

**EGG HARBOR TOWNSHIP MUNICIPAL
UTILITIES AUTHORITY
(A component unit of the Township of Egg Harbor)**

REPORT OF AUDIT

FOR THE YEARS ENDED

AUGUST 31, 2014 AND 2013

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

Independent Auditor's Report

The Chairman and Members of the
Egg Harbor Township Municipal Utilities Authority
(A component unit of the Township of Egg Harbor)
County of Atlantic, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Egg Harbor Township Municipal Utilities Authority (A component unit of the Township of Egg Harbor) in the County of Atlantic, State of New Jersey, as of and for the year ended August 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Egg Harbor Township Municipal Utilities Authority (A component unit of the Township of Egg Harbor) in the County of Atlantic, State of New Jersey, as of August 31, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Egg Harbor Township Municipal Utilities Authority's (A component unit of the Township of Egg Harbor) basic financial statements. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014 on our consideration of the Egg Harbor Township Municipal Utilities Authority's (A component unit of the Township of Egg Harbor) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Egg Harbor Township Municipal Utilities Authority's (A component unit of the Township of Egg Harbor) internal control over financial reporting and compliance.

Very truly yours,

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Kenneth Moore
Kenneth Moore
Certified Public Accountant
Registered Municipal Accountant
No. 231

October 31, 2014

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REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis of the Authority's financial condition and activities for the year. This information should be read in conjunction with the financial statements.

Financial Highlights

Management believes the Authority's financial condition is stable. The Authority is well within the debt covenants and the more stringent financial policies and guidelines set by the Board. The following are key financial highlights:

- Total assets at year-end were \$38,858,189 and exceeded liabilities in the amount of \$33,693,361 (i.e. net position). The \$1,657,839 classified as unrestricted was available to support short-term operations. Total assets decreased \$855,284 and total net position decreased \$458,032.
- For fiscal year 2014, the Authority collected and sent to the Atlantic County Utilities Authority for treatment approximately 1,043 billion gallons of wastewater, compared to 1.057 million gallons of wastewater in 2013.
- Operating revenues were \$5,729,596 an increase from the year 2013 in the amount of \$143,529. Total operating revenues were less than budget projections by \$13,853.
- Operating expense decreased \$270,596 from 2013.
- Operating loss for the year was \$391,314. The loss is \$414,125 less than the loss in 2013. After non-operating revenues and expenses and capital contributions net assets decreased \$458,032.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplemental information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's capital plan, budget bond resolutions and other management tools were used for this analysis.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities. The financial statements include a statement of net position; a statement of changes in net position; a statement of cash flows; and notes to the financial statements.

The **statement of net position** presents the financial position of the Authority on a full accrual historical cost basis. The statement of net position presents

information on all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the Authority is improving or deteriorating.

While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the **statement of changes in net position** presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Authority's recovery of its costs.

The **statement of cash flows** presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The **notes to the financial statements** provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. **Supplementary information** comparing the budget to actual expenses, as well as important debt coverage data, is provided.

Summary of the Organization and Business

The Authority was created to construct and operate a wastewater collection system to serve the municipality of Egg Harbor Township, New Jersey. The Authority is a component unit of the Township of Egg Harbor.

As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

The Authority has no taxing power. Operational and maintenance costs are funded from customer fees and charges. The acquisition and construction of capital assets are funded by capital (cash and systems) contributions from customers, including developers, Federal and State grants and loans, and customer revenues.

Financial Analysis

The following comparative condensed financial statements and other selected information serve as the key financial data and indicators for management, monitoring and planning. Comments regarding budget-to-actual variances and year-to-year variances are included in each section by the name of the statement or account.

Condensed Financial Statements

Condensed Statement of Net Position

	August 31		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Capital assets:			
Producing assets	\$ 35,599,914	35,452,801	36,217,828
Construction in progress	209,707	962,473	486,406
Current assets, restricted assets and bond costs	3,048,568	3,298,199	4,085,390
Total assets	<u>38,858,189</u>	<u>39,713,473</u>	<u>40,789,624</u>
Current liabilities	1,163,902	1,427,906	1,318,834
Long term liabilities	4,000,926	4,134,174	4,268,111
Total liabilities	<u>5,164,828</u>	<u>5,562,080</u>	<u>5,586,945</u>
Net position:			
Restricted or net invested in capital assets	32,035,522	32,518,507	33,192,614
Unrestricted	1,657,839	1,632,886	510,065
Board Designated	-	-	1,500,000
Total net position	<u>33,693,361</u>	<u>34,151,393</u>	<u>35,202,679</u>
Total liabilities and net position	<u>\$ 38,858,189</u>	<u>39,713,473</u>	<u>40,789,624</u>

Condensed Statement of Changes in Net Position

	2014		2013	2012
	Actual	Budget	Actual	Actual
Revenues:				
Wastewater service revenues	\$ 5,584,529	5,679,000	5,381,351	5,318,633
Other revenues	145,067	86,000	204,716	290,517
Total operating revenues	<u>5,729,596</u>	<u>5,765,000</u>	<u>5,586,067</u>	<u>5,609,150</u>
Expenses:				
Operating, before depreciation				
Wastewater	4,037,598	4,131,500	4,329,857	4,006,990
Depreciation	1,333,263	N/A	1,304,684	1,370,725
General and Administrative	750,049	764,100	756,965	748,512
Total operating expenses	<u>6,120,910</u>	<u>4,895,600</u>	<u>6,391,506</u>	<u>6,126,227</u>
Operating Income/ (Loss)	(391,314)	869,400	(805,439)	(517,077)
Non-operating revenue (expense) net	<u>(211,069)</u>	<u>(907,754)</u>	<u>(245,847)</u>	<u>(182,195)</u>
Increase (decrease) in net position, before contributions	<u>(602,383)</u>	<u>(38,354)</u>	<u>(1,051,286)</u>	<u>(699,272)</u>
Capital Contributions:				
Developer Contributions of system	144,351	-	-	-
Increase (decrease) in net position	<u>\$ (458,032)</u>	<u>(38,354)</u>	<u>(1,051,286)</u>	<u>(699,272)</u>

Other Selected Information

	2014	2013	Change	
			Amount	%
Selected data for analysis				
Employees at year end				
Full Time	5	5	0.0	0.0%
Part Time	2	2	0.0	0.0%
Number of sewer customers at year end	13,545	13,473	72.0	0.5%
Wastewater collected (million of gallons)	1043	1,057	(14.0)	-1.3%
Revenue per thousands of gallons treated	5.49	5.28	0.2	3.9%
Expenses per thousands of gallons treated				
Expenses excluding depreciation and G&A	3.9	4.1	(0.225)	-5.5%
Expenses excluding depreciation	4.6	4.8	(0.222)	-4.6%
Expenses	5.9	6.0	(0.178)	-2.9%

General Trends and Significant Events

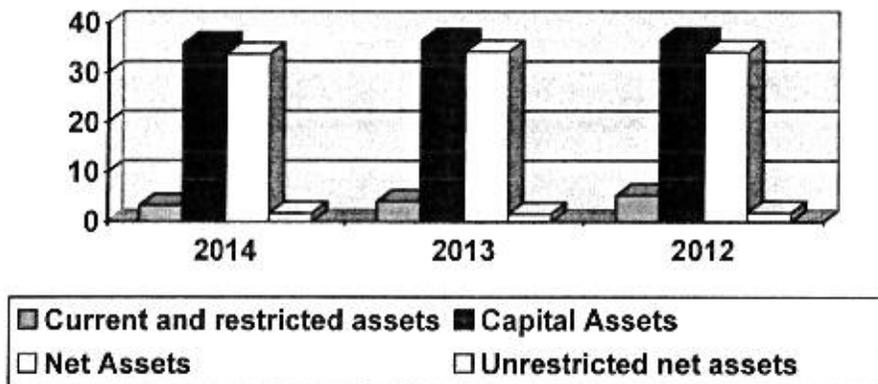
Egg Harbor Township is a growing township. During the fiscal year ended 8/31/2014 the Authority issued **90** connection permits compared to 83 permits issued in fiscal year 2013.

The expansion of the wastewater collection system has been minimal over the past two years. The residential rates for the years 2014 and 2013 are \$316 and \$300, respectively. The excess rates for the years 2014 and 2013 are \$5.75 and \$5.75 per thousand gallons, respectively.

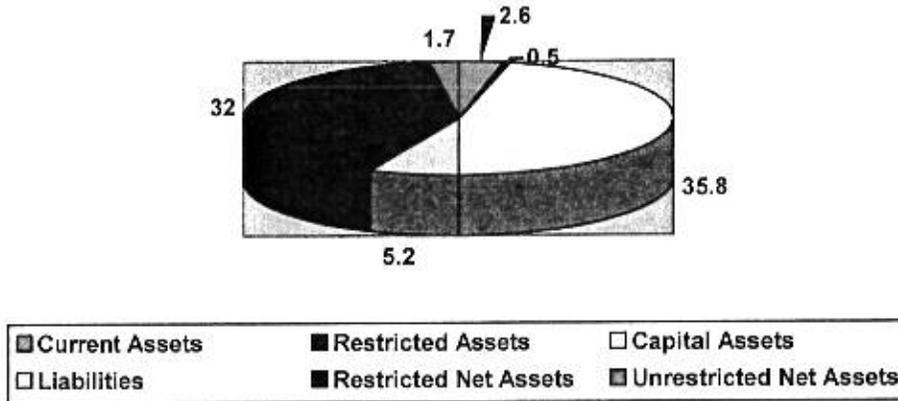
Financial Condition

The Authority's financial condition has not changed in the current fiscal year. The expenditures for capital projects have caused the Authority to reevaluate the need to increase rates and to finance capital projects with long-term debt. The following charts summarize the statement of net position with comparisons to the prior year.

Assets and Net Position in millions



FY 2013 Statement of Net Position (in mil.)



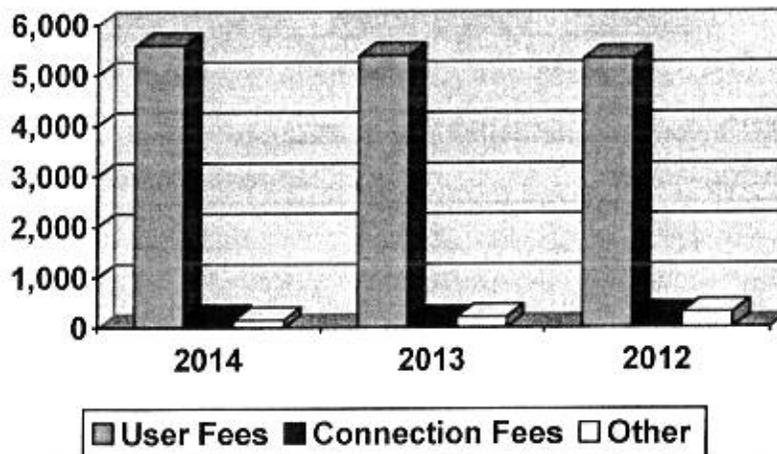
Total assets decreased \$855,284 or 2.15%. The majority of the decrease was the result of a \$605,653 decrease in capital assets.

Investments in capital assets, net of related debt decreased \$605,653.

Results of Operations

Revenues: Revenues fall into three general categories: user fees, connection fees, and other. The following chart depicts revenues for the past three years.

Revenues (in thousands)



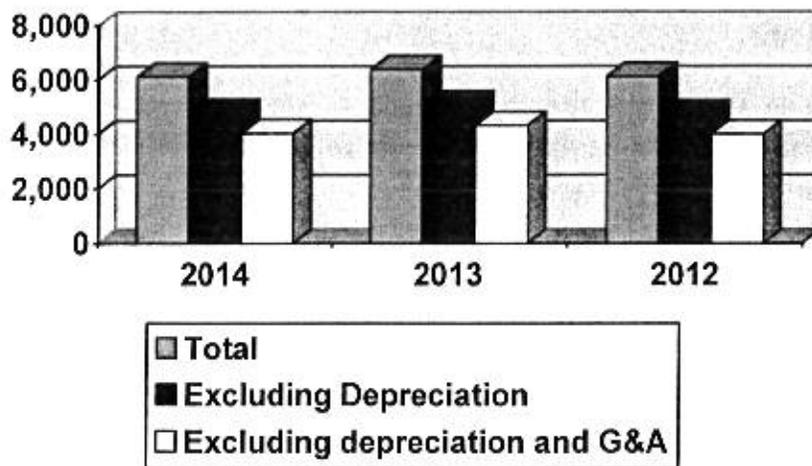
The Authority's sewer user charges have increased over the past two years. Connection fee revenue increased approximately \$26,000.

The Authority collects connection fees in order to ensure that current customers do not bear the entire burden of growth. The fees are paid by new customers and represent, on a residential equivalent basis, the cost of the current system/current users.

The Authority also receives additions to its collections systems from developers. Prior to GASB 33 and 34 implementation, the system assets received were recorded as direct contributions to the equity. GASB 33 and 34 defined these fees as non-operating revenues and requires reporting the amounts through the Statement of revenues, Expenses and Changes in Net Assets.

Expenses: Total operating expenses of the Authority increased approximately \$270,000. Operating expenses, including and excluding depreciation, for the last three years are graphed below:

Operating Expenses (in thousands)



The following chart provides changes in system expenses with and without depreciation and general and administrative expenses.

	Actual Amounts in 000s		
	2014	2013	2012
Operating Expenses:			
Total	\$ 6,121	6,392	6,126
Excluding depreciation	4,788	5,087	4,755
Excluding depreciation and general & admin.	4,038	4,330	4,007

The following table shows the composition of operating expenses by major classification of expense for the last three years:

	Actual Amounts in 000s					
	2014		2013		2012	
Salaries	\$ 322	5.26%	\$ 300	4.69%	\$ 332	5.42%
Fringe	195	3.19%	190	2.97%	194	3.17%
Professional services	178	2.91%	214	3.35%	218	3.56%
Utilities	190	3.10%	221	3.46%	210	3.43%
Treatment costs	2,520	41.17%	2,470	38.64%	2,323	37.92%
Repairs and maintenance	1,064	17.38%	1,298	20.31%	1,251	20.42%
Other	319	5.21%	394	6.16%	227	3.71%
Depreciation	1,333	21.78%	1,305	20.42%	1,371	22.38%
	<u>\$ 6,121</u>	<u>100.00%</u>	<u>\$ 6,392</u>	<u>104.43%</u>	<u>\$ 6,126</u>	<u>95.84%</u>

The total change was \$271,000. Most categories only changed by immaterial amounts.

Cash Flow Activity

The following table shows the Authority's ability to generate net operating cash. Net cash provided by operating activities is shown both in total dollars and as a percentage of operating revenues.

	2014	2013	2012
Total operating revenues	\$ 5,589,550	5,804,190	5,468,996
Net cash provided/ (used) by operations	803,281	699,748	754,573
Net operating cash as a % of operating revenue	14.37%	12.06%	13.80%

Capital Assets and Debt Administration

Capital assets, net of depreciation, decreased \$605,653 during 2014. Property and equipment in service, excluding depreciation, increased \$727,610. \$144,351 was contributions by developers.

There are numerous areas of construction in progress. These projects should be completed by the end of fiscal year 2015.

Capital Assets, Net of Depreciation

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Sewer Lines	\$35,589,012	35,439,125	36,144,810
Vehicles	-	7,544	15,087
Operations Equipment	10,902	6,132	57,931
Construction in Progress	209,707	962,473	486,406
Total	<u>\$35,809,621</u>	<u>36,415,274</u>	<u>36,704,234</u>

Long-term Debt. At the end of the current fiscal year, the Authority had total bonded debt outstanding of \$4,047,328.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenue Bonds	\$ 4,047,328	4,195,416	4,333,134

Economic Factor and Next Year's Budget and Rates

- The anticipated growth in the Township is not expected to change over the next few years.
- There are projected to be continued minimal rate increase over the next number of years.

All of these factors were considered in preparing the Authority's budget for the 2015 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Authority Clerk, EHTMUA, 3515 Bargaintown Road, Egg Harbor Township, NJ 08234.

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FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

EXHIBIT A

EGG HARBOR TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Egg Harbor)
COMPARATIVE STATEMENT OF NET POSITION

ASSETS

	AUGUST 31,	
	2014	2013
Current assets:		
Cash	\$ 2,161,185	2,275,037
Petty cash and change fund	1,619	1,482
Accounts receivable	427,275	365,498
Total current assets	2,590,079	2,642,017
Restricted assets:		
Cash	458,489	656,182
Total restricted assets	458,489	656,182
Capital assets:		
Construction in progress	209,707	962,473
Depreciable capital assets, net of depreciation	35,599,914	35,452,801
Total capital assets	35,809,621	36,415,274
Total assets	\$ 38,858,189	39,713,473

The accompanying notes are an integral part of the financial statements

EGG HARBOR TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Egg Harbor)
COMPARATIVE STATEMENT OF NET POSITION

LIABILITIES AND NET POSITION

	AUGUST 31,	
	2014	Restated 2013
Current liabilities:		
Accounts payable	\$ 192,348	213,642
Other Liabilites	3,898	1,446
Prepaid User Charges	628,928	707,197
Accrued interest payable	50,650	52,696
Total current liabilities	875,824	974,981
Current liabilities payable from restricted assets:		
Escrow and infrastructure deposits	134,610	304,837
Revenue bonds payable	153,468	148,088
Total current liabilities payable from restricted assets:	288,078	452,925
Long term liabilities:		
Compensated absences	107,066	86,846
Revenue bonds	3,893,860	4,047,328
Total long term liabilities	4,000,926	4,134,174
Total liabilities	5,164,828	5,562,080
Net position:		
Net investment in capital assets	31,711,643	32,167,162
Restricted for capital activity and debt service	323,879	351,345
Unrestricted	1,657,839	1,632,886
Total net position	33,693,361	34,151,393
Total liabilities and net position	\$ 38,858,189	\$ 39,713,473

The accompanying notes are an integral part of the financial statements

EGG HARBOR TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Egg Harbor)
COMPARATIVE STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED

	AUGUST 31,	
	2014	Restated 2013
Operating revenues:		
User Charges	\$ 5,584,529	\$ 5,381,351
Delinquent Charges	70,705	65,376
Miscellaneous	74,362	139,340
Total operating revenues	5,729,596	5,586,067
Operating expenses :		
Administrative and General	750,049	756,965
Cost of Providing Services	4,037,598	4,329,857
Depreciation	1,333,263	1,304,684
Total operating expenses	6,120,910	6,391,506
Operating (Loss)	(391,314)	(805,439)
Non-operating revenue (expense):		
Investment Income	6,283	5,132
Connection Fees	195,268	169,056
Municipal Contribution	(237,000)	(237,400)
Bond and Note Interest	(175,620)	(182,635)
Total non-operating expense	(211,069)	(245,847)
(Decrease) in net asset, before capital contributions	(602,383)	(1,051,286)
Capital contributions:		
Developer contributions of systems	144,351	-
Total capital contributions	144,351	-
(Decrease) in net position	(458,032)	(1,051,286)
Net position at beginning of year	34,151,393	35,202,679
Net position at end of year	\$ 33,693,361	\$ 34,151,393

EGG HARBOR TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Egg Harbor)
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED

	<u>AUGUST 31,</u>	
	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from customers	\$ 5,589,550	\$ 5,804,190
Cash paid to suppliers and employees	(4,786,269)	(5,104,442)
Net cash provided by operating activities	<u>803,281</u>	<u>699,748</u>
Cash flows from investing activities:		
Investment Income	6,283	5,132
Net cash provided by investing activities	<u>6,283</u>	<u>5,132</u>
Cash flows from capital and related financing activities:		
Purchase of property plant and equipment	(585,305)	(1,015,724)
Municipal Contribution	(237,000)	(237,400)
Connection fees	195,268	169,056
Net change in developers escrows	(170,227)	(16,053)
Principal payment on bonds	(148,088)	(137,718)
Interest paid on bonds	(175,620)	(184,536)
Net cash provided by capital and related activities	<u>(1,120,972)</u>	<u>(1,422,375)</u>
(Decrease) in cash and cash equivalents	(311,408)	(717,495)
Cash and cash equivalents at beginning of year	<u>2,932,701</u>	<u>3,650,196</u>
Cash and cash equivalents at end of year	<u>\$ 2,621,293</u>	<u>\$ 2,932,701</u>
<u>Reconciliation to balance sheet:</u>		
Unrestricted Cash	\$ 2,162,804	\$ 2,276,519
Restricted Cash	458,489	656,182
	<u>\$ 2,621,293</u>	<u>\$ 2,932,701</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating (loss)	\$ (391,314)	\$ (805,439)
Adjustments:		
Depreciation	1,333,263	1,304,684
Change in Assets and Liabilities:		
(Increase) decrease in Accounts Receivable	(61,777)	69,696
Increase(Decrease) in Accounts Payable	(21,294)	(32,331)
Increase in Prepaid User Charges	(78,269)	148,427
Increase in Compensated Absences	20,220	14,151
Increase (decrease) in Other Liabilities	2,452	560
Net cash provided (used) by operating activities	<u>\$ 803,281</u>	<u>\$ 699,748</u>
Noncash capital and related financing activities:		
Developers contributions of system	<u>\$ -</u>	<u>\$ -</u>

EGG HARBOR TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Egg Harbor)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

Note 1. Organization

The Egg Harbor Township Municipal Utilities Authority was created to construct and operate a wastewater collection system to serve the municipality of Egg Harbor Township, New Jersey. The Authority is a component unit of the Township of Egg Harbor.

As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

Note 2. Summary of Significant Accounting Policies

The following is a summary of the more significant accounting policies:

Reporting Entity

The Authority's financial statements include the accounts of all authority operations. The Authority, as a component unit of the Township of Egg Harbor, is financially accountable to the Township. The primary criterion for including activities within the Authority's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Township appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is a fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Authority has no component units.

The Authority, as a component unit, issues separate financial statements from the Township.

Basis of Financial Statements

The Authority's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America.

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 enterprises 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.

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 assets (i.e. total assets net of total liabilities) are segregated into "invested in capital assets, net of related liabilities"; "restricted for capital activity and debt service"; and "unrestricted" components.

EGG HARBOR TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Egg Harbor)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

2. Summary of Significant Accounting Policies (Continued)

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

Budgets and Budgetary Accounting

An annual operating budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures in accordance with NJSA 40A:5A. The operating budget adopted annually covers the operations of the authority. The current operating budget details the Authority's plans to earn and expend funds for charges incurred for the operation, maintenance, certain interest and general functions, and other charges for the fiscal year.

Risks of Loss

The Authority purchases commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers compensation, flood damage, and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductibles associated with the policies and an event, which may exceed policy coverage limits.

Cash and Cash Equivalents

Cash and cash equivalents include various checking and money market accounts, U.S. obligations and certificates of deposit with maturities of three months or less.

Investments

Investments are carried at fair market value with associated premiums and discounts amortized over the term of the investment held.

Purchase of investments is limited by N.J.S.A. 40A:5-15.1 to bonds or obligations of or guaranteed by the federal government and to bonds or other obligations of federal or local units. These investments are required to have a maturity date not more than twelve months from the date of purchase.

Restricted Assets

Restricted assets represent cash and investments maintained in accordance with bond resolutions, grant awards, and other resolutions and formal actions of the Authority or by agreement for the purpose of funding certain debt service payment, and improvements and extensions to the utility system.

Restricted net assets:

Debt Service Fund	\$	323,879
		<u>\$ 323,879</u>

EGG HARBOR TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Egg Harbor)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

2. Summary of Significant Accounting Policies (Continued)

Funds

In accordance with the provisions of the Bond Resolution authorizing the issuance of the Revenue Bonds, revenues and expenditures are to be accounted for in the following funds:

General Fund - All revenues, except connection charges and operating expense charges, derived from the operations of the Authority are pledged to secure the payment of principal and interest on the Bonds. Transfers are made to funds in the following order:

- 1) Debt Service Sinking Fund
- 2) Bond Redemption & Improvement Fund - General Account
- 3) Operating Fund

Operating Fund - Transfers are made equal to budgeted operating expenses for the current year and such additional amount as is necessary to maintain a \$10,000 fund reserve. At year end, this fund is adjusted to reflect the actual expenses incurred.

Debt Service Sinking Fund - First transfers are made for an amount sufficient to meet the principal and interest requirements for the year. No requirement is made to maintain a balance in this fund.

Debt Service Reserve Fund - This fund was fully funded as of August 31, 2011. As part of the issue the Authority purchased a surety bond in lieu of restricting funds. The surety bond covers both the 1997 refunding and the 2007 issue.

Capital Fund - The Authority's collection system, property and equipment which was constructed or acquired with the proceeds of the Revenue Bonds, are accounted for herein.

Plant and Equipment

Plant and equipment in service and construction in progress are recorded at cost, if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market value, if available, or at engineers' estimated fair market value or cost to construct at the date of the contribution. Internal engineering costs are capitalized to the extent of direct support and contribution to construction and expansion projects.

Maintenance and repairs, which do not significantly extend the value or life of plant and equipment, are expensed as incurred.

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation expense for 2014 and 2013 was \$1,333,263 and \$1,304,684 respectively. Depreciation is provided over the following estimated useful lives:

Sewer Lines	40 years
Operations Equipment	10 years
Vehicles	5 years
Office Equipment	5 years

Inventories of Supplies

The cost of inventories and supplies for all funds are recorded as expenditures at the time the individual items are purchased. The Authority does not maintain any construction inventory.

EGG HARBOR TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Egg Harbor)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

2. Summary of Significant Accounting Policies (Continued)

Revenues and Rate Structure

Revenues from wastewater services are recognized on the accrual basis as earned. Services are supplied to customers under a rate structure designed to produce revenues sufficient to provide for operating and maintenance costs, capital outlay, debt service, reserves and debt service coverage.

Capital Contributions

Contributions are recognized in the Statement of Activities when earned. Contributions include developer contributed utility systems, capital grants, and other supplemental support by other utilities and industrial customers and federal, state and local grants in support of system improvements.

Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: net investment in capital assets; restricted for capital activity and debt service; and unrestricted net position. Net investment in capital assets, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted for capital activity and debt service consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities. Unrestricted consists of all other net assets not included in the above categories.

RECENT ACCOUNTING PRONOUNCEMENTS NOT YET EFFECTIVE

In June 2012, GASB issued Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27". This statement, which is effective for fiscal periods beginning after June 15, 2014, will have a significant effect on the Authority's financial position and reporting.

In January 2013, GASB issued Statement No. 69 "Government Combinations and Disposals of Government Operations". This statement, which is effective for fiscal periods beginning after December 15, 2013, will not have any effect on the Authority's financial reporting.

In November 2013, Governmental Accounting Standards Board (GASB) issued Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014, will have a significant effect on the Authority's financial position and reporting.

Note 3. Investments

As of August 31, 2014 and 2013, the Authority had no investments.

Interest Rate Risk. The authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investment to 397 days.

EGG HARBOR TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Egg Harbor)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

Note 3. Investments (Continued)

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits authority investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the authority or the local units in which the authority is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The authority places no limit on the amount the authority may invest in any one issuer.

Note 4. Cash

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The authority's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 18A:20-37 that are treated as cash equivalents. As of August 31, 2014 and 2013, \$0 of the government's bank balance of \$2,702,778 and \$2,878,390 respectively, was exposed to custodial credit risk.

Note 5. Long-Term Obligations

Long-term debt as of August 31, 2014 consisted of the following:

\$201,871 New Jersey Pinelands Loan Program dated 8/13/97 payable in fixed semi-annual installments of \$7,302 through 5/13/16. The semiannual payment is first applied to interest at 2.887% per annum on the unpaid principal. The balance remaining as of August 31, 2014 was \$27,328.

\$4,280,000 Revenue bonds dated 12/28/07 payable in annual installments through 1/1/2032. Interest is paid semiannually at a rate of 4.375% to 5% per annum. The balance remaining as of August 31, 2013 was \$4,020,000.

Principal and interest requirements until maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	153,468	170,411	323,879
2016	158,860	162,894	321,754
2017	160,000	154,525	314,525
2018	175,000	146,525	321,525
2019	185,000	139,325	324,325
2020-2024	1,035,000	579,981	1,614,981
2025-2029	1,275,000	340,584	1,615,584
2030-2032	905,000	60,484	965,484
	<u>\$ 4,047,328</u>	<u>1,754,730</u>	<u>5,802,058</u>

EGG HARBOR TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Egg Harbor)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

Note 5. Long-Term Obligations (Continued)

	Balance 8/31/13	Increased	Decreased	Balance 8/31/14	Due within one year
Revenue bonds	\$ 4,155,000	-	135,000	4,020,000	140,000
Pineland trust bonds	40,416		13,088	27,328	13,468
Compensated Absences	86,845	33,646	13,425	107,066	
	<u>\$ 4,282,261</u>	<u>33,646</u>	<u>161,513</u>	<u>4,154,394</u>	<u>153,468</u>

Note 6. Pension Plan

Description of Plans

Substantially all of the Authority's employees are covered by the Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). 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. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and Police and Fireman's Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the report can be accessed on the internet at www.state.nj.us/treasury/pensions/annrpts.shtml.

Public Employees' Retirement System

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State 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.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 6.78% of covered payroll. The Authority's contributions to PERS for the years ending August 31, 2014, 2013 and 2012 were \$35,035, \$39,242 and \$38,154 respectively, equal to the required contributions for each year.

EGG HARBOR TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Egg Harbor)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

Note 6. Pension Plan (Continued)

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to $\frac{1}{60}$ th from $\frac{1}{55}$ th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a $\frac{1}{7}$ th of the required amount, beginning in fiscal years 2012.

EGG HARBOR TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Egg Harbor)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

Note 6. Pension Plan (Continued)

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

Note 7. Property, Plant & Equipment

	Balance 08/31/13	Additions	Deletions	Balance 08/31/14
Sewer Lines	\$ 24,831,115	1,466,748	-	26,297,863
Vehicles	53,400			53,400
Office Equipment	137,430	13,628		151,058
Operations Equipment	517,995			517,995
Contributed Capital/Grants	29,199,663			29,199,663
Total in service	54,739,603	1,480,376	-	56,219,979
Construction in progress	962,473	569,630	(1,322,396)	209,707
Total Plant and Equipment	55,702,076	2,050,006	(1,322,396)	56,429,686
Accumulated Depreciation	(19,286,802)	(1,333,263)		(20,620,065)
Net plant and equipment	<u>\$ 36,415,274</u>	<u>716,743</u>	<u>(1,322,396)</u>	<u>35,809,621</u>

Note 8. Contingencies

In the normal course of business, the Authority may periodically be named as a defendant in litigation. In the opinion of management, supported by legal counsel, the impact of any such matters, if adversely determined, would not have a material adverse effect on the financial statement or operations of the Authority.

Note 9. Risk Management

The Authority is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property, and Liability Insurance – The Authority maintains commercial insurance for property, liability and surety bonds.

The Authority made no payments in excess of the insurance coverage during the fiscal year. Also, there was no decrease in insurance coverage.

From time to time, the Authority may be a defendant in legal proceedings relating to its operations as a utility authority.

EGG HARBOR TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Egg Harbor)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

Note 10. Compensated Absences

Authority employees are entitled to fifteen paid sick days per year and are allowed to accumulate up to a maximum of two hundred and forty (240) days for sick time by carrying over unused sick days from year-to-year. In the event that an employee terminates employment with the Authority, the employee is entitled to payment for any unused sick days based on length of service and a percent of salary. Vacation is earned depending on length of service, up to a maximum of 23 working days. Vacation days may be accumulated and carried forward. In the event that an employee terminates employment with the Authority, the employee is entitled to payment for any unused vacation time up to a maximum of twenty (20) days. The compensated absence payable is shown as a liability on the financial statements.

Note 11. Net Assets and Contributed Capital

Net assets present the difference between assets and liabilities. The restricted net assets amounts were as follows:

	<u>August 31</u>	
	<u>2014</u>	<u>2013</u>
Invested in Capital Assets, Net of related Liabilities		
Net plant and equipment in service	\$ 35,809,621	36,415,274
Debt	(4,047,328)	(4,195,416)
Restricted cash	-	25,591
Accrued interest payable	(50,650)	(52,696)
	<u>31,711,643</u>	<u>32,192,753</u>
Restricted for Capital Activity and Debt Service		
Restricted cash and equivalents	458,489	630,591
Deductions:		
Current liabilities payable from restricted assets	(134,610)	(304,837)
	<u>323,879</u>	<u>325,754</u>
Unrestricted	<u>1,657,839</u>	<u>1,632,886</u>
Total net assets	<u>\$ 33,693,361</u>	<u>34,151,393</u>

Note 12. Subsequent Event

The Authority has evaluated subsequent events through October 31, 2014, the date which the financial statements were available to be issued and no items were noted for disclosure.

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SUPPLEMENTARY INFORMATION

SCHEDULE 1

EGG HARBOR TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 (A component unit of the Township of Egg Harbor)
 SCHEDULE OF CHANGES IN REQUIRED FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

	Investment in capital assets				Totals		
	General fund	Debt service fund	Improvement fund	Construction fund	Investment in capital assets	2014	2013
Operating Revenues:							
User Charges	\$ 5,584,529					5,584,529	5,381,351
Delinquent Charges	70,705					70,705	85,376
Miscellaneous	74,362					74,362	139,340
Total Operating Revenues	5,729,596					5,729,596	5,586,067
Operating Expenses							
Administrative and General	750,049					750,049	756,965
Cost of Providing Services	4,037,598					4,037,598	4,329,857
Depreciation					1,333,263	1,333,263	1,304,684
Total Operating Expenses	4,787,647				1,333,263	6,120,910	6,391,506
Operating Income	941,949				(1,333,263)	(391,314)	(805,439)
Non-Operating Revenues (Expenses)							
Connection Fees	195,268					195,268	169,056
Investment Income	6,283					6,283	5,132
Developer contributions of systems	144,351					144,351	
Proceeds from Bond Issue							
Utilized Construction Proceeds				(25,591)	25,591		
Municipal Contribution	(237,000)					(237,000)	(237,400)
Purchase of Fixed Assets					702,019		
Bond Interest		(175,620)	(702,019)			(175,620)	(182,635)
Bond Payments	(148,088)				148,088		
	(39,186)				(875,698)	(66,718)	(245,847)
Net Income (Loss) Before Transfers	902,763	(175,620)	(702,019)	(25,591)	(457,565)	(458,032)	(1,051,286)
Transfers Between Funds:							
Restricted Funds	(902,763)	173,745	726,972		2,046		
Net increase (Decrease) in Fund Balance	-	(1,875)	24,953	(25,591)	(455,519)	(458,032)	(1,051,286)
Fund Equity September 1	210,000	325,754	1,422,886	25,591	32,167,162	34,151,393	35,202,679
Fund Equity August 31	210,000	323,879	1,447,839	-	31,711,643	33,693,361	34,151,393
Ending Net Assets consists of:							
Reserved Net Assets		323,879	1,447,839	-		323,879	325,754
Unreserved Net Assets	210,000					1,657,839	1,632,886
Investment in Fixed Capital						31,711,643	32,192,753
Total Fund Equity August 31	\$ 210,000	323,879	1,447,839	-	31,711,643	33,693,361	34,151,393

EGG HARBOR TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Egg Harbor)
SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET
FOR THE YEAR ENDED AUGUST 31, 2014

	2014 <u>BUDGET</u>	2014 <u>ACTUAL</u>	UNEXPENDED BALANCE OR (EXCESS)	2013 <u>ACTUAL</u>
<u>Revenues:</u>				
User Charges	\$ 5,679,000	5,584,529	94,471	5,381,351
Delinquent Charges	61,000	70,705	(9,705)	65,376
Investment Income	5,000	6,283	(1,283)	5,132
Connection Fees	175,000	195,268	(20,268)	169,056
Miscellaneous	25,000	74,362	(49,362)	139,340
Subtotal	<u>5,945,000</u>	<u>5,931,147</u>	<u>13,853</u>	<u>5,760,255</u>
<u>Operating Expenses:</u>				
Administrative and General				
Personal Services				
Board Commissioners	12,000	12,000	-	12,000
Clerical Salaries	222,000	236,482	(14,482)	221,197
Attorney Retainer	20,400	20,400	-	20,000
Engineer Retainer			-	20,000
Employee Benefits				
PERS	39,000	35,035	3,965	39,242
Social Security	24,600	24,461	139	23,586
Unemployment	2,600	1,686	914	1,758
NJ Health Plan	142,000	134,056	7,944	125,457
Administrative				
Legal	150,000	140,096	9,904	156,346
Auditor	18,000	18,500	(500)	18,000
Insurance	22,500	20,495	2,005	20,646
Office rent	50,000	50,000	-	50,000
Billing and Postage	41,000	40,379	621	32,724
Miscellaneous	20,000	16,459	3,541	16,009
Total Administrative and General	<u>764,100</u>	<u>750,049</u>	<u>14,051</u>	<u>756,965</u>

EGG HARBOR TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Egg Harbor)
SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET
FOR THE YEAR ENDED AUGUST 31, 2014

	2014 BUDGET	2014 ACTUAL	UNEXPENDED BALANCE OR (EXCESS)	2013 ACTUAL
<u>Cost of Providing Services:</u>				
<u>Operating & Maintenance</u>				
Treatment Charges	\$ 2,450,000	2,519,557	(69,557)	2,470,429
Repairs and Maintenance	1,200,000	1,064,196	135,804	1,298,153
Line Rental	94,000	92,720	1,280	157,199
Utilities	220,000	189,494	30,506	221,074
Operations Salaries	66,500	73,014	(6,514)	46,833
Special Engineer	40,000	36,070	3,930	73,197
Contract Services	36,000	30,239	5,761	28,338
Miscellaneous	25,000	32,308	(7,308)	34,634
Total Cost of Providing Services	4,131,500	4,037,598	93,902	4,329,857
<u>Interest Expense</u>	<u>177,666</u>	<u>175,620</u>	<u>2,046</u>	<u>182,635</u>
<u>Other Costs Funded By</u>				
<u>Operating Revenues:</u>				
Municipal Contribution	237,000	237,000	-	237,400
Bond Principal	148,088	148,088	-	137,718
Capital Outlay	525,000		525,000	-
Total Other Costs Funded By	910,088	385,088	525,000	375,118
Total Costs Funded By	\$ 5,983,354	5,348,355	634,999	5,644,575
<u>Reconcile to Exhibit B</u>				
<u>Less:</u>				
Interest expense		(175,620)		
Municipal Contribution		(237,000)		
Bond Principal		(148,088)		
Capital Outlay		0		
<u>Plus:</u>				
Depreciation		1,333,263		
Exhibit B Operating Expenses		6,120,910		



FORD-SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538

PHONE 609.399.6333 • FAX 609.399.1710

www.ford-scott.com

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of the
Egg Harbor Township Municipal Utilities Authority
County of Atlantic, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Egg Harbor Township Municipal Utilities Authority (A component unit of the Township of Egg Harbor) in the County of Atlantic, State of New Jersey, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively Egg Harbor Township Municipal Utilities Authority's (A component unit of the Township of Egg Harbor) basic financial statements, and have issued our report thereon dated October 31, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Egg Harbor Township Municipal Utilities Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement

amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Kenneth Moore
Kenneth Moore
Certified Public Accountant
Registered Municipal Accountant
No. 231

October 31, 2014

Audit Findings and Responses

NONE

Status of Prior Year Findings and Questioned Costs

NONE