

## **Willingboro Municipal Utilities Authority Management's Discussion and Analysis For the Year Ending December 31, 2009**

The Willingboro Municipal Utilities Authority (the Authority) is a municipal utility providing water and wastewater services to Willingboro Township and portions of Westampton Township. Additionally, the Authority has long term contracts with the Edgewater Park Sewerage Authority to provide wastewater treatment and with the Townships of Mount Laurel and Evesham for the provision of up to five million gallons per day (gpd) of potable water.

This section of the Authority's annual financial report provides a discussion and analysis of the utility's financial performance for the fiscal year ending December 31, 2009. The annual financial report consists of three parts; the independent auditor's report, the financial statements, including supplemental schedules and management's discussion and analysis (this section).

### **FINANCIAL HIGHLIGHTS**

- **Operating Results** - In 2009, the Authority generated operating income of \$381,458.
- **Revenue** - 2009 water and sewer revenues totaled \$8,447,977 a decrease of \$378,408 from 2008. This decrease was due primarily to the significant decreases in the number of new connections and investment income.
- **Sewer and Water Rates** - Both sewer and water rates were increased in 2009. Minimum quarterly rates increased to \$76 (sewer \$41 and water \$35 per quarter). Additional rate increases for both water and sewer service were enacted for 2010 (sewer \$44 and water \$36 per quarter) or a total quarterly minimum of \$80.
- **Customer Base** - The Authority's total number of connections showed modest growth between 2005 (16,296), 2006 (16,547), 2007 (16,684) and 2008 (16,705). The average rate of growth during this time period was approximately 2%. There was no meaningful growth in 2009 (16,707).
- **Connection Fees** - Water and sewer connection fee revenues are non-existent. This represents a significant decrease from several years ago when in 2007 connection fees totaled approximately \$612,000.
- **Operating Expenses** - Operating expenses (exclusive of depreciation and OPEB expenses) in 2009 decreased when compared to 2008. The decrease was approximately \$656,000. This decrease can be attributed to controlling expenses. The most significant decrease was in the cost of electricity.
- **Total Assets** - Total assets at the end of 2009 equaled \$51,045,837. Approximately \$31,273,741 of the total was comprised of plant, property and equipment.
- **Unrestricted Assets** - Unrestricted assets decreased approximately \$807,000 largely because a large portion of cash and cash equivalents were converted to capital assets. This is becoming an item of major concern because there are insufficient reserves on hand to provide for emergencies. Since 2007 the Authority's unrestricted cash and investment totals have decreased by approximately \$1.79 million.
- **Plant, Property and Equipment** - During 2009, the Authority expended approximately \$1,325,000 for Capital Additions.
- **Liabilities** - Long-term debt decreased approximately \$1,935,000 in 2009. This was due to the retirement of the Series F bonds.

## **BUDGET VARIANCES**

The amended budget shows combined total excess revenue over expenditures of (\$326,000).

The largest sewer revenue variation was in residential and commercial and amounted to a \$174,000 shortfall. The largest water revenue variation was in intergovernmental service agreements which had an unfavorable variance of varied \$269,000.

The largest sewer expenditure variation was system maintenance which amounted to approximately \$66,000. Largest water expenditure variation was equipment maintenance which amounted to approximately \$23,000.

## **CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

### **SEWER**

The proposed five-year Capital Programs for the Sewer Department total \$8,405,000. The major line items making up a portion of the Sewer Capital Budget are:

1. Sanitary sewer main repair
2. Plant upgrades
3. Implementation of energy audit
4. Renovations to mechanical and electrical equipment at the pollution control plant
5. Vehicles
6. Expand and upgrade laboratory
7. Filter media replacement
8. Purchase Township kennel

## **CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY CONTD**

### **WATER**

The proposed five-year Capital Programs for the Water Department total \$6,557,000. The major line items making up a portion of the Water Capital Budget are:

1. Water Main Replacement
2. Storage building
3. Construct an additional backup lagoon
4. Vehicles and Front End Loader/Backhoe
5. Main Water Plant Renovations and upgrades
6. Rehabilitation of five (5) wells
7. Painting of water storage tanks

## **EVENTS SUBSEQUENT TO FY 2009 AUDIT**

NONE

## **CONTACTING THE AUTHORITY'S MANAGEMENT**

This financial report is designed to provide its customers, investors, clients and creditors, with an overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact Joseph S. Bateman, Executive Director, Willingboro Municipal Utilities Authority, 433 John F. Kennedy Way, Willingboro, New Jersey 08046. You may also visit our web site [www.wmua.info](http://www.wmua.info)

**Exhibit A**  
**Comparative Statement of Net Assets**  
**As of December 31, 2009, 2008 and 2007**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Assets</b>			
Unrestricted Current Assets	\$ 4,985,827	\$ 5,454,030	\$ 6,614,890
Restricted Current Assets	14,388,213	6,089,584	5,543,696
Capital Assets	31,273,741	31,526,428	27,066,898
Unamortized Bond Issue Costs	398,055	430,252	289,601
<b>Total Assets</b>	<b>\$ 51,045,837</b>	<b>\$ 43,500,294</b>	<b>\$ 39,515,085</b>
<b>Liabilities</b>			
Current Liabilities	12,571,832	2,775,733	2,740,204
Long-Term Liabilities	15,936,623	17,872,287	14,990,226
<b>Total Liabilities</b>	<b>\$ 28,508,455</b>	<b>\$ 20,648,020</b>	<b>\$ 17,730,429</b>
<b>Equity</b>			
Invested in Capital Assets, Net of Related Debt	13,524,638	13,117,122	11,034,043
Restricted	6,459,794	6,374,327	6,009,422
Unrestricted	2,552,950	3,360,825	4,741,191
<b>Total Equity</b>	<b>\$ 22,537,382</b>	<b>\$ 22,852,274</b>	<b>\$ 21,784,656</b>

**Exhibit B**  
**Comparative Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Years Ended December 31, 2009, 2008 and 2007**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Operating Revenues:</b>			
Service Charges	\$ 6,381,524	\$ 6,063,245	\$ 5,951,050
Intergovernmental Service Agreements	1,906,501	2,159,743	2,201,683
Connection Fees		3,536	612,397
Other Operating Revenue	66,611	291,330	242,826
<b>Total Operating Revenues</b>	<b>\$ 8,354,636</b>	<b>\$ 8,517,854</b>	<b>\$ 9,007,956</b>
<b>Operating Expenses:</b>			
Administration	1,291,860	1,206,478	1,112,181
Cost of Providing Service	4,770,209	4,839,532	4,311,193
Major Repairs	337,869	312,246	142,085
Depreciation	1,573,240	642,066	1,294,872
<b>Total Operating Expenses</b>	<b>\$ 7,973,178</b>	<b>\$ 7,000,322</b>	<b>\$ 6,860,332</b>
<b>Net Non-Operating Income (Expenses)</b>	<b>\$ (696,351)</b>	<b>\$ (449,914)</b>	<b>\$ (318,165)</b>
<b>Change in Net Assets</b>	<b>\$ (314,892)</b>	<b>\$ 1,067,618</b>	<b>\$ 1,829,460</b>
<b>Net Assets -- Jan. 1</b>	<b>\$ 22,852,274</b>	<b>\$ 21,784,656</b>	<b>\$ 19,955,196</b>
<b>Net Assets -- Dec. 31</b>	<b>\$ 22,537,382</b>	<b>\$ 22,852,274</b>	<b>\$ 21,784,656</b>

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements report information about the Authority's finances as a whole using accounting methods similar to those used by private-sector companies. As the Authority follows the accrual method of accounting, the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. Net assets - the difference between the Authority's assets and liabilities - are a measure of the Authority's financial health.

The comparative statements of net assets (Exhibit A) include all of the Authority's assets and liabilities. The statements of revenues, expenses and changes in net assets (Exhibit B) provide a breakdown of the various areas of revenues and expenses encountered during the current year.

The statements of cash flows provide a breakdown of the various sources of cash flow, categorized into four areas: Cash flows from operating activities, noncapital financing activities, capital and related financing activities and investing activities.

## **ANALYSIS OF THE AUTHORITY'S FINANCIAL STATEMENTS**

While the Authority's overall financial position continues to be sound, it has weakened in recent years. There are significant challenges ahead for the Authority to find new sources of revenue, raise rates and manage or reduce operating expenses. Also as the Authority's infrastructure continues to age the need to invest more money in the infrastructure will grow. Most of the funding for a more aggressive capital program will most likely have to be generated through rate increases.

The operating revenues of the Authority decreased approximately, \$163,000 while operating expenses increased by approximately \$973,000 compared to 2008. Practically the entire change is caused by depreciation.

The amount of the Authority's long-term liabilities (bonds and loans) decreased in 2009. The year-end balance was approximately \$15,573,000, as of December 31, 2009 as compared to \$17,512,000 at the end of 2008. This reduction was due to the retirement of series "F" bonds. In addition, two more of the Authority's series of bonds will be paid-off by Jan. 1, 2011 reducing the annual debt service payments by approximately \$800,000 per year.

The Authority incurred new debt in the form of temporary loans from the NJ Environmental Infrastructure Trust in the amount of \$9,491,948. These loans were converted to permanent financing on March 10, 2010.

Despite the challenges experienced in 2009, Authority continues to produce an operating surplus and has one of the lowest combined sewer and water rates in southern New Jersey.

## **BASIC FINANCIAL STATEMENTS**