THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

REPORT OF AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2013 AND 2012

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
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THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

ROSTER OF OFFICIALS

Commissioners	Position
Bernhard H. Kofoet	President
Patrick Brennan	Vice President
Regina Davis	Secretary
G. Burton German, Jr.	Treasurer
Joseph Scavuzzo	Assistant Secretary and Treasurer

Officers	
Michael A. Saraceni	Chief Operating Officer
Craig Campbell	Superintendent
Richard Spafford, PE	Engineer
Karl N. McConnell, Esquire	General Counsel

Consultants	
Remington and Vernick Engineers, Inc.	Engineer
T&M Associates, Inc.	Engineer
Consulting Engineer Services, Inc.	Engineer
ABR Consultants LLC	Engineer

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

PART I

FINANCIAL SECTION

REPORT OF AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2013 AND 2012

INDEPENDENT AUDITORS' REPORT

The Commissioners of
The Merchantville-Pennsauken Water Commission
6751 Westfield Avenue
Pennsauken, NJ 08110

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Merchantville-Pennsauken Water Commission, in the County of Camden, State of New Jersey, a component unit of the Township of Pennsauken as of and for the years ending December 31, 2013 and 2012 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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 Commission'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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The Commissioners of
The Merchantville-Pennsauken Water Commission

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Merchantville-Pennsauken Water Commission, in the County of Camden, State of New Jersey as of December 31, 2013 and 2012 and its changes in financial position and its cash flows thereof for the years then ended, in conformity 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 and schedule of funding progress for the OPEB plan as listed 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 of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements. The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Commissioners of
The Merchantville-Pennsauken Water Commission

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 9, 2014 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, 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 the 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 in considering the Commission's internal control over financial reporting and compliance.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
October 9, 2014

BOWMAN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

75 YEARS OF SERVICE
— 1939-2014 —

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

INDEPENDENT AUDITORS' REPORT

The Commissioners of
The Merchantville-Pennsauken Water Commission
6751 Westfield Avenue
Pennsauken, NJ 08110

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, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey the financial statements of the Merchantville-Pennsauken Water Commission, in the County of Camden, State of New Jersey, a component unit of the Township of Pennsauken, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 9, 2014.

Internal Control Over Financial Reporting

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

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

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.

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The Commissioners of
The Merchantville-Pennsauken Water Commission

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Merchantville-Pennsauken Water Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of 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 and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
October 9, 2014

The Merchantville-Pennsauken Water Commission
Management's Discussion and Analysis
For the Year Ending December 31, 2013

The Merchantville-Pennsauken Water Commission was created under the provisions of Title 40 Chapter 62 of the Laws of New Jersey, as a public agency to acquire, construct, maintain, operate or improve works for the collection, treatment, or purification of water for the Borough of Merchantville and the Township of Pennsauken. The Commission also provides these services to certain sections of the Township of Cherry Hill and the City of Camden. This section of the Commission's annual financial report provides a discussion and analysis of the financial performance for the year ending December 31, 2013. The entire annual financial report consists of four parts; Independent Auditor's Reports, management's discussion and analysis, the basic financial statements and supplementary schedules.

FINANCIAL HIGHLIGHTS

- **Water Consumption Rates** – Water consumption rates were increased in 2013 to assist the Commission in meeting increasing cost for capital improvements and debt service requirements

- **Total Assets** - Total assets at the end of 2013 were $35,737,963. After deducting liabilities, net position equals $21,182,421.

- **Total Operating Revenues** - 2013 operating revenues totaling $8,364,272 were $31,101 less than the comparable prior year amount of $8,395,373.

- **Net Non-Operating Income (Expense)** - 2013 non-operating income net of non-operating expenses was 55,920 and was up $92,550 from the prior year primarily due to increased connection and developer's fees.

- **Total Operating Expenses** – 2013 operating expenses before depreciation in the amount of $6,985,129 were 4.60% greater than the prior year comparable amount of $6,675,394.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies. The comparative statement of net position includes all of the Commission's assets and liabilities. As the Commission follows the accrual method of accounting, the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position regardless of when cash is received or paid. Net-Position – the difference between the Commission's assets and liabilities – is a measure of the Commission's financial health or position.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)

The comparative statement of revenues, expenses and changes in net position provides a breakdown of the various areas of revenues and expenses encountered during the current year.

The comparative statement of cash flows provides a breakdown of the various sources of cash flow, categorized into four areas: Cash flows from operating activities, non-capital financing activities, capital and related financing activities and investing activities.

FINANCIAL ANALYSIS OF THE COMMISSION

The Commission's total assets were $35,737,963 on December 31, 2013. Total assets, total liabilities and total net position are detailed below.

A total of $19,655,407 of the Commission's $21,182,421 in net position, or (92.8%) represents its investment in capital assets (i.e. water lines, wells, treatment plants, buildings, improvements and equipment); less the related debt outstanding used to acquire those capital assets. Of the remaining $1,527,014 of net position, the Commissioners appropriated $1,527,014 for use in its 2014 capital budget as submitted to the New Jersey Division of Local Government Services and has reserved the balance for infrastructure maintenance with the immediate concern of tank painting in 2014, along with other needed infrastructure repairs and upgrades scheduled.

Although the Commission's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities.

Operating Revenues of the Commission decreased $31,101 a change of 0.4% from the prior year and operating expenses (net of depreciation) increased $309,735 or 4.6%.

Comparative Statement of Net Position
As of December 31, 2013, 2012 and 2011

	2013	2012	2011
Assets			
Current Assets	$ 5,940,490	$ 6,629,287	$ 6,731,600
Restricted Current Assets	1,048,570	45,850	1,005,258
Capital Assets	28,748,903	27,292,518	26,626,321
Total Assets	35,737,963	33,967,655	34,363,179
Liabilities			
Current Liabilities	3,389,353	3,950,003	4,524,346
Long-Term Liabilities	11,085,153	8,290,317	8,132,250
Total Liabilities	14,474,506	12,240,320	12,656,596
Deferred Inflows or Resources	81,036	99,702	108,505
Net Position:			
Net Investment in Capital Assets	19,655,407	18,626,930	17,997,027
Unrestricted	1,527,014	3,000,703	3,601,051
Total Position	$ 21,182,421	$ 21,627,633	$ 21,598,078

Comparative Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2013, 2012 and 2011

	2013	2012	2011
Operating Revenues:			
Service Charges	$ 7,840,593	$ 7,912,089	$ 7,566,945
Other Operating Revenue	523,679	483,284	473,088
Total Operating Revenues	8,364,272	8,395,373	8,040,033
Operating Expenses:			
Administration	2,293,864	2,320,374	2,131,914
Cost of Providing Service	4,691,265	4,355,020	4,518,069
Depreciation	1,880,275	1,652,154	1,613,008
Total Operating Expenses	8,865,404	8,327,548	8,262,991
Net Non-Operating Income (Expense)	55,920	(38,270)	260,402
Change in Net Position	**(445,212)**	**29,555**	**37,444**
Net Position -- Jan. 1	21,627,633	21,598,078	21,560,634
Net Position -- Dec. 31	$ 21,182,421	$ 21,627,633	$ 21,598,078

OVERALL ANALYSIS

Overall, the Commission is in a sound financial position in part due to its longevity (established in 1926) and the fact that its infrastructure was constructed and renewed over an extended period of time with 10 separate bond issues dated from June 1926 to December 1964. The Commission's rate structure, while competitive in comparison to area water purveyors, has traditionally been established to provide for operating costs, debt service requirements and the provision for future capital needs. This approach to setting rates in combination with a manageable debt service history leaves the Commission with $1,527,014 of unrestricted net position as of December 31, 2013.

BUDGET VARIANCES

The Commissioners have historically taken a conservative approach in preparing the budget due to the uncertainty in anticipating certain expenses such as repair and maintenance requirements that can create material deviations in the cost of operations from year to year. Actual operating and non-operating expenses and debt service costs, excluding the actuarially determined accrual for long term post-retirement benefit costs were $7,521,133 representing 95.4% of the $7,881,712 budgeted. Actual total operating and non-operating revenues of $8,638,657 were $66,055 less than $8,704,712 budgeted.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During 2013, the Commission expended $3,376,698 on capital activities.

The proposed five-year Capital Program included in the Commission's 2014 budget totals $10,202,000. This five-year plan, in addition to the Commission's normal ongoing system renewals, contains certain major projects which are contingent upon the approval of the New Jersey Department of Environmental Protection Agency (NJDEP). Major line items making up a portion of the Capital Budget are:

1. Tank Painting
2. Main Replacements
3. Meter Replacement Program
4. Well Redevelopment
5. Camden Interconnect

CONTACTING THE COMMISSION'S MANAGEMENT

This financial report is designed to provide Merchantville and Pennsauken residents, customers and creditors, with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact the Chief Operating Officer, Merchantville-Pennsauken Water Commission, 6751 Westfield Avenue, Pennsauken, NJ 08110 or by phone at 856-663-0043.

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2013 AND 2012

ASSETS	2013	2012 RESTATED
Current Assets:		
Cash and Cash Equivalents	$ 904,439	$ 1,716,084
Investments	2,275,583	2,262,817
Customer Accounts Receivable	1,823,206	1,550,159
Deposits and Other Receivables	45,538	51,375
Unbilled Revenue	726,000	855,000
Materials and Supplies Inventory	164,325	192,027
Accrued Interest Receivable	1,399	1,825
Total Current Assets	5,940,490	6,629,287
Restricted Current Assets:		
Due From New Jersey Environmental Infrastructure Trust	1,048,570	45,850
Capital Assets:		
Utility Plant and Equipment	55,713,025	52,797,743
Accumulated Depreciation and Amortization	26,964,122	25,505,225
Total Capital Assets	28,748,903	27,292,518
Total Assets	$ 35,737,963	$ 33,967,655

(Continued)

Exhibit A

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2013 AND 2012

LIABILITIES	2013	2012 RESTATED
Current Liabilities:		
N.J.D.E.P. Loans Payable - Due Within One Year	$ 349,241	$ 345,647
Bond Anticipation Note	2,180,000	2,780,000
City of Camden Water Allocation - Due Within One Year	170,571	175,973
Accounts Payable	496,504	448,552
Construction Contracts Payable	57,330	65,500
Accrued Wages	57,334	51,016
Accrued Interest	46,060	49,550
Pension Withholdings Payable	16,467	17,927
Escrow Deposits	15,846	15,838
Total Current Liabilities	3,389,353	3,950,003
Noncurrent Liabilities		
N.J.D.E.P. Loans Payable	6,417,616	4,206,439
City of Camden Water Allocation	967,308	1,137,879
Post Employment Benefits Obligation Other than Pension	3,700,229	2,945,999
Total Noncurrent Liabilities	11,085,153	8,290,317
Total Liabilities	14,474,506	12,240,320
DEFERRED INFLOWS OF RESOURCES		
Customer Prepayments	81,036	99,702
	81,036	99,702
NET POSITION		
Net Investment in Capital Assets	19,655,407	18,626,930
Unrestricted	1,527,014	3,000,703
Total Net Position	$ 21,182,421	$ 21,627,633

See the accompanying Notes to Financial Statements.

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Operating Revenues:		
Metered Sales to General Public	$ 6,746,964	$ 6,821,336
Private Fire Protection	1,015,941	1,013,065
Public Fire Protection	77,688	77,688
Late Charges	99,346	88,315
Tower Rentals	322,803	312,229
Tapping Fees	10,405	3,730
Miscellaneous Income	91,125	79,010
Total Operating Revenues	8,364,272	8,395,373
Operating Expenses:		
Administration:		
Salaries and Wages	777,238	753,802
Employee Benefits	749,421	706,134
Other Expenses	767,205	860,438
Cost of Providing Service:		
Salaries and Wages	1,490,043	1,413,467
Employee Benefits	1,436,714	1,324,082
Other Expenses	1,764,508	1,702,975
Depreciation and Amortization	1,880,275	1,566,650
Total Operating Expenses	8,865,404	8,327,548
Operating Income (Loss)	(501,132)	67,825
Non-Operating Revenues (Expenses):		
Investment Income	27,199	42,609
Interest on Debt	(158,032)	(166,738)
Loss on Disposition of Assets	(60,433)	-
Connection and Developers' Fees	247,186	85,859
Total Non-Operating Revenues (Expenses)	55,920	(38,270)
Change in Net Position	(445,212)	29,555
Net Position, Beginning of Year	21,627,633	21,598,078
Net Position, End of Year	$ 21,182,421	$ 21,627,633

See the accompanying Notes to Financial Statements

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Cash Flows From Operating Activities:		
Receipts From Customers	$ 7,783,063	$ 7,816,942
Other Operating Receipts	424,333	394,969
Payments to Suppliers	(2,456,059)	(2,720,521)
Payments and Benefits to Employees	(3,694,328)	(3,499,140)
Net Cash Provided by Operating Activities	2,057,009	1,992,250
Cash Flows from Non-Capital Financing Activities		
Escrow Deposits		1,636
Escrow Disbursements		(10,527)
Connection and Developers' Fees	247,194	85,859
Net Cash Flows Provided by (Used In) Non-Capital Financing Activities	247,194	76,968
Cash Flows From Capital and Related Financing Activities:		
Additions to Capital Assets	(3,405,263)	(2,113,210)
N.J.D.E.P. Loan Proceeds	1,568,280	799,682
Principal Payments on Bond Anticipation Note	(600,000)	(350,000)
Principal Payments on N.J.D.E.P. Loans	(348,537)	(343,998)
Principal Payments on City of Camden Water Allocation	(175,973)	(181,657)
Interest Payments on N.J.D.E.P. Loans	(118,920)	(126,745)
Interest Payments on City of Camden Water Allocation	(30,218)	(49,941)
Interest Payments on Bond Anticipation Note	(20,076)	(22,930)
Net Cash Used In Capital and Related Financing Activities	(3,130,707)	(2,388,799)
Cash Flows From Investing Activities:		
Net Purchase of Investments	(12,766)	(1,753,259)
Investment Income	27,625	44,961
Net Cash Used In Investing Activities	14,859	(1,708,298)
Net Decrease in Cash and Cash Equivalents	(811,645)	(2,027,879)
Cash and Cash Equivalents, January 1	1,716,084	3,743,963
Cash and Cash Equivalents, December 31	$ 904,439	$ 1,716,084

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Cash Flows From Operating Activities:		
Receipts From Customers	$ 7,783,063	$ 7,816,942
Other Operating Receipts	424,333	394,969
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Net Cash Used In Investing Activities	14,859	(1,708,298)
Net Decrease in Cash and Cash Equivalents	(811,645)	(2,027,879)
Cash and Cash Equivalents, January 1	1,716,084	3,743,963
Cash and Cash Equivalents, December 31	$ 904,439	$ 1,716,084

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$ (501,132)	$ 67,825
Adjustments to Reconcile Operating Income To		
Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	1,880,275	1,652,154
(Increase) Decrease in Customer Accounts Receivable	(273,047)	(31,821)
(Increase) in Other Accounts Receivable	5,837	(45,838)
(Increase) in Unbilled Revenue	129,000	(97,000)
(Increase) in Materials and Supplies Inventory	27,702	(85,503)
(Decrease) in Accounts Payable	47,952	(157,109)
Increase (Decrease) in Customer Prepayments	(18,666)	(8,803)
Increase in Accrued Wages	6,318	12,506
Increase (Decrease) in Pension Withholdings Payable	(1,460)	(1,216)
Increase in Post Employment Benefits Obligation	754,230	687,055
	$ 2,057,009	$ 1,992,250

See the accompanying Notes to Financial Statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues -- Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Water charges are recognized as revenue when services are provided. Connection fees are collected in advance and, accordingly, the Commission defers these revenues until the municipality issues a release for certificate of occupancy and determines that water distribution are being provided to the properties.

Non-exchange transactions, in which the Commission receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Commission must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are proved to the Commission on a reimbursement basis.

Expenses / Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Budgets and Budgetary Accounting

The Commission must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Commission budget at least 60 days prior to the end of the current fiscal year and to adopt the budget not later than the beginning of the Commission's fiscal year. The governing body may amend the budget at any point during the year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal and capital outlays. Depreciation expense, amortization of debt issue costs, bond discounts, and the annual required contribution for the Commission's OPEB plan are not included in budget appropriations.

The legal level of budgetary control is established at the detail shown on the Statements of Revenues, Expenses and Changes in Net Position (audit Exhibit B). All budget transfers and amendments to those accounts must be approved by resolution of the Commission as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The Commission did not adopt an amending budget resolution during the year.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash, Cash Equivalents and Investments (Cont'd)

New Jersey governments units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

Additionally, the Commission has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. The Act was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

Materials and Supplies Inventory

Materials and Supplies Inventory consists of pipes, mains, fittings and other supplies used in the renewal and repairs to the system and for new installations. Inventories are valued at cost on a first-in, first-out basis.

Account Receivable and Uncollectible Accounts

Management establishes reserves for uncollectible accounts based on reviews of aged receivables and other factors, such as bankruptcies, associated with the account.

Capital Assets

Capital Assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Commission. Assets purchased prior to January 1, 1992 are stated at estimated cost. Assets purchased since are stated at actual cost.

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the year that the project is completed, these costs are transferred to Capital Assets - Completed.

Note 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Capital Assets (Cont'd)

Expenditures are capitalized when they meet the following requirements:

1) Cost of $2,000.00 or more
2) Useful life of more than one year
3) Asset is not affected by consumption

Depreciation

The costs of assets acquired through bond issue prior to 1979 are recovered over the lives of the bond issues at a rate consistent with the bonds' annual maturities. The cost of assets acquired with operating funds is recovered using the straight-line method over the following estimated useful lives of the assets:

	Years
Buildings	40
Services	20
Water Treatment and Pumping Equipment	20-30
Other Infrastructure	10-20
Meters and Equipment	5-10
Transportation Equipment	5
Office and Technological Equipment	5-7

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measureable and the Commission is eligible to realize the revenue.

Net Position

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments", the Commission has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt is included in the same net position component as the unspent proceeds.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Net Position (Cont'd)

Restricted - This component of net position consists of external constraints imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restricts the use of net position.

Unrestricted - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets." This component includes net position that may be allocated for specific purposes by the Commission.

Income Taxes

The Commission operates as defined by Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from service charges (i.e., metered sales, which include water distribution revenues) and other revenue sources. Non-operating revenues principally consist of connection and developers' fees and interest income earned on various interest-bearing accounts and on investments in debt securities.

Operating expenses include expenses associated with the operation, maintenance and repair of the treatment and distribution systems and general administrative expenses. Non-operating expenses principally include expenses attributable to the Commission's interest on funded debt.

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 estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Changes in Prior Year Classification and Reclassification

Management of the Commission determined that expenditures previously classified as Due from Pennsauken Township related to a water re-use project for the construction of a water reclamation plant, should be classified as a capital asset. Management has determined that the related costs prompted by the New Jersey Department of Environmental Protection will provide future economic development in the franchise. The restated presentation of the capital assets and other assets includes the reclassification of $1,103,915 previously recorded as Due from Pennsauken Township as of December 31, 2012 to Utility Plant and Equipment.

Impact of Recently Issues Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.* GASBS 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This Statement is effective for periods beginning after June 15, 2012. The adoption of GASBS 61 does not have any impact on the Commission's financial statements.

Note 1: <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)</u>

<u>Impact of Recently Issues Accounting Principles (Cont'd)</u>

Recently Issued and Adopted Accounting Pronouncements (Cont'd)

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities.* GASBS 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. The adoption of GASBS 65 does not have any material impact on the Commission's financial statements.

In March 2012, the GASB issued Statement 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62.* GASBS 66 is to improve accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement 54 and Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement 62 and Statements No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, regarding the reporting of certain operating lease transactions, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. This Statement is effective for periods beginning after December 15, 2012. The adoption of GASBS 66 does not have any impact on the Commision's financial statements.

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25.* GASBS 67 is to improve the usefulness of pension information included in the general purpose external financial reports (financial reports) of state and local governmental pension plans for making decisions and assessing accountability. This Statement is effective for periods beginning after June 15, 2013. The Commission does not administer any state or local pension plans; therefore, the adoption of GASBS 67 will not have any impact on the Commission's financial statements.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27.* GASBS 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. In addition, this Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement is effective for periods beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this Statement on the Commission's financial statements and expects the impact to be material

In January 2013, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations.* GASBS 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement is effective for periods beginning after December 15, 2013. Management is currently evaluating the impact of the adoption of this Statement on the Commission's financial statements although no impact is expected.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impact of Recently Issues Accounting Principles (Cont'd)

Recently Issued and Adopted Accounting Pronouncements (Cont'd)

In April 2013, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* GASBS 70 is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This Statement is effective for periods beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this Statement on the Commission's financial statements although no impact is expected.

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine *all* such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with finance related legal and contractual provisions

Management of the Commission is unaware of any material violations of finance related legal and contractual provisions.

Note 3: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits might not be recovered. Although the Commission does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first $250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Commission in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Commission relative to the happening of a future condition. As of December 31, 2013, the Commission's bank balances of $3,178,080, $15,846 was uninsured or uncollateralized. As of December 31, 2012, the Commission's bank balances of $3,790,749, $15,838 was uninsured or uncollateralized.

Note 4: INVESTMENTS

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Commission, and are held by either the counterparty or the counterparty's trust department or agent but not in the Commission's name. All of the Commission's $2,262,817 as of December 31, 2013 and $509,558 as of December 31, 2012 investments in Certificates of Deposit are in the name of the Commission.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Commission may purchase such as Treasury securities in order to limit the exposure of governmental units to credit risk. The Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Commission does not place a limit on the amount that may be invested in any one issuer. All of the Commission's investments consist of certificates of deposit with maturities of more than three months at the time of purchase.

As of December 31, 2013, the Commission had ten certificates of deposit valued at $2,274,184 at .50% and maturing between January 28, 2014 and February 26, 2014. As of December 31, 2012, the Commission had ten certificates of deposit valued at $2,262,817 at .75% and maturing between February 2, 2013 and March 3, 2013.

Note 5: CUSTOMER ACCOUNTS RECEIVABLE

Customers of the Commission include residential and commercial accounts within the municipalities of Merchantville and Pennsauken and sections of Cherry Hill and Camden. In addition to the sale of water, the Commission bills commercial and municipal customers fixed fees for fire services and hydrants.

As of December 31, 2013 and 2012, the number of the Commission's accounts was as follows:

	2013	2012
Residential, Apartments, and Commercial Water Services	14,393	14,385
Senior Citizen Accounts	425	413
Fire Services	336	331
Fire Hydrants	255	254

Concentration of credit risk associated with customer accounts receivable is limited due to the large number of small customer balances and the Commission's policy of discontinuing service when warranted and filing utility liens when necessary.

Aged accounts receivable at December 31, 2013 and 2012 are as follows:

	2013	2012
Current (less than 30 days)	$ 1,475,995	$ 1,339,922
30 to 59 days	36,454	39,898
60 to 89 days	45,166	20,804
90 to 179 days	56,388	39,665
Over 180 days	185,519	130,974
	1,799,522	1,571,263
Accrued Interest on Delinquent Balances	126,684	81,896
	1,926,206	1,653,159
Less: Reserve for Uncollectible Accounts	103,000	103,000
	$ 1,823,206	$ 1,550,159

Note 6: CAPITAL ASSETS

During the year ended December 31, 2013, the following changes in capital assets occurred:

	Balance January 01, 2013	Additions (Deletions)	Balance December 31, 2013
Land and Land Rights	$ 175,857		$ 175,857
Intangible Plant	32,181		32,181
Source of Supply	4,250,901	$ (458,439)	3,792,462
Pumping Plant	2,267,185		2,267,185
Water Treatment Plant	4,254,624		4,254,624
Transmission and Distribution Plant	34,746,644	3,376,968	38,123,612
General Plant	4,305,613	(3,247)	4,302,366
City of Camden Water Allocation Rights	2,557,608		2,557,608
Capitalized Interest	207,130		207,130
	52,797,743	2,915,282	55,713,025
Less: Accumulated Depreciation	25,505,225	1,458,897	26,964,122
	$ 27,292,518	$ 1,456,385	$ 28,748,903

During the year ended December 31, 2012, the following changes in capital assets occurred:

	Balance January 01, 2012	Additions (Deletions)	Balance December 31, 2012
Land and Land Rights	$ 175,857		$ 175,857
Intangible Plant	32,181		32,181
Source of Supply	4,267,905	$ (17,004)	4,250,901
Pumping Plant	2,267,185		2,267,185
Water Treatment Plant	4,254,624		4,254,624
Transmission and Distribution Plant	32,743,511	2,003,133	34,746,644
General Plant	4,498,768	(193,155)	4,305,613
City of Camden Water Allocation Rights	2,557,608		2,557,608
Capitalized Interest	207,130		207,130
	51,004,769	1,792,974	52,797,743
Less: Accumulated Depreciation	24,378,448	1,126,777	25,505,225
	$ 26,626,321	$ 666,197	$ 27,292,518

Note 7: N.J.D.E.P. LOANS PAYABLE

New Jersey Environmental Infrastructure Trust Loans

2001 Series - On October 17, 2001, the Commission settled on the issuance of $4,000,000 in loans consisting of a $2,000,000 New Jersey Environmental Infrastructure Trust "Trust Loan" and a $2,000,000 New Jersey Environmental Infrastructure "Trust Fund Loan". The Trust Loan bears rates of interest ranging from 4.00% to 5.50%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1.

2003 Series - On November 5, 2003, the Commission settled on the issuance of $731,801 in loans consisting of a $375,000 New Jersey Environmental Infrastructure Trust "Trust Loan" and a $356,801 New Jersey Environmental Infrastructure "Trust Fund Loan". The Trust Loan bears rates of interest ranging from 3.00% to 5.00%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1.

2007 Series - On November 8, 2007, the Commission settled on the issuance of $1,285,507 in loans consisting of a $650,000 New Jersey Environmental Infrastructure Trust "Trust Loan" and a $635,507 New Jersey Environmental Infrastructure "Trust Fund Loan". The Trust Loan bears rates of interest ranging from 3.40% to 5.00%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1.

2010 Series - On December 2, 2010, the Commission settled on the issuance of $1,285,507 in loans consisting of a $560,000 New Jersey Environmental Infrastructure Trust "Trust Loan" and a $579,000 New Jersey Environmental Infrastructure "Trust Fund Loan". The Trust Loan bears rates of interest at 5.00%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1.

Advance on 2014 Series – By resolution dated November 8, 2012, the Commission authorized the issuance of $2,800,000 of debt for the painting of the three million gallon water tank at Park Avenue and subsequently submitted application to the New Jersey Environmental Infrastructure Trust for participation in their 2013 series debt issuance. While all required documents have been filed, the New Jersey Environmental Infrastructure Trust had failed to include the Commission in the 2013 series issuance. The New Jersey Environmental Trust authorized the Commission to bid the project and subsequently the project was awarded to the U.S. Tank Paining, Inc., for their total low bid price of $2,471,000. The New Jersey Environmental Infrastructure Trust authorized the Commission to draw down $2,571,000 to be included in the 2014 series debt issuance for funding the contract and related costs. As of December 31, 2013 the Commission has drawn down $1,071,630 towards the project. Repayment terms of the $2,571,000 will be determined at closing in 2014.

The "Trust Loan" portion of the borrowings is administered by The New Jersey Environmental Infrastructure Trust with Commerce Bank acting as Trustee. The "Fund Loan" portion is administered by the State of New Jersey.

As the Commission completes its projects, vouchers are submitted to the New Jersey Department of Environmental Protection. Requisitions are funded 50% from "Trust Loan" proceeds available in the Commission's construction account and 50% from "Fund Loan" proceeds.

Upon final completion of the Commission's projects as certified by the Commission's engineer, any monies remaining in the construction accounts will be immediately applied as credits against the remaining scheduled debt service payments until such remaining balance is exhausted. Any unspent monies from the non-interest bearing "Fund Loan" portion of borrowings will be applied to offset the scheduled debt service payments from the back end of the schedule, reducing debt service payments from the end of the schedule until such remaining balance is exhausted.

Note 7: N.J.D.E.P. LOANS PAYABLE (CONT'D)

New Jersey Environmental Infrastructure Trust Loans (Cont'd)

On July 20, 2006, the 2001 and 2003 series loans were certified complete. At that time $13,260 and $96,832 of the unexpended proceeds from the 2001 and 2003 series, respectively, were applied to the outstanding balance of the "Fund Loan", reducing original balance due from the end of the original payment schedule. On August 11, 2010 the 2007 series was certified complete and $12,525 was applied to the outstanding balance of the "Fund Loan". In addition, reciprocal amounts from the "Trust Loan", plus earnings credits were recorded as other assets Due from New Jersey Environmental Infrastructure Trust to be applied to immediately due debt service obligations on the "Trust Loan". As of December 31, 2013 and 2012, amounts "Due from New Jersey Environmental Infrastructure Trust" available for application against "Trust Loan" debt service for the 2003 and 2007 series and available in the 2012 construction account for the intended construction project was $1,048,570 and $45,850, respectively.

On September 26, 2007, the New Jersey Environmental Infrastructure Trust issued Series 2007A refunding Bonds to refund the outstanding balance of the 2001 Series Loans. On August 18, 2010, the Trust issued Series 2010A refunding Bonds to refund the outstanding balance of the 2001 and 2003 Series Loans. The impact to the Commission was the recording of a net discount of $44,010 and $36,289, respectively on the issuances which is being amortized over the repayment period of the loans.

Combined adjusted repayment of the four loans as of December 31, 2013 is due as follows:

Year	Total	Principal	Interest
2014	$ 455,971	$ 349,241	$ 106,730
2015	454,241	355,234	99,007
2016	448,764	358,460	90,304
2017	456,453	375,228	81,225
2018	459,521	387,765	71,756
2019	438,100	376,774	61,326
2020	430,567	379,528	51,039
2021	431,049	390,315	40,734
2022	185,538	155,858	29,680
2023	184,405	158,780	25,625
2024	162,952	141,252	21,700
2025	160,785	142,860	17,925
2026	155,729	141,579	14,150
2027	151,312	140,937	10,375
2028	76,724	70,474	6,250
2029	74,724	70,474	4,250
2030	77,724	75,474	2,250
	$ 4,804,559	4,070,233	734,326
Advance on 2014 Series		2,571,000	
Unamortized Discount		125,624	
		$ 6,766,857	

Note 7: N.J.D.E.P. LOANS PAYABLE (CONT'D)

New Jersey Environmental Infrastructure Trust Loans (Cont'd)

As described in Note 1, the Borough of Merchantville and the Township of Pennsauken created the Merchantville-Pennsauken Water Commission. Those municipalities act as guarantors of all Commission bonds and loans and include their proportionate share of Commission debt as liabilities on their respective annual debt statements. The computed Municipalities' proportionate share of debt is in accordance with their respective ownership of the Commission as follows:

Borough of Merchantville	11.58%
Township of Pennsauken	88.42%
	100.00%

Note 8: CITY OF CAMDEN WATER ALLOCATION LOAN PAYABLE

As more fully described in note 18, on May 19, 2006 the Commission entered into an agreement with the City of Camden (the City) for the purchase of water allocation rights for $2,522,512. The initial payment of $500,000 was payable in installments totaling $250,000 in 2006, $125,000 in 2007 and $125,000 in 2008.

The remaining balance is due in equal quarterly payments through May, 2021, with bi-annual adjustments adding three percent (3%) interest per annum at the end of the first two years and thereafter to each such period to the unpaid balance due. This adjustment shall be added to the principal and payments recalculated including the interest amount. The interest rate used shall be adjusted to add the percentage increase equal to the increases or decreases made in the prime rate in the intervening period but in no case shall the overall rate be less than 3% or greater than 7%.

Should the Commission be denied the use or access to the allocation of water, for any reason unrelated to the actions of either party, then a proportional reduction will be made to the initial agreed upon payments, not yet paid and no further payments will be required.

The estimated maturities on the loan as of December 31, 2013 are as follows:

Year	Total	Principal	Interest
2014	$ 187,816	$ 170,571	$ 17,245
2015	179,583	165,015	14,568
2016	171,545	159,632	11,913
2017	163,509	154,098	9,411
2018	155,369	148,435	6,934
2019	147,229	142,615	4,614
2020	136,917	134,590	2,327
2021	63,303	62,923	380
	$ 1,205,271	$ 1,137,879	$ 67,392

Note 9: **BOND ANTICIPATION NOTE**

On October 29, 2009 the Commission settled on the issuance of $3,400,000 bond anticipation note in order to provide temporary financing for the initial costs of the Westfield Avenue office project as well as fund the costs of issuance. The note bears interest at the rate of 1.29% and is due October 28, 2010. On October 26, 2010, the bond anticipation note was re-issued and was due on October 28, 2011. Upon reissuance of this note, one principal payment was made of $170,000.

On October 13, 2011, the bond anticipation note was purchased by 1st Colonial National Bank, and a series of notes of the Commission was created (Series 2011). A principal amount of $3,130,000 was authorized to be issued and sold, and bears interest at the rate of 1.6%. Interest on the notes is due on October 23, 2012. Upon sale of the bond anticipation note, one principal payment was made of $100,000.

On October 3, 2012, the bond anticipation note was re-issued with 1st Colonial National Bank and a new series of notes of the Commission was created (Series 2012). A principal amount of $2,780,000 was authorized to be issued and sold, and bears interest at the rate of 1.09%. Interest on the notes is due on October 22, 2013. Upon renewal of the bond anticipation note, one principal payment was made of $350,000.

On October 10, 2013, the bond anticipation note was re-issued with 1st Colonial National Bank and a new series of notes of the Commission was created (Series 2013). A principal amount of $2,180,000 was authorized to be issued and sold, and bears interest at the rate of 1.00%. Interest on the notes is due on October 17, 2014. Upon renewal of the bond anticipation note, one principal payment was made of $600,000.

Note 10: **NET ASSETS APPROPRIATED AND RESERVED**

As of December 31, 2013, the Commission had unrestricted, net position of $1,554,716 which has been appropriated and reserved by the Commissioners as follows:

- **Appropriated for 2014 Capital Budget** – On October 22, 2013, the Commissioners appropriated $1,680,000 of net position for use in the 2014 capital budget as submitted to the New Jersey Division of Local Government Services

Note 11: **RETIREMENT SYSTEMS**

The Commission contributes to a cost-sharing multiple-employer defined benefit pension plan, the Public Employees' Retirement System (PERS), which is administered by the New Jersey Division of Pensions and Benefits. The plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

Note 11: RETIREMENT SYSTEMS (CONT'D)

Public Employees' Retirement System - The PERS was established as of January 1, 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78 P.L. 2011, the active member contribution rate will be increased to 6.5% plus an additional 1% phased in-over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Commission is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions for each year, were as follows:

Year	Normal Contribution	Accrued Liability	Non-Contributory Group Life Insurance	Total Liability	Paid by Commission
2013	$ 52,909	$ 126,507	$ 10,678	$ 190,094	$ 190,094
2012	58,186	116,371	11,121	185,678	185,678
2011	61,590	98,140	12,131	171,861	171,861

Related Party Investments - The Division of Pensions and Benefits does not invest in securities issued by the Commission.

Note 12: POST EMPLOYMENT BENEFITS

Plan Description

The Commission provides benefits to employees and their spouses which are in addition to those received through the State Pension Fund who have retired, and have 25 years (35 years for employees hired on or after May 1, 2008) of service with the Commission. The Commission provides medical, dental, vision and prescription coverage. These benefits are provided to all eligible retirees and their spouses at no cost to the retiree. For employees hired on or after May 1, 2008, benefits cease once Medicare age is attained. As of December 31, 2013, there were 16 employees and 9 covered spouses who qualified for and receiving post-employment benefits and an additional 5 employees and 4 spouses who are eligible but still actively employed.

Funding Policy

The contribution requirement of the Commission is established by the policy of the Commission. The required contribution is based on projected pay-as-you-go financing requirements. For the year ending December 31, 2013, the Commission contributed $257,147 to the plan for current premiums. Plan members are not required to make any contributions to the plan.

Note 12: POST EMPLOYMENT BENEFITS (CONT'D)

Annual OPEB Cost and Net OPEB Obligation

The Commission's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Commission's annual OPEB cost for the year, the amount actually contributed to the Merchantville-Pennsauken Water Commission Plan, and changes in the Commission's net OPEB obligation to the Commission Plan:

	2013	2012	2011
Normal Cost	$ 402,468	$ 377,515	$ 365,184
Amortization Payment	754,230	687,055	629,410
Interest on Net OPEB Obligation	552,948	503,700	451,873
Adjustment to ARC	(682,269)	(624,068)	(559,910)
Annual Required Contribution (Expense)	1,027,377	944,202	886,557
Contributions Made	(257,147)	(257,147)	(257,147)
Net OPEB Obligation - Beginning of Year	2,945,999	2,258,944	1,629,534
Net OPEB Obligation - End of Year	$ 3,716,229	$ 2,945,999	$ 2,258,944

Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the Commission Plan was 0% funded. The actuarial accrued liability for benefits was $9,037,466, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $9,037,466. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, compares the assets used for funding purposes to the comparable liabilities to determine how well the Merchantville-Pennsauken Water Commission Plan is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The Actuarial Accrued Liability under GASB is determined assuming that the Merchantville-Pennsauken Water Commission Plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. In the December 31, 2012, actuarial valuation, the unit credit cost method was used in establishing the annual required contribution and actuarial accrued liability for participants.

In the December 31, 2011, actuarial valuation, the unit credit cost method was used. The actuarial assumptions included a 5.0 % investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6% for both Pre-Medicare and Post-Medicare medical benefits. The Commission's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011, was twenty-six years.

Note 13: COMPENSATED ABSENCES

Commission employees are entitled to 10 to 30 vacation days per year depending on their length of service. A maximum of five unused vacation days may be carried over to the next year.

Commission employees are entitled to twelve sick days per year. Employees have the option of carrying over sick days; however, an employee cannot accumulate more than 24 sick days.

Upon separation of employment, unless the separation was a termination for cause, the Commission will purchase unused sick and vacation time excluding vacation time carried from the year prior to separation.

Management has determined that the balance of accrued sick leave was not material as of December 31, 2013 and 2012 and, accordingly, a liability has not been recorded.

Note 14: TRANSPORTATION EQUIPMENT LEASES

The Commission leases transportation equipment under agreements accounted for as operating leases. Rental and certain related maintenance expense charged to income was $88,652 in 2013 and $67,344 in 2012.

Future commitments on operating leases are as follows:

Year	Amount
2014	$56,348
2015	27,137
2016	4,523

Note 15: ANTENNA SITE LEASES

The Commission leases antenna sites atop its water tanks to several companies in the communications industry. As of December 31, 2013, the Commission had ten different lease agreements. Rental income from these leases was $322,803 and $312,229 in 2013 and 2012, respectively.

Future minimum rentals on the leases are as follows:

Year		Amount
2014	$	314,784
2015		328,050
2016		314,263
2017		235,598
2018		246,214

* The future minimum rentals do not include a $1,800 per month lease, currently in force with a 30 day termination provision.

Note 16: COMMITMENTS AND CONTINGENCIES

Commitments

As of December 31, 2013, the Commission had a remaining balance of $159,670 on uncompleted construction contracts in progress.

Contingencies

The Commission is subject to certain claims and legal proceedings that arise in the ordinary course of its operations. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be decided unfavorably to the Commission. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect in the financial conditions, results of operations or cash flows of the Merchantville-Pennsauken Water Commission.

Note 17: RISK MANAGEMENT

The Commission 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. These risks are covered through a joint insurance pool as described below. Settled claims from these risks have not exceeded coverage for the past several years.

The Commission is a member of New Jersey Utility Authorities Joint Insurance Fund. The Fund provides the Commission with the following coverage:

Property - Blanket Building and Grounds
Boiler and Machinery
General and Automobile Liability
Workers' Compensation
Public Officials Liability
Environmental Liability

Contributions to the Fund, including a reserve for contingencies are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Commission's agreement with the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of $500,000 for each insured event.

The Fund publishes its own financial report for the year ended December 31, 2013, which can be obtained from:

New Jersey Utility Authorities Joint Insurance Fund
9 Campus Drive
Suite 16
Parsippany, NJ 07054

Note 18: WATER ALLOCATION RIGHTS

As described in note 8, on May 19, 2006 the Commission entered into an agreement with the City of Camden (the City) for the purchase of water allocation rights for $2,522,512. The agreement was approved by the New Jersey Department of Environmental Protection and contains the following provisions:

Purchase of Water Allocation Rights

The Commission agreed to purchase the City's water allocation rights to pump 1,200,000 gallons of water per day from the Potomac-Raritan-Magothy aquifer to service the Commission's franchise area for quantities in excess of its current allocation.

Should the Commission be denied the use or access to the allocation of water, for any reason unrelated to the actions of either party, then a proportional reduction will be made to the initial agreed upon payments, not yet paid and no further payments will be required and any payments already made shall be converted to payments for the purchase of bulk water already delivered and not yet paid for or for water to be delivered in the future. If for any reason another governmental entity, either executive or judicial, or legal action shall prohibit the sale of the allocation, monies already paid shall not be returned and monies not yet paid will not be due.

Bulk Water Sale

The City will deliver and the Commission will purchase bulk potable drinking water for a period of thirty (30) years with the Commission having the option for two additional ten year terms. The purchase agreement will begin as soon thereafter that the parties have created the necessary infrastructure and facilities to respectively deliver and accept finished water and or raw water for treatment.

The agreement provides for a minimum of fifty thousand gallons per day and a maximum of one million gallons per day. The initial cost of the treated water will be for $2.25 per thousand gallons and will be increased from time to time in accordance with factors outline in the agreement.

The water will be distributed through interconnections to be constructed by or on behalf of the Commission, including the obtainment of all land and or easements necessary, at mutually agreed upon locations, without cost or expense to the City.

Treatment of Water

It was agreed that at some point during the term of the agreement that the City may treat raw water for the Commission which is delivered to the Morris-Delair treatment plant. Delivery of the raw water to the City will be the responsibility of the Commission and the cost of treatment will be eighty-nine cents per thousand gallons subject to certain increases and decreases.

Note 19: SUBSEQUENT EVENTS

By resolution dated November 8, 2012, the Merchantville-Pennsauken Water Commission had authorized the issuance of $2,800,000 of debt for the painting of the three million gallon water tank at Park Avenue and subsequently submitted application to the New Jersey Environmental Infrastructure Trust (NJEIT) for participation in their 2013 series debt issuance. While all required documents had been filed, the NJEIT had failed to include the Merchantville-Pennsauken Water Commission in the 2013 series issuance. The NJEIT authorized the Commission to bid the project and subsequently the project was awarded to U.S. Tank Painting, Inc., for their total low bid price of $2,471,000. The NJEIT authorized the Commission to draw down $2,571,000 to be included in the 2014 series debt issuance for funding the contract and related costs.

Repayment terms of the $2,571,000 were determined at closing on May 8, 2014.

REQUIRED SUPPLEMENTARY

INFORMATION

Schedule RSI-1

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR THE OPEB PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/2008	$ 0	$ 7,824,371	$ 7,824,371	0 %	$ 1,550,311	504.7%
12/31/2011	$ 0	$ 9,037,466	$ 9,037,466	0 %	$ 1,762,318	512.8%

Schedule RSI-2

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2013	$ 1,011,377	25.43%
2012	944,202	27.23%
2011	886,557	29.01%
2010	813,958	28.24%
2009	770,547	29.83%
2008	734,678	31.29%

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
Note to Required Supplementary Information
For the Year Ended December 31, 2013

Other Postemployment Benefits

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2013
Actuarial Cost Method	Unit Credit Normal Cost Method
Amortization Method	Level Dollar - Open Over a 30 Year Funding Period
Remaining Amortization Period	30 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Investment Rate of Return	5.0%
Rate of Salary Increases	N/A
Rate of Medical Inflation for Retirees Under Age 65	6.0%
Rate of Medical Inflation for Retirees Age 65 and Older	6.0%

For determining the GASB ARC, the rate of employer contributions to the Merchantville-Pennsauken Water Commission Plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a portion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer Normal Costs or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

SUPPLEMENTARY SCHEDULES

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH, CASH EQUIVALENTS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Cash, Cash Equivalents and Investments, January 1		$ 3,978,901
Cash Receipts:		
Collection of Customer Accounts Receivable	$ 7,702,027	
Tower Rentals	322,803	
Other Operating Receipts	101,530	
Connection and Developers' Fees	247,194	
Customer Prepayments	81,036	
N.J.D.E.P. Loan Draws	1,568,280	
Investment Income	27,625	
		10,050,495
		14,029,396
Cash Disbursements:		
Current Year Cost of Operations	5,632,892	
Liquidation of Prior Year Accounts Payable and Accrued Liabilities	517,495	
Interest Payments on City of Camden Water Allocation	30,218	
Interest Payments on Bond Anticipation Note	20,076	
Interest Payments on N.J.D.E.P. Loans	118,920	
Principal Payments on N.J.D.E.P. Loans	348,537	
Principal Payments on City of Camden Water Allocation	175,973	
Principal Payments on Bond Anticipation Note	600,000	
Additions to Capital Assets	3,405,263	
		10,849,374
Cash, Cash Equivalents and Investments, December 31		$ 3,180,022

Analysis of Balance:	
Cash and Cash Equivalents	$ 904,439
Investments	2,275,583
	$ 3,180,022

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Adopted and Final Budget	Actual	Variance-- Favorable (Unfavorable)
Revenues:			
Operating Revenues:			
Metered Sales to General Public	$ 6,982,350	$ 6,746,964	$ (235,386)
Private Fire Protection	995,000	1,015,941	20,941
Public Fire Protection	79,825	77,688	(2,137)
Late Charges	70,000	99,346	29,346
Tower Rentals	322,312	322,803	491
Tapping Fees	4,000	10,405	6,405
Miscellaneous Income	151,225	91,125	(60,100)
Total Operating Revenues	8,604,712	8,364,272	(240,440)
Non-Operating Revenues:			
Investment Income	40,000	27,199	(12,801)
Connection and Developers' Fees	60,000	247,186	187,186
Total Revenues	8,704,712	8,638,657	(66,055)
Operating Expenses:			
Administration:			
Salaries and Wages	797,000	777,238	19,762
Fringe Benefits	528,749	490,866	37,883
Other Expenses:			
Notices & Advertising	13,000	11,528	1,472
Office Expense	105,400	71,372	34,028
Operating Fees-DEP	48,000	40,899	7,101
I.T. Expense	45,000	35,978	9,022
Uniform Rental	10,000	5,686	4,314
Training and Development	13,000	12,544	456
Consumer Confidence Report	9,450	9,076	374
Employee and Community Relations	15,950	13,291	2,659
Professional / Outside Services	117,500	122,978	(5,478)
Insurance	95,000	96,136	(1,136)
Tower Rental Revenue Expense	187,248	311,026	(123,778)
Shared Services			
Bad Debt Expense (Net Reserve Reduction)	25,000		25,000
Other	31,815	36,691	(4,876)
Total Administration Other Expenses	716,363	767,205	(50,842)
Total Administration	$ 2,042,112	$ 2,035,309	$ 6,803

(continued)

Schedule 2

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Adopted and Final Budget	Actual	Variance-- Favorable (Unfavorable)
Cost of Providing Service:			
Salaries and Wages	$ 1,468,385	1,490,043	$ (21,658)
Fringe Benefits	974,161	941,039	33,122
Other Expenses:			
Chemicals and Supplies	99,000	60,751	38,249
CCMUA Charges	27,500	3,763	23,737
Electric & Gas Expense	875,000	784,031	90,969
Maintenance of Wells and Strippers	195,000	199,924	(4,924)
Utilities - Other	28,000		
Maintenance on Mains and Services	233,500	227,141	6,359
Maintenance on Structures	127,500	121,558	5,942
Maintenance on Generators and Power Equipment	40,000	9,403	30,597
Maintenance on Control Panels	42,200	26,931	15,269
Maintenance on Pumping and Chemical Equipment	48,000	43,889	4,111
Purchase of Water	80,000	73,785	6,215
Lab Work	70,000	39,825	30,175
Meter Repair and Maintenance	16,500	15,487	1,013
Communications	27,500	25,124	2,376
Fuel & Gas	48,000	34,872	13,128
Safety Equipment	16,800	9,372	7,428
Vehicle Expense	107,000	88,652	18,348
Total Cost of Providing Service Other Expenses	2,081,500	1,764,508	288,992
Total Cost of Providing Service	4,524,046	4,195,590	300,456
Total Principal Payments on Debt in Lieu of Depreciation	1,123,578	1,124,510	(932)
Total Operating Expenses	7,689,736	7,355,409	306,327
Non-Operating Expenses:			
Interest Payments on Debt	191,976	165,724	26,252
Total Non-Operating Expenses	191,976	165,724	26,252
Total Operating and Non-Operating Expenses	7,881,712	7,521,133	332,579
Excess of Revenues over Operating and Non-Operating Expenses	$ 823,000	$ 1,117,524	$ 294,524

(continued)

35500

Schedule 2

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013

Reconciliation of Excess Revenues over Expenses to Operating Loss

Excess of Revenues Over Operating and Non-Operating Expenses	$ 1,117,524
Add:	
Principal Payments on Debt	1,124,510
Interest Payments on Debt	165,724
Deduct:	
Other Post Employment Benefits Accrual Included in Employee Benefits	(754,230)
Investment Income	(27,199)
Connection and Developers' Fees	(247,186)
Depreciation and Amortization	(1,880,275)
Operating Loss (Exhibit B)	$ (501,132)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF N.J.D.E.P. LOANS PAYABLE

	Balance January 1, 2013	Additions	Paid	Discount Amortization	Balance December 31, 2013
2001 Infrastructure Trust Loan	$ 1,965,566		$ 202,104		$ 1,763,462
2003 Infrastructure Trust Loan	331,674		39,377		292,297
2007 Infrastructure Trust Loan	1,033,004		56,583		976,421
2010 Infrastructure Trust Loan	1,088,526		50,473		1,038,053
2013 Infrastructure Trust Loan		$ 2,571,000			2,571,000
Unamortized Premium on Bonds	133,316			$ 7,692	125,624
	$ 4,552,086	$ 2,571,000	$ 348,537	$ 7,692	$ 6,766,857

	Balance January 1, 2013	Balance December 31, 2013
Analysis of Balance:		
Current	$ 345,647	$ 349,241
Long-Term	4,206,439	6,417,616
	$ 4,552,086	$ 6,766,857

Schedule 4

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF CUSTOMER ACCOUNTS RECEIVABLE

Balance January 1, 2013		$ 1,550,159
Increased by Customer Billings:		
Metered Sales Billings to General Public	$ 6,875,964	
Private Fire Protection	1,015,941	
Public Fire Protection	77,688	
Late Charges	99,346	
		8,068,939
		14,815,903
Decreased by:		
Collections	12,808,661	
Customer Prepayments Applied	81,036	
		12,889,697
Balance December 31, 2013		$ 1,823,206

Schedule 5

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF ACCRUED INTEREST RECEIVABLE

Balance January 1, 2013	$ 1,825
Interest Earned	27,199
	29,024
Interest Collected	27,625
Balance December 31, 2013	$ 1,399

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF CAPITAL ASSETS

Description	Balance January 1, 2013	Additions (Deletions)	Balance December 31, 2013
Land and Land Rights	$ 175,857		$ 175,857
Intangible Plant:			
Organization Costs	32,181		32,181
Source of Supply:			
Structures and Improvements	555,069	$ (385,187)	169,882
Wells and Springs	1,780,084	(73,252)	1,706,832
SCADA Program	382,981		382,981
Water Mapping - SCADA	272,457		272,457
Water Re-use PreservationProject	1,103,915		1,103,915
Supply Mains	156,395		156,395
Pumping Plant:			
Structures and Improvements	1,832,162		1,832,162
Electric Plumbing Equipment	157,614		157,614
Diesel Pumping Equipment	83,325		83,325
Other Pumping Equipment	194,084		194,084
Water Treatment Plant:			
Structures and Improvements	1,371,276		1,371,276
Water Treatment Equipment	2,883,348		2,883,348
Transmission and Distribution Plant:			
Structures and Improvements	313,885	7,800	321,685
Camden Avenue Tank	1,569,625		1,569,625
Cherry Hill 1MG Tank	3,006,585		3,006,586
ASR Building - Browning Road	124,706		124,706
Manganese Filtration	2,108,896		2,108,896
National and Brown Lime Addition	399,738		399,738
Park Ave Project	4,534,580		4,534,580
Park Ave Lime Building	256,928		256,928
Service Wells and Motors	542,320		542,320
Filter Media	317,816	9,776	327,592
Rehab National Highway Well 2	43,235		43,235
Browning Road Well 1	167,410		167,410
Tank Painting	2,677,719	2,335,106	5,012,825
Carbon Filter Project	1,658,486		1,658,486
CC TV Park	28,680		28,680
Valve Replacement	142,235		142,235
Distribution Reservoirs and Standpipes	2,830,658		2,830,658
Garden State Project	28,423		28,423
Transmission and Distribution Mains	6,891,967		6,891,967
Water Main Replacement	2,119,554	533,576	2,653,130
Services	1,983,004		1,983,004
Meters	2,560,044	462,392	3,022,436
Hydrants	440,150	28,317	468,467
General Plant:			
Administration Office	3,743,474		3,743,474
Structures and Improvements	24,674		24,674
Office Furniture and Equipment	172,695	(3,247)	169,448
Software	84,487		84,487
Transportation Equipment	139,925		139,925
Tools Shop and Garage Equipment	30,290		30,290
Power Operated Equipment	89,392		89,392
Telephone Equipment	20,676		20,676
City of Camden Water Allocation	2,557,608		2,557,608
Capitalized Interest	207,130		207,130
	$ 52,797,743	$ 2,915,281	$ 55,713,025

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF ACCRUED INTEREST PAYABLE

Balance January 1, 2013		$ 49,550
Accrued Interest:		
N.J.D.E.P. Loans	$ 115,430	
Bond Anticipation Note	30,218	
City of Camden Water Allocation	20,076	
		165,724
		215,274
Less Interest Paid:		
N.J.D.E.P. Loans	118,920	
Bond Anticipation Note	30,218	
City of Camden Water Allocation	20,076	
		169,214
Balance December 31, 2013		$ 46,060

Reconciliation of Interest Expense:	
Accrued Interest	$ 165,724
Amortization of Bond Discount	(7,692)
Interest on Debt	$ 158,032

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES
FOR THE YEARS 2013 AND 2012

	2013	2012	Increase (Decrease)
Revenues:			
Operating Revenues:			
Metered Sales to General Public	$ 6,746,964	$ 6,821,336	$ (74,372)
Private Fire Protection	1,015,941	1,013,065	2,876
Public Fire Protection	77,688	77,688	-
Late Charges	99,346	88,315	11,031
Tower Rentals	322,803	312,229	10,574
Tapping Fees	10,405	3,730	6,675
Miscellaneous Income	91,125	79,010	12,115
Total Operating Revenues	8,364,272	8,395,373	(31,101)
Non-Operating Revenues:			
Investment Income	27,199	42,609	(15,410)
Loss On Sale of Capital Assets	(60,433)	-	(60,433)
Connection and Developers' Fees	247,186	85,859	161,327
Total Revenues	8,578,224	8,523,841	54,383
Operating Expenses:			
Personal Services:			
Administrative Salaries	777,238	753,802	23,436
Seasonal Salaries	28,574	29,480	(906)
Water Treatment Salaries	423,200	410,063	13,137
Repair and Maintenance Salaries	535,464	471,913	63,551
Service Salaries	210,082	206,666	3,416
Plant Operators Salaries	292,723	295,345	(2,622)
Total Personal Services	2,267,281	2,167,269	100,012
Employee Benefits:			
Health Benefits	618,429	574,179	44,250
Prescription	276,747	246,044	30,703
Social Security Tax	166,721	164,943	1,778
Public Employees' Retirement System	102,743	95,676	7,067
Unemployment and Disability	7,707	8,090	(383)
Workers' Compensation Insurance	69,439	68,473	966
Dental, Vision and Other Employee Benefits	190,119	185,756	4,363
Post Employment Benefits Obligation Other than Pension	754,230	687,055	67,175
Total Employee Benefits	$ 2,186,135	$ 2,030,216	$ 155,919

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES
FOR THE YEARS 2013 AND 2012

	2013	2012	Increase (Decrease)
Administrative Expenses:			
Notices & Advertising	$ 11,528	$ 10,413	$ 1,115
Office Expense	71,372	70,332	1,040
Operating Fees-DEP	40,899	42,499	(1,600)
I.T. Expense	35,978	33,667	2,311
Uniform Rental	5,686	9,137	(3,451)
Training and Development	12,544	12,474	70
Consumer Confidence Report	9,076	9,060	16
Employee and Community Relations	13,291	11,089	2,202
Professional / Outside Services	122,978	434,699	(311,721)
Insurance	96,136	91,127	5,009
Tower Rental Revenue Expense	311,026	90,889	220,137
Bad Debt Expense (Net Reserve Reduction)	-	15,834	(15,834)
Other	36,691	29,218	7,473
Total Administrative Expenses	767,205	860,438	(93,233)
Operating and Maintenance Expenses:			
Chemicals and Supplies	60,751	103,809	(43,058)
CCMUA Charges	3,763	3,256	507
Electric & Gas Expense	784,031	886,384	(102,353)
Maintenance of Wells and Treatment Equipment	199,924	46,802	153,122
Maintenance on Mains and Services	227,141	187,622	39,519
Maintenance on Structures	121,558	98,036	23,522
Maintenance on Generators and Power Equipment	9,403	20,931	(11,528)
Maintenance on Control Panels	26,931	17,628	9,303
Maintenance on Pumping and Chemical Equipment	43,889	55,527	(11,638)
Purchase of Water	73,785	78,850	(5,065)
Lab Work	39,825	40,245	(420)
Meter Repair and Maintenance	15,487	14,341	1,146
Communications	25,124	25,440	(316)
Fuel & Gas	34,872	41,932	(7,060)
Safety Equipment	9,372	14,828	(5,456)
Vehicle Expense	88,652	67,344	21,308
Total Operating and Maintenance Expenses	1,764,508	1,702,975	61,533
Depreciation and Amortization Expense	1,880,275	1,566,650	313,625
Total Operating Expenses	8,865,404	8,327,548	537,856
Other Expenses:			
Interest on Long-term Debt	158,032	166,738	(8,706)
Total Expenses	9,023,436	8,494,286	529,150
Net Income (Loss)	$ (445,212)	$ 29,555	$ (474,767)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

SCHEDULE OF FINDINGS AND RECOMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2013

35500

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and in compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs of the State of New Jersey.

SCHEDULE OF FINANCIAL STATEMENT FINDINGS

None.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AS PREPARED BY MANAGEMENT

This section identifies the status of prior year audit findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

None.

APPRECIATION

We express our appreciation for the courtesies extended and assistance provided to us during the course of our audit.

Respectfully submitted,
BOWMAN & COMPANY LLP

James J. Miles, Jr.
Certified Public Accountant