

**WOODBINE MUNICIPAL  
UTILITIES AUTHORITY  
(A component unit of the Borough of Woodbine)**

**REPORT OF AUDIT**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2012 AND 2011**



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# FORD - SCOTT

& ASSOCIATES, L.L.C.

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## **Independent Auditor's Report**

The Chairman and Members of the  
Woodbine Municipal Utilities Authority  
Woodbine, New Jersey 08270

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Woodbine Municipal Utilities Authority, a component unit of the Borough of Woodbine, Woodbine, New Jersey, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Woodbine Municipal Utilities Authority, Woodbine, New Jersey, as of December 31, 2012 and 2011, 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 opinions on the financial statements that collectively comprise the Woodbine Municipal Utilities Authority's basic financial statements. The schedule of appropriations compared to budget are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of appropriations compared to budget is 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 schedule of appropriations compared to budget 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 February 15, 2013 on our consideration of the Woodbine Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Woodbine Municipal Utilities Authority's internal control over financial reporting and compliance.

*Ford Scott & Associates, LLC*

Ford Scott & Associates, LLC

February 15, 2013

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## **REQUIRED SUPPLEMENTARY INFORMATION**



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Woodbine Municipal Utilities Authority annual financial report 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 strong. 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 \$1,656,637, and exceeded liabilities in the amount of \$1,643,513 (i.e. net assets). Of the \$975,735 classified as unrestricted the total amount was available to support ongoing operations of the Authority. Total assets decreased \$19,191 and total net assets decreased \$16,792.
- For fiscal year 2012, the Authority serviced 546 customer accounts for water service, compared to 546 customer accounts in 2011.
- Operating revenues were \$544,572, a decrease from year 2011 in the amount of \$42,007. Budget exceeded actual revenue amounts by \$11,815.
- Operating expense increased \$2,045 from 2011, which was due to a increase in transfers to the Borough.
- Operating loss for the year was \$21,535. Net assets at the beginning of the year were \$1,660,305 and were \$1,643,513 at the end of 2012. Net assets decreased by \$16,792 due to less user fees.

### **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 assets; a statement of revenues, expenses, and changes in net assets; a statement of cash flows; and notes to the financial statements.

The **statement of net assets** presents the financial position of the Authority on a full accrual historical cost basis. The balance sheet presents information on all of the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases and decreases in net assets are one indicator of whether the financial position of the Authority is improving or deteriorating.

While the balance sheet provides information about the nature and amount of resources and obligations at year-end, the **statement of revenues, expenses, and changes in net assets** presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets 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 is provided.

### **Summary of the Organization and Business**

The Authority was created to construct and operate a water system to serve the municipality of the Borough of Woodbine, New Jersey. The Authority is a component unit of the Borough of Woodbine.

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 mainly by Federal and State grants and loans and customer revenues.

## Financial Analysis

The following 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

	<u>December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Capital assets:			
Producing assets	\$ 667,778	\$ 717,952	\$ 781,144
Current assets and restricted assets	988,859	957,876	873,526
<b>Total assets</b>	<u>1,656,637</u>	<u>1,675,828</u>	<u>1,654,670</u>
Current liabilities	8,139	10,567	18,620
Long term liabilities	4,985	4,956	5,804
<b>Total liabilities</b>	<u>13,124</u>	<u>15,523</u>	<u>24,424</u>
Net assets:			
Restricted and net invested in capital assets	667,778	717,952	781,144
Unrestricted	975,735	942,353	849,102
<b>Total net assets</b>	<u>1,643,513</u>	<u>1,660,305</u>	<u>1,630,246</u>
<b>Total liabilities and net assets</b>	<u>\$ 1,656,637</u>	<u>\$ 1,675,828</u>	<u>\$ 1,654,670</u>

Current assets increased \$30,983 based on higher receivables.

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	<b>For the Year Ended December 31,</b>		
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
<b>Revenues:</b>			
Water service revenues	\$ 378,146	\$ 420,877	\$ 394,391
Other revenues	166,426	165,702	136,598
<b>Total operating revenues</b>	<b><u>544,572</u></b>	<b><u>586,579</u></b>	<b><u>530,989</u></b>
<b>Expenses:</b>			
Operating, before depreciation			
Water Service	306,801	319,902	313,748
Depreciation	64,639	63,192	63,192
General and Administrative	194,667	180,968	153,368
<b>Total operating expenses</b>	<b><u>566,107</u></b>	<b><u>564,062</u></b>	<b><u>530,308</u></b>
<b>Operating Income(Loss)</b>	<b>(21,535)</b>	<b>22,517</b>	<b>681</b>
Non-operating revenue	<u>4,743</u>	<u>7,542</u>	<u>509,998</u>
<b>Increase(Decrease) in net assets</b>	<b><u>\$ (16,792)</u></b>	<b><u>\$ 30,059</u></b>	<b><u>\$ 510,679</u></b>

General and Administrative expenses increased by \$13,699. The major increase was an additional \$45,000 was transferred to the Borough.

#### **Other Selected Information**

	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
<b>Selected data for analysis</b>			
Employees at year end	4	4	4
Number of water accounts at year end	546	546	538
Water usage (million of gallons)	97	104	110
<b>Revenue per thousands of gallons used</b>	<b>5.8</b>	<b>5.6</b>	<b>4.8</b>
<b>Expenses per thousands of gallons used</b>			
Expenses excluding depreciation and G&A	3.2	3.1	2.9
Expenses excluding depreciation	5.2	4.8	4.2
Expenses	5.8	5.4	4.8

## General Trends and Significant Events

During the fiscal year ended 12/31/2012 the Authority maintained 546 residential and commercial customers accounts compared to 546 accounts in 2011 and 538 accounts in 2010.

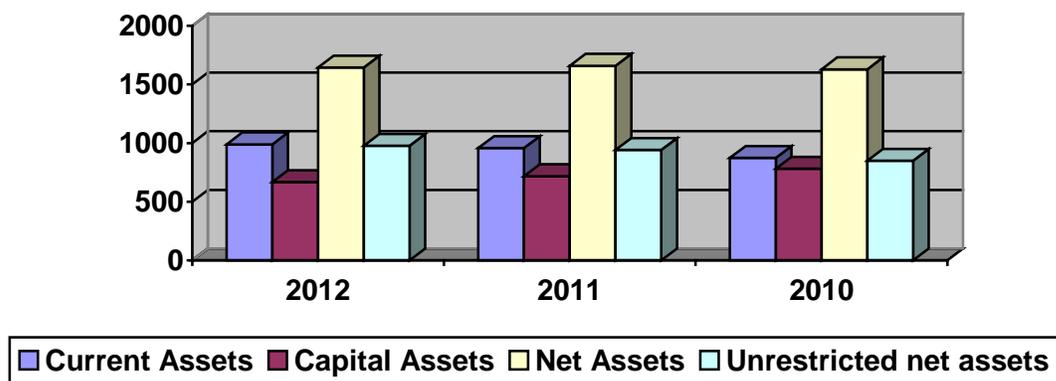
The Authority continues to expand and improve the water lines each year.

The Authority did not increase the water rates charged for the year ended 12/31/12.

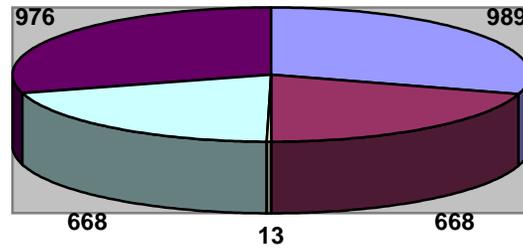
## Financial Condition

The Authority's financial condition remained strong at year-end with adequate liquid assets, reliable systems to meet demand and a reasonable level of unrestricted net assets. The current financial condition, support staff capabilities, operating and expansion plans to meet anticipated customer needs are well balanced and under control. The following charts summarize the balance sheet.

**Assets and Net Assets in thousands**



FY 2012 Balance Sheet (in thousands)



■ Current Assets 
 ■ Capital Assets 
 ■ Liabilities 
 ■ Restricted Net Assets 
 ■ Unrestricted Net Assets

Total assets decreased \$19,191.

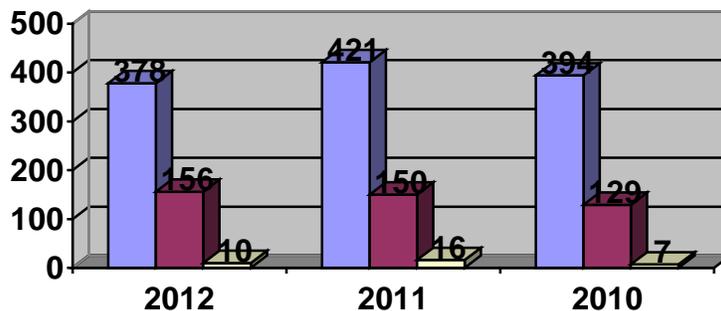
Investments in capital assets, net of related debt decreased \$50,174. This is a result of the current year depreciation expense.

Accounts receivable increased \$16,744.

**Results of Operations**

**Operating Revenues:** Revenues from operations fall into three general categories: user fees, antenna rental fees, and other. The following chart depicts revenues for the current year.

**Operating Revenues (in thousands)**

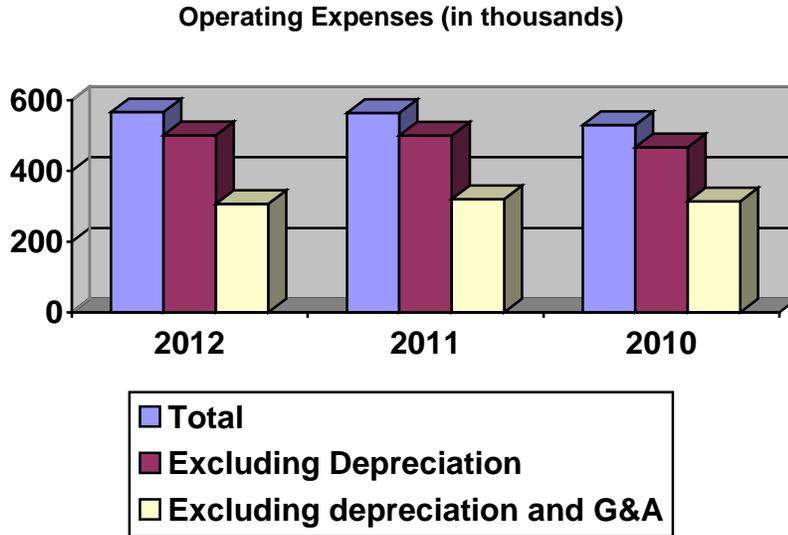


■ User Fees 
 ■ Antenna Rental Fees 
 ■ Other

The Authority's water rates remained the same as in the prior year.

**Expenses:** Operating expense increased \$2,045 over 2011.

Operating expenses, including and excluding depreciation, for the current year is graphed below:



The following table shows the composition of operating expenses by major classification of expense for the current year:

	<u>Actual Amounts in 000s</u>		<u>Actual Amounts in 000s</u>		<u>Actual Amounts in 000s</u>	
	<u>2012</u>		<u>2011</u>		<u>2010</u>	
Salaries	\$ 111	19.61%	\$ 111	19.61%	\$ 136	24.03%
Fringe	89	15.72%	59	10.42%	119	21.02%
Professional services	45	7.95%	85	15.02%	77	13.60%
Utilities	33	5.83%	42	7.42%	36	6.36%
Water Service Costs	27	4.77%	53	9.36%	27	4.77%
Repairs and maintenance	20	3.53%	38	6.71%	8	1.41%
Sewer Operations	35	6.18%				
Other	141	24.91%	113	19.96%	64	11.31%
Depreciation	65	11.48%	63	11.13%	63	11.13%
	<u>\$ 566</u>	<u>100.00%</u>	<u>\$ 564</u>	<u>99.65%</u>	<u>\$ 530</u>	<u>93.64%</u>

During 2012, the Authority transferred \$120,000 to the Borough for reimbursements and capital project payments.

## 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.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total operating revenues	\$ 544,572	\$ 586,579	\$ 530,989
Net cash provided by (applied to) operations	23,961	92,089	25,145
Net operating cash provided as a % of operating revenue	4.40%	15.70%	4.74%

## Capital Assets and Debt Administration

Capital assets, net of depreciation, decreased approximately \$50,174 during 2012. Property and equipment in service, excluding depreciation, remained the same.

The Authority had no outstanding debt during the 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 Monserrate Gallardo at 609-861-2153.

## **BASIC FINANCIAL STATEMENTS**



**WOODBINE MUNICIPAL UTILITIES AUTHORITY**  
**( A component unit of the Borough of Woodbine)**  
**COMPARATIVE STATEMENT OF NET ASSETS**  
**As of December 31,**

<b>ASSETS</b>	<u>2012</u>	<u>2011</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 221,278	\$ 211,782
Investments	721,050	716,053
Accounts Receivable	46,248	29,504
Interest Receivable	283	537
Total Current Assets	<u>988,859</u>	<u>957,876</u>
<b>Capital Assets, net of depreciation</b>	<u>667,778</u>	<u>717,952</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 1,656,637</u>	 <u>\$ 1,675,828</u>

**WOODBINE MUNICIPAL UTILITIES AUTHORITY**  
**( A component unit of the Borough of Woodbine)**  
**COMPARATIVE STATEMENT OF NET ASSETS**  
**As of December 31,**

	2012	2011
<b>LIABILITIES AND FUND EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 8,139	\$ 7,282
Payroll Taxes & Pension Payable	-	3,285
Total Current Liabilities	8,139	10,567
<b>Long Term Liabilities</b>		
Compensated Absences Payable	4,985	4,956
Total Long Term Liabilities	4,985	4,956
<b>TOTAL LIABILITIES</b>	13,124	15,523
<b>Net Assets:</b>		
Investment in capital assets, net of related debt	667,778	717,952
Unrestricted	975,735	942,353
<b>TOTAL NET ASSETS</b>	1,643,513	1,660,305
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 1,656,637	\$ 1,675,828

**WOODBINE MUNICIPAL UTILITIES AUTHORITY**  
**( A component unit of the Borough of Woodbine)**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31,**

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues:</b>		
User Fees	\$ 378,146	\$ 420,877
Antenna Rental	156,076	149,842
Miscellaneous	<u>10,350</u>	<u>15,860</u>
Total Operating Revenues	<u>544,572</u>	<u>586,579</u>
<b>Operating Expenses:</b>		
Administrative and General	194,667	180,968
Cost of Providing Services	306,801	319,902
Depreciation	<u>64,639</u>	<u>63,192</u>
Total Operating Expenses	<u>566,107</u>	<u>564,062</u>
Operating Income/(Loss)	<u>(21,535)</u>	<u>22,517</u>
<b>Nonoperating Revenue:</b>		
Investment Income	<u>4,743</u>	<u>7,542</u>
Total Non-Operating Revenue	<u>4,743</u>	<u>7,542</u>
<b>Increase/(Decrease) in Net Assets</b>	<u>(16,792)</u>	<u>30,059</u>
<b>Net Assets at beginning of year</b>	<u>1,660,305</u>	<u>1,630,246</u>
<b>Net Assets at end of year</b>	<u>\$ 1,643,513</u>	<u>\$ 1,660,305</u>

**WOODBINE MUNICIPAL UTILITIES AUTHORITY**  
**( A component unit of the Borough of Woodbine)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED**

	<u>2012</u>	<u>2011</u>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 527,828	\$ 601,860
Cash paid to suppliers and employees	(503,867)	(509,771)
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	23,961	92,089
	<hr/>	<hr/>
<b>Cash Flows from Investing Activities:</b>		
Interest earned on investments	4,743	7,542
Transferred (to) Investments	(4,743)	(7,542)
	<hr/>	<hr/>
Net Cash Provided (Used) by Investing Activities	-	-
	<hr/>	<hr/>
<b>Cash Flows from Investment in Capital Assets</b>		
Purchase of Fixed Assets	(14,465)	-
	<hr/>	<hr/>
Net Cash (Used) by Investments in Capital Assets	(14,465)	-
	<hr/>	<hr/>
<b>Increase in cash and cash equivalents</b>	9,496	92,089
Cash and cash equivalents at beginning of year	211,782	119,693
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	\$ <u>221,278</u>	\$ <u>211,782</u>
	<hr/>	<hr/>
<b><u>Reconciliation to the Balance Sheet</u></b>		
Unrestricted Cash	221,278	211,782
	<hr/>	<hr/>
	\$ <u>221,278</u>	\$ <u>211,782</u>
	<hr/>	<hr/>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income(Loss)	\$ (21,535)	\$ 22,517
Adjustments:		
Depreciation	64,639	63,192
Change in Assets and Liabilities:		
(Increase)Decrease in Accounts Receivable	(16,744)	15,281
(Decrease) in Accounts Payable	857	(5,759)
(Decrease)Increase in Compensated Absence Payable	29	(848)
(Decrease) in Accrued Payroll Taxes	(3,285)	(2,294)
	<hr/>	<hr/>
<b>Net cash provided by (Applied to)operating activities</b>	\$ <u>23,961</u>	\$ <u>92,089</u>
	<hr/>	<hr/>

See Accompanying Notes to Financial Statements

WOODBINE MUNICIPAL UTILITIES AUTHORITY  
A COMPONENT UNIT OF THE BOROUGH OF WOODBINE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 and 2011

**Note 1: Organization**

The Woodbine Municipal Utility Authority was created to construct and operate a water system to serve the municipality of the Borough of Woodbine. The Authority is a component unit of the Borough of Woodbine. A Board of Directors oversees all operations of the Authority.

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 Authority's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Authority applies all Governmental Accounting Standard Board (GASB) pronouncements as well as financial accounting Standards Boards (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Reporting Entity**

The Authority's financial statements, include the accounts of all Authority operations. The Authority, as a component unit of the Borough of Woodbine, is financially accountable to the Borough. 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 Authority 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 Borough.

WOODBINE MUNICIPAL UTILITIES AUTHORITY  
A COMPONENT UNIT OF THE BOROUGH OF WOODBINE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 and 2011

**Note 2: Summary of Significant Accounting Policies (Continued)**

**Basis of Financial Statements (continued)**

The Authority has adopted GASB No. 1 through 66 and related interpretations issued through December 31, 2012. GASB Statement 34 and subsequent Statements and Interpretations require certain terminology, format and content, as well as inclusion of the management's discussion and analysis supplementary information.

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"; and "unrestricted" components.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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 budget is then submitted and approved by the State of New Jersey Division of Local Governmental Services. The operating budget adopted annually covers the general fund activity only. 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.

WOODBINE MUNICIPAL UTILITIES AUTHORITY  
A COMPONENT UNIT OF THE BOROUGH OF WOODBINE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 and 2011

**Note 2: Summary of Significant Accounting Policies (Continued)**

**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.

**Plant and Equipment**

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Plant and equipment in service and construction in progress are recorded at cost, if purchased or constructed and is depreciated. Also, 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 of life of plant and equipment, are expensed as incurred.

Infrastructure assets include roads, parking lots, underground pipe, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The Authority has included all infrastructure assets in the current fiscal year.

WOODBINE MUNICIPAL UTILITIES AUTHORITY  
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DECEMBER 31, 2012 and 2011

**Note 2: Summary of Significant Accounting Policies (Continued)**

Depreciation is determined on a straight-line basis for all infrastructure, plant and equipment. Depreciation expense for 2012 and 2011 was \$64,639 and \$63,192, respectively. Depreciation is provided over the following estimated useful lives:

Water systems	20 years
Operations Equipment	10 years
Furniture & Fixtures	7 years
Pump Equipment	5 years
Automobiles	5 years
Office Equipment	5 years

**Inventories of Supplies**

The cost of inventories of supplies are recorded as expenditures at the time the individual items are purchased.

**Revenues and Rate Structure**

Revenues from water 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, and capital outlay.

**Net Assets**

Net assets comprise the various net earnings from operating and non-operating revenues and expenses. Net assets are classified in the following three components: invested in capital assets, net of related liabilities; restricted for capital activity and debt service; and unrestricted net assets. Invested in capital assets, net of related debt, 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 net assets consist of all other net assets not included in the above categories.

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**Note 3: Investments**

As of December 31, 2012, the Authority has three certificates of deposit at First Bank of Sea Isle City in the amounts of \$308,355, \$224,226 and \$188,669 purchased respectively, December 29, 2012, December 29, 2012 and September 10, 2012. The interest rates are .49%. They will all mature within twelve months.

As of December 31, 2011, the Authority had three certificates of deposit at First Bank of Sea Isle City in the amounts of \$305,613, \$222,746 and \$187,693 purchased respectively, November 3, 2011, December 22, 2011 and June 15, 2011. The interest rates are .95%. They all matured within twelve months.

**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 investments to 397 days.

**Credit Risk:** New Jersey Statutes 40A:5-15.1(a) limits the Authority's investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: 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: Deposits**

**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 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2012 and 2011, \$0 of the Authority's bank balance of \$226,517 and \$213,859, respectively, was exposed to custodial credit risk.

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**Note 5: Compensated Absences Payable**

Authority employees are entitled to six paid sick days per year and are allowed to accumulate up to a maximum of thirty (30) days for sick time by carrying over unused sick days from year-to-year. Once the employee has accumulated a maximum of thirty (30) day’s sick time, then if the employee does not use any sick time during the calendar year, the Authority shall pay the employee for six (6) additional days at the end of each fiscal year. In the event that the employee terminates employment, the Authority will buy back all accumulated sick time up to a maximum of 30 days at the employee’s current wage rate. Vacation is earned depending on length of service, up to a maximum of 20 working days. Employees must use all vacation time in the calendar year in which it is granted. Vacation days not used may not be accumulated and carried forward unless otherwise permitted by the Board of Directors upon written request. In the event that an employee terminates employment with the Authority, the employee is not entitled to payment for any unused vacation time. The compensated absence payable is shown as a liability on the financial statements.

	<u>January 1</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31</u>
Compensated Absences	\$ 4,956	\$ 7,545	\$ (7,516)	\$ 4,985
Total Debt	<u>\$ 4,956</u>	<u>\$ 7,545</u>	<u>\$ (7,516)</u>	<u>\$ 4,985</u>

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WOODBINE MUNICIPAL UTILITIES AUTHORITY  
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**Note 6: Fixed Assets**

A summary of changes in fixed assets for the year ended December 31, 2012, follows:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance December 31</u>
Water System & Improv.	\$ 3,791,879			\$ 3,791,879
Vehicles	16,112			16,112
Equipment	119,935	14,465		134,400
	<u>3,927,926</u>	<u>14,465</u>	<u>-</u>	<u>3,942,391</u>
Accumulated Depreciation	<u>(3,209,974)</u>	<u>(64,639)</u>		<u>(3,274,613)</u>
Net Fixed Assets	<u>\$ 717,952</u>	<u>\$ (50,174)</u>	<u>\$ -</u>	<u>\$ 667,778</u>

A summary of changes in fixed assets for the year ended December 31, 2011, follows:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance December 31</u>
Water System & Improv.	\$ 3,791,879			\$ 3,791,879
Vehicles	16,112			16,112
Equipment	119,935			119,935
	<u>3,927,926</u>	<u>-</u>	<u>-</u>	<u>3,927,926</u>
Accumulated Depreciation	<u>(3,146,782)</u>	<u>(63,192)</u>		<u>(3,209,974)</u>
Net Fixed Assets	<u>\$ 781,144</u>	<u>\$ (63,192)</u>	<u>\$ -</u>	<u>\$ 717,952</u>

WOODBINE MUNICIPAL UTILITIES AUTHORITY  
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**Note 7: Pension Plan**

*Description of Plans*

Substantially all of the Authority's employees are covered by the Public Employees' Retirement System 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. 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 <http://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 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 14% of covered payroll. The Authority's contributions to PERS for the years ending December 31, 2012, 2011, and 2010 were \$12,238 \$10,354 and \$8,396 respectively, equal to the required contributions for each year.

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**Note 8: POST-RETIREMENT BENEFITS**

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 2007, the Authority authorized participation in the State Health Benefit Program and the Local Prescription Drug Program through resolution 8-2007. The Authority does not offer post-retirement benefits to retirees.

**Note 9: 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 10: Risk Management**

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

Property and Liability Insurance - The Authority maintains commercial insurance coverage for property, liability and surety bonds. There has been no significant decrease in insurance coverage and there have been no claims in excess of the coverage.

**Note 11: Net Assets**

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
<b>Invested in Capital Assets,</b>		
<b>Net of related Liabilities</b>	\$ 667,778	\$ 717,952
<b>Unrestricted</b>	<u>975,735</u>	<u>942,353</u>
<b>Total net assets</b>	<u>\$ 1,643,513</u>	<u>\$ 1,660,305</u>

WOODBINE MUNICIPAL UTILITIES AUTHORITY  
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**Note 12: Subsequent Event**

The Authority has evaluated subsequent events through February 15, 2013, the date which the financial statements were available to be issued and no items were noted for disclosure.

## **SUPPLEMENTARY INFORMATION**



**WOODBINE MUNICIPAL UTILITIES AUTHORITY**  
**( A component unit of the Borough of Woodbine)**  
**SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Final 2012 Budget	2012 Actual	Variance
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues			
User Fees	\$ 390,000	\$ 378,146	\$ (11,854)
Antenna Rental	145,000	156,076	11,076
Investment Income	-	4,743	4,743
Miscellaneous	<u>2,500</u>	<u>10,350</u>	<u>7,850</u>
Total Revenues	<u>537,500</u>	<u>549,315</u>	<u>11,815</u>
Operating Expenses:			
Administrative and General			
Personnel Services:			
Board Members	13,200	13,200	-
Employee Benefits and Insurance			
P.E.R.S., Social Security and Benefits	65,000	13,344	51,656
Administrative			
Professional Services	49,000	29,250	19,750
Insurance	12,000	8,858	3,142
Office Expenses	7,000	7,938	(938)
Educational Conferences	750	100	650
Surplus Transferred to Borough	0	120,000	(120,000)
Miscellaneous	<u>750</u>	<u>1,977</u>	<u>(1,227)</u>
Total General and Administrative	<u>\$ 147,700</u>	<u>\$ 194,667</u>	<u>\$ (46,967)</u>

**WOODBINE MUNICIPAL UTILITIES AUTHORITY**  
**( A component unit of the Borough of Woodbine)**  
**SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Final 2012 <u>Budget</u>	2012 <u>Actual</u>	<u>Variance</u>
Cost of Providing Services			
Personnel Services:			
Plant Operator	\$ 60,000	\$ 54,065	\$ 5,935
Other	40,000	37,238	2,762
Employee Benefits and Insurance			
P.E.R.S., Social Security and Benefits	80,000	75,251	4,749
Operating and Maintenance			
Engineer Fees	45,000	16,284	28,716
Contract Labor	4,000	3,000	1,000
Advertising Fees	1,500	497	1,003
Telephone	8,000	8,450	(450)
Permits and Fees	6,000	7,364	(1,364)
Meters and Pits	2,500	1,074	1,426
Chemicals	12,000	8,520	3,480
Lab Fees	3,000	1,659	1,341
Repairs & Maintenance	15,000	7,888	7,112
Water Main Repairs & Restoration	15,000	11,962	3,038
Truck Expense	2,500	3,306	(806)
Utilities	45,000	33,537	11,463
Real Estate Taxes	900		900
Taxes - NJ PWT	1,000		1,000
Miscellaneous Operating	1,000	1,988	(988)
Sewer Operations	27,400	34,718	(7,318)
Depreciation Expense		64,639	(64,639)
Total Cost of Providing Services	<u>369,800</u>	<u>371,440</u>	<u>(1,640)</u>
Total Operating Expenses	<u>517,500</u>	<u>566,107</u>	<u>(48,607)</u>
Capital Outlay	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total Expenses	<u>537,500</u>	<u>566,107</u>	<u>(28,607)</u>
Excess(deficit) of Revenues Over Expenditures	\$ <u>-</u>	\$ <u>(16,792)</u>	\$ <u>(16,792)</u>



# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report

The Chairman and Members of the  
Woodbine Municipal Utilities Authority  
Woodbine, 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 list in the table of contents of the Woodbine Municipal Utilities Authority, a component unit of the Borough of Woodbine, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the authority's basic financial statements, and have issued our report thereon dated February 15, 2013.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 the authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the authority's internal control.

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

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

we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **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, LLC*

Ford Scott & Associates, LLC

February 15, 2013

**Woodbine Municipal Utilities Authority  
(A Component Unit of the Borough of Woodbine)  
For the Year Ended December 31, 2012**

**Schedule of Findings and Responses**

**NONE**

**Status of Prior Year Findings and Reportable Conditions**

**NONE**