

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC,  
STATE OF NEW JERSEY

FINANCIAL STATEMENTS AND  
ADDITIONAL INFORMATION

With

INDEPENDENT AUDITOR'S REPORTS

And

COMMENTS AND RECOMMENDATIONS

FOR THE YEARS ENDED  
DECEMBER 31, 2010 AND 2009

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## **INTRODUCTORY SECTION**



## Atlantic County Utilities Authority

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609.272.6950 • www.acua.com • info@acua.com

June 8, 2011

Chairman Embry, Authority Board Members and President Dovey:

Presented to you are the audited financial statements for the 2010-year. There are separate financial statements for the Wastewater Division and Solid Waste Division, as has been done in prior years. The financial statements are presented separately for each division because the Divisions are separate and distinct for ratemaking, operating, and public financing purposes. There are also combined statements as required by accounting standards for the Comparative Statement of Net Assets, the Comparative Statement of Revenues, Expenses, and Changes in Net Assets, and Comparative Statement of Cash Flows.

Government Auditing Standards and State law requires that the Atlantic County Utilities Authority publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards. The financial statements for the 2010-year are presented as required.

In addition, and for the purpose of evaluating budget performance, a Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget Rate Basis have been completed. This is more commonly referred to as the "Budget to Actual" statement, and has been completed for both the Wastewater and Solid Waste Divisions. Similar statements are also prepared and presented to you during the year, and utilized by the operations and management staff to evaluate operating performance as it relates to budget.

Also included are statements prepared on a Modified GAAP Basis, and relates more to the "Budget to Actual" statements. In addition there are statements done in accordance with the bond indenture.

The justification and differences related to these statements are discussed more thoroughly in the Management Discussion and Analysis (MD&A) report provided herein. All of the additional statements mentioned and not in compliance with GAAP have been reconciled to the required GAAP statements.

The Management Discussion and Analysis report consists of management's representations concerning the finances of the Wastewater Division and the Solid Waste Division. Management assumes full responsibility for the completeness and reliability of all the information presented in the MD&A.

Regarding the reliability of the statements presented, a reasonable internal control framework and procedures exist to protect the Atlantic County Utility Authority's assets from loss, theft or misuse. This internal control framework provides a basis that allows staff to compile sufficient and reliable information for the preparation of the Authority's financial statements in conformity with GAAP and for the audit by the Authority's independent auditor. Because the cost of internal controls should not outweigh their benefits, the internal controls cannot provide an absolute assurance, but can provide reasonable assurance as to the credibility and accuracy of the financial statements.

The staff of the Finance Department prepared the basic financial statements and the supplemental financial statements and schedules discussed above. Ford-Scott and Associates, LLC, a firm of licensed certified public accountants, has audited and opined on the Authority's financial statements. The goal of an independent audit is to provide reasonable assurance as to the validity of the financial statements. This involves examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing any estimates and calculations utilized, assessing supplemental information provided or gathered by the auditors, and assessing the overall financial statement presentation. The auditors have opined that the basic financial statements which were prepared in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards present fairly, in all material respects, the financial position of the Atlantic County Utilities Authority at December 31, 2010 and 2009. There are no recommendations noted.

Sincerely,

*Maria Mento*

Maria Mento

Executive Vice President & Chief Financial Officer

*Katherine Vesey*

Katherine Vesey

Comptroller & Director of Research & Development

## **FINANCIAL SECTION**



# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman  
and Members of the Board  
of the Atlantic County Utilities Authority

We have audited the accompanying basic financial statements of the Atlantic County Utilities Authority ("Authority"), a component unit of the County of Atlantic, as of and for the years ended December 31, 2010 and 2009, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2010 and 2009, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2011 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The management's discussion, analysis, and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and the presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying financial information listed as Other Supplementary Information is not a required part of the basic financial statements, but is presented as additional analytical data. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole. Additionally, the schedule of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and is not a required part of the basic financial statements of the Authority. The schedule of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole

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



**Leon P. Costello**  
**Certified Public Accountant**  
**Registered Municipal Accountant**  
**No. 393**

**June 8, 2011**

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

Within this section of the Atlantic County Utilities Authority's (the Authority or the ACUA) annual financial report, the management of the Authority provides narrative discussion and analysis of the financial activities of the Authority for the audit year ending December 31, 2010.

The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and notes following this section.

The Atlantic County Utilities Authority consists of three divisions. The three divisions are Administration, Solid Waste, and Wastewater. The latter two are the operational divisions of the ACUA. Administrative expenses are allocated between the two operational Divisions based on percentages deemed appropriate by management. These expenses are included in the financial statements of the two divisions. The two operating divisions are discussed in this section separately where appropriate. The two divisions are separate and distinct from each other for rate making and operating purposes. The Bondholders of each Division do not have claims on the revenues or assets of the other Division.

### **Discussion of Financial Statements Included in Annual Audit**

The Authority prepares and presents its financial statements on several different basis', because of accounting requirements and for internal use purposes.

The first set of statements for each respective Division, which consist of the Comparative Statement of Net Assets, the Comparative Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows is prepared on an accrual basis and is in accordance with generally accepted accounting principles (GAAP) applicable to enterprise funds of state and local governments. These statements are the official financial statements of the Atlantic County Utilities Authority.

After the first set of statements, and the "Notes to the Financial Statements" that follow, is the second set of statements for each respective Division. These statements are considered "Supplemental Information", and also consist of the Comparative Statement of Net Assets, the Comparative Statement of Revenues, Expenses and Changes in Net Assets. They are prepared on a "Modified GAAP Basis".

The primary difference between the statements is the recording and reporting of accounts payable. On the "Modified GAAP Basis" statements, all encumbrances as of 12/31/2010 are reported as Accounts Payable or Construction Contracts Payable, and as Property, Plant and Equipment. On the "GAAP Basis" statements, only those encumbrances where goods or services have been received as of 12/31/2010 are reported as Accounts Payable or Construction Contracts Payable, and as Property, Plant and Equipment. The difference between the two statements and methodologies presents itself in Net Assets-Unrestricted.

The Authority has historically presented its financial statements on a "Modified GAAP Basis", and continues to do so because it relates more fairly to the annual budget for the same period. The annual budget records all encumbrances as charges against the adopted appropriation even if the items or services have not been received.

Also contained in the supplemental information are statements for each Division that reports the "Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget-Rate Basis". This statement compares the "Budget" revenues and expenses to "Actual" revenues and expenses. This includes operating revenues and expenses, non-operating revenues, and non-operating expenses. Principal and Interest are reported in this statement as Debt Service Expense, and Depreciation is not reported as an expense. On the "GAAP" and "Modified GAAP" statements, Depreciation Expense is included as an expense, and only the Interest Expense component of the Debt Service Expense is reported.

The Budget to Actual statement is a very important statement to the Authority management staff because it is how we measure our financial performance, particularly as it compares to the approved and adopted annual budget and how it relates to the operational performance.

Finally there are "Special Purpose Statements of Revenues and Expenses to Comply with Revenue Bond Resolution". This statement is done as defined and in accordance with the respective Division's Bond Resolution. This statement essentially includes the same revenues and same expenses as reported on the "GAAP Basis" statements, with the exception of Depreciation and Amortization of Bond Issue Costs. Neither is included on the statement and complies with the Bond Resolution.

Other information or statements incorporated within the annual audit report are the Schedule of Cash, Cash Equivalents and Investments; Schedule of Property, Plant and Equipment and Other Capitalized Costs; Schedule of Debt Issue Costs and Debt Service Requirement rate covenant analysis.

For the purpose of the Management Discussion and Analysis, the ensuing discussion will review the official statements of the Atlantic County Utilities Authority, those prepared in accordance with generally accepted accounting principles (GAAP) applicable to enterprise funds of state and local governments. This is the first set of statements included in the annual audit report.

## Wastewater Division

### Comparative Balance Sheet

The Wastewater Division's Total Assets increased \$8.6 million. Current Assets were up by \$932,000 which is a function of timing of cash receipts and payments. Noncurrent Assets increased by \$10.1 million or 75%. Loans Receivable was up by \$5.7 million as a result of two New Jersey Environmental Infrastructure Trust loans and projects entered into in 2010. The two projects undertaken in 2010 were \$6.4 million in general plant improvements and \$1.7 million for regional pump station improvements. Noncurrent cash and investments are also up \$4.4 million due to timing of receipts and payments on capital projects. PP&E increased by \$3.2 million and Accumulated Depreciation increased by about \$5.3 million resulting in a decrease in Net Capital Assets of \$2.1 million. PP&E additions include plant and sewer maintenance upgrades. Depreciation is calculated straight line over the life of the asset with a half year of depreciation take in the first and last years of the asset's life.

Total liabilities increased by \$2 million and 4%. The Long Term Portion of Bonds Payable decreased \$967,000 and Accrued Interest increased \$149,000 for a net decrease of \$818,000. Deferred revenue decreased \$165,000. However, the Current Portion of Long Term Debt increased by \$3.3 million in accordance with debt service schedules and the 2009 refunding of the 1998 Wastewater bonds. Accrued Interest Payable increased 28%. Total Current Liabilities Payable from Restricted Assets increased \$3.5 million, including a \$70,000 increase in Construction Contracts Payable due to timing of payments to vendors.

Current and Long-Term Bonds Payable went from \$44.3 million in 2009 to \$46.5 million in 2010.

Current Liabilities Payable from Current Assets decreased \$344,000 or 21%. Accounts Payable accounted for \$349,000 of the increase while Deferred Revenue accounted for an increase of \$5,000.

Noncurrent Liabilities decreased \$1.1 million and 3%. This decrease is mostly attributable to a \$967,000 reduction in Long Term Bonds Payable as described above.

Assets exceed liabilities by \$72.5 million. This compares to 2009 where the division's assets exceeded its liabilities by \$66 million. The net change represents revenue for the 2010-year of \$6,592,000. In 2009, revenue increased Net Assets by \$1,271,000.

The Division's Net Assets of \$72,521,954 is comprised of the following:

(1) Capital Assets, Net of Related Debt of \$33,338,685, include property, plant and equipment, net of accumulated depreciation, and net of long-term debt and short-term debt related to the purchase or construction of capital assets. Calculated as: (Net Capital Assets-Long-Term Portion of Bonds Payable –Current Maturities of Long-Term Debt = Investment in Capital Assets, Net of Related Debt).

(2) Net Assets of \$4,800,000 restricted for the purpose of Renewal and Replacement of "the System" and restricted as the "System Improvement Requirement", which is determined each year by an independent consulting engineer.

(3) Net Assets of \$6,459,410 restricted for the purpose of forthcoming debt service payments.

(4) Net Assets of \$7,415,415 restricted for the purpose of providing a Debt Service Reserve Fund, in accordance with the Authority's debt covenants, and of which part is in the form of a Surety Bond.

(5) Unrestricted Net Assets of \$20,508,444 represents the portion available to maintain the Authority's continuing obligations to the contractual customers of its service area, its creditors and current liabilities.

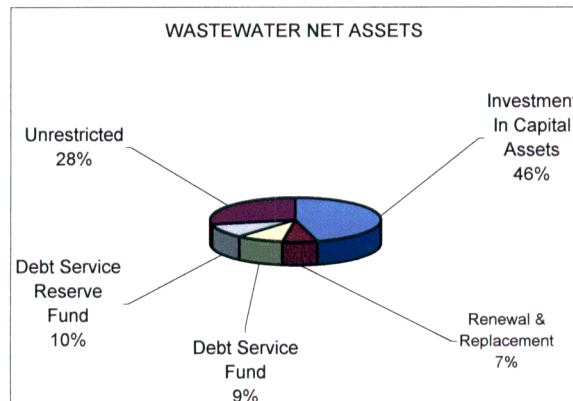
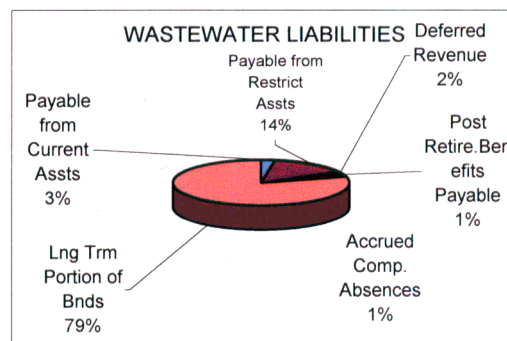
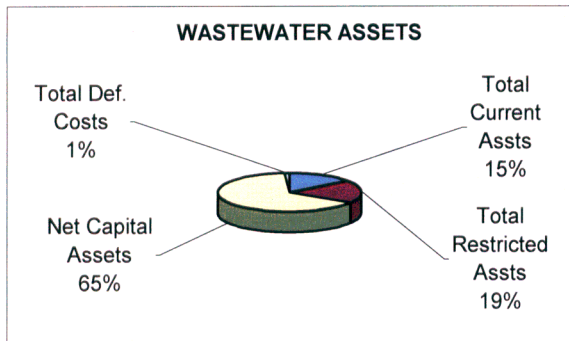
Restricted Net Assets decreased \$925,000 in 2010 as follows: Investments in Capital Assets Net of Related Debt decreased \$4.4 million, and the reserve for Debt Service Fund increased \$3.4 million. The Renewal and Replacement and Debt Service Reserve Funds did not change from 2009.

Unrestricted Net Assets increased \$7.5 million, which is comprised of the Net Income from Operations for 2010 and a decrease in Restricted Net Assets.

Total Fund Equity increased 10% or \$6,592,083, the reported Net Income for the 2010-year. It is comprised of Operating Income in the amount of \$7,853,305 and Non-Operating Expenses of \$1,261,222.

Below is a synopsis of the Wastewater Division's 2010 Balance Sheet with a comparison to last year:

	<u>2010</u>	<u>2009</u>	<u>\$ Change</u>	<u>% Change</u>
Total Current Assets	\$ 17,990,979	\$17,059,393	\$ 931,586	5%
Total Noncurrent Assets	23,632,255	13,532,748	10,099,507	75%
Net PP&E	79,890,637	81,966,256	(2,075,619)	-3%
Unamortized Bond Issue Costs	1,536,888	1,904,692	(367,804)	-19%
<b>TOTAL ASSETS</b>	<b>123,050,759</b>	<b>114,463,089</b>	<b>8,587,670</b>	<b>8%</b>
Total Current Payable from Current	1,274,630	1,618,177	(343,547)	-21%
Total Current Payable from Restricted	7,292,741	3,821,767	3,470,974	91%
Total Noncurrent Liabilities	41,961,434	43,093,274	(1,131,840)	-3%
<b>TOTAL LIABILITIES</b>	<b>50,528,805</b>	<b>48,533,218</b>	<b>1,995,587</b>	<b>4%</b>
Invested in Capital Assets, Net Debt	33,338,685	37,699,229	(4,360,544)	-12%
Total Restricted	18,674,825	15,239,289	3,435,536	23%
Unrestricted	20,508,444	12,991,353	7,517,091	58%
<b>TOTAL NET ASSETS</b>	<b>\$ 72,521,954</b>	<b>\$65,929,871</b>	<b>\$ 6,592,083</b>	<b>10%</b>



## Comparative Statement of Revenues, Expenses and Changes in Net Assets

Operating Income increased \$5.3 million, more than 200%. The increase is primarily due to a Federal American Recovery and Reinvestment Act of 2009 (ARRA) Grant received in 2010 to offset the costs of the Plant Improvements. The Authority applied for and received \$3,955,000 in ARRA funds in 2010 which is presented in Operating Revenue.

The user fee charged to the fourteen participants has remained the same since 2007. Sludge income decreased nominally by \$39,000 and 2%. Income from Septage and Leachate disposal increased by \$61,000 and 12%. Sludge, Septage and Leachate disposal services are considered "outside income", and as such are utilized to reduce or stabilize the user fee charged to the Authority's fourteen direct participants. The user fee is the primary revenue source of the Authority and supports the expenses as follows: \$15,586,110 for operating expenses, and \$8,053,350 for annual debt service. Interest income decreased more than \$31,000 and 13% as a result of the continuing economic recession and minimal interest rates paid on deposits.

Operating expenses decreased by more than \$1 million and 4% from the prior year. The decrease was due to a combination of increases and decreases among significant operating items. The Division experienced a modest increase in Employee Benefits and modest decrease in Licenses & Permits. Amortization of Bond Issues Costs remained the same in accordance with established amortization schedules.

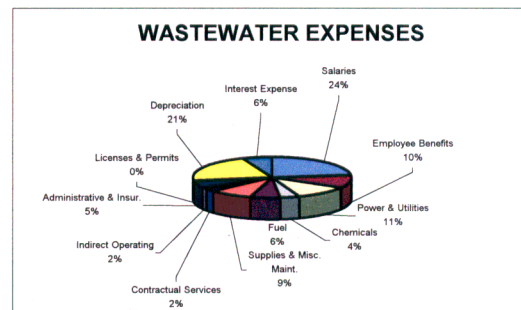
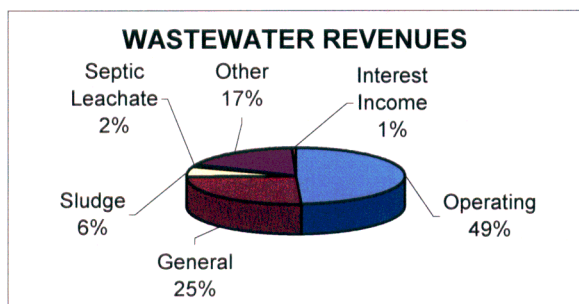
More significant increases were seen in Salaries, Indirect Operating Expenses, Administrative Expenses and Depreciation. Salaries increased \$107,000 and 2% due to rate increases authorized for most employees at approximately 2%. Indirect Operating Expenses increased approximately \$167,000 and Administrative costs increased \$105,000 primarily due to lower net costs in 2009 as a result of canceled purchase orders. Actual Indirect Operating Expenses remained relatively flat excluding the canceled orders from 2009. Administrative Expenses increased almost \$100,000 excluding the impact from the 2009 canceled orders. The increase was largely due to the purchase of centralized maintenance and fuel island software in 2010. Finally, Depreciation increased \$141,000 and 3% in accordance with straight-line depreciation policies in place at the Authority.

More significant decreases were seen in Power & Utilities, Chemicals, Fuel, Supplies & Miscellaneous Maintenance and Contractual Services. Power & Utilities decreased \$616,000 primarily due to reduced natural gas costs. Supplies & Miscellaneous Maintenance decreased \$194,000 due to the continued savings achieved by consolidating Wastewater and Solid Waste maintenance groups to one unit. Finally, Contractual Services decreased \$61,000 and 10% which is attributed to timing of services received. Total Operating Revenues exceeded Total Operating Expenses by \$7.9 million.



Non Operating Expenses, which is comprised of Interest Income, Interest Expense and Gain on Refunding, decreased \$68,000. Interest income decreased \$32,000 due to minimal interest being paid on deposits. Interest expense increased \$285,000 in accordance with debt service schedules and the Gain on Refunding decreased by \$184,000, or 100%, since there was no bond refunding activity in 2010. Total 2010 Revenues exceeded Total Expenses by \$6,592,083. Total Net Assets increased to \$72,521,954.

<b>WW Revenue</b>	<b>2010</b>	<b>2009</b>	<b>\$ Change</b>	<b>% Change</b>
User Fee	\$ 23,639,463	\$ 23,639,464	\$ (1)	0%
Sludge	1,786,943	1,825,506	(38,563)	-2%
Septage & Lechate	562,214	500,814	61,400	12%
Other	5,468,213	1,258,586	4,209,627	334%
<b>Total Revenue</b>	<b>31,456,833</b>	<b>27,224,370</b>	<b>4,232,463</b>	<b>16%</b>
<b>WW Operating Expenses</b>				
Salaries	5,730,133	5,623,513	106,620	2%
Employee Benefits	2,495,692	2,480,179	15,513	1%
Power & Utilities	2,740,551	3,356,280	(615,729)	-18%
Chemicals	967,550	1,196,764	(229,214)	-19%
Fuel	1,519,975	1,947,487	(427,512)	-22%
Supplies & Miscellaneous Maintenance	2,187,663	2,381,355	(193,692)	-8%
Contractual Services	566,286	627,594	(61,308)	-10%
Indirect Operating Expenses	406,846	239,454	167,392	70%
Administrative	1,215,575	1,110,924	104,651	9%
Licenses & Permits	116,831	145,137	(28,306)	-20%
Depreciation	5,288,622	5,147,407	141,215	3%
Amortization of Bond Issue Costs	367,804	367,804	-	0%
<b>Total Operating Expenses</b>	<b>23,603,528</b>	<b>24,623,898</b>	<b>(1,020,370)</b>	<b>-4%</b>
<b>WW Non-Operating Revenue/(Expenses)</b>				
Interest Income	219,073	250,983	(31,910)	-13%
Interest Expense	(1,480,295)	(1,764,636)	284,341	-16%
Gain on Refunding Bonds	-	184,247	(184,247)	100%
	<b>(1,261,222)</b>	<b>(1,329,406)</b>	<b>68,184</b>	<b>-5%</b>
<b>NET INCOME</b>	<b>\$ 6,592,083</b>	<b>\$ 1,271,066</b>	<b>\$ 5,321,017</b>	<b>419%</b>



### Statement of Cash Flows

Net Cash Provided by Operating Activities increased 67%, an increase of \$5.3 million. Receipts from Customers and Users increased \$4.6 million primarily from ARRA Grant Proceeds of \$3,955,000. Payments to employees increased \$107,000 and 2% in accordance with pay increases authorized and payments to suppliers decreased \$811,000 and 6% as a result of reduced operating expenses in 2010 as compared to 2009.

Net Cash Used by Capital and Related Financing Activities went from \$9 million in 2009 to \$7.8 million in 2010. Principal Paid was down about \$2.4 million because we did not refund any bonds in 2010. Interest Paid also decreased by \$757,000 as principal outstanding has decreased. The Authority has eight NJEIT Financings outstanding to date. The 1995, 2001, 2004 and 2006 NJEIT Loans are 100% complete and there will be no additional Loan Proceeds from these Loans. The 1997 and 2007 Loans and related capital improvements remain open. There were draws of \$98,000 and \$587,000 on the 1997 and 2007 NJEIT Financings in 2010, respectively. Two loans were entered into in 2010 that also remain open.

Net Cash Provided by Investment Activities was \$1.7 million in 2009 as compared to Net Cash Used by Investment Activities of \$3.9 million in 2010, representing a cash flow decrease of \$5.5 million and 330%.

Net Increase in Cash and Cash Equivalents for the 2010 year is \$1,364,000. The Cash and Cash Equivalents Balance at the Beginning of the Year was \$25,327,604 and the Balance at the End of the Year was \$26,692,265.

<b>WW Cash Flows</b>				
	<u>2010</u>	<u>2009</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 31,357,301	\$ 26,800,512	\$ 4,556,789	17%
Payments to Employees	(5,730,133)	(5,623,513)	(106,620)	2%
Payments to Suppliers	(12,565,620)	(13,376,800)	811,180	-6%
Net Cash Provided by Operating Activities	13,061,548	7,800,199	5,261,349	67%
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers to Other Funds	(24,651)	(145,373)	120,722	-83%
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of Capital Assets	(3,883,575)	(2,728,410)	(1,155,165)	42%
Principal Paid on Capital Debt	(3,285,771)	(5,662,755)	2,376,984	-42%
Interest Paid on Capital Debt	(1,331,044)	(2,088,003)	756,959	-36%
Proceeds from Wastewater Trust	684,584	1,514,857	(830,273)	-55%
Net Cash Used by Capital and Financing	(7,815,806)	(8,964,311)	1,148,505	-13%
<b>Cash Flows from Investing Activities</b>				
Interest Income	218,737	378,785	(160,048)	-42%
Transferred to Investments	(4,075,167)	1,298,783	(5,373,950)	-414%
Net Cash Provided by Investing Activities	(3,856,430)	1,677,568	(5,533,998)	-330%
<b>Net Increase in Cash and Cash Equivalents</b>	<b>1,364,661</b>	<b>368,083</b>	<b>996,578</b>	<b>271%</b>
<b>Cash and Cash Equivalents, January 1</b>	<b>25,327,604</b>	<b>24,959,521</b>	<b>368,083</b>	<b>1%</b>
<b>Cash and Cash Equivalents, December 31</b>	<b>\$ 26,692,265</b>	<b>\$ 25,327,604</b>	<b>\$ 1,364,661</b>	<b>5%</b>

### Solid Waste Division

#### Comparative Balance Sheet

The Solid Waste Division reports Total Assets of \$90,111,864, a decrease of \$616,204 from 2009.

Current Assets increased \$1.5 million and 6% primarily due to more cash on hand and fewer receivables in 2010 than in 2009. Noncurrent Assets decreased \$3.2 million and 12% primarily due to funds expended in 2010 to permanently cap and close a portion of the landfill. Net Capital Assets increased by \$1.2 million and 3%. The increase is combination of additions of \$6.5 million and depreciation expense of \$5.3 million. Additions include a compressed natural gas fueling station, five compressed natural gas refuse collection trucks and landfill infrastructure improvements. Depreciation is calculated straight line over the life of the asset with a half year of depreciation taken in the first and last years of the asset's life. Deferred Bond Issue Costs declined by the annual amortization expense charged in accordance with the amortization schedule.

Total Liabilities decreased \$3.7 million and 6%. Current Liabilities Payable from Unrestricted Assets declined by \$74,000 and 4% due to a combination of reduced Accounts Payable and an increase in Customer Deposits. Current Liabilities Payable from Restricted Assets increased \$197,000 and 3%. The increase is a combination of decreases in Construction Contracts Payable and Accrued Interest and an increase in the Current Portion of Long-Term Debt which is in accordance with the debt service schedule.

Accrued Landfill Closure costs increased \$1.6 million and 19%. This increase includes an increase in the liability of \$1.7 million as calculated by a consulting engineer and a reduction to the liability of \$100,000 which was spent in 2010 to complete the permanent capping of portions of the landfill.

The amount escrowed is in accordance with the consulting Engineer's findings as reported. Total anticipated closure cost as of 12/31/10 is \$10,174,458. Of this amount \$10,076,640 is escrowed and \$97,818 has been charged against the accrued closure costs to complete the process of capping and closing cells one and two. The percent of cumulative landfill capacity utilized as of 12/31/10 according to the consulting engineer report is 46.9%, up from 44.4% in 2009. This increase is the result of 263,809 current year tons of accepted waste plus associated cover material used and buried in the landfill. The Authority's independent consulting engineer performs the necessary calculation to determine the estimated liability in accordance with provisions of Statement No. 18 of the Government Accounting Standards Board, Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs.

Noncurrent Liabilities remained unchanged except for the Long-Term Portion of Bonds Payable which decreased \$5.4 million in accordance with the existing debt service schedule. Other Non-Current Liabilities include an accrual for expected future Post Retirement Benefit costs in the amount of \$800,000 and Accrued Compensated Absences of \$670,419. The Authority has set aside additional funds for Other Post Employment Benefits.

The Division's Net Assets of \$36,697,670 are comprised of the following:

- (1) Capital Assets, Net of Related Debt of \$3,632,769, include Property, Plant and Equipment, net of Accumulated Depreciation, and net of Long-Term Debt and Short-Term Debt related to the purchase or construction of Capital Assets. In 2005 the ACUA had negative Capital Assets of \$6,680,103, in 2006 negative capital assets of \$1,003,023, in 2007 negative Capital Assets of \$573,543, in 2008 positive capital assets of \$717,001 and in 2009 negative capital assets of \$2,603,357.

Calculated as: (Net Capital Assets-Long-Term Portion of Bonds Payable – Current Maturities of Long-Term Debt = Investment in Capital Assets, Net of Related Debt).

- (2) Net Assets of \$8,053,769 restricted for the purpose of Debt Service Reserve Fund, in accordance with the Authority's debt covenants.
- (3) Unrestricted Net Assets of \$25,011,132 represents the portion available to maintain the Authority's continuing obligations to the Authority's service area, certain creditors, current liabilities and other post employment benefits.

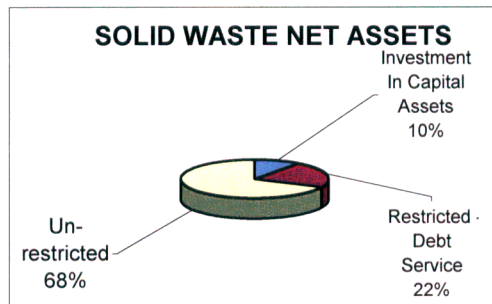
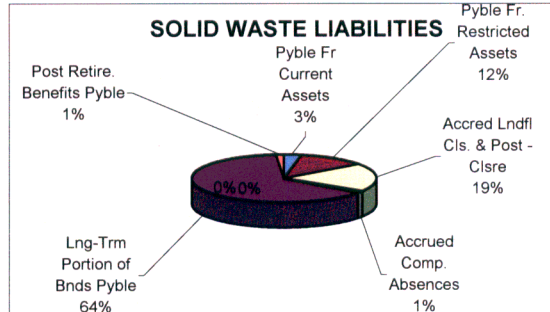
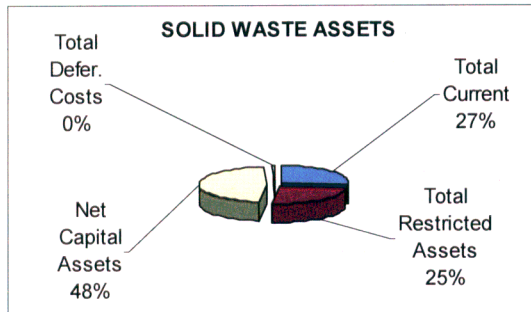
Unrestricted Net Assets decreased approximately \$3.2 million, or 11% in 2010, and increased 11%, or \$3.4 million in 2009.

Restricted- Debt Service Reserve Fund Net Assets remains the same at \$8,053,769, in accordance with the 1992 Solid Waste Bond Resolution and the defined "Debt Service Reserve Requirement". In 1992 the Authority made a draw from the Debt Service Reserve Fund for \$5,422,236 for the payment of the March 1, 2002 debt service (see Notes to Financial Statements). The balance of cash in this fund since 12/31/02 has been unchanged at \$2,631,532.

Investment in Capital Assets, Net of Related Debt, of \$3,632,769, increased by \$6.2 million. The increase is a function of Capital Assets and Debt. There were more capital asset additions in 2010 then there was debt service paid.

Total Net Assets grew by \$3.1 million and is comprised of Operating Income of \$817,000 and net Non- Operating Revenues in the amount of \$2.3 million.

<b>SW Assets</b>				
<b>Current Assets</b>	<b>2010</b>	<b>2009</b>	<b>\$ Change</b>	<b>% Change</b>
Cash & Investments	21,958,131	20,478,776	1,479,355	7%
Accrued Interest Receivable	16,463	15,596	867	6%
Accounts Receivable - All	1,898,067	2,000,660	(102,593)	-5%
Intercompany Accounts	744,948	720,297	24,651	3%
<b>Total Current Assets</b>	<b>24,617,609</b>	<b>23,215,329</b>	<b>1,402,280</b>	<b>6%</b>
<b>Noncurrent Assets</b>				
Cash & Investments	17,432,628	20,852,452	(3,419,824)	-16%
Amounts Held by State of New Jersey	4,748,668	4,475,574		
Accrued Interest Receivable	6,820	20,737	(13,917)	-67%
<b>Total Noncurrent Assets</b>	<b>22,188,116</b>	<b>25,348,763</b>	<b>(3,160,647)</b>	<b>-12%</b>
<b>Capital Assets</b>				
PP&E	117,811,927	111,262,503	6,549,424	6%
Depreciation	(74,948,966)	(69,600,633)	(5,348,333)	8%
<b>Net PP&amp;E</b>	<b>42,862,961</b>	<b>41,661,870</b>	<b>1,201,091</b>	<b>3%</b>
<b>Deferred Costs</b>				
Unamortized Bond Issue Costs	443,178	502,106	(58,928)	-12%
<b>TOTAL ASSETS</b>	<b>90,111,864</b>	<b>90,728,068</b>	<b>(616,204)</b>	<b>-1%</b>



Comparative Statement of Revenues, Expenses, and Changes in Net Assets

Solid Waste Operating Revenues increased \$3.4 million from 2009. Tip Fees were up 4% and \$734,000 due to the reinstatement of waste flow in the latter part of 2010. Waste flow requires that waste generated in Atlantic County be disposed of at the ACUA landfill or out of state. Disposition to other New Jersey county landfills is prohibited.

Recycling and Collection Contract Revenue increased 15% due to a rebound in the market for recyclables. Compost and Eco-Products were up 9% and Other Income was flat.

Operating Expenses increased 2% from the prior year, up \$660,000. The increase was due to a combination of increases and decreases among significant operating items. The Division experienced modest changes in Recycling & Other Taxes and Amortization of Bond Issues Costs. More significant increases and decreases are explained below.

There was an 8% combined increase in Salaries and Employee Benefits which was due increases in employee salaries and rates charged by the New Jersey State Health Benefits Plan. Power and Utilities increased \$127,000 and 23% primarily due to increased local sewer rates and excess usage. Fuel increased \$96,000 and 9% due to rising diesel costs. The addition of compressed natural gas vehicles to the fleet will help curb diesel fuel increases going forward. Administrative costs increased \$301,000 and 41% due to increased credit card usage by customers and associated fees, investments in computers and authority relations expenses. Finally, Community Benefit increased \$83,000 and 5% due to increased tonnages and the rate paid. Host Community Benefit is paid to the host community, Egg Harbor Township, for every ton of waste that comes into the facility.

Tonnages were up in 2010 and the HCB has a CPI adjustment each year. Supplies and Miscellaneous Maintenance decreased \$133,000 and 5% primarily due to increased tire costs and maintenance on the aging vehicle fleet. The purchase of new compressed natural gas trucks in 2010 and 2011 will help alleviate some of these maintenance expenses. Indirect Operating costs decreased \$657,000 and 25% due to several factors. In 2009 the Authority rented trucks to meet collection contract needs which did not have to be rented in 2010 for the same length of time. In 2009 the Authority also had to pay the NJDEP for the five year landfill permit renewal. Lastly, costs for cover material decreased in 2010. Bad Debt Expense decreased \$152,000 and 88% because in 2009 a specific account was written off for \$142,000. Finally depreciation expense decreased \$432,000 and 7% in accordance with the Authority's depreciation schedules.

Total Operating Expenses exceeded Total Operating Revenues resulting in net income of \$817,000, a \$2.7 million improvement when compared to a net operating loss of \$1.9 million for 2009.

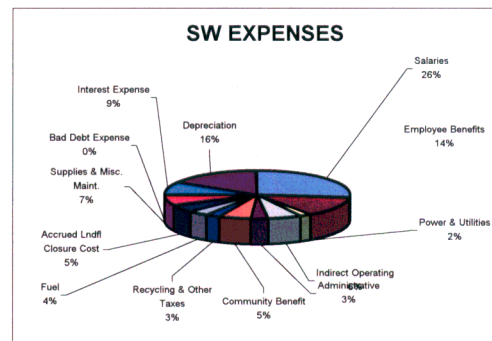
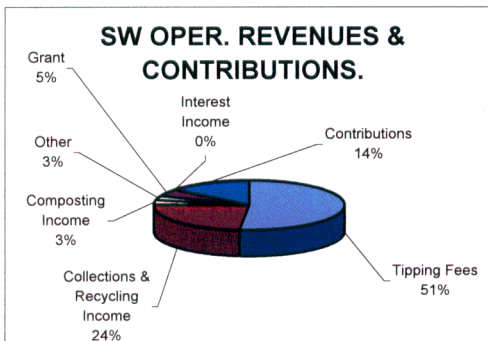
In 2008, 2009 and 2010 the Authority received \$5,130,747 from the State of New Jersey, in the form of a subsidy for the payment of most of its March 1<sup>st</sup> debt service payment. This is down \$500,000 from the amount previously agreed to with the State of New Jersey.

Interest Income decreased \$55,000 and 62% in 2010 which is attributable to lower interest rates being paid on deposits. Interest Expense decreased 10% and \$322,000 because there is less outstanding debt due to current year payments.

Total Non-Operating Revenues were \$2.3 million compared to \$2 million in 2009. The decrease is attributed to reduced Interest Income combined with reduced Interest Expense.

Total Net Income for the 2010 year is \$3,084,973 compared to \$79,563 in 2009. Total Net Income for 2008 was \$2,713,591, for 2007 was \$3,975,842, for 2006 was \$8,894,379, and \$5,024,252 in 2005.

<b>SW Revenue</b>	<b>2010</b>	<b>2009</b>	<b>\$ Change</b>	<b>% Change</b>
Tipping Fee	\$ 18,681,678	\$ 17,947,504	\$ 734,174	4%
Collections & Recycling	8,644,330	7,508,618	1,135,712	15%
Grant Income	1,639,478	188,862	1,450,616	768%
Composting ncome	962,187	883,344	78,843	9%
Other	1,080,182	1,080,337	(155)	0%
<b>Total Revenue</b>	<b>31,007,855</b>	<b>27,608,665</b>	<b>3,399,190</b>	<b>12%</b>
<b>WW Operating Expenses</b>				
Salaries	8,796,388	8,337,936	458,452	5%
Employee Benefits	4,522,675	4,046,588	476,087	12%
Power & Utilities	669,448	542,914	126,534	23%
Fuel	1,198,932	1,102,807	96,125	9%
Supplies & Miscellaneous Maintenance	2,307,955	2,441,177	(133,222)	-5%
Indirect Operating Expenses	1,942,303	2,598,948	(656,645)	-25%
Accrued Landfill Closure	1,684,578	1,160,732	523,846	45%
Administrative	1,026,059	725,546	300,513	41%
Community Benefit	1,764,063	1,681,540	82,523	5%
Recycling & Other Taxes	851,174	880,294	(29,120)	-3%
Bad Debt Expense	20,000	172,376	(152,376)	-88%
Depreciation	5,348,333	5,780,214	(431,881)	-7%
Amortization of Bond Issue Costs	58,928	58,928	-	0%
<b>Total Operating Expenses</b>	<b>30,190,836</b>	<b>29,530,000</b>	<b>660,836</b>	<b>2%</b>
<b>SW Non-Operating Revenue/(Expenses)</b>				
Interest Income	34,285	89,345	(55,060)	-62%
Interest Expense	(2,897,078)	(3,219,194)	322,116	-10%
Contributions - State Subsidy	5,130,747	5,130,747	-	0%
	<b>2,267,954</b>	<b>2,000,898</b>	<b>267,056</b>	<b>13%</b>
<b>NET INCOME</b>	<b>\$ 3,084,973</b>	<b>\$ 79,563</b>	<b>\$ 3,005,410</b>	<b>3777%</b>





## Statement of Cash Flows

Net Cash Provided by Operating Activities increased 92% and \$3.7 million. Receipts from Customers and Users increased 15%, payments to Employees increased 5% and Payments to Suppliers decreased 1%.

Net Cash Used by Capital and Related Financing Activities increased 177% or \$6.2 million. Included within this area is Purchases of Capital Assets which increased about \$6.5 million due to significant expenditures for the compressed natural gas trucks, fueling station and landfill infrastructure improvements. Principal Paid on outstanding debt increased 8%, Interest Paid decreased 19% and State Contribution did not change from 2009.

Net Cash Provided by Investment Activities increased by \$4.5 million to \$1.5 million compared to 2009 when Net Cash Used by Investment Activities was \$2.9 million. Net Decrease in Cash and Cash Equivalents for 2010 is \$444,299. In 2009 there was a Net Decrease to Cash and Cash Equivalents of \$2,296,572.

Cash and Cash Equivalents at the Beginning of the Year was \$27,058,228 and \$26,613,929 at the End of Year, a 2% reduction.

<b>SW Cash Flows</b>	<b>2010</b>	<b>2009</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 29,393,798	\$ 26,927,124	\$ 2,466,674	9%
Payments to Employees	(8,796,388)	(8,337,936)	(458,452)	5%
Payments to Suppliers	(14,426,155)	(14,602,402)	176,247	-1%
Net Cash Provided by Operating Activities	6,171,255	3,986,786	2,184,469	55%
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers to Other Funds	24,651	145,373	(120,722)	-83%
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of Capital Assets	(7,009,255)	(534,258)	(6,474,997)	1212%
Principal Paid on Capital Debt	(5,070,000)	(4,680,622)	(389,378)	8%
Interest Paid on Capital Debt	(2,747,827)	(3,403,877)	656,050	-19%
Grants	1,512,625	-	1,512,625	100%
State Contribution	5,130,747	5,130,747	-	0%
Net Cash Used by Capital and Financing	(8,183,710)	(3,488,010)	(4,695,700)	135%
<b>Cash Flows from Investing Activities</b>				
Interest Income	47,335	267,339	(220,004)	-82%
Transferred to Investments	1,496,170	(3,208,060)	4,704,230	-147%
Net Cash Provided by Investing Activities	1,543,505	(2,940,721)	4,484,226	-152%
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(444,299)</b>	<b>(2,296,572)</b>	<b>1,852,273</b>	<b>-81%</b>
<b>Cash and Cash Equivalents, January 1</b>	<b>27,058,228</b>	<b>29,354,800</b>	<b>(2,296,572)</b>	<b>-8%</b>
<b>Cash and Cash Equivalents, December 31</b>	<b>\$ 26,613,929</b>	<b>\$ 27,058,228</b>	<b>\$ (444,299)</b>	<b>-2%</b>

## Core Competencies

### Wastewater Division

The Wastewater Division provides wastewater conveyance and treatment (the System) under contracts with 14 municipalities and authorities within Atlantic County and one State-regulated public utility that services Atlantic City, NJ, also within Atlantic County.

The System consists of a wastewater treatment plant, a wastewater collection system of approximately 60 miles of gravity interceptor and force mains, 20 pumping stations and an ocean outfall line discharging into the Atlantic Ocean through a diffuser system.

The wastewater treatment plant provides primary and secondary wastewater treatment and is situated on about 300 acres located on the western outskirts of Atlantic City, NJ. The treatment plant has a capacity of 40 million gallons per day.

The Atlantic County Utilities Authority owns and operates the regional piping and pumping systems that receive, meter, and transport the municipal wastewater to the Authority's Regional Plant on City Island for treatment and discharge.

The User Fee, charged to the 14 municipalities and MUA's within Atlantic County and the one State-regulated public utility that services Atlantic City, is the main source of revenue for the Wastewater Division. This is shown on the Comparative Statement of Revenues, Expenses and Changes in Net Assets as "User Service Agreements: Operating and General" and reported as Operating Revenues.

Other services provided include sludge, septage, leachate, and scum disposal, representing the next primary source of revenue to the Authority after User Fees.

Lab services, such as water testing, are provided as needed for other governmental entities as well as private businesses.

The Wastewater Division also provides certain maintenance service on a contractual basis for a local municipal utility and other governmental agencies.

### Solid Waste Division

In 1981 the Authority was designated by the Board of Chosen Freeholders of Atlantic County as the implementing agency for the County Solid Waste Management Plan, thereby empowering the division as the implementing agency to plan, design, construct and acquire all facilities for the implementation of a County-wide solid waste management program.

The Atlantic County Utilities Authority operates an extensive solid waste management system that consists of the following components:

- Transfer Station
- Landfill
- Recycling Center
- Composting Facility
- Maintenance Center

The Transfer Station processes all municipal waste delivered to the system. It is permitted to operate at a maximum of 1,950 tons of solid waste per day. Received waste goes through the Transfer Station before being taken to the landfill for disposal.

Most waste is disposed at the Authority's Landfill. This includes municipal, commercial, construction, and industrial waste. In 2010 about 272,000 tons of waste came in, compared to 246,000 tons in 2009, 291,000 tons in 2008 and 347,000 tons in 2007. Tipping Fees for every ton of waste that comes into the solid waste facility is the primary source of revenue for the Solid Waste Division.

Recyclable material is no longer processed at the Solid Waste Division's 58,500 square foot Recycling Center. The Recycling Center was designed as a dual stream facility and was in need of upgrades. The ACUA stopped sorting material in late 2008 and converted recycling collection to single stream January 1, 2009. In 2010 the Authority awarded a contract to Hudson Baylor Corporation to own and operate a single stream processing facility at the existing ACUA Recycling Center. The ACUA will deliver all single-stream material to Hudson Baylor and share in the revenues earned from their resale. Recycling collection is provided to about twenty Atlantic County municipalities and two out of county municipalities on a bi-weekly basis. Many commercial entities have weekly service. All the recyclables received are marketed. Revenue from recyclables declined sharply in late 2008 due to the global economic crisis. About 35,000 tons were collected in 2009 and 2010.

Collection of municipal solid waste, bulk waste and yard waste is also provided to municipalities who elect to contract with the Authority for such services. Collection contracts are the second highest revenue stream for the Authority.

The Authority's compost operation processes leaves, grass clippings, tree branches, clean wood, brush and Christmas trees. About 20,000 tons of yard waste was processed in 2009 and 2010. The branches, brush, and trees are processed into mulch and sold to the public, providing additional income to support the Solid Waste system.

The 17,000 square foot Maintenance Center maintains and services a fleet of over 70 vehicles and 30 pieces of specialized heavy equipment. In addition, the Solid Waste Division also provides maintenance to other governmental agencies on an as need basis. This provides additional income to the solid waste system and optimizes the existing facility and staff.

## Accountability

The Atlantic County Utilities Authority mission statement is:

**“The Atlantic County Utilities Authority is responsible for enhancing the quality of life through the protection of waters and lands from pollution by providing responsible waste management services. The Authority is an environmental leader and will continue to use new technologies, innovations and employee ideas to provide the highest quality and most cost effective environmental services.”**

The Authority’s accountability, first and foremost, is to protect the environment. The goal is to provide a cost effective and reliable service, and at the same time to protect the environment. Equally important to the Authority is the ACUA’s bondholders, customers, the local governments, agencies and people served, and the employees of the ACUA. Excellent customer service is a top priority. Excellent employee relations and striving to be “a best place to work” is another priority. Embracing technology and innovation is high on the ACUA’s list of objectives, as is community service, volunteering, and fund raising for community causes.

As an environmental utility, the Authority is also guided by and accountable to state government and the applicable rules and regulations that govern the Atlantic County Utilities Authority. More specifically, the Authority is accountable to the Department of Community Affairs, Division of Local Government Services and the Department of Environmental Protection.

As an environmental utility, the Authority is accountable to the U.S. Environmental Protection Agency and the New Jersey Department of Environmental Protection.

The Atlantic County Utilities Authority is accountable to the governing body of the Authority, the Atlantic County Utilities Authority Board of Directors, and as such, accountable to other government officials.

## Governing Body

The governing body of the Atlantic County Utilities Authority consists of a seven-member board that is appointed for five-year terms by the County Executive, with the advice and consent of the Freeholders. The County Executive is a non-voting, ex-officio member of the Authority.

Action taken at a meeting of the Authority is not effective until approved by the County Executive or until ten days after the minutes of the meeting of the Authority Board Members has been delivered to the County Executive. In addition, no resolution or other action of the Authority Board providing for the issuance or refunding of bonds or other financial obligations of the Authority can be adopted or made effective without the prior written approval of the County Executive.

The Authority Board Members are:

Marvin E. Embry, Chairman  
Michael C. Epps, Vice Chairman  
Peter Sarkos, Treasurer  
Michele Verno, Assistant Treasurer  
Vince Leonetti, Member  
Andrew Berenato, Jr., Member  
Fred Akers, Member

### **Management of the Authority**

The President of the Atlantic County Utilities Authority, Richard S. Dovey, manages the daily operations of the Authority. He oversees a staff of about 250, an annual operating budget of about \$60 million, and a capital budget averaging \$6 to \$10 million yearly. Senior staff is charged with the management of the operations and financial affairs of the Authority.

A brief description of the President and senior staff is as follows:

Richard S. Dovey, President. Mr. Dovey was appointed President of the Atlantic County Utilities Authority in June 1990. Prior to assuming his present responsibilities, he was Department Head for the Department of Regional Planning and Development with Atlantic County Government for eight years where he directed the Divisions of Planning, Economic Development, Engineering and Human Services. Prior to that Mr. Dovey was Manager of the Rutland County, Vermont, Solid Waste District for two years. He has also held various environmental positions within Atlantic and Cape May Counties. A leader in the New Jersey environmental infrastructure and utility community, Mr. Dovey currently serves as the President of the N.J. Association of Environmental Authorities. Previously, Mr. Dovey has served as chairman of the New Jersey Solid Waste Advisory Council and on the Board of Trustees of the N.J. Association of Environmental Authorities. While Mr. Dovey has served as president, ACUA wastewater and solid waste operations have been nationally recognized for excellence in innovation, efficiency, and environmental stewardship. Mr. Dovey is a graduate of Stockton State College with a Bachelor of Arts degree in Urban Studies.

Maria K. Mento, Executive Vice President & Chief Financial Officer. Ms. Mento was hired at the Authority in 1990 and was appointed as the Chief Financial Officer in the following year. Prior to accepting her position in 1990, she was with Atlantic County Government for ten years. Her tenure with Atlantic County Government was primarily with the Department of Finance, Treasurer's Office. Her responsibilities at the county included activities pertaining to the capital budget and operating budget, accounts payable, accounts receivable, monitoring various grants and contracts, payroll and employee pension services. Ms. Mento received her Bachelor of Arts degree in Business Administration from Glassboro State College (Rowan University), and her Masters of Business Administration in Finance from Rutgers, The State University of New Jersey.

Ms. Mento is officially recognized by the State of New Jersey as a Certified County Finance Officer and a Certified Municipal Finance Officer and holds a Real Estate License in the State of New Jersey. Ms. Mento serves on the Executive Board of the American Red Cross, the United Way Women's Leadership Initiative, the United Way Funding Allocation Committee, the Rowan School of Accounting Advisory Board, and the Board of Directors for the United Way and Atlantic Cape Community College.

Katherine O. Vesey, Comptroller and Director of Research and Development. Ms. Vesey works closely with Ms. Mento on the annual audit. Ms. Vesey has worked for the Authority since 2004. As Comptroller and Director of Research and Development, Ms. Vesey is responsible for the daily operations of the finance department and works with her R&D team to explore energy and environmental initiatives for the ACUA. She has led the ACUA in becoming New Jersey's first organization to join the Chicago Climate Exchange (CCX), the world's first and North America's only legally binding rules-based greenhouse gas emissions allowance trading system. Ms. Vesey also manages the ACUA's Solar Renewable Energy Certificate portfolio. Ms. Vesey holds Bachelor of Science degrees in Accounting and Management from Northeastern University. She is a Certified Public Accountant in the State of Massachusetts. She also holds a certificate of successful completion of the Water and Wastewater Leadership Center from The University of North Carolina at Chapel Hill Kenan-Flagler Business School.

Other leaders in the Finance Department include Sandra Bourguignon, Business Director, Michael Hayes, Purchasing Manager, Marylou Panico, Assistant Purchasing Manager, and Tim Kaye, IT & HR Director.

Paul Gallagher, Esq., Vice President and General Counsel. Mr. Gallagher was appointed to the position of Vice President and General Counsel of the Atlantic County Utilities Authority in the year 2000. Prior to his appointment he was County Counsel for Atlantic County Government. He has held various other legal positions with governmental agencies and boards, and within the private sector. He is active in numerous community organizations and currently serves on several Boards. Mr. Gallagher was elected President of the Atlantic County Bar Association in 2003. He graduated with a Bachelor of Arts from Duquesne University College of Arts and Sciences and with a Masters of Business Administration from Clark University Graduate School of Management. He received his law degree from Boston College Law School.

Brian Lefke, Vice President – Solid Waste Division and Authority Board Secretary. Mr. Lefke has served as Board Secretary since December 2003, and is responsible for the administration of the Authority Board of Directors business and activity. In July of 2009, Mr. Lefke was appointed to the position of Vice President of Solid Waste. Mr. Lefke is responsible for the management oversight of all operations within the Solid Waste Division which includes: Solid Waste Administration, Recycling Center Operations, Recycling Center Collections, Transfer Station, Landfill, Compost and EcoProduct Marketing. Prior to assuming his current responsibilities, Mr. Lefke served as the Director of Solid Waste Operations at the Authority for 17 years. He was employed at the Atlantic County Planning Department in various management titles and also served as the acting Executive Director of the Atlantic County Transportation Authority for one

year. Mr. Lefke graduated from Richard Stockton College of New Jersey with a Bachelor of Science in Environmental Science and Fairleigh Dickinson University with a Master of Science in Administrative Science. He has served on the Atlantic Cape Community College Board of Trustees since 1995 and was the Board Chairman from 2005-2007. Mr. Lefke has been a member of the Association of New Jersey Recyclers and has served on the executive committee of this group. He has previously been a member of the New Jersey Pinelands Commission and Somers Point Planning Board.

Thomas J., Lauletta, PE, CME, Vice President – Wastewater Division. Mr. Lauletta is responsible for the day-to-day administration, operation and maintenance of the Authority's wind and solar powered 40 MGD wastewater treatment plant and collection system for the 14 municipalities, surrounding and including Atlantic City, New Jersey. Mr. Lauletta has implemented an Asset/Maintenance Management program for the Authority, restructuring staffing to provide proficiency based performance levels for its Wastewater Treatment Plant Technicians and Internet based operation control and reporting functions. Prior to joining the Authority, Mr. Lauletta was Executive Vice President for Perks Reutter Associates from 1988 to 2004. He was responsible for the day to day operation and all environmental/civil/sanitary design, utility management, facilities assessment and construction management projects. Previously holding the position project and division manager, Mr. Lauletta was responsible for project development, design, cost estimating and funding, client contact and contract administration. During that time he successfully managed many of the firm's largest projects. Prior to joining Perks Reutter, Mr. Lauletta was Plant Manager of the City of Philadelphia Water Department for 13 years, serving as the operations/construction coordinator during the \$200 million expansion of the 210 MGD advanced treatment Southwest Water Pollution Control Plant.

Mr. Lauletta holds the following licenses and certifications:

- Professional Engineer – Pennsylvania and New Jersey
- Certified Sewerage Treatment Operator – Pennsylvania
- Certified Wastewater Treatment Operator – New Jersey
- Certified Municipal Engineer – New Jersey

Mr. Lauletta is a member of the following associations:

- Chi Epsilon – Civil Engineering Honor Society
- American Society of Civil Engineers
- Water Environment Federation
- New Jersey Association of Environmental Authorities
- New Jersey Water Environment Federation

Mr. Lauletta holds a B.S. in Civil Engineering from Drexel University.

Integral to the Wastewater Division is Chris Harris, Director of Operations.

Eugene L. Petitt, PE, PP Chief Engineer. Mr. Petitt is the Chief Engineer for the Authority, a position he has held since 1990. Mr. Petitt is responsible for the planning, design, permitting, and construction of all capital infrastructure improvements for both the Wastewater and Solid Waste Divisions. In February 2008, Mr. Petitt was appointed Head of Centralized Maintenance, a new function that combined the in-house maintenance departments of both the Divisions into a central department. Duties include handling fleet maintenance, buildings and grounds, electrical and mechanical maintenance functions. Mr. Petitt has overseen over \$100 million worth of capital improvements since joining the Authority. Prior to joining the Authority, Mr. Petitt was the Atlantic County Engineer for eight years, and managed a consulting engineering company in Millville, NJ for six years. Mr. Petitt graduated from Cumberland County College with an Associates of Arts degree in Math and Science and Drexel University with a Bachelor of Science degree in Civil Engineering. Mr. Petitt is a licensed professional engineer, a professional planner and has recently earned his architect's license in the State of New Jersey. He is a member of numerous engineering and construction affiliations and has received numerous awards, the most prestigious include the "Twenty Year Achievement Award" and the "Key-D Award", both from Drexel University. Mr. Petitt was inducted into the "Mary S. Irick Drexel Society," joining a very elite group of engineers who have graduated from Drexel since 1932. He also was recently presented with the "Mary S. Irick Drexel Medal".

Integral to the Engineering Department is Tom Ganard, Deputy Chief Engineer.

### **Funding of Infrastructure and Debt Management**

It is the current policy of the Atlantic County Utilities Authority Board Members and President that funding for capital improvements, additions or replacements, is to be accomplished using one or more of the following methods:

- Borrowings from the New Jersey Environmental Infrastructure Trust
- Short-Term Loan Agreements (usually averaging 1 to 3 years)
- Lease with Option to Purchase Financing (usually averaging 3 to 5 years)
- Funding incrementally or annually from Operating Budget

Refunding of existing public debt is routinely reviewed, analyzed and recommended when appropriate.

### **Auditors**

The Authority has a policy of changing Auditors every 3 to 5 years to encourage any new or fresh reviews of the Atlantic County Utilities Authority financial operations and reporting of financial status, and to eliminate any perceived or potential conflicts of interest that may develop due to long-term relationships.

Prior audits can be obtained by contacting the Atlantic County Utilities Authority or the ACUA web site at [www.ACUA.com](http://www.ACUA.com).



## **FINANCIAL STATEMENTS**

**ATLANTIC COUNTY UTILITIES AUTHORITY  
COMPARATIVE STATEMENT OF NET ASSETS  
DECEMBER 31, 2010 AND 2009**

	2010		2009
	Wastewater Division	Solid Waste Division	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 13,184,839	\$ 15,169,144	\$ 33,360,040
Investments	4,535,467	6,874,504	3,823,000
Accrued Interest Receivable	52,177	16,463	67,437
Accounts Receivable (net of Allowance \$583,965 and \$569,102 in 2010 and 2009 respectively Internal Accounts)	963,444 (744,948)	1,898,067 744,948	3,024,245
<b>Total Current Assets</b>	<b>17,990,979</b>	<b>24,703,126</b>	<b>40,274,722</b>
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents	13,507,426	11,444,785	19,025,792
Investments	2,921,942	5,902,326	13,832,242
Amounts Held by State of New Jersey		4,748,668	4,475,574
Accrued Interest Receivable		6,820	20,737
Loans Receivable	7,202,887		1,527,166
<b>Total Noncurrent Assets</b>	<b>23,632,255</b>	<b>22,102,599</b>	<b>38,881,511</b>
Capital Assets:			
Property, Plant and Equipment (Note 4)	214,703,364	117,811,927	322,752,864
Less: Accumulated Depreciation	(134,812,727)	(74,948,966)	(199,124,738)
<b>Net Capital Assets</b>	<b>79,890,637</b>	<b>42,862,961</b>	<b>123,628,126</b>
Deferred Costs:			
Unamortized Bond Issue Costs	1,536,888	443,178	2,406,798
Total Deferred Costs	1,536,888	443,178	2,406,798
<b>TOTAL ASSETS</b>	<b>\$ 123,050,759</b>	<b>\$ 90,111,864</b>	<b>\$ 213,162,623</b>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
COMPARATIVE STATEMENT OF NET ASSETS  
DECEMBER 31, 2010 AND 2009**

	2010		2009
	Wastewater Division	Solid Waste Division	Total
<b>LIABILITIES</b>			
Current Liabilities Payable from Current Assets:			
Accounts Payable	\$ 1,114,956	\$ 1,546,227	\$ 2,661,183
Customer Deposits		143,113	143,113
Deferred Revenue	159,674		159,674
<b>Total Current Liabilities Payable from Current Assets</b>	<b>1,274,630</b>	<b>1,689,340</b>	<b>2,963,970</b>
Current Liabilities Payable from Restricted Assets:			
Construction Contracts Payable	71,253	13,634	84,887
Current Portion of Long - Term Debt	6,537,759	5,445,000	11,982,759
Accrued Interest	683,729	933,969	1,617,698
<b>Total Current Liabilities Payable from Restricted Assets:</b>	<b>7,292,741</b>	<b>6,392,603</b>	<b>13,685,344</b>
Noncurrent Liabilities Payable from Restricted Assets:			
Restricted Assets:			
Accrued Landfill Closure and Post - Closure Care Cost		10,076,640	10,076,640
<b>Total Noncurrent Liabilities Payable from Restricted Assets:</b>			<b>10,076,640</b>
Noncurrent Liabilities:			
Deferred Revenue	812,218		812,218
Accrued Compensated Absences	600,004	670,419	1,270,423
Post Retirement Benefits Payable	535,019	800,000	1,335,019
Long - Term Portion of Bonds Payable (Note 5) (Net of Unamortized Bond Premium and Discount of \$813,819 and \$940,622 for Wastewater Bonds and \$94,808 and \$129,773 for Solid Waste Bonds in 2010 and 2009, respectively)	40,014,193	33,785,192	73,799,385
<b>Total Noncurrent Liabilities</b>	<b>41,961,434</b>	<b>45,332,251</b>	<b>87,293,685</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 50,528,805</b>	<b>\$ 53,414,194</b>	<b>\$ 103,942,999</b>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
COMPARATIVE STATEMENT OF NET ASSETS  
DECEMBER 31, 2010 AND 2009**

	2010			2009	
	Wastewater Division	Solid Waste Division		Total	Total
<b>NET ASSETS</b>					
Investment in Capital Assets, Net of Related Debt Restricted for:					
Solid Waste:					
Debt Service Reserve		3,632,769	\$	36,971,454	\$ 35,095,872
Wastewater:					
Renewal and Replacement	4,800,000			8,053,769	8,053,769
Debt Service Fund	6,459,410			4,800,000	4,800,000
Debt Service Reserve Fund	7,415,415			6,459,410	3,023,874
Unrestricted	20,508,444	25,011,132		7,415,415	7,415,415
	72,521,954	36,697,670		45,519,576	41,153,638
<b>TOTAL NET ASSETS</b>	<u>123,050,759</u>	<u>90,111,864</u>	\$	<u>213,162,623</u>	<u>99,542,568</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>123,050,759</u>	<u>90,111,864</u>	\$	<u>213,162,623</u>	<u>205,191,157</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010		Total	2009
	Wastewater Division	Solid Waste Division		
Operating Revenues:				
Wastewater				
User Service Agreements:				
Operating	\$ 15,586,113	\$	\$ 15,586,113	\$ 15,612,293
General	8,053,350		8,053,350	8,027,171
Sludge	1,786,943		1,786,943	1,825,506
Septage and Leachate	562,214		562,214	500,814
Other	5,468,213		5,468,213	1,258,586
Solid Waste				
Tipping Fees		18,681,678	18,681,678	17,947,504
Collections and Recycling Income		8,644,330	8,644,330	7,508,618
Grant Income		126,853	126,853	188,862
Composting Income		962,187	962,187	883,344
Other		2,592,807	2,592,807	1,080,337
<b>Total Operating Revenues</b>	<b>31,456,833</b>	<b>31,007,855</b>	<b>62,464,688</b>	<b>54,833,035</b>
Operating Expenses:				
Salaries	5,730,133	8,796,388	14,526,521	13,961,449
Employee Benefits	2,495,692	4,522,675	7,018,367	6,526,767
Power and Utilities	2,740,551	669,448	3,409,999	3,899,194
Chemicals	967,550		967,550	1,196,764
Fuel	1,519,975	1,198,932	2,718,907	3,050,294
Supplies and Miscellaneous Maintenance	2,187,663	2,307,955	4,495,618	4,822,532
Contractual Services	566,286		566,286	627,594
Indirect Operating Expenses	406,846	1,942,303	2,349,149	2,838,402
Accrued Landfill Closure Costs		1,684,578	1,684,578	1,160,732
Administrative	1,215,575	1,026,059	2,241,634	1,836,469
Community Benefit		1,764,063	1,764,063	1,681,540
Recycling and Other Taxes		851,174	851,174	880,294
Licenses and Permits	116,831		116,831	145,137
Bad Debt Expense		20,000	20,000	172,376
Depreciation	5,288,622	5,348,333	10,636,955	10,927,621
Amortization of Bond Issue Costs	367,804	58,928	426,732	426,732
<b>Total Operating Expenses</b>	<b>23,603,528</b>	<b>30,190,836</b>	<b>53,794,364</b>	<b>54,153,897</b>
<b>Operating Income</b>	<b>7,853,305</b>	<b>817,019</b>	<b>8,670,324</b>	<b>679,137</b>
Non - Operating Revenues / (Expenses):				
Interest Income	219,073	34,285	253,358	340,328
Interest Expense	(1,480,295)	(2,897,078)	(4,377,373)	(4,983,830)
Gain on Refunding Bonds				184,247
Contributions - State Subsidy		5,130,747	5,130,747	5,130,747
<b>Total Non - Operating Revenues / (Expenses)</b>	<b>(1,261,222)</b>	<b>2,267,954</b>	<b>1,006,732</b>	<b>671,492</b>
<b>Net Income / (Loss)</b>	<b>6,592,083</b>	<b>3,084,973</b>	<b>9,677,056</b>	<b>1,350,629</b>
<b>Net Assets (Deficit), January 1</b>	<b>65,929,871</b>	<b>33,612,697</b>	<b>99,542,568</b>	<b>98,191,939</b>
<b>Net Assets (Deficit), December 31</b>	<b>\$ 72,521,954</b>	<b>\$ 36,697,670</b>	<b>\$ 109,219,624</b>	<b>\$ 99,542,568</b>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010			2009
	Wastewater Division	Solid Waste Division	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from Customers and Users	\$ 31,357,301	\$ 30,906,423	\$ 62,263,724	\$ 53,727,636
Payments to Employees	(5,730,133)	(8,796,388)	(14,526,521)	(13,961,448)
Payments to Suppliers	(12,565,620)	(14,426,155)	(26,991,775)	(27,979,203)
Net Cash Provided by Operating Activities	<u>13,061,548</u>	<u>7,683,880</u>	<u>20,745,428</u>	<u>11,786,985</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Operating Subsidies and Transfers to Other Funds	<u>(24,651)</u>	<u>24,651</u>	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchase of Capital Assets	(3,883,575)	(7,009,255)	(10,892,830)	(3,262,668)
Principal Paid on Capital Debt	(3,285,771)	(5,070,000)	(8,355,771)	(10,343,377)
Interest Paid on Capital Debt	(1,331,044)	(2,747,827)	(4,078,871)	(5,491,879)
State Contribution		5,130,747	5,130,747	5,130,747
Proceeds from Wastewater Trust	684,584		684,584	1,514,857
Net Cash (Used) by Capital and Related Financing Activities	<u>(7,815,806)</u>	<u>(9,696,335)</u>	<u>(17,512,141)</u>	<u>(12,452,320)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest Income	218,737	47,335	266,072	646,123
Transferred to Investments	(4,075,167)	1,496,170	(2,578,997)	(1,909,277)
Net Cash Provided (Used) by Investing Activities	<u>(3,856,430)</u>	<u>1,543,505</u>	<u>(2,312,925)</u>	<u>(1,263,154)</u>
Net Increase (decrease) in Cash and Cash Equivalents	1,364,661	(444,299)	920,362	(1,928,489)
Cash and Cash Equivalents, January 1	25,327,604	27,058,228	52,385,832	54,314,321
Cash and Cash Equivalents, December 31	<u>\$ 26,692,265</u>	<u>\$ 26,613,929</u>	<u>\$ 53,306,194</u>	<u>\$ 52,385,832</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating Income	\$ 7,853,305	\$ 817,019	\$ 8,670,324	\$ 679,137
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation Expense	5,288,622	5,348,333	10,636,955	10,927,621
Amortization of Bond Issuance Costs	367,804	58,928	426,732	426,732
Bad Debt Expense		20,000	20,000	172,376
(Increase) Decreases in Accounts Receivable	60,141	102,593	162,734	(834,594)
Increase (Decrease) in:				
Accrued Landfill Post Closure Costs		1,684,578	1,684,578	1,160,732
Accounts and Other Payables	(348,651)	(99,353)	(448,004)	(297,349)
Deferred Revenue	(159,673)		(159,673)	(154,570)
Customer Deposits		24,876	24,876	(30,253)
Amounts Held by the State		(273,094)	(273,094)	(262,847)
	<u>\$ 13,061,548</u>	<u>\$ 7,683,880</u>	<u>\$ 20,745,428</u>	<u>\$ 11,786,985</u>
Unrestricted Cash and Cash Equivalents	\$ 13,184,839	\$ 15,169,144	\$ 28,353,983	\$ 33,360,039
Restricted Cash and Cash Equivalents	13,507,426	11,444,785	24,952,211	19,025,792
	<u>\$ 26,692,265</u>	<u>\$ 26,613,929</u>	<u>\$ 53,306,194</u>	<u>\$ 52,385,832</u>

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**NOTE 1 – AUTHORITY DESCRIPTION AND GENERAL INFORMATION**

The Atlantic County Utilities Authority (the "Authority") is a public body corporate and politic of the State of New Jersey and was organized as a sewerage authority having the name "The Atlantic County Sewerage Authority" by a resolution of the Board of Chosen Freeholders of the County of Atlantic (the "County") adopted on May 14, 1969, pursuant to the New Jersey Sewerage Authorities Law of 1946 and a Regional Sewerage Feasibility Study recommending division of the County into regions on the basis of natural drainage features. On August 19, 1981, the Freeholders filed with the State an ordinance reorganizing the Authority as a county authority pursuant to the New Jersey Municipal and County Utilities Authorities Law, Chapter 183 of the Laws of 1957 of the State of New Jersey, as amended and supplemented, and changed the Authority's name to "Atlantic County Utilities Authority". By such reorganization, the Act largely superseded the 1946 Act as the Authority's governing legislation.

The Authority was created for the purpose, among other things, of acquiring, constructing, maintaining, and operating sewage facilities (the "Wastewater System") for the relief from pollution or threatened pollution of the waters, bordering, or entering the areas within the territorial boundaries of the County and for the improvement of conditions affecting the public health. The Authority's Wastewater Division operates the Wastewater System. In 1986, the Authority was designated by Atlantic County as its implementing agency for solid waste management pursuant to the Solid Waste Management Act of the State of New Jersey. The Solid Waste Division operates a regional landfill, transfer station, recycling center, composting site, and collection operations.

The Solid Waste and Wastewater Divisions are separate and distinct for ratemaking and operating purposes. Accordingly, the holders of bonds or notes of each division have no claims on the revenues or assets of the other Division.

The Solid Waste Division commenced operations in August of 1990 with the opening of a transfer station for waste disposal. The Solid Waste Division's recycling activities were still considered to be in a construction state and recycling related pre-operating costs were capitalized through December 31, 1991. Recycling operations and the amortization of recycling capitalized costs commenced January 1, 1992, the date when recycling activities were initially included in rates charged to customers.

In the opinion of management, revenues of the Solid Waste Division are adequate to cover all operating expenses, current capital costs, and a portion of the debt service on bonds issued by the Authority in 1992 for the Solid Waste Division's capital facilities ("1992 bonds"). The State of New Jersey has followed a policy to provide subsidies to fund any debt service shortfall for pre-deregulation Solid Waste debt, including the 1992 bonds.

**NOTE 2 – BASIS OF PRESENTATION**

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles ("GAAP") applicable to enterprise funds of state and local governments.

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010 and 2009  
(CONTINUED)**

**NOTE 2 – BASIS OF PRESENTATION - Continued**

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

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

Based on the above criterion, the Authority is a component unit of the County. The Authority does issue separate financial statements from the County. However, if the County presented its financial statements in accordance with GAAP, these financial statements would be included with the County's on a blended basis.

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

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Statement Presentation and Basis of Accounting**

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As permitted by accounting principles generally accepted in the United States of America, the Authority has elected to apply only Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved *Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments* (Statement No. 34). The Statement provides for the most significant change in financial reporting in over twenty years. The Authority implemented the requirements of Statement No. 34, effective January 1, 2004. The Authority has also implemented GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*. The Authority has also adopted GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.



**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010 and 2009  
(CONTINUED)**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Financial Statement Presentation and Basis of Accounting - Continued**

The more significant of the Authority's accounting policies are described below.

The Authority prepares its financial statements on an Enterprise Fund Basis. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private businesses where the intent is that all costs of providing certain goods and services to the general public be financed or recovered primarily through user charges, or where it has been deemed that periodic determination of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Accordingly, the Authority's financial statements are presented on the accrual basis of accounting. Revenues from operations, investments and other sources are recorded when earned and expenses are recorded when liabilities are incurred.

Non – exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants. Deferred Revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

**Wastewater Service Contract**

The Authority has a Wastewater Service Contract with the Atlantic City Sewerage Company, the Cities of Absecon, Brigantine, Egg Harbor, Linwood, Margate, Northfield, Pleasantville, Somers Point, Ventnor, the Borough of Longport, the Township of Galloway, the Township of Hamilton Municipal Utilities Authority, and the Egg Harbor Township Municipal Utilities Authority, collectively referred to as the "Participants". Presently, Participants make up the Atlantic County Coastal Region.

The Service Contract provides for the determination of an Annual Charge to each Participant, which consists of an Operating Charge and a General Charge. The Service Contract further provides that the Operating Charge shall, at times, be sufficient to provide annually for the expenses of operating, repairing, and maintaining the Wastewater System and the costs of all enlargements and alterations to the System not otherwise provided for, and the General Charge shall, at times, be sufficient annually to pay the principal and interest on all bonds or other obligations of the Authority as they become due, to provide for any deficits of the Authority resulting from the failure to receive sums payable to the Authority, and to provide and maintain such reserves and sinking funds for any of the foregoing purposes as may be required by the terms of any contract or other obligation of the Authority.

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010 and 2009  
(CONTINUED)**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Wastewater Bond Resolutions**

The Sewer Revenue Refunding and Sewer Revenue Bonds were issued pursuant to a General Bond Resolution of the Authority. The General Bond Resolution, as supplemented, is hereinafter referred to as the "Resolution."

Construction Fund – All costs pertaining to the acquisition or construction of a designated project shall be paid from this Fund and capitalized herein. The proceeds from the sale of bonds and certain receipts are deposited herein to pay for all such construction costs. Interest earned on investments in this Fund is credited to project costs. At December 31, 2010 and 2009, the Construction Fund and Wastewater Trust Fund cash equivalents amounted to \$1,376,168 and \$1,408,228 respectively.

Rebate Fund – The balance in this Fund shall be maintained in an amount sufficient to make payments to the United States Treasury for investment earnings above levels permitted by Section 148(f) of The Internal Revenue Code of 1986, as amended. At December 31, 2010 and 2009, the Rebate Fund amounted to \$92,463 and \$92,462, respectively.

Revenue Fund – All cash receipts attributable to the operations, maintenance and repair of the Wastewater System are deposited in this Fund and are used to pay for the cost of such. On a monthly basis, the Trustee shall retain in the Revenue Fund, a reserve for operations, the amount shown by the Authority's Annual Budget to be required for operating expenses, less other sources of revenue, for the next succeeding period of three consecutive calendar months and transfer the remaining balance to satisfy the requirements of the following Funds, listed in order of priority.

Debt Service Fund – The Debt Service Fund is to accumulate a balance sufficient to pay the interest and principal to become due at or before the January 15<sup>th</sup> next ensuing, plus any unpaid principal and interest then due. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. In addition, a sinking fund is included which shall equal the aggregate amount of all sinking fund installments required to redeem bonds on the next January 15<sup>th</sup> for the Sewer Revenue Refunding Bonds. At December 31, 2010 and 2009, the Debt Service Fund cash amounted to \$6,459,410 and \$3,032,874, respectively.

Debt Service Reserve Fund (1991, 1994 and 1998 Series) – The balance in this Reserve Fund shall be maintained equal to the maximum amount of principal and interest payable in any one year on the Wastewater Revenue Bonds (1991, 1994 and 1998 Series) less any surety. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. At December 31, 2010 and 2009, the Debt Service Reserve Fund cash and investments amounted to \$2,952,836 and \$2,978,198, respectively. The balance of the Debt Service Reserve Requirement is funded by a surety issued by Ambac Assurance Corporation.

Renewal and Replacement Fund – The balance in this fund shall be maintained equal to 3% of gross revenues or such larger amount as determined by the Consulting Engineer. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. With approval of the Consulting Engineer, this fund may be used to meet reasonable and necessary expenses for major repairs, renewals, replacements or maintenance items of a type not recurring annually. At December 31, 2010 and 2009, the Renewal and Replacement Fund cash amounted to \$5,548,491 and \$4,486,627, respectively. The System Reserve Fund, a component of the Renewal and Replacement Fund, cash requirement at both December 31, 2010 and 2009 was \$4,800,000.

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Solid Waste Bond Resolutions**

The Solid Waste System Revenue Bonds (Series 1992) were issued pursuant to a General Bond Resolution of the Authority adopted on January 23, 1992 ("General Bond Resolution"). The General Bond Resolution, as supplemented, is hereinafter referred to as the "Resolution."

Pursuant to the terms of the Resolution, the Authority is required to maintain the following Funds:

Construction Fund – All costs pertaining to the acquisition or construction of a designated project shall be paid from this Fund and capitalized herein. The proceeds from the sale of bonds and certain receipts are deposited herein to pay for all such construction costs. At December 31, 2010 and 2009, Restricted Cash and Investments included in this Fund amounted to \$0.

Rebate Fund – The balance in this Fund shall be maintained in an amount sufficient to make payments to the United States Treasury for investment earnings above levels permitted by Section 148(f) of The Internal Revenue Code of 1986, as amended. At December 31, 2010 and 2009, the Rebate Fund amounted to \$0.

Revenue Fund – All cash receipts attributable to the operations, maintenance, and repair of the Solid Waste System are deposited in this Fund and are used to pay for the cost of such. On a monthly basis, the Trustee shall retain in the Revenue Fund, a reserve for operations, an amount equal to one and one-half month's annual operating expenses as reflected in the Authority's Annual Budget and transfer the remaining balance to satisfy the requirements of the following Funds, listed in order of priority.

Debt Service Fund – The balance in the Debt Service Fund shall be maintained in an amount sufficient to pay the interest and principal currently due on the 1992 Bonds. At December 31, 2010 and 2009, the Debt Service Fund cash amounted to \$810,138 and \$680,550, respectively.

Debt Service Reserve Fund – The balance in this Reserve Fund shall be maintained in an amount equal to the lesser of (a) 10% of the principal amount of Bonds which are outstanding from time to time, (b) maximum amount of principal and interest which is payable during the current or any subsequent fiscal year with respect to all Series of Bonds, including the 1992 Bonds, or (c) 125% of the average annual principal and interest which is payable with respect to all Series of Bonds, including the 1992 Bonds. The Debt Service Reserve Fund must be marked to market not less than annually. At December 31, 2010 and 2009, the Debt Service Reserve Fund cash amounted to \$2,631,532 and \$2,631,532, respectively.

There was a draw on the Debt Service Reserve Fund in 2002 in the amount of \$5,422.237 for the payment of the March 1, 2002 principal and interest. Officials of the State of New Jersey Treasurer's Office directed the Authority to use the Debt Service Reserve Fund for the March 1, 2002 debt service payment. It was indicated that no subsidy would be forthcoming from the State of New Jersey for the March 1, 2002 principal and interest payment, as had been done in prior years, until the Debt Service Reserve fund was depleted.

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Solid Waste Bond Resolutions - Continued**

Renewal and Replacement Fund – The balance in this fund shall be maintained in an amount equal to the System Improvement Requirement (the "Requirement"). The Requirement is equal to the amount, as certified by the independent consulting engineer, which is reasonably necessary to be held as a Reserve for Expenses with respect to the System for (a) nonrecurring major repairs, renewals, replacements or maintenance items, or (b) expenses relating to the closure and post closure of any System component, or (c) repairs, renewals, replacements resulting from the occurrence of uncontrollable events or circumstances which are not covered by the proceeds of an insurance policy. At December 31, 2010 and 2009, the Renewal and Replacement Fund cash amounted to \$13,905,441 and \$17,540,369, respectively.

**Investments**

The Authority invests available funds in interest bearing securities as prescribed by its various bond resolutions and applicable law. Investments are intended to be held to maturity, the timing of which is based on anticipated cash flow requirements.

Investments are obligations of the United State Government and are stated at cost, which approximates market. Investments are not considered cash equivalents for purposes of the Statement of Cash Flows.

**Property, Plant and Equipment And Other Capitalized Costs**

Property, Plant and Equipment is stated at cost, which includes direct construction costs and other expenditures related to construction. Construction costs are charged to construction in progress until such time as projects are completed and put into operation. Interest incurred on debt during the course of construction is capitalized as part of the project.

Depreciation is determined on a straight-line basis for all Plant and Equipment. Depreciation is provided over the following estimated useful lives:

Sewer Mains and Interceptors	50 years
Buildings and Improvements	40 years
Incinerator Facility	40 years
Pump Stations	35 years
Machinery and Equipment	5 to 10 years
Vehicles	5 years

Landfill cells are depreciated on the basis of capacity utilized. Deferred solid waste pre-operating costs are amortized over 25 years, the term of the debt which funded such costs.

The cost and related accumulated depreciation of all Property, Plant and Equipment retired or otherwise disposed of are removed from the accounts and any resulting gain or loss is included in income.

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Unamortized Debt Issue Costs**

Debt issue costs are being amortized over the life of the issues.

**Wastewater Revenues**

Charges imposed with respect to sewage or other wastes delivered into the System by anyone who is not a Participant are included in processing fees and other operating revenues.

The Authority records deferred revenue for leachate processing fees received in advance. Revenue is recorded as the leachate is processed.

**Allocation of Common Costs**

Certain administrative salaries and other administrative costs are allocated between the Wastewater and Solid Waste Division based on management's estimates.

**Restricted Assets**

Restricted cash and investments are for future construction, debt service requirements and system reserve requirements.

**NOTE 4 – PROPERTY, PLANT AND EQUIPMENT**

Property, Plant and Equipment consisted of the following at December 31, 2010 and 2009:  
Wastewater Division:

	<u>2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>2010</u>
Land	\$ 12,691,336	\$	\$	\$ 12,691,336
Sewer Mains and Interceptors	73,257,981	719,659		73,977,640
Buildings and Improvements	42,159,902	2,493,344		44,653,246
Machinery and Equipment	40,398,043			40,398,043
Incinerator Facility	16,353,524			16,353,524
Atlantic Coastal Alternative	26,629,575			26,629,575
	<u>211,490,361</u>	<u>3,213,003</u>	<u>-</u>	<u>214,703,364</u>
Less: Accumulated Depreciation	(129,524,105)	(5,288,622)		(134,812,727)
	<u>\$ 81,966,256</u>	<u>\$ (2,075,619)</u>	<u>\$ -</u>	<u>\$ 79,890,637</u>

The Atlantic County Coastal Alternative project comprises the force mains and pumping stations necessary to connect Hamilton and Egg Harbor Township into the Authority's Wastewater System.

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
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**NOTE 4 – PROPERTY, PLANT AND EQUIPMENT - Continued**

Property, Plant and Equipment consisted of the following at December 31, 2010 and 2009:

Solid Waste Division:

	<u>2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>2010</u>
Land and Improvements	\$ 13,119,185	\$ 1,639,659	\$	\$ 14,758,844
Buildings	23,808,502	3,190,211		26,998,713
Equipment and Vehicles	23,486,530	1,719,554		25,206,084
Landfill Design and Implementation	47,472,454			47,472,454
Planning and Designs	3,375,832			3,375,832
	<u>111,262,503</u>	<u>6,549,424</u>	<u>-</u>	<u>117,811,927</u>
Less: Accumulated Depreciation	(69,600,633)	(5,348,334)		(74,948,966)
	<u>\$ 41,661,870</u>	<u>\$ 1,201,090</u>	<u>\$ -</u>	<u>\$ 42,862,961</u>

**NOTE 5 – BONDS PAYABLE**

Wastewater Revenue and Revenue Refunding Bonds at December 31, 2010 and 2009 consist of the following:

	<u>2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>2010</u>
Wastewater Revenue Bonds, 1991 Series	\$ 383,680	\$	\$ 253,448	\$ 130,232
Wastewater Treatment Trust - 1995	2,956,113		457,730	2,498,383
Wastewater Treatment Trust - 1997	5,101,385		581,013	4,520,372
Wastewater Treatment Trust - 2001	1,333,933		97,687	1,236,246
Wastewater Treatment Trust - 2006	2,258,883		121,466	2,137,417
Wastewater Treatment Trust - 2007	2,818,445		148,746	2,669,699
Environmental Infrastructure Trust - 2004	3,958,966		240,682	3,718,284
Sewer Revenue Refunding Bonds, 2003 Series	9,345,000		430,000	8,915,000
Sewer Revenue Refunding Bonds, 2009 Series	15,170,000		955,000	14,215,000
NJ Environmental Infrastructure Trust Series 2010A		3,987,500		3,987,500
NJ Environmental Infrastructure Trust Series 2010B		1,710,000		1,710,000
	<u>43,326,405</u>	<u>5,697,500</u>	<u>3,285,772</u>	<u>45,738,133</u>
Unamortized Bond Premium	940,622		126,803	813,819
Total	<u>\$ 44,267,027</u>	<u>\$ 5,697,500</u>	<u>\$ 3,412,575</u>	<u>\$ 46,551,952</u>

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
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(CONTINUED)**

**NOTE 5 – BONDS PAYABLE - Continued**

Solid Waste Revenue Bonds and Loans at December 31, 2010 and 2009 consist of the following:

	<u>2009</u>	<u>Decreases</u>	<u>2010</u>
Solid Waste System Revenue Bonds	\$ 44,395,000	\$ 5,070,000	\$ 39,325,000
Unamortized Bond Discount	(129,773)	(34,965)	(94,808)
Total	<u>\$ 44,265,227</u>	<u>\$ 5,035,035</u>	<u>\$ 39,230,192</u>

The following schedule combines the Total Debt, net of unamortized premiums and discounts for the two divisions:

Total Net Debt,	
Wastewater Division	\$ 45,738,133
Solid Waste Division	39,325,000
Total Net Debt of the Authority	<u>\$ 85,063,133</u>
Current Portion of Long Term Debt:	
Wastewater Division	\$ 6,537,759
Solid Waste Division	5,445,000
Noncurrent Portion of Debt:	
Wastewater Division	39,200,374
Solid Waste Division	33,880,000
Total Net Debt of the Authority	<u>\$ 85,063,133</u>

**Description of Bonds Payable**

At December 31, 2010, bonds payable consisted of the following issues:

**Wastewater Division**

\$3,691,756 New Jersey Pinelands Infrastructure Trust Fund Loan, dated 1991, due in semiannual installments for principal and interest through January 1, 2011, bearing interest at 3.68% per annum. The balance remaining as of December 31, 2010 is \$130,232.

\$7,967,538 New Jersey Wastewater Trust Fund Loan dated 1995, due in semiannual installments for principal and interest through August 15, 2015, bearing interest at various rates from 0.00% to 5.25% per annum. The balance remaining as of December 31, 2010 is \$2,498,383.

\$10,602,202 New Jersey Wastewater Trust Fund Loan dated 1997, due in semiannual installments for principal and interest through August 1, 2017, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2010 is \$4,520,372.

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
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(CONTINUED)**

**NOTE 5 – BONDS PAYABLE - Continued**

**Description of Bonds Payable - Continued**

**Wastewater Division - Continued**

\$1,972,543 New Jersey Wastewater Trust Fund Loan dated 2001, due in semiannual installments for principal and interest through August 1, 2021, bearing interest at various rates from 0.00% to 5.50% per annum. The balance remaining as of December 31, 2010 is \$1,236,246.

\$10,725,000 Sewer Refunding Bonds dated October 15, 2003, due in annual installments for principal beginning January 15, 2006 through January 15, 2015, bearing interest at various rates from 2.00% to 5.75% per annum. The balance remaining as of December 31, 2010 is \$8,915,000.

\$4,919,402 New Jersey Environmental Infrastructure Trust Fund Loan dated 2004, due in semiannual installments for principal and interest through August 1, 2024, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2010 is \$3,718,284.

\$2,551,272 New Jersey Environmental Infrastructure Trust Fund Loan dated 2006, due in semiannual installments for principal and interest through August 1, 2026, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2010 is \$2,137,417.

\$3,008,252 New Jersey Environmental Infrastructure Trust Fund Loan dated 2007, due in semiannual installments for principal and interest through August 1, 2027, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2010 is \$2,669,699.

\$15,170,000 Sewer Refunding Bonds dated September 10, 2009, due in annual installments for principal through January 15, 2015, bearing interest at various rates from 4.00% to 5.00% per annum. The balance remaining as of December 31, 2010 is \$14,215,000.

\$3,987,500 New Jersey Environmental Infrastructure Trust Fund Loan Series 2010A, dated February 2010, due in semiannual installments for principal and interest through August 1, 2029, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2010 is \$3,987,500.

\$1,710,000 New Jersey Environmental Infrastructure Trust Fund Loan Series 2010B, dated December 2010, due in semiannual installments for principal and interest through September 1, 2030, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2010 is \$1,710,000.

The Wastewater Bonds are secured and payable solely from the revenues of the Wastewater Division.

**Solid Waste Division**

\$87,650,000 Solid Waste System Revenue Bonds, dated April 15, 1992, due in annual installments for principal through September 1, 2016, bearing interest at various rates from 5.200% to 7.125% per annum. The balance remaining as of December 31, 2010 is \$39,325,000.

The Solid Waste System Bonds are secured and payable solely from the revenues of the Solid Waste Division.



**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 5 – BONDS PAYABLE - Continued**

**Refunding Bonds Issued**

Debt service requirements on serial bonds and loans payable at December 31, 2010 are as follows:

Year Ended December 31,	Wastewater Division		Solid Waste Division	
	Principal	Interest	Principal	Interest
2011	\$ 6,537,759	\$ 1,459,655	\$ 5,445,000	\$ 2,607,928
2012	6,706,888	1,211,687	5,845,000	2,205,722
2013	7,009,000	928,255	6,280,000	1,773,769
2014	6,010,772	677,080	6,740,000	1,309,931
2015	6,922,152	421,314	7,240,000	811,894
2016 - 2020	6,171,300	919,561	7,775,000	276,984
2021 - 2025	4,371,472	439,642		
2026 - 2030	2,008,790	113,010		
	<u>\$ 45,738,133</u>	<u>\$ 6,170,203</u>	<u>\$ 39,325,000</u>	<u>\$ 8,986,228</u>

Year Ended December 31,	Authority Grand Total		
	Principal	Interest	Total
2011	\$ 11,982,759	\$ 4,067,583	\$ 16,050,342
2012	12,551,888	3,417,409	15,969,297
2013	13,289,000	2,702,024	15,991,024
2014	12,750,772	1,987,011	14,737,783
2015	14,162,152	1,233,207	15,395,360
2016 - 2020	13,946,300	1,196,546	15,142,845
2021 - 2025	4,371,472	439,642	4,811,113
2026 - 2027	2,008,790	113,010	2,121,800
	<u>\$ 85,063,133</u>	<u>\$ 15,156,431</u>	<u>\$ 100,219,565</u>

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
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**NOTE 6 – PENSION PLANS**

Description of Plans - All required employees of the Authority are covered by the Public Employees' Retirement System which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate for the PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
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**NOTE 6 – PENSION PLANS - Continued**

Three Year Trend Information for PERS			
Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2010	\$ 1,038,996	100%	\$ -
12/31/2009	890,899	100%	-
12/31/2008	668,140	100%	-

**NOTE 7 – POST-RETIREMENT BENEFITS**

The Authority participates New Jersey State Health Benefits Program (“the SHBP”), which qualifies as a cost-sharing, multiple –employer plan in accordance with GASB Statement 45 “Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions” (“OPEB”). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pension and Benefits.

Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents.

A retiree may also receive Authority-paid health benefits in accordance with labor agreements if they have twenty-five (25) or more years enrolled in the pension system.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the SHBP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The SHBP is established under the authority of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution rate is determined on an annual pay as you go basis. The following were the required contributions:

2010 - \$2,930,415  
2009 - \$2,525,146  
2008 - \$2,590,447

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**NOTE 8 – COMPENSATED ABSENCES**

The estimated liability for vested compensated absences is recorded as a noncurrent liability. The current portion of the compensated absences balance is not considered material and therefore is not shown separately from the long-term liability of compensated absences.

**NOTE 9 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

The Authority adopted the provisions of Statement No. 18 of the Government Accounting Standards Board, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs in 1993. This Standard requires the Authority to recognize an expense and a liability in each period it accepts solid waste for a portion of the landfill closure and postclosure costs expected to be incurred in future periods. The estimated current cost is based on use of landfill capacity rather than passage of time.

**NOTE 10 – RISK MANAGEMENT**

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

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

**NOTE 11 – AMOUNTS HELD BY THE STATE OF NEW JERSEY**

The State of New Jersey holds the Landfill Closure Escrow Account in the name of the Atlantic County Utilities Authority. These Cash and Investments consisted of the following at December 31, 2010:

United State Treasury Notes	\$	1,863,512
Cash		2,885,156
	\$	<u>4,748,668</u>

**NOTE 12 – DEFERRED COMPENSATION**

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all eligible regular employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights have been removed from the books and accounts of the Authority as they are no longer the property or rights of the Authority.

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**NOTE 13 – CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents include petty cash, change funds, bank deposits 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. 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.

Additionally, the Authority has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

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 Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks 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.

GASB Statement No. 3 amended by Statement No. 40 requires disclosure of the level of custodial credit risk assumed by the Authority in its cash, cash equivalents and investments.

The cash deposits not covered by depository insurance held at financial institutions are categorized as follows:

- a. Deposits are uncollateralized.
- b. Deposits are collateralized with securities held by the pledging financial institution.
- c. Deposits collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

At December 31, 2010, the carrying amount of the Authority's deposits (cash and cash equivalents) was \$53,306,194 and the bank balance was \$54,025,713.

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it.

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
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**NOTE 13 – CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued**

As of December 31, 2010, the Authority's bank balance was exposed to custodial credit risk as follows:

	Cash and Cash Equivalents	Investments
Insured	\$ 1,000,000	\$
Collateralized with securities held by the pledging financial Institution	53,025,713	20,234,239
	\$ 54,025,713	\$ 20,234,239

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the Authority's bank accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Authority would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2010, all of the Authority's deposits were covered by either FDIC or GUDPA and therefore not exposed to custodial credit risk. The Authority does not have a policy for custodial credit risk.

**Investments**

Pursuant to the Enabling Act, the funds of the Authority may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the Authority may approve. It invests pooled monies from various State and non-State agencies in primarily short-term investments.

As of December 31, the Authority held the following investments:

	2010 Fair Value	2010 Book Value	2009 Fair Value	2009 Book Value
<b>Wastewater:</b>				
US Treasury Strips	\$ 343,146	\$ 343,146	\$ 70,568	\$ 318,971
US Treasury Bonds	1,191,642	1,191,642	1,149,682	1,213,271
New Jersey Treasury ARM	5,922,621	5,922,621	1,850,000	1,850,000
<b>Solid Waste:</b>				
New Jersey Treasury ARM	12,776,830	12,776,830	14,273,000	14,273,000
<b>Total</b>	\$ 20,234,239	\$ 20,234,239	\$ 17,343,250	\$ 17,655,242
Unrestricted		\$ 11,409,971		\$ 3,823,000
Restricted		8,824,268		13,832,242
		\$ 20,234,239		\$ 17,655,242

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010 and 2009  
(CONTINUED)**

**NOTE 14 – SUBSEQUENT EVENTS**

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2010 through June 8, 2011 the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the Authority that require disclosure.

**OTHER SUPPLEMENTARY INFORMATION**



**WASTEWATER DIVISION**

**ATLANTIC COUNTY UTILITIES AUTHORITY  
WASTEWATER DIVISION  
COMPARATIVE STATEMENT OF NET ASSETS  
MODIFIED GAAP BASIS  
DECEMBER 31, 2010 AND 2009**

<b><u>ASSETS</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Current Assets:		
Cash and Cash Equivalents	\$ 13,184,839	\$ 14,854,264
Investments	4,535,467	1,850,000
Accrued Interest Receivable	52,177	51,841
Accounts Receivable	963,444	1,023,585
	<hr/>	<hr/>
Total Current Assets	18,735,927	17,779,690
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	13,507,426	10,473,340
Investments	2,921,942	1,532,242
Accrued Interest Receivable		-
Loans Receivable	7,202,887	1,527,166
	<hr/>	<hr/>
Total Noncurrent Assets	23,632,255	13,532,748
Capital Assets:		
Property, Plant and Equipment	218,894,456	218,636,970
Less: Accumulated Depreciation	(134,812,727)	(129,524,105)
	<hr/>	<hr/>
Net Capital Assets	84,081,729	89,112,865
Unamortized Bond Issue Costs	1,536,888	1,904,692
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 127,986,799</b>	<b>\$ 122,329,995</b>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
WASTEWATER DIVISION  
COMPARATIVE STATEMENT OF NET ASSETS  
MODIFIED GAAP BASIS  
DECEMBER 31, 2010 AND 2009**

<b><u>LIABILITIES</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Current Liabilities Payable from Current Assets:		
Accounts Payable	\$ 2,831,410	\$ 2,368,534
Deferred Revenue	159,674	154,570
Due to Solid Waste Division	744,948	720,297
	<hr/>	<hr/>
Total Current Liabilities Payable from Current Assets	3,736,032	3,243,401
Current Liabilities Payable from Restricted Assets:		
Construction Contracts Payable	4,262,345	7,148,127
Current Portion of Long - Term Debt	6,537,759	3,285,771
Accrued Interest	683,729	534,478
	<hr/>	<hr/>
Total Current Liabilities Payable from Restricted Assets:	11,483,833	10,968,376
Noncurrent Liabilities:		
Deferred Revenue	812,218	976,995
Post Retirement Benefits Payable	535,019	535,019
Accrued Compensated Absences	600,004	600,004
Long - Term Portion of Bonds Payable (Note 5) (Net of Unamortized Bond Premium and Discount of \$813,819 and \$940,622 in 2010 and 2009, respectively)	40,014,193	40,981,256
	<hr/>	<hr/>
Total Noncurrent Liabilities	41,961,434	43,093,274
<b>TOTAL LIABILITIES</b>	<b>\$ 57,181,299</b>	<b>\$ 57,305,051</b>
<b><u>NET ASSETS</u></b>		
Investment in Capital Assets, Net of Related Debt	\$ 37,529,777	\$ 44,845,838
Restricted for:		
Renewal and Replacement	4,800,000	4,800,000
Debt Service Fund	6,459,410	3,023,874
Debt Service Reserve Fund	7,415,415	7,415,415
Unrestricted	14,600,898	4,939,817
	<hr/>	<hr/>
<b>TOTAL NET ASSETS</b>	<b>\$ 70,805,500</b>	<b>\$ 65,024,944</b>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
WASTEWATER DIVISION  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
MODIFIED GAAP BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Operating Revenues:		
User Service Agreements:		
Operating	\$ 15,586,113	\$ 15,612,293
General	8,053,350	8,027,171
Sludge	1,786,943	1,825,506
Septage and Leachate	562,214	500,814
Other	5,468,213	1,258,586
	<u>31,456,833</u>	<u>27,224,370</u>
Operating Expenses:		
Salaries	5,724,636	5,618,016
Employee Benefits	3,054,946	2,637,125
Power and Utilities	2,656,315	2,922,232
Chemicals	1,051,758	1,142,465
Fuel	1,463,031	1,635,096
Supplies and Miscellaneous Maintenance	2,295,747	2,187,111
Contractual Services	545,522	534,990
Indirect Operating Expenses	485,062	253,792
Administrative	1,327,870	1,048,351
Licenses and Permits	153,742	161,802
Depreciation	5,288,622	5,147,407
Amortization of Bond Issue Costs	367,804	367,804
	<u>24,415,055</u>	<u>23,656,191</u>
Total Operating Revenues	<u>31,456,833</u>	<u>27,224,370</u>
Total Operating Expenses	<u>24,415,055</u>	<u>23,656,191</u>
Operating Income	<u>7,041,778</u>	<u>3,568,179</u>
Non - Operating Revenues / (Expenses):		
Interest Income	219,073	250,983
Gain on Refunding Bonds		184,247
Interest Expense	(1,480,295)	(1,764,636)
	<u>(1,261,222)</u>	<u>(1,329,406)</u>
Total Non - Operating Expenses	<u>(1,261,222)</u>	<u>(1,329,406)</u>
Net Income / (Loss)	5,780,556	2,238,773
Net Assets, January 1	65,024,944	62,786,171
Net Assets, December 31	\$ <u>70,805,500</u>	\$ <u>65,024,944</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
WASTEWATER DIVISION  
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES COMPARED  
TO BUDGET - RATE BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>2010 Budget</u>	<u>2010 Actual</u>
Revenues:		
User Service Agreements:		
Operating and General Charge	\$ 23,639,460	\$ 23,639,463
Sludge, Septage, and Leachate	2,056,000	2,189,482
Interest on Investments and Deposits	415,000	219,073
Miscellaneous	1,236,028	1,513,213
Fund Balance	575,000	
	<hr/>	<hr/>
Total Revenues	<u>27,921,488</u>	<u>27,561,231</u>
Expenses:		
Salaries	5,674,021	5,724,636
Employee Benefits	3,008,244	3,054,946
Power and Utilities	2,865,000	2,656,315
Chemicals	1,124,000	1,051,758
Fuel	1,502,500	1,463,031
Supplies and Miscellaneous Maintenance	1,287,700	1,326,289
Contractual Services	700,365	588,725
Indirect Operating Expenses	680,500	647,326
Administrative	1,575,810	1,336,393
Maintenance Program Expenditures	1,000,000	926,253
Canceled Purchase Orders		(17,043)
	<hr/>	<hr/>
Total Operating Expenses	<u>19,418,140</u>	<u>18,758,629</u>
Debt Service	<u>8,053,350</u>	<u>8,053,350</u>
Total Expenses	<u>27,471,490</u>	<u>26,811,979</u>
Net Income / (Loss) from Operations	<u>\$ 449,998</u>	<u>\$ 749,252</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
WASTEWATER DIVISION  
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Description	Face Amount	Interest Rate	Due Date	Fair Value December 31, 2010
<b>Unrestricted Accounts:</b>				
Cash	\$ 822,785			\$ 822,785
First American Treasury Money Market	9,813,753			9,813,753
NJ ARM	2,548,207	0.1100%		2,548,207
NJ ARM - Term	2,500,000	0.2650%	1/21/2011	2,500,000
NJ ARM	94	0.1100%		94
NJ ARM - Term	2,035,467	0.4267%	5/6/2011	2,035,467
<b>Total Unrestricted</b>	<b>17,720,306</b>			<b>17,720,306</b>
<b>Restricted Accounts:</b>				
<b>Wastewater Trust Fund:</b>				
First American Treasury Money Market	108,756			108,756
First American Treasury Money Market	61			61
First American Treasury Money Market	434,346			434,346
First American Treasury Money Market	833,005			833,005
	<u>1,376,168</u>			<u>1,376,168</u>
<b>Rebate Account:</b>				
First American Treasury Money Market	92,463			92,463
	<u>92,463</u>			<u>92,463</u>
<b>Debt Service Fund:</b>				
First American Treasury Money Market	6,459,410			6,459,410
	<u>6,459,410</u>			<u>6,459,410</u>
<b>Debt Service Reserve Fund:</b>				
NJ ARM	34	0.11%		34
NJ ARM - Term	700,000	0.2650%	1/21/11	700,000
NJ ARM - Term	687,154	0.4267%	5/6/11	687,154
First American Treasury Money Market	30,860			30,860
United States Treasury Bonds	1,149,682	11.25%	2/15/2015	1,191,642
United States Treasury Bonds	70,568		2/15/2015	343,146
	<u>2,638,298</u>			<u>2,952,836</u>
<b>Renewal and Replacement Fund:</b>				
First American Treasury Money Market	2,870,343			2,870,343
NJ ARM	2,678,148	0.11%		2,678,148
	<u>5,548,491</u>			<u>5,548,491</u>
<b>Total</b>	<b>\$ 33,835,136</b>			<b>\$ 34,149,674</b>
<b>Unrestricted</b>				
Cash and Cash Equivalents	\$ 13,184,839			\$ 13,184,839
Investments	4,535,467			4,535,467
<b>Restricted:</b>				
Cash and Cash Equivalents	13,507,426			13,507,426
Investments	2,607,404			2,921,942
	<u>\$ 33,835,136</u>			<u>\$ 34,149,674</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
WASTEWATER DIVISION  
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT AND OTHER CAPITALIZED COSTS  
MODIFIED GAAP BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009, 2008, 2007 AND 2006**

	2010	2009	2008	2007	2006
<b>Additions During the Year:</b> Property, Plant and Equipment:					
Land	\$ 719,659	\$ 252	\$ 32,597	\$ 173,514	\$ 2,694,768
Sewer Mains and Interceptors	6,684,436	4,070	1,648,799	291,084	2,985,852
Buildings and Improvements	(7,146,609)	7,146,609	208,629,047	208,422,936	205,437,084
Construction in Progress	257,486	8,359,124	1,648,799	206,111	208,422,936
Equipment and Vehicles	218,636,970	210,277,846	208,629,047	208,629,047	208,422,936
<b>Total Additions</b>	<u>218,894,456</u>	<u>218,636,970</u>	<u>210,277,846</u>	<u>208,629,047</u>	<u>208,422,936</u>
<b>Costs Capitalized at the Beginning of the Year</b>	<u>(134,812,727)</u>	<u>(129,524,105)</u>	<u>(124,376,698)</u>	<u>(119,300,191)</u>	<u>(112,817,763)</u>
<b>Less:</b>					
Accumulated Depreciation and Amortization	\$ 84,081,729	\$ 89,112,865	\$ 85,901,148	\$ 89,328,856	\$ 95,605,173
<b>Total Property, Plant and Equipment, End of Year</b>	<u>\$ 84,081,729</u>	<u>\$ 89,112,865</u>	<u>\$ 85,901,148</u>	<u>\$ 89,328,856</u>	<u>\$ 95,605,173</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**WASTEWATER DIVISION**  
**SCHEDULE OF DEBT ISSUE COSTS**  
**MODIFIED GAAP BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010, 2009, 2008, 2007 AND 2006**

	2010	2009	2008	2007	2006
Costs Capitalized at the Beginning of the Year	\$ 5,420,030	\$ 5,206,878	\$ 5,206,878	\$ 5,206,878	\$ 5,206,878
Net Effect of Refunding Bond Issue		213,152			
Less:					
Accumulated Amortization	(3,883,142)	(3,515,338)	(3,147,534)	(2,853,344)	(2,559,155)
Unamortized Debt Issue Costs	\$ 1,536,888	\$ 1,904,692	\$ 2,059,344	\$ 2,353,534	\$ 2,647,723



**SOLID WASTE DIVISION**

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SOLID WASTE DIVISION  
COMPARATIVE STATEMENT OF NET ASSETS  
MODIFIED GAAP BASIS  
DECEMBER 31, 2010 AND 2009**

<b><u>ASSETS</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Current Assets:		
Cash and Cash Equivalents	\$ 15,169,144	\$ 18,505,776
Investments	6,874,504	1,973,000
Accrued Interest Receivable	16,463	15,596
Accounts Receivable (net of Allowance \$583,965 and \$569,102 in 2010 and 2009 respectively)	1,898,067	2,000,660
Due from Wastewater Division	744,948	720,297
<b>Total Current Assets</b>	<b><u>24,703,126</u></b>	<b><u>23,215,329</u></b>
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	11,444,785	8,552,452
Investments	5,902,326	12,300,000
Amounts Held by State of New Jersey	4,748,668	4,475,574
Accrued Interest Receivable	6,820	20,737
<b>Total Noncurrent Assets</b>	<b><u>22,102,599</u></b>	<b><u>25,348,763</u></b>
Capital Assets:		
Property, Plant and Equipment	123,776,927	114,443,425
Less: Accumulated Depreciation	(74,948,966)	(69,600,633)
<b>Net Capital Assets</b>	<b><u>48,827,961</u></b>	<b><u>44,842,792</u></b>
Deferred Costs:		
Unamortized Bond Discount and Issue Costs	443,178	502,106
<b>Total Deferred Costs</b>	<b><u>443,178</u></b>	<b><u>502,106</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 96,076,864</u></b>	<b><u>\$ 93,908,990</u></b>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SOLID WASTE DIVISION  
COMPARATIVE STATEMENT OF NET ASSETS  
MODIFIED GAAP BASIS  
DECEMBER 31, 2010 AND 2009**

<b><u>LIABILITIES</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Current Liabilities Payable from Current Assets:		
Accounts Payable	\$ 3,443,383	\$ 2,737,976
Customer Deposits	143,113	118,237
	<hr/>	<hr/>
Total Current Liabilities Payable from Current Assets	3,586,496	2,856,213
Current Liabilities Payable from Restricted Assets:		
Construction Contracts Payable	5,978,634	3,252,568
Current Portion of Long - Term Debt	5,445,000	5,070,000
Accrued Interest	933,969	1,054,381
	<hr/>	<hr/>
Total Current Liabilities Payable from Restricted Assets:	12,357,603	9,376,949
Noncurrent Liabilities Payable from Restricted Assets:		
Accrued Landfill Closure and Post - Closure Care Cost	10,076,640	8,489,880
	<hr/>	<hr/>
Noncurrent Liabilities:		
Accrued Compensated Absences	670,419	670,419
Post Retirement Benefits Payable	800,000	800,000
Long - Term Portion of Bonds Payable (Note 5) (Net of Unamortized Bond Premium and Discount of \$94,808 and \$129,773 in 2010 and 2009, respectively)	33,785,192	39,195,227
	<hr/>	<hr/>
Total Noncurrent Liabilities	45,332,251	49,155,526
<b>TOTAL LIABILITIES</b>	<b>\$ 61,276,350</b>	<b>\$ 61,388,688</b>
	<hr/> <hr/>	<hr/> <hr/>
<b><u>NET ASSETS</u></b>		
Investment in Capital Assets, Net of Related Debt Restricted for:	\$ 9,597,769	\$ 577,565
Debt Service Reserve Fund	8,053,769	8,053,769
Unrestricted	17,148,976	23,888,968
	<hr/>	<hr/>
<b>TOTAL NET ASSETS (DEFICIT)</b>	<b>\$ 34,800,514</b>	<b>\$ 32,520,302</b>
	<hr/> <hr/>	<hr/> <hr/>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**SOLID WASTE DIVISION**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**MODIFIED GAAP BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>		<u>2009</u>
Operating Revenues:			
Tipping Fees	\$ 18,681,678	\$	17,947,504
Collections and Recycling Income	8,644,330		7,508,618
Grant Income	126,853		188,862
Composting Income	962,187		883,344
Other	2,592,807		1,080,337
	<u>31,007,855</u>		<u>27,608,665</u>
Total Operating Revenues			
Operating Expenses:			
Salaries	8,796,388		8,337,936
Employee Benefits	4,811,812		4,063,791
Power and Utilities	681,461		574,286
Fuel	1,338,252		1,048,686
Supplies and Miscellaneous Maintenance	2,501,288		2,407,086
Indirect Operating Expenses	2,111,922		2,563,783
Accrued Landfill Closure Costs	1,684,578		1,160,732
Administrative	959,611		853,087
Community Benefit	1,760,122		1,685,480
Recycling and Other Taxes	922,902		867,322
Bad Debt Expense	20,000		172,376
Depreciation	5,348,333		5,780,214
Amortization of Bond Issue Costs	58,928		58,928
	<u>30,995,597</u>		<u>29,573,707</u>
Total Operating Expenses			
Operating Income	<u>12,258</u>		<u>(1,965,042)</u>
Non - Operating Revenues / (Expenses):			
Interest Income	34,285		89,345
Interest Expense	(2,897,078)		(3,219,194)
Grant	-		-
Contributions - State Subsidy	5,130,747		5,130,747
	<u>2,267,954</u>		<u>2,000,898</u>
Total Non - Operating Expenses			
Net Income / (Loss)	2,280,212		35,856
Net Assets (Deficit), January 1	32,520,302		32,484,446
Extraordinary Item - Reduction in Closure Costs			
Net Assets (Deficit), December 31	<u>\$ 34,800,514</u>	\$	<u>32,520,302</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SOLID WASTE DIVISION  
SCHEDULE OF REVENUES AND COSTS FUNDED BY OPERATING REVENUES COMPARED TO BUDGET - RATE  
BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>2010 Budget</b>	<b>2010 Actual</b>
Long Term Debt Related Revenues:		
State Subsidy	\$ 5,130,747	\$ 5,130,747
	5,130,747	5,130,747
Less:		
Long Term Debt Related Expense:		
Principal and Interest	8,244,612	8,244,612
	8,244,612	8,244,612
Net Loss on Debt Related Activities	(3,113,865)	(3,113,865)
Operating Revenues:		
Tipping Fees	18,009,032	18,681,677
Collections and Recycling Income	8,268,889	8,644,330
Composting Income	858,298	962,187
Other	1,462,292	1,207,036
Interest Income	360,000	34,285
Total Operating Revenues	28,958,511	29,529,515
Operating Expenses:		
Administration	2,822,085	2,721,786
Solid Waste Administration	1,126,141	1,142,904
Transfer Station Operations	1,230,326	1,137,109
Composting Operations	562,524	541,321
Landfill Operations	6,288,451	7,641,346
Recycling Center Processing	533,228	481,274
Collections	6,042,680	6,600,799
Maintenance Center	5,702,759	5,465,074
Canceled Purchase Orders		(143,277)
Total Operating Expenses	24,308,194	25,588,336
Net Income from Operating Activities	4,650,317	3,941,179
Renewal and Replacement Fund CIP	(1,536,452)	(1,640,972)
Landfill Closure		(263,685)
Net Income	\$ -	\$ (1,077,343)

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SOLID WASTE DIVISION  
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Description	Face Amount	Interest Rate	Due Date	Fair Value December 31, 2,010.00
<b>Unrestricted Accounts:</b>				
Operations:				
Cash	\$ 445,141.00			\$ 445,141.00
Revenue Fund:				
NJ ARM	98.00	0.1100%		98.00
NJ ARM - Term	2,300,000.00	0.2650%	1/21/11	2,300,000.00
NJ ARM - Term	2,373,504.00	0.3160%	2/25/11	2,373,504.00
NJ ARM	2,717,928.00	0.1100%		2,717,928.00
Cash	9,620,882.00	0.2000%		9,620,882.00
	<u>17,012,412.00</u>			<u>17,012,412.00</u>
E.I.C.:				
Cash	700.00			700.00
	<u>700.00</u>			<u>700.00</u>
Operating Reserve:				
Cash	2,332,850.00			2,332,850.00
NJ ARM	51,545.00	0.1100%		51,545.00
NJ ARM - Term	2,201,000.00	0.3680%	2/28/11	2,201,000.00
	<u>4,585,395.00</u>			<u>4,585,395.00</u>
<b>Restricted Accounts:</b>				
Renewal and Replacement Fund:				
Cash	3,095,909.00			3,095,909.00
NJ ARM - Term	3,902,326.00	0.1231%	2/11/11	3,902,326.00
NJ ARM - Landfill Closure	4,907,206.00	0.1100%		4,907,206.00
NJ ARM - Term - Landfill Closure	2,000,000.00	0.3055%	2/24/11	2,000,000.00
	<u>13,905,441.00</u>			<u>13,905,441.00</u>
Standard Escrow Fund:				
US Treasury Notes	187,858.00	4.5000%	2/15/2016	187,858.00
US Treasury Notes	1,675,654.00	0.0000%	11/15/2016	1,675,654.00
U.S. Treasury Fund	2,728,060.00	0.0300%		2,728,060.00
U.S. Treasury Fund	157,096.00	0.3000%		157,096.00
	<u>4,748,668.00</u>			<u>4,748,668.00</u>
Debt Service and Debt Service Reserve Funds:				
Cash	3,441,670.00			3,441,670.00
<b>Total</b>	<b>\$ 44,139,427.00</b>			<b>\$ 44,139,427.00</b>
<b>Unrestricted:</b>				
Cash and Cash Equivalents	\$ 15,083,627.00			\$ 15,169,144.00
Investments	6,874,504.00			6,874,504.00
<b>Restricted:</b>				
Cash and Cash Equivalents	11,530,302.00			11,444,785.00
Investments	5,902,326.00			5,902,326.00
Cash and Investments held by the State of New Jersey	4,748,668.00			4,748,668.00
	<u>\$ 44,139,427.00</u>			<u>\$ 44,139,427.00</u>

ATLANTIC COUNTY UTILITIES AUTHORITY  
SOLID WASTE DIVISION  
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT AND OTHER PREOPERATING COSTS  
MODIFIED GAAP BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009, 2008, 2007 AND 2006

	2010	2009	2008	2007	2006
Waste Disposal:					
Additions (Deletions) During the Year:					
Property, Plant and Equipment:					
Land and Improvements	\$ 5,974,289	\$ 10,207	\$ 87,167	\$ 66,030	\$ 461,586
Buildings and Improvements	1,614,124	78,006	143,531	526,994	282,995
Equipment and Vehicles		483,063	555,432	3,982,550	1,830,145
Landfill Design and Implementation					
Planning and Designs					
Total Additions	7,588,413	571,276	786,130	4,575,574	2,574,726
Costs Capitalized at the Beginning of the Year	87,273,497	86,702,221	85,916,091	81,340,517	78,765,791
	94,861,910	87,273,497	86,702,221	85,916,091	81,340,517
Less:					
Accumulated Depreciation and Amortization	(60,557,543)	(56,770,789)	(52,423,509)	(47,774,542)	(43,270,901)
Total Property, Plant and Equipment, End of Year	\$ 34,304,367	\$ 30,502,708	\$ 34,278,712	\$ 38,141,549	\$ 38,069,616

ATLANTIC COUNTY UTILITIES AUTHORITY  
SOLID WASTE DIVISION  
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT AND OTHER PREOPERATING COSTS  
MODIFIED GAAP BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009, 2008, 2007 AND 2006

	2010	2009	2008	2007	2006
Waste Recycling:					
Additions (Deletions) During the Year:					
Property, Plant and Equipment:					
Land and Improvements	\$ 1,639,659	\$	\$	\$ 118,678	\$ 61,075
Buildings and Improvements				(14,662)	
Equipment and Vehicles	105,430	225,134	268,478	1,138,952	1,702,894
Planning and Designs					
Total Additions	<u>1,745,089</u>	<u>225,134</u>	<u>268,478</u>	<u>1,242,968</u>	<u>1,763,969</u>
Costs Capitalized at the Beginning of the Year	<u>37,029,427</u>	<u>36,804,293</u>	<u>36,535,815</u>	<u>35,292,847</u>	<u>33,528,878</u>
	38,774,516	37,029,427	36,804,293	36,535,815	35,292,847
Less:					
Accumulated Depreciation and Amortization	<u>(24,250,922)</u>	<u>(22,689,343)</u>	<u>(21,256,411)</u>	<u>(19,852,148)</u>	<u>(18,515,942)</u>
Total Property, Plant and Equipment, End of Year	<u>\$ 14,523,594</u>	<u>\$ 14,340,084</u>	<u>\$ 15,547,882</u>	<u>\$ 16,683,667</u>	<u>\$ 16,776,905</u>
Grand Total	<u>\$ 48,827,961</u>	<u>\$ 44,842,792</u>	<u>\$ 49,826,594</u>	<u>\$ 54,825,216</u>	<u>\$ 54,846,521</u>



ATLANTIC COUNTY UTILITIES AUTHORITY  
SOLID WASTE DIVISION  
SCHEDULE OF DEBT ISSUE COSTS  
MODIFIED GAAP BASIS

FOR THE YEARS ENDED DECEMBER 31, 2010, 2009, 2008, 2007 AND 2006

	2010	2009	2008	2007	2006
Costs Capitalized at the Beginning of the Year	\$ 2,182,779	\$ 2,182,779	\$ 2,182,779	\$ 2,182,779	\$ 2,182,779
Less:					
Accumulated Amortization	<u>(1,739,600)</u>	<u>(1,680,672)</u>	<u>(1,621,744)</u>	<u>(1,562,816)</u>	<u>(1,503,888)</u>
Unamortized Debt Issue Costs	<u>\$ 443,178</u>	<u>\$ 502,106</u>	<u>\$ 561,035</u>	<u>\$ 619,963</u>	<u>\$ 678,891</u>

**SPECIAL - PURPOSE STATEMENTS OF REVENUES AND EXPENSES TO COMPLY  
WITH BOND RESOLUTION**



# F O R D - S C O T T

& A S S O C I A T E S , L . L . C .

C E R T I F I E D P U B L I C A C C O U N T A N T S

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman  
and Members of the Board  
of the Atlantic County Utilities Authority

We have audited the accompanying Special – Purpose Statements of Revenues and Expenses of the Atlantic County Utilities Authority (“Authority”) Wastewater and Solid Waste Divisions for the year ended December 31, 2010. These special – purpose financial statements are the responsibility of the Authority’s management. Our responsibility is to express an opinion on these special – purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special – purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special – purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special – purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special – purpose financial statements were prepared for the purpose of complying with the Sewer Revenue Bond Resolution adopted August, 27 1985, as restated and ratified, and the Solid Waste System Revenue Bond Resolution adopted January 23, 1992, as supplemented and restated March 5 and April 6, 1992, as discussed in Note 1, and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, because of the Authority has prepared these special – purpose financial statements on the prescribed basis of accounting discussed in the preceding paragraph, the special – purpose financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Authority, as of December 31, 2010.

However, in our opinion, the special – purpose financial statements referred to above present fairly, in all material respects, the revenues and expenses of the Wastewater and Solid Waste Divisions of the Authority for the year ended December 31, 2010 on the basis of accounting described in Note 1.

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



**Leon P. Costello**  
**Certified Public Accountant**  
**Registered Municipal Accountant**  
**No. 393**

**June 8, 2011**

**ATLANTIC COUNTY UTILITIES AUTHORITY  
WASTEWATER DIVISION  
SPECIAL - PURPOSE STATEMENT OF REVENUES AND EXPENSES TO COMPLY WITH BOND  
RESOLUTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Operating Revenues:		
Wastewater		
User Service Agreements:		
Operating	\$	15,586,113
General		8,053,350
Sludge		1,786,943
Septage and Leachate		562,214
Other		5,468,213
 Total Operating Revenues		 <u>31,456,833</u>
Operating Expenses:		
Salaries		5,724,636
Employee Benefits		3,054,946
Power and Utilities		2,656,315
Chemicals		1,051,758
Fuel		1,463,031
Supplies and Miscellaneous Maintenance		2,295,747
Contractual Services		545,522
Indirect Operating Expenses		485,062
Administrative		1,327,870
Licenses and Permits		153,742
Amortization of Bond Issue Costs		367,804
 Total Operating Expenses		 <u>19,126,433</u>
 Excess of Revenues Over Expenses from Operations		 <u>12,330,400</u>
Non - Operating Revenues / (Expenses):		
Interest Income		219,073
Gain on Refunding Bonds		-
Interest Expense		(1,480,295)
 Total Non - Operating Revenue / (Expenses)		 <u>(1,261,222)</u>
 Excess of Revenues Over Expenses	\$	 <u>11,069,178</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SOLID WASTE DIVISION  
SPECIAL - PURPOSE STATEMENT OF REVENUES AND EXPENSES TO COMPLY WITH BOND  
RESOLUTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Operating Revenues:	
Solid Waste	
Tipping Fees	\$ 18,681,678
Collections and Recycling Income	8,644,330
Grant Income	126,853
Composting Income	962,187
Other	<u>2,592,807</u>
<b>Total Operating Revenues</b>	<b><u>31,007,855</u></b>
Operating Expenses:	
Salaries	8,796,388
Employee Benefits	4,811,812
Power and Utilities	681,461
Fuel	1,338,252
Supplies and Miscellaneous Maintenance	2,501,288
Indirect Operating Expenses	2,111,922
Accrued Landfill Closure Costs	1,684,578
Administrative	959,611
Community Benefit	1,760,122
Recycling and Other Taxes	922,902
Bad Debt Expense	20,000
Amortization of Bond Issue Costs	<u>58,928</u>
<b>Total Operating Expenses</b>	<b><u>25,647,264</u></b>
<b>Excess of Revenues Over Expenses from Operations</b>	<b><u>5,360,591</u></b>
Non - Operating Revenues / (Expenses):	
Interest Income	34,285
Interest Expense	<u>(2,897,078)</u>
<b>Total Non - Operating Revenue / (Expenses)</b>	<b><u>(2,862,793)</u></b>
<b>Excess of Revenues Over Expenses</b>	<b><u>\$ 2,497,798</u></b>

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
NOTE TO SPEICAL – PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Statements of Revenues and Expenses for the Wastewater and Solid Waste Divisions have been prepared for the sole purpose of complying with the respective Division's underlying Bond Resolutions. As the resolutions require, The Statements of Revenues and Expenses are prepared on the basis of accounting principles generally accepted in the United States of America, except that the Statement of Revenues and Expenses do not reflect charges for: depreciation of Property, Plant and Equipment as operating expenses, Unrealized Gains or Losses on Investments or State Contributions as non operating revenues, which is contrary to accounting principles generally accepted in the United States of America, but is a requirement of the Bond Resolutions.

## **DEBT SERVICE REQUIREMENT**





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## INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman  
and Members of the Board  
of the Atlantic County Utilities Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Atlantic County Utilities Authority ("Authority"), as of and for the year ended December 31, 2010, and have issued our report thereon dated June 8, 2011.

In connection with our audit, nothing came to our attention that caused us to believe that, as of December 31, 2010, the Authority was not in compliance with the accounting requirements of Section 6.10(b)(ii) of the Authority's Resolution Authorizing Solid Waste System Revenue Bonds, adopted January 23, 1992, as supplemented and Restated March 5 and April 6, 1992. However, it should be noted that our examination was not directed primarily toward obtaining knowledge of such non - compliance with such accounting requirements.

This report is intended solely for the information and use of the Board of Directors and Management of the Authority, is not intended, and should not be used by anyone other than these parties.

*Ford, Scott & Associates, L.L.C.*  
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**No. 393**

**June 8, 2011**

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SOLID WASTE DIVISION  
DEBT SERVICE REQUIREMENT  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Debt Service Requirement:		
Interest Payable During 2010	\$	2,897,078
Principal Payable During 2010		5,070,000
Subtotal		<u>7,967,078</u>
Plus: Coverage Requirement		<u>110%</u>
Debt Service Requirement	\$	<u><u>8,763,786</u></u>
Actual Debt Service Coverage		132.85%
Net Revenues Provided:		
Gross Revenue	\$	31,042,140
Contributions - State Subsidy		5,130,747
Operating Expenses		25,588,336
Net Revenues Provided	\$	<u><u>10,584,551</u></u>
Excess	\$	<u><u>1,820,765</u></u>

## **GENERAL COMMENTS AND RECOMMENDATIONS**



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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS - PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Chairman  
And Members of the Board  
Of the Atlantic County Utilities Authority

We have audited the basic financial statements of the Atlantic County Municipal Utilities Authority (the "Authority"), as of and for the year ended December 31, 2010, and have issued our report thereon dated June 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

### **Internal Control Over Financial Reporting**

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to the Authority's management in a separate letter dated June 8, 2011.

This report is intended solely for the information and use of management, the Authority Board of Directors, others within the entity, and the Division as well as other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Ford, Scott & Associates, L.L.C.*  
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**CERTIFIED PUBLIC ACCOUNTANTS**

---

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**No. 393**

**June 8, 2011**

**ATLANTIC COUNTY UTILITIES AUTHORITY  
GENERAL COMMENTS AND RECOMMENDATIONS  
For the Year Ended December 31, 2010**

**None Noted.**

**SINGLE AUDIT SECTION**

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SCHEDULE OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant I.D. Number	Grant Period		Program Receipts	Program Expenditures
			From	To		
<b>U.S. Environmental Protection Agency:</b>						
ARRA - Wastewater Treatment Construction Programs						
ARRA - Loan Principal Forgiveness	66.418	S340809-17 ARRA	Open	Open	\$ 3,302,195	\$ 3,955,000
ARRA - Fund Loan	66.418	S340809-17 ARRA	Open	Open	-	228,898
<b>U.S. Environmental Protection Agency - Total</b>					<u>3,302,195</u>	<u>4,183,898</u>
<b>U.S. Department of Energy:</b>						
ARRA - Conservation Research and Development	81.086	DE-EE0000088	2/23/2010	12/14/2013	1,512,625	1,512,625
<b>Total Federal Awards</b>					<u>\$ 4,814,820</u>	<u>\$ 5,696,523</u>



**ATLANTIC COUNTY UTILITIES AUTHORITY  
NOTES TO THE SCHEDULE OF FEDERAL AWARDS  
DECEMBER 31, 2010**

**NOTE 1. GENERAL**

The accompanying schedule of Federal assistance presents the activity of all Federal financial assistance programs of the Atlantic County Utilities Authority, the ("Authority"). The Authority is defined in Note 1 to the Authority's basic financial statements. All assistance received directly from Federal agencies, as well as Federal financial assistance passed through other government agencies is included on the schedule of Federal financial assistance.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedule of financial assistance is presented in accordance with accounting principles generally accepted in the United States of America ("GAAP").

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

The basic financial statements present the Authority on a GAAP basis. The schedule of Federal awards is in agreement with the basic financial statements.

**NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedule agree with the amounts reported in the related Federal financial reports.



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## **REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Chairman  
And Members of the Board  
of the Atlantic County Utilities Authority

### Compliance

We have audited the compliance of the Atlantic County Municipal Utilities Authority, State of New Jersey (the "Authority"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied in all material respects with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

## Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

This report is intended solely for the information and use management of the Authority, Division of Local Government Services, Department of Community Affairs, State of New Jersey (cognizant audit agency), other state awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

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**No. 393**

**June 8, 2011**

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDING DECEMBER 31, 2010**

**I. SUMMARY OF AUDITORS RESULTS**

**Financial Statements**

Type of auditor's report issued: Unqualified Opinion issued on the Basic Financial Statements, dated June 8, 2011

Internal control over financial reporting:

- 1) Material weakness identified? No
- 2) Significant Deficiencies identified? No

Noncompliance material to the basic financial Statements noted? None Reported

**Federal Awards**

Dollar threshold used to distinguish between type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? No

Type of auditor's report issued on compliance for major programs: An Unqualified Opinion was issued on compliance for major programs, dated June 8, 2011

Internal Control over major programs:

- 1) Material weakness identified? No
- 2) Significant Deficiencies identified? None Reported

Any audit findings disclosed that are required to be reported In accordance with NJ OMB Circular A-133? No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
<b>ARRA - Wastewater Treatment Construction Programs</b>	
66.418	ARRA - Loan Principal Forgiveness
66.418	ARRA - Fund Loan
81.086	ARRA - Conservation Research and Development

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDING DECEMBER 31, 2010  
(CONTINUED)**

**State Awards**

**Not Applicable**

**II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS**

In accordance with Government Auditing Standards, our audit disclosed no findings relating to the financial statements that are required to be reported under this section.

**III. FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

Federal:

Our audit disclosed no material Findings or Questioned Costs.

State:

Not Applicable

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

**STATUS OF PRIOR YEAR FINDINGS**

There were no prior year findings.