and Application*, this statement required a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. Additionally, this statement generally requires investments to be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. This statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value. This Statement is effective for financial statements beginning after June 15, 2015. The Authority is evaluating this Statement to determine its impact on the financial statements.

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.

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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

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.

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.

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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

H. Net Position

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

1. **Net Investments in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
2. **Restricted** – This component of net position consists of external constraints imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restricts the use of net position.
3. **Unrestricted** – This component of net position consists of net position that do not meet the definition of “restricted” or “net investments in capital assets.” This component includes net position that may be allocated for specific purposes by the Board.

The following are the restricted assets as of December 31, 2014:

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.

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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

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, 2014 are \$38,451 and \$49,960 respectively.

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, 2014 which are reported at fair value are as follows:

Type	Carrying Value
Deposits:	
Demand Deposits	\$1,145,829
Certificate of Deposits	<u>3,105,456</u>
Total Deposits & Investments	<u>\$4,251,285</u>
Reconciliation of Statement of Net Position	
Current:	
Unrestricted Assets:	
Cash & Cash Equivalents	\$2,415,203
Restricted Assets:	
Cash & Cash Equivalents	<u>1,836,082</u>
Total Reconciliation of Statement of Net Position	<u>\$4,251,285</u>

Custodial Credit Risk – Deposits in financial institutions, reported as components of cash, cash equivalents and investments had a bank balance of \$4,253,218 at December 31, 2014. Of the bank balance \$250,000.00 was fully insured by the FDIC (Federal Depository Insurance Corporation) and \$4,003,218 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.

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 2. Cash and Cash Equivalents and Investments (Continued)

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, 2014, 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;
- 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, 2014, all of the Authority's investments are with TD Bank.

Note 3. Governmental Unit Deposit Protection Act (GUDPA)

The Authority has deposited cash in 2014 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

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3. Governmental Unit Deposit Protection Act (GUDPA)(Continued)

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.

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.

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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, 2014:

Description	Balance January 1,		Deletions	Balance December 31,	
	2013	Additions		2014	
Land	\$ 124,247			\$ 124,247	
Property	496,986			496,986	
Vehicles	297,145			297,145	
Leasehold Improvements	5,379,987	413,275		5,793,262	
Total Property, Plant & Equipment	6,298,365	413,275		6,711,640	
Less: Accumulated Depreciation	(3,118,535)	(265,017)		(3,383,552)	
Net Property, Plant & Equipment	\$ 3,179,830	\$ 148,258	-	\$ 3,328,088	

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, 2014

Note 5. Pension Plan (continued):

Plan members are required to contribute 6.78% of their annual covered salary for P.E.R.S through June 30, 2014 and 6.92% thereafter, and the Authority is required to contribute at an actuarially determined rate. The current rate represents approximately 5.6% 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, 2014, 2013 and 2012 were \$82,111, \$132,100 and \$79,800, 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, 2013, there were 100,134 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 \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

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 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.

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 6. Post-Retirement Benefits (continued):

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, 2014, 2013, and 2012, were \$29,760, \$27,871, and \$15,274 respectively, which equaled the required contributions for each year. There were three, two, and two retired participants eligible at December 31, 2014, 2013, and 2012 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.

Note 8. Unrestricted Net Position Appropriated

Of the \$2,673,641 unrestricted and undesignated net position at December 31, 2014, \$617,250 was appropriated and anticipated as revenue in the 2015 budget as adopted.

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Pemberton)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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.

SUPPLEMENTARY INFORMATION

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013

	2014		2013		VARIANCE FAVORABLE/ (UNFAVORABLE)
	BUDGET	ACTUAL	BUDGET	ACTUAL	
Operating Revenue:					
User Charges	3,200,000	3,303,227	3,200,000	3,277,490	77,490
Interest On Delinquent Accounts	25,000	95,988	25,000	106,718	81,718
Other	7,000	24,176	7,000	78,495	71,495
Nonoperating Revenue:					
Investment Income	30,000	3,823	30,000	4,057	(25,943)
Total Revenues	3,262,000	3,427,214	3,262,000	3,466,760	204,760
Cost of Providing Services:					
Salaries & Wages	635,000	611,424	650,000	558,196	91,804
Engineering Services & Costs	30,250	1,054	30,250	1,998	28,252
Chemicals & Chemical Supplies	140,000	107,061	140,000	110,727	29,273
Gasoline & Diesel Fuel	95,000	52,711	95,000	34,056	60,944
Repairs & Maintenance	136,000	80,610	140,000	70,601	69,399
Vehicle Expenses	28,000	8,139	28,000	14,596	13,404
Water	2,800	2,736	2,600	1,925	675
Telephone & Alarms	21,000	12,367	21,000	12,109	8,891
Dumping Fees	10,000	3,648	10,000	6,627	3,373
D.E.P. Permit Fees	55,000	44,382	55,000	35,766	19,234
Uniform Rental	6,000	4,340	6,000	4,293	1,707
Other	11,000	9,882	10,000	9,553	447
Electric	575,000	389,669	575,000	449,258	125,742
Heat	60,000	38,325	60,000	44,644	15,356
UV Parts	20,000	2,250	15,000		15,000
Farming Operations	20,000	18,248	20,000	20,828	(828)
Total Costs of Providing Services	1,845,050	1,386,846	1,857,850	1,375,177	482,673
Employee Benefits:					
Public Employees' Retirement Systems	84,000	74,865	88,069	80,644	7,425
Social Security Tax	73,000	62,199	73,000	58,392	14,608
Unemployment Compensation & Disability Insurance	7,000	3,857	7,000	3,483	3,517
Workers' Compensation Insurance	50,000	32,669	50,000	32,098	17,902
Group Insurance Plans	300,000	234,919	300,000	228,248	71,752
Total Employee Benefits	514,000	408,509	518,069	402,865	115,204

PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013

	2014		2013		VARIANCE
	BUDGET	ACTUAL	BUDGET	ACTUAL	(FAVORABLE/ UNFAVORABLE)
Administrative Expenses:					
Salaries & Wages	230,000	203,808	215,000	207,612	7,388
Legal Services & Costs	25,000	14,688	25,000	14,923	10,077
Legal Services & Costs - Special Counsel	25,000	25,000	25,000	624	24,376
Auditing & Accounting Costs	16,500	9,100	16,500	8,707	7,793
Insurance	80,000	65,496	80,000	66,190	13,810
Utilities	20,000	7,546	20,000	9,487	10,513
Other	48,000	38,611	46,000	39,869	6,131
Total Administrative Expenses	444,500	339,249	427,500	347,412	80,088
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 Improvement	100,000	100,000	145,000	33,002	145,000
Pump Station Rehabilitation			60,000	665,100	26,998
Facility Improvements	400,000	413,275	290,000	665,100	(375,100)
Total Costs Funded by Operating Revenues	500,000	413,275	495,000	698,102	(203,102)
Total Expenditures	3,879,250	3,123,519	3,874,119	3,399,196	474,923
Excess or (Deficit) of Revenue over Expenditures	(\$617,250)	303,695	(\$612,119)	67,564	679,683
RECONCILIATION TO NET INCOME					
Excess Anticipated Revenues Over Operating Expenses & Debt Services		303,695		67,564	
Increased by:					
Capital Outlay		413,275		698,102	
Decreased by:					
Depreciation	265,018	265,018	242,274	242,274	
Net Income (Exhibit B)		\$451,952		523,392	

**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, 2014**

Balance - December 31, 2013		\$2,312,688
Cash Receipts:		
Sewer Rents	\$3,267,101	
Connection Charges	<u>46,627</u>	
Total User Charges		3,313,728
Interest on Investments	3,555	
Delinquent Penalties	95,988	
Other	<u>84,076</u>	183,619
Total Cash Receipts		5,810,035
Cash Disbursements:		
Operations		<u>3,394,832</u>
Cash & Investments December 31, 2014		<u><u>\$2,415,203</u></u>
Balance Comprised of:		
Petty Cash & Change Fund		\$350
Checking & Savings Accounts		389,124
Certificates of Deposit		<u>2,025,729</u>
Total		<u><u>\$2,415,203</u></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, 2014**

	SPECIAL RESERVE FUND	CUSTOMERS DEPOSIT FUND	FUTURE RECONSTRUCTION REPLACEMENT OR MAINTENANCE
Cash & Investments - January 1, 2013	\$1,110,000	30,466	699,363
Cash Receipts:			
Escrow Deposits		7,427	
Interest Earned on Investments		4	738
		<hr/>	<hr/>
Total Cash Receipts	1,110,000	37,897	700,101
		<hr/>	
Cash Disbursements:			
Escrow Deposits		11,806	
		<hr/>	
Total Cash Disbursements		11,806	
		<hr/>	
Cash & Investments December 31, 2014	\$1,110,000	26,091	700,101
		<hr/> <hr/>	<hr/> <hr/>
Balance Comprised of:			
Checking & Savings Accounts		26,091	
Investments:			
Certificates of Deposit	1,110,000		700,101
		<hr/>	<hr/>
Total	\$1,110,000	26,091	700,101
		<hr/> <hr/>	<hr/> <hr/>

**PEMBERTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
ANALYSIS OF ACCOUNTS RECEIVABLE - USER CHARGES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Balance January 1, 2014		\$483,428
Increase:		
User Charges Billed in 2014	\$3,256,600	
Connection Fees	46,627	
Sewer Rent Overpayments	9,364	
		<u>3,312,591</u>
Subtotal		3,796,019
Decrease:		
Collected in 2014	3,302,937	
Transfer to Lien	14,522	
		<u>3,317,459</u>
Balance December 31, 2014		<u><u>\$478,560</u></u>

GERNERAL COMMENTS AND RECOMMENDATIONS

JOHN J. MALEY, JR.

Certified Public Accountant

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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, 2014. 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:

Digester Repair & Cleaning, Liquid Aluminum Sulfate, and Hydrated Lime

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*).

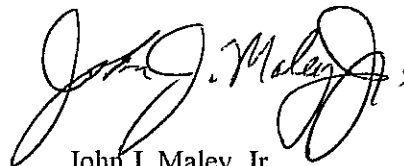
RECOMMENDATIONS

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.
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April 17, 2015