

Financial Report

of

The Township of Hillsborough Municipal Utilities Authority

For the Years Ended November 30, 2012 and 2011

Prepared By

The Township of Hillsborough Municipal Utilities Authority

Finance Department

**THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY**

I N D E X

**PAGE
NUMBER**

FINANCIAL SECTION

Independent Auditor's Report	1-2
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	3-4
Management Discussion and Analysis (Unaudited)	5-8

FINANCIAL STATEMENTS

EXHIBITS

"A" Statements of Net Assets - November 30, 2012 and 2011	9-10
"B" Statement of Revenue, Expenses and Changes in Net Assets - November 30, 2012 and 2011	11
"C" Statements of Cash Flows for the Years Ended November 30, 2012 and 2011	12
Notes to Financial Statements - November 30, 2012	13-30

SUPPLEMENTARY INFORMATION

SCHEDULES

"1" Schedule of Revenue, Expenses and Changes in Net Assets - Reserved and Unreserved - November 30, 2012	31
"2" Schedule of Cash Receipts and Disbursements for the Year Ended November 30, 2012	32
"3" Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget for the Year Ended November 30, 2012	33-34
"4" Schedule of Bonds Payable - November 30, 2012	35
"5" Schedule of Sewer Charges Receivable - November 30, 2012	36
"6" Schedule of Sewer Connection Charges Receivable - November 30, 2012	36
General Comments and Recommendations	37

FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Township of Hillsborough
Municipal Utilities Authority
220 Triangle Road - Suite 234
Hillsborough, New Jersey 08844

We have audited the accompanying statements of net assets of The Township of Hillsborough Municipal Utilities Authority at November 30, 2012 and 2011 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Township of Hillsborough Municipal Utilities Authority at November 30, 2012 and 2011 and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated January 29, 2013 on our consideration of The Township of Hillsborough Municipal Utilities Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

SUPLEE, CLOONEY & COMPANY

The Management Discussion and Analysis and the required supplementary information, as listed in the foregoing table of contents, respectively, are not a required part of the basic financial statements but are supplementary information required by the U.S. Generally Accepted Accounting Principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in the supplementary schedules is presented for purposes of additional analysis and is not a required part of the financial statements, but is presented as additional analytical data. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

January 29, 2013

A handwritten signature in black ink that reads "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.



SUPLEE, CLOONEY & COMPANY
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Township of Hillsborough
Municipal Utilities Authority
220 Triangle Road - Suite 234
Hillsborough, New Jersey 08844

We have audited the financial statements of The Township of Hillsborough Municipal Utilities Authority for the year ended November 30, 2012, and have issued our report thereon dated January 29, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

SUPLEE, CLOONEY & COMPANY

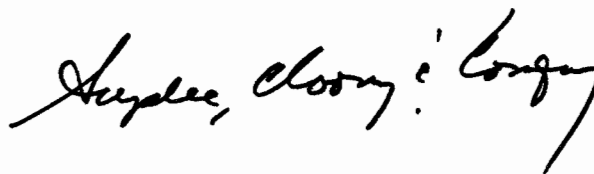
Our consideration of internal control over financial reporting was limited for the purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 and other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information of The Township of Hillsborough Municipal Utilities Authority and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

January 29, 2013



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MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

In this section of the annual report, management of The Township of Hillsborough Municipal Utilities Authority (the "Authority") presents a narrative discussion and analysis of the Authority's financial activities for the years ended November 30, 2012 and 2011. This section of the report should be read in conjunction with the Authority's audited financial statements and supplementary information for the years ended November 30, 2012 and 2011. The Authority's audited financial statements are presented in conformity with U.S. generally accepted accounting principles.

Audit Assurance

The unqualified opinion of our independent auditors, Suplee Clooney & Company is included in this report.

Financial Highlights

Total assets at year-end totaled \$16.5 million largely comprised of investments and fixed assets. Liabilities total \$2.6 million largely comprised of bonds payable financing the investments and fixed assets. Working capital balances are adequate to meet the operational needs of the Authority.

Operating Revenues totaled \$6.2 million while Operating Expenses totaled \$5.9 million. Operating Expenses increased \$209,707 or 4.0% from prior year expenses of \$5.7 million. Revenues are generated largely from sewer service charges and connection charges. Total operating revenues increased \$470,160 from the prior year.

Cash and Investments of \$5.5 million increased \$102 thousand or 2.0% from prior year's total of \$5.4 million.

Bonds Payable of \$2.4 million decreased \$441 thousand with the principal payments scheduled during the year.

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 supplementary 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 budget, 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. The financial statements include a Statement of Net Assets; a Statement of Revenues, Expenses and Changes to 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. This statement 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 is one indicator of whether the financial position of the Authority is improving or deteriorating.

While the Statement of Net Assets provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses and Changes to 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.

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.

Summary of Organization and Business

The Township of Hillsborough Municipal Utilities Authority is a public body politic and corporate, organized and existing under the County and Municipal Utility Authorities Law, constituting Chapter 183 of the P.L. of 1957 of the State of New Jersey approved August 22, 1957 and the acts amendatory thereof or supplemental thereto and was created by virtue of an ordinance of the Township Committee of the Township of Hillsborough in the County of Somerset, adopted on April 13, 1966.

The Authority was created for the purpose of providing sanitary sewer service to the Township of Hillsborough, New Jersey. The Authority currently maintains 166 miles of gravity sewer, 15 sewage pumping stations, and 14.6 miles of force main. The Authority has a service agreement with the Somerset-Raritan Valley Sewerage Authority for sanitary waste treatment.

Revenue is provided primarily from annual service charges collected from customers using the system and initial connection fees.

Financial Analysis

The following comparative condensed financial statements and other selected information serve as key financial data and indicators for management, monitoring and planning.

Condensed Financial Statements

Condensed Statement of Net Assets

	November 30,		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>			
Current Assets	\$ 5,931,878	\$ 5,777,935	\$ 5,781,896
Fixed Assets	10,600,498	11,010,858	11,514,579
Total Assets	<u>\$ 16,532,376</u>	<u>\$ 16,788,793</u>	<u>\$ 17,296,475</u>
<u>Liabilities</u>			
Current Liabilities	\$ 170,710	\$ 176,998	\$ 173,123
Bonds Payable	2,401,218	2,843,138	3,265,769
Total Liabilities	<u>2,571,928</u>	<u>3,020,136</u>	<u>3,438,892</u>
<u>Net Assets</u>			
Invested in Capital Assets	\$ 8,202,648	\$ 8,168,464	\$ 8,232,200
Restricted	5,614,945	5,503,515	5,474,015
Unrestricted	142,855	96,678	151,368
Total Net Assets	<u>13,960,448</u>	<u>13,768,657</u>	<u>13,857,583</u>
Total Liabilities and Net Assets	<u>\$ 16,532,376</u>	<u>\$ 16,788,793</u>	<u>\$ 17,296,475</u>

Condensed Statement of Revenue, Expenses, and Changes in Net Assets

	November 30,		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Revenues	\$ 6,230,058	\$ 5,759,898	\$ 5,763,938
Operating Expenses	5,940,356	5,730,649	5,315,342
Operating Income	<u>\$ 289,702</u>	<u>\$ 29,249</u>	<u>\$ 448,596</u>
Non Operating Revenues (Expenses)	<u>(97,911)</u>	<u>(118,176)</u>	<u>\$ (120,896)</u>
Change in Net Assets	\$ 191,791	\$ (88,927)	\$ 327,700
Net Assets, Beginning of Year	<u>13,768,657</u>	<u>13,857,583</u>	<u>\$ 13,529,883</u>
Net Assets, End of Year	<u>\$ 13,960,448</u>	<u>\$ 13,768,657</u>	<u>\$ 13,857,583</u>

Bonds Payable

The Authority issued bonds for the purpose of paying construction costs relating to the Authority's collection system. A summary of the Bonds Payable activity for the year is as follows:

Bonds Payable at November 30, 2011	\$2,843,138
Principal Payments on Bonds	<u>\$441,920</u>
Bonds Payable at November 30, 2012	<u>\$2,401,218</u>

Contacting the Authority's Management

Any questions about the Authority's report or if additional information is needed, please contact the Executive Director of The Township of Hillsborough Municipal Utilities Authority, 220 Triangle Road, Suite 234, Hillsborough, New Jersey 08844.

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FINANCIAL STATEMENTS

MUNICIPAL UTILITIES AUTHORITY
THE TOWNSHIP OF HILLSBOROUGH

STATEMENTS OF NET ASSETS
NOVEMBER 30, 2012 AND 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Restricted Assets:		
Revenue Account:		
Cash	\$ 1,390,043.81	\$ 937,679.04
Investments	546,610.43	726,219.63
Accounts Receivable:		
Sewer Charges	312,003.53	332,116.69
Connection Charges	125,408.09	53,636.69
	<u>\$ 437,411.62</u>	<u>\$ 385,753.38</u>
Less: Allowance for Doubtful Accounts	5,000.00	5,000.00
	<u>\$ 432,411.62</u>	<u>\$ 380,753.38</u>
General Account:		
Cash	\$ 13,464.66	\$ 29,845.14
Investments	2,332,569.17	2,490,121.68
Construction Account:		
Cash	456.96	456.48
Investments	2,911.04	287.57
Bond Service Account:		
Investments	517,039.03	503,960.31
Bond Reserve Account:		
Investments	557,391.94	559,957.57
Renewal and Replacement Account:		
Investments	100,000.00	100,000.00
Inspection Trust Account:		
Cash	38,978.97	48,653.74
	<u>\$ 5,931,877.63</u>	<u>\$ 5,777,934.54</u>
<u>TOTAL RESTRICTED ASSETS</u>		
Fixed Assets:		
Collection System	\$ 22,818,274.66	\$ 22,678,852.75
Facilities	1,468,652.27	1,468,652.27
Equipment	1,700,205.43	1,647,443.50
	<u>\$ 25,987,132.36</u>	<u>\$ 25,794,948.52</u>
Less: Accumulated Depreciation	15,386,634.18	14,784,090.80
	<u>\$ 10,600,498.18</u>	<u>\$ 11,010,857.72</u>
<u>NET FIXED ASSETS</u>		
<u>TOTAL ASSETS</u>	<u>\$ 16,532,375.81</u>	<u>\$ 16,788,792.26</u>

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

MUNICIPAL UTILITIES AUTHORITY
THE TOWNSHIP OF HILLSBOROUGH

STATEMENTS OF NET ASSETS
NOVEMBER 30, 2012 AND 2011

<u>LIABILITIES AND NET ASSETS</u>	<u>2012</u>	<u>2011</u>
Current Liabilities Payable From Restricted Assets:		
Accounts Payable	\$ 46,575.18	\$ 33,683.51
Payroll Deductions Payable	4,657.27	3,887.41
Overpayments-Service Charges	13,242.09	12,925.00
Miscellaneous Deposits	39,114.82	49,685.34
Accrued Vacation and Sick Pay	58,333.23	66,476.19
Accrued Interest Payable	8,787.28	10,340.04
Revenue Bonds Payable-Current Portion	<u>461,127.66</u>	<u>441,919.44</u>
<u>TOTAL CURRENT LIABILITIES</u>	<u>\$ 631,837.53</u>	<u>\$ 618,916.93</u>
Revenue Bonds Payable-Long Term Portion	<u>\$ 1,940,090.50</u>	<u>\$ 2,401,218.16</u>
<u>TOTAL LIABILITIES</u>	<u>\$ 2,571,928.03</u>	<u>\$ 3,020,135.09</u>
Net Assets Reserve for:		
Invested in Capital Assets, net of Related Liabilities	\$ 8,202,648.02	\$ 8,168,464.17
Operating Cost	1,348,921.25	1,398,442.25
Debt Service	1,074,430.97	1,063,917.88
Renewal and Replacement	100,000.00	100,000.00
System Replacement	1,216,169.95	991,169.95
Capital Improvements	956,084.26	1,142,663.28
Rate Stabilization	919,338.37	807,321.15
Unrestricted Net Assets	<u>142,854.96</u>	<u>96,678.49</u>
<u>TOTAL NET ASSETS</u>	<u>\$ 13,960,447.78</u>	<u>\$ 13,768,657.17</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 16,532,375.81</u>	<u>\$ 16,788,792.26</u>

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

MUNICIPAL UTILITIES AUTHORITY
THE TOWNSHIP OF HILLSBOROUGH

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
NOVEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Operating Revenue:		
Sewer Service Charges	\$ 5,358,547.38	\$ 5,280,022.43
Connection Charges	787,606.00	384,472.00
Inspection Fees	29,660.00	36,777.50
Plan Review Fees	1,611.75	8,653.50
Other	2,895.32	2,490.10
Interest on Delinquent Accounts	49,737.77	47,482.12
<u>Total Operating Revenues</u>	<u>\$ 6,230,058.22</u>	<u>\$ 5,759,897.65</u>
Operating Expenses:		
Operating Costs	\$ 1,950,599.06	\$ 1,984,801.85
Sewerage Treatment	3,387,213.82	3,112,752.83
Depreciation Expense	602,543.38	633,094.04
<u>Total Operating Expenses</u>	<u>\$ 5,940,356.26</u>	<u>\$ 5,730,648.72</u>
<u>Operating Income</u>	\$ 289,701.96	\$ 29,248.93
Non-Operating Revenue (Expense):		
Interest Income	\$ 7,156.92	\$ 11,728.88
Interest Expense	(113,211.23)	(131,362.17)
Other	8,142.96	1,458.14
	<u>\$ (97,911.35)</u>	<u>\$ (118,175.15)</u>
<u>Change in Net Assets</u>	\$ 191,790.61	\$ (88,926.22)
Net Assets, Beginning of Year	<u>13,768,657.17</u>	<u>13,857,583.39</u>
Net Assets, End of Year	<u>\$ 13,960,447.78</u>	<u>\$ 13,768,657.17</u>

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

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from Sewer Service Charges	\$ 5,365,893.18	\$ 5,202,748.98
Receipts from Connection Charges	715,834.60	390,933.76
Miscellaneous Receipts	85,022.43	143,325.62
Payments to Suppliers	(4,383,375.89)	(4,126,127.13)
Payments to Employees	(940,933.88)	(980,110.84)
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 842,440.44</u>	<u>\$ 630,770.39</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition of Capital Assets	\$ (192,183.04)	\$ (153,841.80)
Principal Payments on Long-Term Debt	(441,919.44)	(422,631.17)
Interest Paid on Bonds	(114,763.99)	(132,818.49)
<u>Net Cash Used by Capital and Related Financing Activities</u>	<u>\$ (748,866.47)</u>	<u>\$ (709,291.46)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest Received	\$ 7,156.92	\$ 11,728.88
Sale/(Purchase) of Investments	317,436.15	243,122.73
Other Receipts	8,142.96	1,458.14
<u>Net Cash Provided(Used) by Investing Activities</u>	<u>\$ 332,736.03</u>	<u>\$ 256,309.75</u>
Net Increase(Decrease) in Cash and Cash Equivalents	\$ 426,310.00	\$ 177,788.68
Cash and Cash Equivalents, Beginning of Year	<u>1,016,634.40</u>	<u>838,845.72</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,442,944.40</u>	<u>\$ 1,016,634.40</u>
<u>Reconciliation of Operating Income to Net Cash Provided</u>		
by Operating Activities:		
Net Income (Loss) From Operations	\$ 289,701.96	\$ 29,248.93
Add Expenses Not Using Working Capital:		
Depreciation	602,543.38	633,094.04
Add (Deduct) Changes in Non-Cash Working Capital:		
Accounts Receivable	(51,658.24)	(61,372.49)
Accounts Payable	12,891.67	(8,575.37)
Payroll Deductions Payable	769.86	(107.92)
Overpayments-Service Charges	317.09	4,715.05
Miscellaneous Deposits	(10,572.52)	35,226.29
Accrued Vacation and Sick Pay	(1,552.76)	(1,458.14)
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 842,440.44</u>	<u>\$ 630,770.39</u>

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

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012 AND 2011

(1) GENERAL

The Township of Hillsborough Municipal Utilities Authority is a public body politic and corporate, organized and existing under the County and Municipal Utility Authorities Law, constituting Chapter 183 of the P.L. of 1957 of the State of New Jersey approved August 22, 1957 and the acts amendatory thereof or supplemental thereto and was created by virtue of an ordinance of the Township Committee of the Township of Hillsborough in the County of Somerset, adopted on April 13, 1966.

The Authority was created for the purpose of providing sanitary sewer service to the Township of Hillsborough, New Jersey. The Authority currently maintains 166 miles of gravity sewer, 15 sewage pumping stations, and 14.6 miles of force main. The Authority has a service agreement with the Somerset-Raritan Valley Sewerage Authority for sanitary waste treatment.

Revenue is provided primarily from annual service charges collected from customers using the system and initial connection fees.

The service contract with the Township dated September 1, 1966 requires that service charges be sufficient to provide in each fiscal year all operating, maintenance, debt service and reserve requirements necessary to operate the system.

The service agreement further provides that the Authority will charge the Township and the Township will pay to the Authority annual charges sufficient to cover in each fiscal year any short-fall in meeting the expenses of the System (including operation and maintenance, debt service, deficits resulting from failure to receive sums due to the Authority from others, and such reserves or sinking funds as may be required or deemed desirable) out of the funds and revenues of the Authority (including service charges bond proceeds, insurance proceeds, investments proceeds, contributions and reserves on hand).

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the GASB's accounting policies are described below.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012 AND 2011

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity

The Authority's financial statements include the operations of the wastewater collection system for which the Board Members of the Authority exercise financial accountability. The Board members are appointed to five-year terms by the Township of Hillsborough. There are no additional entities required to be included in the reporting entity and the Authority is not included in any other reporting entity.

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis and in accordance with generally accepted accounting principles applicable to enterprise funds of state and local governments. An Enterprise Fund is used to account for operations: (i) that are financed primarily through user charges, or (ii) where the governing body has decided that determination of net income is appropriate.

The Authority's reports are based on all applicable Government Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and interpretations, Accounting Principles, Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Where applicable, certain prior year amounts have been reclassified to conform to current year presentation.

Cash Equivalents

Cash equivalents are stated at cost, which approximates market. Cash equivalents include cash in banks and certificates of deposit with original maturities of less than three months.

Investments

Investments are stated at fair value.

Accounts Receivable

The Authority has set up an allowance for doubtful accounts of \$5,000 for receivables that may be uncollectible. The Authority considers all other accounts receivable to be fully collectible. If amounts become uncollectible, they will be charged to operations when that determination is made.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012 AND 2011

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Fixed assets are stated at cost which includes direct construction costs and other expenditures related to construction. Depreciation is determined on a straight-line basis, for all plant and equipment. Depreciation is provided for over the following estimated useful lives:

Collection System	20-40 years
Facilities	30 years
Machinery and Equipment	10-20 years
Computer Equipment	3-5 years
Furniture and Fixtures	10 years
Vehicles	5 years

Details of fixed assets as of November 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Collection System	\$22,818,274.66	\$22,678,852.75
Facilities	1,468,652.27	1,468,652.27
Equipment	<u>1,700,205.43</u>	<u>1,647,443.50</u>
	\$25,987,132.36	\$25,794,948.52
Less: Accumulated Depreciation	<u>15,386,634.18</u>	<u>14,784,090.80</u>
Net Fixed Assets	<u>\$10,600,498.18</u>	<u>\$11,010,857.72</u>

Management has elected not to include depreciation expense in the service charge rate structure.

Inventory

Inventory of spare parts and supplies is recorded as an expense when purchased and accordingly, is not included in the statements of net assets.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012 AND 2011

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Vacation and Sick Leave

Authority employees are granted vacation in varying amounts and earn certain sick leave time. In the event of termination, an employee is reimbursed for accumulated vacation days. All employees are eligible for the reimbursement of accumulated sick leave which is capped. Accumulated unpaid vacation and sick leave is accrued when incurred.

Income Taxes

No provision for income taxes has been made as the Authority is exempt from Federal and State income taxes.

Use of Estimates

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

Net Assets

Net assets represent the difference between assets and liabilities and are classified into three categories:

Invested in Capital Assets, Net of Related Debt – This reflects the net assets of the Authority that are invested in capital assets, net of related debt. This indicates that these net assets are not accessible for other purposes.

Restricted Net Assets – This represents the net assets that are not accessible for general use because their use is subject to restrictions enforceable by third parties.

Unrestricted Net Assets – This represents those net assets that are available for general use.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012 AND 2011

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

In accordance with the General Bond Resolution adopted April 26, 1983, and as amended and supplemented, including supplemental resolutions for the purpose of bond issuance, the Authority has established various cash and investment accounts with the Trustee. In addition, the resolutions provide restrictions on the use of these accounts.

1. Revenue Account

The Revenue Account is established by the Bond resolution to receive all revenues due to the Authority. Periodic withdrawals are made from the Revenue Account to each of the related accounts to provide the financial resources necessary for the other accounts to carry out their required activities. The Revenue Account is under the direct control of the Trustee for the Bondholders.

2. General Account

The General Account is established to:

- A. Provide a source of cash that could be used to increase the amount in the Bond Reserve Account so that it equals the Bond Service Account requirement.
- B. Make up deficiencies in the Bond Reserve Account and Sinking Fund Account.
- C. To permit the Authority to transfer cash to the Revenue Account or withdraw cash for any other lawful purpose.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012 AND 2011

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets (Continued)

3. Construction Account

The Construction Account has been established to receive and disburse cash for a construction project, or projects, undertaken by the Authority. The Trustee will credit the Construction Account with cash received from the Federal Government, State Grants, proceeds from sale of bonds, insurance proceeds and cash made available by the Authority. Cash may be withdrawn by a requisition certified by the consulting engineer's certificate as to the need, receipt or performance of the items indicated in the requisition. Upon completion of the construction project, any excesses shall be transferred to:

- A. Bond Reserve Account to the extent as shall not cause the amount in the Bond Reserve Account to exceed the Bond Reserve Requirements.
- B. Renewal and Replacement Account, to the extent if any, needed to increase the amount in the Renewal and Replacement Accounts so that is equals the System Reserve Requirement.
- C. The General Account to the extent of any remaining balance of such monies.

4. Bond Service Account

The Bond Service Account is established to pay the principal and interest to the bondholders as such obligations become due. The Bond Resolution requires that the Trustee withdraw from the Revenue Account and deposit into the Bond Service Account the principal and interest requirements for the current year.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012 AND 2011

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets (Continued)

5. Bond Reserve Account

The Bond Reserve Account is established to provide additional security to the Bondholders. This account is required to have a balance of the sum equal to the maximum annual Debt Service. In the event that the amount of the Bond Reserve Account balance exceeds the required annual Debt Service and, if the amount in the Invested Sinking Fund Account equals or exceeds the aggregate amount of all Sinking Fund installments, the Trustee shall withdraw from the Bond Reserve Account the amount of any excess and at the option of the Authority, apply the excess to the redemption of bonds or transfer such excess to the Construction Account.

6. Revolving Account for Operating Expenses

The Trustee shall pay from the Revenue Account to the Authority, upon its requisitions thereof, at one time or from time to time, a sum or sums aggregating not more than \$125,000.00, exclusive of and in addition to reimbursements as hereinafter in this section authorized, such sums and such reimbursements to be used by the Authority as a revolving account for the payment, in accordance with the applicable Annual Budget of Operating Expenses. Such revolving account shall be reimbursed by the Trustee from time to time for such operating expense so paid, by payments from the Revenue Account upon requisitions of the Authority accompanied by its certificate specifying the payee and the amount and the particular purpose of each payment from such revolving account for which such reimbursement is requested and certifying that each such payment was necessary for the operation, maintenance or repair of the system and was for an item of operating expenses which was provided for within the Annual Budget then applicable. In making such reimbursements, the Trustee may rely upon such requisitions and accompanying certificates.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012 AND 2011

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets (Continued)

7. Renewal and Replacement Account

This account shall be used for:

- a. Payments to the Bond Reserve Account if the amount in the account is less than the requirements.
- b. Major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals.

In addition to the above, the Authority has also established the following Restricted Accounts:

1. Inspection Trust Account deposits received from customers to assure payment of fees relative to connection inspections.

2. System Replacement Account:

This account is reserved for improvements and replacements of the system.

3. Capital Improvement:

This account is reserved for capital improvement.

4. Rate Stabilization:

This account is established as a reserve to fund future rate changes.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012 AND 2011

(3) BUDGETARY PROCEDURES

The Authority follows these procedures in establishing the Operating Fund budget:

The annual budget for each fiscal year of the Authority is introduced by resolution passed by not less than a majority of the governing body. Copies are submitted to the Director of the Division of Local Government Services Director prior to the beginning of the Authority's fiscal year for approval prior to its adoption.

The budget must comply with the terms and provisions of any security agreements, and is to be in such form and detail as to items of revenue, expenses and other contents as required by law or by rules and regulations of the Local Finance Board.

No authority budget can be finally adopted until the Director has approved the budget.

Public hearings are conducted to obtain citizen comments on the proposed budget.

Operating expense appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

The level at which expenditures cannot exceed the budget is at the total budget level.

The budget may be increased after adoption when an item of revenue has been made available after the adoption date.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012 AND 2011

(4) CASH AND CASH EQUIVALENTS

As of November 30, 2012 and 2011, cash and cash equivalents of the Authority consisted of the following:

	<u>2012</u>	<u>2011</u>
Checking and Money Market Accounts	<u>\$1,442,944.40</u>	<u>\$1,016,634.40</u>

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund (SAIF), or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes permit the deposit of public funds only in banks which meet the requirements of the Governmental Unit Deposit Protection Act or the State of New Jersey Cash Management Fund. This Act, commonly referred to as "GUDPA", requires that banks which accept public funds to be a public depository. The statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits.

The Authority does not have a policy for either credit risk or custodial credit risk. However, it is the Authority's policy only to invest with banks that are approved by the board.

The Authority does not have a policy to limit interest rate risk. Investments consist of U.S. government agency obligations.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012 AND 2011

(5) INVESTMENTS

The Authority's investments include restricted and unrestricted investments which are held by a bank or bank trust department in the Authority's name. Restricted and Unrestricted investments are summarized as follows:

<u>RESTRICTED INVESTMENTS</u>	<u>CARRYING AMOUNT</u>	<u>FAIR VALUE</u>
November 30, 2012:		
Federated Money Market Treasury Obligations	<u>\$4,056,521.61</u>	<u>\$4,056,521.61</u>
November 30, 2011:		
Federated Money Market Treasury Obligations	<u>\$4,380,546.76</u>	<u>\$4,380,546.76</u>

Cost of Investments approximates Fair Value due to the short-term nature of the investments.

(6) CHANGES IN FIXED ASSETS

The following is a summary of the changes in fixed assets for the period ending November 30, 2012:

	<u>BALANCE NOVEMBER 30, 2011</u>	<u>ADDITIONS</u>	<u>BALANCE NOVEMBER 30, 2012</u>
Collection System	\$22,678,852.75	\$139,421.91	\$22,818,274.66
Facilities	1,468,652.27		1,468,652.27
Equipment	<u>1,647,443.50</u>	<u>52,761.93</u>	<u>1,700,205.43</u>
	<u>\$25,794,948.52</u>	<u>\$192,183.84</u>	<u>\$25,987,132.36</u>

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012 AND 2011

(7) BONDS PAYABLE

The indebtedness of the Authority and its operations are pursuant to the general bond resolution adopted April 26, 1983, as amended and supplemented, including supplemental resolutions.

For the purpose of paying construction costs relating to the Authority's collection system, the Authority has issued the following bonds:

1. 1983 Revenue Bonds - Series A, \$5,000,000.00
As of November 30, 2011, none of these bonds were outstanding.
2. Revenue Bonds - Series 1986, \$4,000,000.00
As of November 30, 2011, none of these bonds were outstanding.
3. Revenue Bonds - Series 1995, \$3,000,000.00
As of November 30, 2011, none of these bonds were outstanding.

For the purpose of reducing interest expense, the Authority on March 24, 1987 advance refunded \$3,835,000.00 of the 1983 Revenue Bonds - Series A by issuing \$4,665,000.00 of Revenue Bonds - Series 1987. The proceeds of the new issue were used to pay issuance costs and to purchase U.S. Treasury, State and Local Government Securities. These securities were placed in an Irrevocable Escrow Fund managed by a trustee. The principal and interest earned on these securities will be sufficient to pay, when due, principal and interest on the 1983 Revenue Bonds - Series A.

Since the 1983 Revenue Bonds - Series A are fully secured by the escrowed securities, they are not regarded as direct obligations of the Authority.

For the purpose of reducing interest expense, the Authority on February 10, 1993, advance refunded \$540,000.00 1983 Revenue Bonds, Series A, and \$3,490,000.00 Revenue Bonds, Series 1986 by issuing \$4,465,000.00 Revenue Refunding Bonds, Series 1993. The proceeds of the new issue were used to pay issuance costs and to purchase U.S. Treasury, State and Local Government Securities. These securities were placed in an Irrevocable Escrow Fund managed by a trustee. The principal and interest earned on these securities will be sufficient to pay, when due, principal and interest on \$540,000.00 1983 Revenue Bonds, Series A and \$3,490,000.00 Revenue Bonds, Series 1986.

Since said bonds are fully secured by the escrowed securities, they are not regarded as direct obligations of the Authority.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012 AND 2011

(7) BONDS PAYABLE (CONTINUED)

For the purpose of reducing interest expense, the Authority on July 10, 1997 advanced refunded \$4,185,000.00 of the Revenue Bonds-Series 1987 by issuing \$4,300,000.00 of Revenue Refunding Bonds - Series 1997. The proceeds of the new issue were used to pay issuance costs and to purchase U.S. Treasury, State and Local Government Securities. These securities were placed in an Irrevocable Escrow Fund managed by a trustee. The principal and interest earned on these securities will be sufficient to pay, when due, principal and interest on the Revenue Bonds - Series 1987.

Since the Revenue Bonds - Series 1987 are fully secured by the escrowed securities, they are not regarded as direct obligations of the Authority.

As of November 30, 2012, none of the Revenue Refunding Bonds - Series 1997 was outstanding.

For the purpose of reducing interest expense, the Authority on April 17, 2002, advance refunded \$3,120,000.00 Revenue Refunding Bonds - Series 1993, by issuing \$3,300,000.00 Revenue Refunding Bonds - Series 2003. The proceeds of the new issue were used to pay issuance cost and to purchase U.S. Treasury, State and Local Government Securities. These securities were placed in an irrevocable escrow fund managed by a trustee. The principal and interest earned on these securities will be sufficient to pay, when due, principal and interest on the Revenue Refund Bonds - Series 1993.

Since the Revenue Refunding Bonds - Series 1993 are fully secured by the escrowed securities, they are not regarded as direct obligations of the Authority.

As of November 30, 2012, \$950,000.00 of the Revenue Refunding Bonds - Series 2002 was outstanding.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012 AND 2011

(7) BONDS PAYABLE (CONTINUED)

For the purpose of reducing interest expense, the Authority on October 4, 2006 advance refunded \$2,115,000.00 Revenue Refunding Bonds – Series 1995 by issuing \$2,147,175.98 Revenue Refunding Bonds – Series 2006. The proceeds of the new issue were used to pay issuance costs and to purchase U.S. Treasury, State and Local Government Securities. These securities were placed in an irrevocable escrow fund managed by a trustee. The principal and interest earned on these securities will be sufficient to pay, when due, principal and interest on the Revenue Refund Bonds – Series 1995.

Since the Revenue Refunding Bonds – Series 1995 are fully secured by the escrowed securities; they are not regarded as direct obligations of the Authority.

As of November 30, 2012, \$1,451,218.16 of the Revenue Refunding Bonds – Series 2006 was outstanding.

The following schedule sets forth the principal payment requirement for the next four years:

2013	\$ 461,127.66
2014	475,203.51
2015	499,189.97
2016	178,034.33
2017	186,730.34
2018 – 2020	<u>600,932.35</u>
	<u>\$2,401,218.16</u>

(8) ACCRUED VACATION AND SICK LEAVE

Certain employees are permitted to accrue unused vacation and sick leave. The Authority estimates its liability for such accrued time at November 30, 2012 and 2011 to be as follows:

	<u>2012</u>	<u>2011</u>
Vacation Pay	\$ 8,069.64	\$ 8,777.52
Sick Pay	<u>50,263.59</u>	<u>57,698.67</u>
	<u>\$58,333.23</u>	<u>\$66,476.19</u>

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012 AND 2011

(9) PENSION AND RETIREMENT PLAN

All employees participate in the Public Employees' Retirement System (PERS). The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the funds and charges the Authority annually for its respective contributions. The plan does not maintain separate records for each Authority in the State and, therefore, the actuarial data for the Authority is not available.

The plans provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The plans are cost sharing multiple-employer defined benefit plans and as such do not maintain separate records for each Authority in the state and, therefore, the actual data for the Authority is not available. The division of pensions issues publicly available financial reports for each of the plans that include financial statements and required supplementary information. The reports may be obtained by writing the State of New Jersey, Division of Pensions.

Covered employees are required by State Statute to contribute a certain percentage of their salary to the plan. In addition, the PERS may bill the Authority annually at an actuarially determinable rate for its required contribution. The current employee rate is 6.64% of base salary.

The contribution requirements of plan members and the Authority are established and may be amended by the PERS Board of Trustees. The Authority was required to contribute \$110,990.00 to the plan for the year ended November 30, 2012 and \$102,002.00 for the year ended November 30, 2011.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012 AND 2011

(10) POST-RETIREMENT HEALTH BENEFITS

The Authority provides post-retirement health benefits to all employees who retire with 25 years or more of service. There are currently six (6) retirees who meet this requirement and are receiving benefits. In addition, there are five (5) employees who are eligible upon their retirement.

Plan Description. The Authority contributes to the State Health Benefits Program (SHBP) a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents. 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. 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 State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions>.

Funding Policy. Contributions to pay for the health premiums of participating employees in the SHBP are billed to the Authority on a monthly basis. Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. The Authority's contributions to SHBP for the years ended November 30, 2012 and 2011 were \$40,978 and \$31,340, respectively, which equaled the required contributions for each year.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012 AND 2011

(11) INSURANCE

The Authority is a member of the New Jersey Utility Authorities Joint Insurance Fund (JIF).

The Fund was created on September 15, 1991, in accordance with P.L. 1983, C. 372, entitled "An act concerning joint insurance funds for local units of government, and supplementing Chapter 10 of "Title 40A of the New Jersey statues." The Fund is both an insured and self-administered group of utility authorities established for the purpose of providing low cost insurance coverage and safety programs for the member utility authorities in order to keep insurance premiums, claims and administrative costs at a minimum.

The following coverage's are offered by the Fund to its members:

- a. Worker's Compensation and Employer's Liability
- b. Liability other than Motor Vehicles
- c. Property Damage other than Motor Vehicles
- d. Motor Vehicle
- e. Environmental Liability
- f. Public Officials
- g. Employment Practices Liability

The Joint Insurance Fund is also a member of The Municipal Excess Liability Joint Insurance Fund which provides excess coverage.

A participating utility authority must remain in the Fund for the full term of membership unless earlier terminated by a majority vote of the Fund Commissioners or a two-thirds vote of the Executive Committee for non-payment of assessments or continued non-compliance after written notice to comply with the by-laws or other obligations. Termination may occur only after proper notice has been given, in accordance with the Fund's by-laws.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2012 AND 2011

(12) DEVELOPERS' DEPOSITS

The balances for deposits received from developers for tie-in charges, application review costs, performance guarantees and inspection fees at November 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Revenue Fund:		
Application Review Costs	\$ 135.85	\$ 1,031.60
Inspection Trust Account	<u>38,978.97</u>	<u>48,653.74</u>
	<u>\$39,114.82</u>	<u>\$49,685.34</u>

(13) SUBSEQUENT EVENTS

The Township of Hillsborough Municipal Utilities Authority has evaluated subsequent events occurring after the financial statement date through January 29, 2013, which is the date the financial statements were available to be issued. Based on this evaluation, the Township of Hillsborough Municipal Utilities Authority has determined that no subsequent events have occurred which require disclosure in the financial statements.

(14) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES

The Authority attorney's letter to the auditor did not indicate any matters of substantial liability to the Authority connected with any legal suits or contractual obligation litigation in which the Authority is a defendant.

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SUPPLEMENTARY INFORMATION

THE TOWNSHIP OF HILLSBOROUGH MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF REVENUE, EXPENSES AND CHANGES
IN NET ASSETS - RESERVED AND UNRESERVED
NOVEMBER 30, 2012

	UNRESERVED	SYSTEM REPLACEMENT	OPERATING COST	DEBT SERVICE	RENEWAL AND REPLACEMENT	CAPITAL IMPROVEMENTS	RATE STABILIZATION	TOTAL
Operating Revenues:								
Sewer Service Charges	\$ 5,358,547.38							\$ 5,358,547.38
Connection Charges	787,606.00							787,606.00
Inspection Fees	29,660.00							29,660.00
Plan Review Fees	1,611.75							1,611.75
Other	2,895.32							2,895.32
Interest on Delinquent Accounts	49,737.77							49,737.77
Total Operating Revenues	\$ 6,230,058.22							\$ 6,230,058.22
Operating Expenses:								
Operating Costs	\$ 1,950,599.06							\$ 1,950,599.06
Sewerage Treatment	3,387,213.82							3,387,213.82
Depreciation Expense	602,543.38							602,543.38
Total Operating Expenses	\$ 5,940,356.26							\$ 5,940,356.26
Operating Income	\$ 289,701.96							\$ 289,701.96
Non-Operating Revenue (Expense):								
Interest Income	\$ 7,051.14			\$ 96.31	\$ 9.47			\$ 7,156.92
Interest Expense	(113,211.23)							(113,211.23)
Other	8,142.96							8,142.96
Net Income (Loss) Before Transfers	\$ (98,017.13)			\$ 96.31	\$ 9.47			\$ (97,911.35)
Transfers:								
Interest Income Interfunds	67.31			(57.84)	(9.47)			
	(111,391.82)	225,000.00	\$ (49,521.00)	10,474.62		\$ (186,579.02)	\$ 112,017.22	
Increase (Decrease) in Net Assets	\$ 80,360.32	\$ 225,000.00	\$ (49,521.00)	\$ 10,513.09	\$ -	\$ (186,579.02)	\$ 112,017.22	\$ 191,790.61
Net Assets, Beginning of Year	8,265,142.66	991,169.95	1,398,442.25	1,063,917.88	100,000.00	1,142,663.28	807,321.15	13,768,657.17
Net Assets, End of Year	\$ 8,345,502.98	\$ 1,216,169.95	\$ 1,348,921.25	\$ 1,074,430.97	\$ 100,000.00	\$ 956,084.26	\$ 919,338.37	\$ 13,960,447.78

THE TOWNSHIP OF HILLSBOROUGH MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2012

	TOTAL	REVENUE ACCOUNT	GENERAL ACCOUNT	CONSTRUCTION ACCOUNT	BOND SERVICE ACCOUNT	BOND RESERVE ACCOUNT	RENEWAL AND REPLACEMENT ACCOUNT	INSPECTION TRUST ACCOUNT
Balance, December 1, 2011	\$ 5,397,181.16	\$ 1,663,898.67	\$ 2,519,966.82	\$ 744.05	\$ 503,960.31	\$ 559,957.57	\$ 100,000.00	\$ 48,653.74
Increased by:								
Sewer Service Charges	\$ 5,365,893.18	\$ 5,365,893.18	\$	\$	\$	\$	\$	\$
Sewer Connection Charges	715,834.60	715,834.60						
Interest on Investments	7,182.15	1,455.31	5,595.35	0.48	38.47	57.84	9.47	25.23
Interest on Delinquent Accounts	49,738.55	49,738.55						
Service Charges Overpaid	13,242.09	13,242.09						
Inspection Fees	29,660.00	29,660.00						
Developers Deposits	42,176.00	716.00						41,460.00
Miscellaneous	2,895.32	2,895.32						
Interfunds	585,002.65		12,655.50	2,623.47	569,723.68			
	<u>\$ 6,811,624.54</u>	<u>\$ 6,179,435.05</u>	<u>\$ 18,250.85</u>	<u>\$ 2,623.95</u>	<u>\$ 569,762.15</u>	<u>\$ 57.84</u>	<u>\$ 9.47</u>	<u>\$ 41,485.23</u>
Total	\$ 12,208,805.70	\$ 7,843,333.72	\$ 2,538,217.67	\$ 3,368.00	\$ 1,073,722.46	\$ 560,015.41	\$ 100,009.47	\$ 90,138.97
Decreased by:								
Accounts Payable	\$ 33,683.51	\$ 33,683.51	\$	\$	\$	\$	\$	\$
Operating Expenses	5,290,626.26	5,290,626.26						
Interest on Bonds	114,763.99				114,763.99			
Sewerage System Costs	192,183.84		192,183.84					
Bonds Redeemed	441,919.44				441,919.44			
Inspection Costs	51,160.00							51,160.00
Interfunds	585,002.65	582,369.71				2,623.47	9.47	
Total	<u>\$ 6,709,339.69</u>	<u>\$ 5,906,679.48</u>	<u>\$ 192,183.84</u>	<u>\$ -</u>	<u>\$ 556,683.43</u>	<u>\$ 2,623.47</u>	<u>\$ 9.47</u>	<u>\$ 51,160.00</u>
Balance, November 30, 2012	\$ 5,499,466.01	\$ 1,936,654.24	\$ 2,346,033.83	\$ 3,368.00	\$ 517,039.03	\$ 557,391.94	\$ 100,000.00	\$ 38,978.97
Cash	\$ 1,442,944.40	\$ 1,390,043.81	\$ 13,464.66	\$ 456.96	\$	\$	\$	\$ 38,978.97
Investments	4,056,521.61	546,610.43	2,332,569.17	2,911.04	517,039.03	557,391.94	100,000.00	
	<u>\$ 5,499,466.01</u>	<u>\$ 1,936,654.24</u>	<u>\$ 2,346,033.83</u>	<u>\$ 3,368.00</u>	<u>\$ 517,039.03</u>	<u>\$ 557,391.94</u>	<u>\$ 100,000.00</u>	<u>\$ 38,978.97</u>

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF OPERATING REVENUES AND COSTS
FUNDED BY OPERATING REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED NOVEMBER 30, 2012

	2012 ADOPTED BUDGET	2012 ACTUAL	2011 ACTUAL
REVENUE			
Sewer Service Charges	\$ 5,361,300.00	\$ 5,358,547.38	\$ 5,280,022.43
Connection Charges	407,088.00	787,606.00	384,472.00
Interest Income	5,000.00	1,455.31	2,888.48
Inspection Fees	25,000.00	29,660.00	36,777.50
Plan Review Fees	5,000.00	1,611.75	8,653.50
Miscellaneous	3,500.00	2,895.32	2,490.10
Interest on Delinquent Accounts	40,000.00	49,737.77	47,482.12
Rate Stabilization	303,565.00	-	-
TOTAL REVENUE	\$ 6,150,453.00	\$ 6,231,513.53	\$ 5,762,786.13
OPERATING EXPENSES			
Administrative:			
Salaries and Wages	\$ 352,000.00	\$ 322,575.65	\$ 320,838.32
Office Rent and Overhead	65,200.00	63,130.72	62,943.94
Equipment Service and Maintenance	23,500.00	22,469.23	24,888.65
Postage	15,000.00	14,757.51	13,106.06
Printing and Stationery Supplies	11,000.00	9,959.25	9,499.72
Dues, Subscriptions, Tuition and Seminars	20,000.00	15,039.35	13,941.36
Trustee Fees and Expenses	12,000.00	6,000.00	6,000.00
Miscellaneous	6,500.00	4,806.98	4,094.03
System Operating Expense:			
Salaries and Wages	695,000.00	618,358.23	659,272.62
Utilities	160,000.00	131,489.65	164,723.38
Service, Repairs and Replacements	42,000.00	47,454.58	25,895.30
Vehicle Operation and Maintenance	50,000.00	44,088.86	45,251.87
Tools, Materials and Supplies	30,000.00	17,385.61	19,299.58
State Mandated Programs-Permits	5,000.00	2,985.00	2,555.50
Bioxide	55,000.00	47,713.66	41,892.78
Professional Services:			
Legal	10,000.00	6,000.00	6,000.00
Financial	14,000.00	13,200.00	13,600.00
Engineering	20,000.00	6,624.75	6,900.00
Insurance and Bonding:			
Group Insurance Plan for Employees	350,000.00	315,804.73	309,751.61
Other Insurance and Bond Premiums	60,000.00	57,024.42	57,005.74
Statutory Expenditures:			
Social Security	75,000.00	69,039.66	71,586.43
Disability/Unemployment Insurance	6,000.00	3,701.22	3,752.96
Public Employees' Retirement System	116,569.00	110,990.00	102,002.00
TOTAL	\$ 2,193,769.00	\$ 1,950,599.06	\$ 1,984,801.85

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF OPERATING REVENUES AND COSTS
FUNDED BY OPERATING REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED NOVEMBER 30, 2012

	2012 ADOPTED BUDGET	<u>2012 ACTUAL</u>	<u>2011 ACTUAL</u>
Sewerage Treatment - Somerset-Raritan Valley Sewerage Authority	\$ 3,400,000.00	\$ 3,387,213.82	\$ 3,112,752.83
<u>TOTAL OPERATING EXPENSES</u>	<u>\$ 5,593,769.00</u>	<u>\$ 5,337,812.88</u>	<u>\$ 5,097,554.68</u>
<u>OTHER COSTS</u>			
Principal on Bonds	\$ 441,920.00	\$ 441,919.44	\$ 422,631.17
Interest Expense	114,764.00	114,763.99	132,818.49
	<u>\$ 556,684.00</u>	<u>\$ 556,683.43</u>	<u>\$ 555,449.66</u>
<u>TOTAL COSTS FUNDED BY OPERATING REVENUES</u>	<u>\$ 6,150,453.00</u>	<u>\$ 5,894,496.31</u>	<u>\$ 5,653,004.34</u>

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF BONDS PAYABLE
NOVEMBER 30, 2012

<u>YEAR</u>	<u>TOTAL</u>	<u>INTEREST RATE</u>	<u>REVENUE REFUNDING BONDS SERIES 2002</u>	<u>INTEREST RATE</u>	<u>REVENUE REFUNDING BONDS SERIES 2006</u>
2013	\$ 461,127.66	(1) 4.375%	\$ 305,000.00	(1) 4.40%	\$ 156,127.66
2014	475,203.51	4.500%	315,000.00	4.40%	160,203.51
2015	499,189.97	4.500%	330,000.00	4.40%	169,189.97
2016	178,034.33			4.40%	178,034.33
2017	186,730.34			4.40%	186,730.34
2018	190,271.47			4.40%	190,271.47
2019	198,699.68			4.40%	198,699.68
2020	211,961.20			4.40%	211,961.20
	<u>\$ 2,401,218.16</u>		<u>\$ 950,000.00</u>		<u>\$ 1,451,218.16</u>

(1) Current Portion

SCHEDULE 5

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF SEWER CHARGES RECEIVABLE

NOVEMBER 30, 2012

Balance, December 1, 2011		\$	332,116.69
Increased by:			
2012 Charges			<u>5,358,705.02</u>
		\$	<u>5,690,821.71</u>
Decreased by:			
Collected	\$	5,365,893.18	
Overpayments Applied		<u>12,925.00</u>	
			<u>5,378,818.18</u>
Balance, November 30, 2012		\$	<u><u>312,003.53</u></u>

SCHEDULE 6

SCHEDULE OF SEWER CONNECTION CHARGES RECEIVABLE

NOVEMBER 30, 2012

Balance, December 1, 2011		\$	53,636.69
Increased by:			
2012 Charges			<u>787,606.00</u>
		\$	<u>841,242.69</u>
Decreased by:			
Collected			<u>715,834.60</u>
Balance, November 30, 2012		\$	<u><u>125,408.09</u></u>

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOVEMBER 30, 2012

GENERAL COMMENTS AND RECOMMENDATIONS

NONE

