

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County Of Atlantic, New Jersey)

TABLE OF CONTENTS
December 31, 2018

<u>EXHIBIT</u>	<u>TITLE</u>	<u>PAGE</u>
	LETTER OF TRANSMITTAL	1
	INDEPENDENT AUDITORS' REPORT	
	Independent Auditors' Report.....	3
	MANAGEMENT'S DISCUSSION AND ANALYSIS	6
	BASIC FINANCIAL STATEMENTS	
A	Statements of Net Position	28
B	Statements of Revenues Expenses and Changes in Net Position.....	31
C	Statements of Cash Flows.....	32
	Notes to Financial Statements.....	34
	SUPPLEMENTARY INFORMATION	
	<u>SCHEDULE</u>	
	Wastewater Division:	
I	Statements of Net Position	63
II	Statements of Revenues, Expenses and Changes in Net Position	65
III	Schedule of Operating Revenues and Costs Funded By Operating Revenues Compared to Budget – Rate Basis	66
IV	Schedule of Cash and Cash Equivalents and Investments	67
V	Schedules of Property, Plant and Equipment.....	68
	Solid Waste Division:	
VI	Statements of Net Position	69
VII	Statements of Revenues, Expenses and Changes in Net Position.....	71
VIII	Schedule of Operating Revenues and Costs Funded By Operating Revenues Compared to Budget – Rate Basis	72
IX	Schedule of Cash and Cash Equivalents and Investments	73
X	Schedules of Property, Plant and Equipment	74
XI	Special Purpose Statement of Revenues and Expenses to Comply With Revenue Bond Resolutions	76
	REQUIRED SUPPLEMENTARY INFORMATION	
XII	Schedule of Proportionate Share of the Net Pension Liability – PERS (UNAUDITED).....	77
XIII	Schedule of Contributions – PERS (UNAUDITED)	78
XIV	Schedule of Proportionate Share of the OPEB Liability and Contributions (UNAUDITED)	79

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County Of Atlantic, New Jersey)

TABLE OF CONTENTS
December 31, 2018

<u>EXHIBIT</u>	<u>TITLE</u>	<u>PAGE</u>
	Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .	80
	Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by Uniform Guidance and New Jersey Circular Letter 15-08-OMB.....	82
	Schedule of Expenditures of State Financial Assistance	84
	Notes to Schedule of Expenditures of State Financial Assistance	85
	Schedule of Findings and Questioned Costs	87
	Summary Schedule of Prior Audit Findings.....	89

LETTER OF TRANSMITTAL



Atlantic County Utilities Authority

P.O. Box 996 • Pleasantville, NJ, 08232-0996
street address: 6700 Delilah Rd., Egg Harbor Twp., NJ, 08234-5623
609.272.6950 • acua.com

September 19, 2019

Chairman Embry, Authority Board Members and President Dovey:

Presented to you are the audited financial statements for the 2018 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 Position, the Comparative Statement of Revenues, Expenses, and Changes in Net Position, 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 2018 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 are not in compliance with GAAP but have been reconciled to the required GAAP statements.

The MD&A 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. Mercadien, P.C., 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, 2018. There are no recommendations noted.

Sincerely,

Linda Bazemore

Linda Bazemore
Vice President of Finance & Administration/CFO

Katherine Vesey

Katherine Vesey
Director of Finance, Research & Development

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Chairman and Members of the
Atlantic County Utilities Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Atlantic County Utilities Authority, a component unit of the County of Atlantic, State of New Jersey, ("Authority"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2018, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Emphasis of Matter

As discussed in Note M to the financial statements, in 2018, the Authority adopted new accounting guidance Governmental Accounting Standards Board ("GASB") Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of the Authority as of and for the year ended December 31, 2017, were audited by other auditors whose report dated June 2, 2018, expressed an unmodified opinion on those financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and the schedule of proportionate share of the net pension liability – PERS, schedule of contributions – PERS, and schedule of proportionate share of the OPEB liability and contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Authority's basic financial statements. The Supplementary Information, as listed in the table of contents and the schedule of expenditures of state financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the part marked "unaudited," has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Supplementary Information (Continued)

The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it. In our opinion, except for the part marked "unaudited," the Supplementary Information, as listed in the table of contents and the schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mercadieu, P.C.

Certified Public Accountants

September 19, 2019

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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 ended December 31, 2018.

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, if applicable, 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 Position, the Comparative Statement of Revenues, Expenses, and Changes in Net Position, 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 Position, the Comparative Statement of Revenues, Expenses and Changes in Net Position. They are prepared on a "Modified Accrual Basis".

There are two differences between the statements. The first is the recording and reporting of accounts payable. On the "Modified Accrual Basis" statements, all encumbrances as of December 31, 2018 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 December 31, 2018 are reported as Accounts Payable or Construction Contracts Payable, and as Property, Plant and Equipment. The second difference relates to pensions and other post-employment benefits. The Authority adopted *GASB 68 – Accounting and Financial Reporting for Pensions* in 2015 and *GASB 75 – Accounting and Financial Reporting for Other Post-Employment Benefits* in 2018. The financial impact of GASB 68 and GASB 75 is only on the GAAP statements. See Notes G and H for further explanation and their impact on the Authority's financial statements.

The implementation of *GASB 75* in 2018 required the Authority to restate 2017 financials to create comparative financial data. Net Position equals Total Assets and Deferred Outflows less Total Liabilities and Deferred Inflows, all of which were impacted by the implementation of *GASB 75*. The impact to the Authority presents itself in Total Net Position and for the 2017 restatement is a reduction of \$71,472,000. Total Net Position reported in 2017 was \$110,545,000 and restated is now \$39,073,000. The reduction is presented in Unrestricted Net Position, now negative for both divisions. The ensuing discussion will compare 2018 to the restated 2017 financials.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

The difference between the two statements and methodologies presents itself in Net Position-Unrestricted and is shown on the Modified Accrual Statement for each Division.

The Authority has historically presented its financial statements on a "Modified Accrual 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 Accrual" 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 financial performance is measured, particularly as it compares to the approved and adopted annual budget and how it relates to operational performance.

Finally, there is a "Special Purpose Statement of Revenues and Expenses to Comply with Revenue Bond Resolution" for the Wastewater Division. This statement is done as defined and in accordance with the Bond Resolution. This statement essentially includes the same revenues and same expenses as reported on the "GAAP Basis" statements, except for Depreciation. Depreciation is not included on the statement which complies with the Wastewater Bond Resolution.

For the purpose of the Management Discussion and Analysis (MD&A), the ensuing discussion will review the financial 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. Throughout the MD&A discussion certain numbers are rounded and represent approximate amounts. Exact amounts are in the numerical charts.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

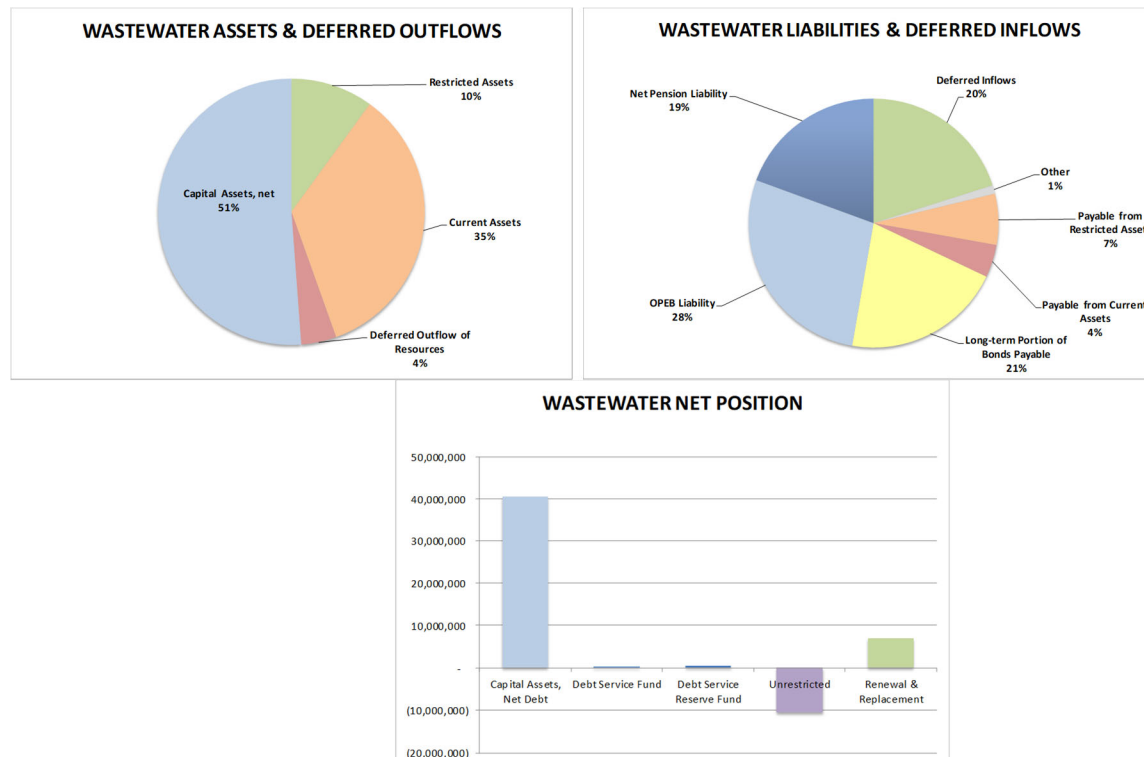
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Wastewater Division

Comparative Balance Sheet

Below is a synopsis of the Wastewater Division’s 2018 Balance Sheet with a comparison to last year:

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Total Current Assets	\$ 42,210,261	\$ 40,424,232	\$ 1,786,029	4%
Total Restricted & Noncurrent Assets	12,240,727	9,127,849	3,112,878	34%
Capital Assets, Net of Depreciation	62,560,704	59,474,664	3,086,040	5%
Deferred Outflow Related to Pensions & OPEB	5,232,229	4,559,128	673,101	15%
TOTAL ASSETS & DEFERRED OUTFLOWS	\$ 122,243,921	113,585,873	8,658,048	8%
Total Current Payable from Current	3,583,262	3,831,397	(248,135)	-6%
Total Current Payable from Restricted	5,596,627	5,644,587	(47,960)	-1%
Total Noncurrent Liabilities	58,231,679	59,287,154	(1,055,475)	-2%
Total Deferred Inflows Related to Pensions & OPEB	16,952,576	8,016,379	8,936,197	111%
TOTAL LIABILITIES & DEFERRED INFLOWS	84,364,144	76,779,517	7,584,627	10%
Invested in Capital Assets, Net Debt	40,567,555	43,984,595	(3,417,040)	-8%
Total Restricted	7,824,891	7,638,195	186,696	2%
Unrestricted	(10,512,669)	(14,816,434)	4,303,765	-29%
TOTAL NET POSITION	\$ 37,879,777	\$ 36,806,356	\$ 1,073,421	3%
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 122,243,921	\$ 113,585,873	\$ 8,658,048	8%



ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Wastewater Division (Continued)

The Wastewater Division's Total Assets and Deferred Outflows increased \$8.7 million and 8%. Current Assets were up by \$1.8 million due to \$3.7 million more cash and investments on hand partly due to higher revenue and also because Accounts Receivable decreased \$1.9 million. When customers make payments on account the Cash balance increases and Accounts Receivable balance decreases. Accrued Interest Receivable increased \$64,000 because interest rates continued to rise in 2018 and because the Authority invested more available Cash in US Treasury bonds, notes and in bank-issued Certificates of Deposit.

Restricted Noncurrent Assets increased about \$3.1 million to \$12.2 million. The increase was a combination of reduced Cash & Investments and increased Loans Receivable. The Cash decreased due to payments made from the Renewal and Replacement Fund for capital projects and due to the release of \$715,000 from the Debt Service Reserve Fund resulting from a loan being paid in full in 2017. This amount was anticipated as revenue in the 2018 budget. Accrued Interest Receivable declined slightly as a result of fewer Investments on hand in 2018. The Loan Receivable balance increased primarily due to the loan closing for the sea wall project in the amount of \$4.1 million in December 2018.

Capital Assets increased \$8.6 million, of which \$2.9 million represents a portion of the costs related to construction-in-progress for projects that will not be complete until 2019 or beyond. These include an ash handling system, a sea wall and the replacement of a force main. A total of \$5.7 million in capital assets were placed in service in 2018. These included new emergency generators at the main treatment plant and at the vehicle maintenance center, a roll-off truck with skid mounted diesel refueling capabilities, underground storage tank removal with elevated replacements and a portable diesel-powered generator. Accumulated Depreciation increased by about \$5.6 million resulting in a net increase in Net Capital Assets of \$3.1 million. 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 Outflows Related to Pensions decreased \$589,000 to \$4.0 million. The decrease is due to the actuarial assumptions used to calculate pension obligations. Deferred Outflows Related to OPEB increased from \$5,000 to \$1.3 million also due to the actuarial assumptions used to calculate OPEB obligations.

Total Liabilities and Deferred Inflows increased by \$7.6 million and 10%. Accounts Payable decreased \$342,000 primarily due to timing of payments made to vendors. Deferred Revenue remained at \$41,000 which represents a prepayment from American Tower, Inc. for 2019 rent. Pension Payable represents the amount owed to the New Jersey Public Employee's Retirement System for the current year and increased \$94,000 to \$826,000.

Construction Contracts Payable decreased to \$954,000 and represents the amount owed to vendors for the portion of capital projects that were complete but not yet paid as of December 31, 2018. Construction projects are initially funded through the New Jersey Environmental Infrastructure Trust (NJEIT) Construction Loan Program which decreased slightly to \$3.2 million. In 2017, the Authority closed on interest-free, interim construction loans for four projects that include improvements to the incinerator's ash handling system, emergency power initiatives, treatment plant resiliency initiatives and removable flood protection barriers. The emergency power and resiliency initiative interim loans were converted to permanent financing in 2018 and the other two projects were converted to permanent financing in 2019.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Wastewater Division (Continued)

Deferred Revenue decreased \$40,000 because the 2019 prepayment from American Tower will be realized in 2019 and is represented in Current Liabilities. The remaining Deferred Revenue will be recognized in 2020. Accrued Absences decreased \$20,000 to \$354,000 which represents the value associated with vacation time earned by employees. Post Retirement Benefit costs remained the same at \$535,000. This balance represents additional funds set aside by the Authority for Other Post-Employment Benefits.

Current and Long-Term Bonds Payable went from \$12.2 million in 2017 to \$18.8 million in 2018 due to a combination of new long-term debt and offsetting principal payments made in accordance with existing debt service schedules. In 2018 the Authority converted a construction loan to replace the emergency power system at the treatment plant to a long-term loan for \$4.7 million. An additional long-term loan for \$3.1 million to construct a sea wall around the low-lying areas of the treatment plant also closed in 2018. There was no interim loan for this project. Debt paid down during 2018 totaled \$1.2 million, for a net increase of \$6.6 million. Due to the closing on the projects previously discussed, Accrued Interest Expense increased slightly to \$82,000.

The Net Pension Liability is required as part of the implementation of GASB 68 and represents an actuarial estimate of the current liability for future pension expenses. The Net Pension Liability decreased \$2 million and 11% to \$16.3 million in 2018. The decrease is almost entirely attributable to changes in actuarial assumptions used to calculate pension obligations. The discount rate of return increased causing a significant decrease in the Net Pension Liability for all participating units. The OPEB Liability is required as part of the implementation of GASB 75 and represents an actuarial estimate of the current liability for future post-employment benefits for retirees. The liability is \$23.5 million and decreased \$5.2 million from 2017. The decrease is almost entirely attributable to changes in actuarial assumptions used to calculate OPEB obligations. The discount rate of return increased causing a significant decrease in the OPEB Liability for all participating units.

Deferred Inflows Related to Pensions increased \$1.7 million and Deferred Inflows Related to OPEB increased \$7.2 million due to changes in actuarial assumptions used to calculate pension and OPEB obligations.

Assets and Deferred Outflow of Resources exceed Liabilities and Deferred Inflow of Resources by \$37.9 million. This compares to 2017 where the division's Assets and Deferred Outflow of Resources exceeded its Liabilities and Deferred Inflow of Resources by \$36.8 million. The net change represents the change in Net Position for the 2018 year of \$1.1 million.

The Division's Net Position of \$37,879,777 is comprised of the following:

- (1) Capital Assets, Net of Related Debt of \$40,567,555, 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.
- (2) Net Position of \$7,000,000 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 Position of \$395,133 restricted for the purpose of forthcoming debt service payments.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Wastewater Division (Continued)

(4) Net Position of \$429,758 restricted for the purpose of providing a Debt Service Reserve Fund, in accordance with the Authority's debt covenants.

(5) Unrestricted Net Position of (\$10,512,669) represents the portion available to maintain the Authority's continuing obligations to the contractual customers of its service area, its creditors and current liabilities. Also reflected in the balance are the financial impacts of the implementation of GASB 68 and GASB 75.

Restricted Net Position increased \$187,000 due to an increase in the Debt Service Fund in accordance with debt service due in 2019. Unrestricted Net Position increased \$4.3 million which is a function of changes in Restricted Net Assets and Net Income for the year.

Comparative Statement of Revenues, Expenses and Changes in Net Position:

Below is a synopsis of the Wastewater Division's 2018 Statement of Revenues, Expenses and Changes in Net Position with a comparison to last year:

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
WW Revenue				
User Fee	\$ 23,343,919	\$ 23,343,919	\$ -	0%
Sludge	2,365,031	2,211,839	153,192	7%
Septage	383,828	337,919	45,909	14%
Grant Income	2,498,598	0	2,498,598	100%
Other	1,623,950	1,287,659	336,291	26%
Total Revenue	<u>30,215,326</u>	<u>27,181,338</u>	<u>3,033,988</u>	<u>11%</u>
WW Operating Expenses				
Salaries	6,574,233	6,082,556	491,677	8%
Employee Benefits	4,883,355	4,374,861	508,494	12%
Power & Utilities	2,598,158	2,343,096	255,062	11%
Chemicals	794,896	703,980	90,916	13%
Fuel	1,202,741	1,094,207	108,534	10%
Supplies & Miscellaneous Maintenance	4,095,619	4,581,479	(485,860)	-11%
Contractual Services	1,141,231	557,651	583,580	105%
Indirect Operating Expenses	659,469	631,173	28,296	4%
Administrative	1,349,921	1,454,347	(104,426)	-7%
Licenses & Permits	176,984	179,153	(2,169)	-1%
Depreciation	5,562,374	5,394,719	167,655	3%
Total Operating Expenses	<u>29,038,981</u>	<u>27,397,222</u>	<u>1,641,759</u>	<u>6%</u>
Operating Income/(Loss)	<u>1,176,345</u>	<u>(215,884)</u>	<u>1,392,229</u>	<u>645%</u>
WW Non-Operating Revenue/(Expenses)				
County Appropriation	(363,074)	(360,425)	(2,649)	100%
Interest Income	766,267	284,554	481,713	169%
Interest Expense	(205,903)	(211,328)	5,425	3%
Total Non-Operating Revenue/(Expenses)	<u>197,290</u>	<u>(287,199)</u>	<u>484,489</u>	<u>169%</u>
NET INCOME/(LOSS)	<u>\$ 1,373,635</u>	<u>\$ (503,083)</u>	<u>\$ 1,876,718</u>	<u>373%</u>

Operating Revenue increased \$3 million primarily due to Sludge, Grant and Other income. Sludge increased due to additional sludge brought in from existing outside customers. Grant Income represents principal forgiveness on the emergency power and sea wall long-term loans. The state rolled out a resiliency loan incentive program after Superstorm Sandy. The emergency power and sea wall projects were selected to participate and received grants from this program. Other income consists of the following:

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Wastewater Division (Continued)

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Service	\$ 905,488	\$ 801,504	\$ 103,984	13%
Insurance Reimbursements	225,264	13,220	212,045	1604%
Rental	209,741	139,874	69,867	50%
Lab	129,803	132,017	(2,214)	-2%
Solar Renewable Energy Credits	100,283	126,807	(26,524)	-21%
Truck Wash Revenue	32,758	34,293	(1,535)	-4%
Miscellaneous	10,806	39,944	(29,138)	-73%
Permits	9,806	-	9,806	100%
Total Other Income	\$ 1,623,950	\$ 1,287,659	\$ 336,291	23%

Operating service income represents pump station maintenance and repairs for customers, fuel sales, grease inspections and hauling revenue. The increase is due to a new customer that came on in 2018 and an increase in pump station maintenance and repair activity for existing customers. Insurance reimbursements were primarily related to expenses incurred during 2016's winter Storm Jonas. Rental Income increased \$70,000 resulting from a revised lease with American Tower that included a signing bonus for \$65,000. Solar renewable energy credit revenue decreased due to contractual prices paid and are in line with current market conditions. The remaining other income categories are not significant to the overall revenues of the Authority. Revenue from Lab, Truck Wash, Miscellaneous and Permits slightly declined.

The user fee is the primary revenue source of the Authority and supports the expenses as follows: \$21,893,135 for operating expenses, and \$1,450,784 for annual debt service. Sludge and Septage 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. Income for these outside services was \$2.7 million in 2018, up from \$2.5 million in 2017.

Operating expenses increased by \$1.6 million from the prior year. The increase is due to a combination of increases and decreases among significant operating items.

Significant increases were seen in Salaries, Employee Benefits, Power & Utilities, Chemicals, Fuel, Contractual Services and Depreciation. Salaries increased \$492,000 because vacancies experienced in 2017 were filled in 2018 and because additional overtime was worked in 2018 to cover extended absences. In addition, employees were hired in anticipation of upcoming retirements as part of the Authority's succession planning efforts. Employee Benefits increased \$508,000 and is a combination of increased current year benefits of \$139,000 and 3%, and GASB 68 and 75 impacts. GASB 68 Pension expense decreased \$44,000 and GASB 75 OPEB expense increased \$413,000. Power and Utilities increased \$255,000 due to increased usage partly related to severe rain the region experienced in 2018. The annual rainfall was higher than the five year average at 68.6 inches. Chemicals increased \$91,000 due to a change in the aeration processes from 2017 to 2018 which resulted in increased sodium hypochlorite usage in 2018. Fuel increased \$108,000 due to increased natural gas used in the furnace. Contractual services increased \$584,000 primarily because \$500,000 of mechanical and maintenance expenditures were charged here that had previously been charged to Supplies and Miscellaneous Maintenance. These expenses were moved to more accurately reflect the proper classification of the expense. The remaining increase is due to increased outside customer

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Wastewater Division (Continued)

expenditures that are billed to customers. Finally, Depreciation Expense increased \$168,000 due to the \$5.7 million capital additions depreciated a half year in 2018 and an additional half year depreciation taken on the 2017 assets placed in service. The division experienced a modest increase in Indirect Operating expenses.

Significant decreases were realized in Supplies & Miscellaneous Maintenance and Administrative Expenses. The decrease in Supplies & Miscellaneous Maintenance decreased \$486,000 is the result of moving \$500,000 of expenditures to Contractual Services as noted in the above paragraph. Administrative Expenses decreased \$104,000 due to one-time expenditures in 2017 for legal, server replacements and taxes not incurred again in 2018. The Division experienced a modest decrease in Licenses and Permits.

Total Operating Revenues exceeded Total Operating Expenses by \$1,176,345.

Non-Operating Income, which is comprised of County Appropriation, Interest Income and Interest Expense, increased \$484,000 and 169%, from an Operating Expense of \$287,000 in 2017.

In 2014, the County of Atlantic exercised its right to request that up to five percent (5%) of the Authority's operating budget appropriations be transferred to the County for economic development initiatives. The County requested the maximum amount of 5% be transferred and the budget was amended to appropriate this expense for the full 5%, calculated to be \$1,387,635 for the Wastewater Division. The County did not request any funds in 2015 but did request contributions from the ACUA for 2016-2020. The County requested a total of \$500,000 per year for five years be paid towards Economic Development initiatives to be split pro-rata between Wastewater and Solid Waste. In addition, the County requested a total of \$300,000 per year for five years be paid towards the National Aviation Research and Technology Park, also to be split pro-rata between Wastewater and Solid Waste. In 2018 the Wastewater Division was responsible for \$363,000 of the \$800,000 due for both initiatives.

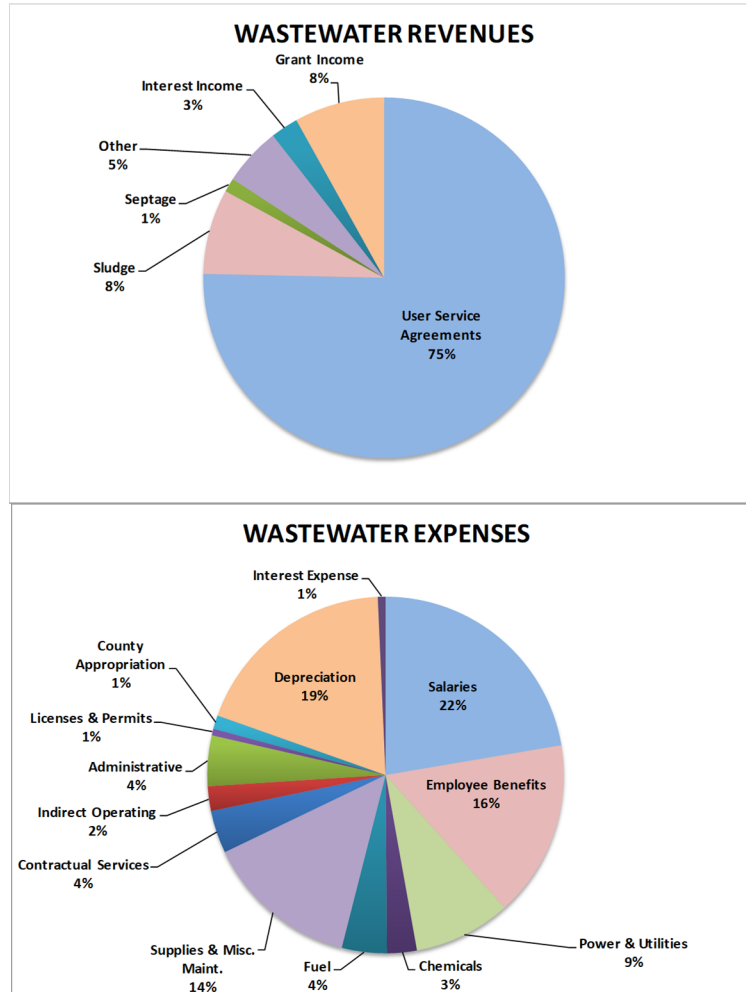
Interest income had an increase of \$481,000 because interest rates paid on investments increased during the year and because the Authority invested more of its available cash in 2018. Interest expense decreased \$5,000 in accordance with debt service schedules.

ATLANTIC COUNTY UTILITIES AUTHORITY
 (A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Wastewater Division (Continued)

Total 2018 Revenues exceeded Expenses by \$1,373,635, the Net Income for the year.



ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Wastewater Division (Continued)

Comparative Statement of Cash Flows:

	<u>2018</u>	<u>2017</u>	<u>Cash Flow</u> <u>Incr/(Decr)</u>	<u>% Change</u>
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 32,553,796	\$ 27,769,375	\$ 4,784,421	17%
Payments to Employees	(6,574,233)	(6,082,556)	(491,677)	-8%
Payments to Suppliers	(18,123,614)	(13,117,430)	(5,006,184)	-38%
Net Cash Provided by Operating Activities	<u>7,855,949</u>	<u>8,569,389</u>	<u>(713,440)</u>	<u>-8%</u>
Cash Flows from Noncapital Financing Activities				
Transfers to Other Funds	<u>5,086</u>	<u>(1,350,875)</u>	<u>1,355,961</u>	<u>100%</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(8,648,415)	(5,980,414)	(2,668,001)	-45%
Principal Paid on Debt	(1,244,881)	(1,752,306)	507,425	29%
Interest Paid on Debt	(202,556)	(227,433)	24,877	11%
Proceeds from Issuance of Debt	7,812,507	1,504,928	6,307,579	100%
Net Cash Used by Capital and Financing	<u>(2,283,345)</u>	<u>(6,455,225)</u>	<u>4,171,880</u>	<u>65%</u>
Cash Flows from Investing Activities				
Interest Income	708,007	124,264	583,743	470%
County Appropriation	(363,074)	(360,425)	(2,649)	-1%
Transferred to Investments	(6,359,068)	(27,493,645)	21,134,577	77%
Net Cash Provided/(Used) by Investing Activities	<u>(6,014,135)</u>	<u>(27,729,806)</u>	<u>21,715,671</u>	<u>78%</u>
Net Decrease in Cash and Cash Equivalents	<u>(436,445)</u>	<u>(26,966,517)</u>	<u>26,530,072</u>	<u>98%</u>
Cash and Cash Equivalents, January 1	<u>12,589,266</u>	<u>39,555,783</u>	<u>(26,966,517)</u>	<u>-68%</u>
Cash and Cash Equivalents, December 31	<u>\$ 12,152,821</u>	<u>\$ 12,589,266</u>	<u>\$ (436,445)</u>	<u>-3%</u>

Net Cash Provided by Operating Activities decreased 8%, a decrease of \$713,000. Receipts from Customers and Users increased \$4.8 million due to a combination of increased income of \$3.5 million and because Accounts Receivable decreased \$1.9 million from 2017 to 2018. Payments to Employees increased \$492,000 due to increased salary expense and Payments to Suppliers also increased \$5 million due to increased Operating Expenses and because December 2017 payments to vendors in the amount of \$1.1 million were not released until January 2018.

Net Cash from Non-capital Financing Activities increased \$1.4 million and is the net amount of cash transferred to and from the Solid Waste division. This amount fluctuates annually based on intercompany activity.

Net Cash Used by Capital and Related Financing Activities decreased by \$4.2 million. The Purchase of Capital Assets was \$8.6 million in 2018 as compared to \$6 million in 2017. The Capital projects are described in the Balance Sheet portion of the report. Principal Paid on Debt decreased \$507,000 and Interest Paid on Debt decreased \$25,000, both in accordance with debt service schedules. Proceeds from Issuance of Debt increased \$6.3 million because the Authority closed on long-terms loans in 2018 to finance the replacement of emergency power and other resiliency projects, and to construct a sea wall to protect the treatment plant.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Wastewater Division (Continued)

Net Cash Used by Investment Activities was \$6 million as compared to \$27.7 million in 2017, representing a cash flow increase of \$21.7 million. Cash provided from Interest Income increased \$584,000 due to CDs and US Government investments held at December 31, 2017 that matured and/or paid interest in 2018, coupled with higher interest rates in 2018. Cash transferred to investments increased \$37 million in 2017 because the Authority hired an investment manager in 2017 to assist with investment strategy, to maximize returns on available funds and to keep the Authority apprised of market conditions. The majority of the investments purchased in 2017 remained invested which required significantly less investment purchases in 2018. The county appropriation of \$363,000 did not change significantly from 2017.

The Net Decrease in Cash and Cash Equivalents for the 2018 year is \$436,445 leaving a balance of \$12,152,821 at December 31, 2018.

Solid Waste Division

Comparative Balance Sheet

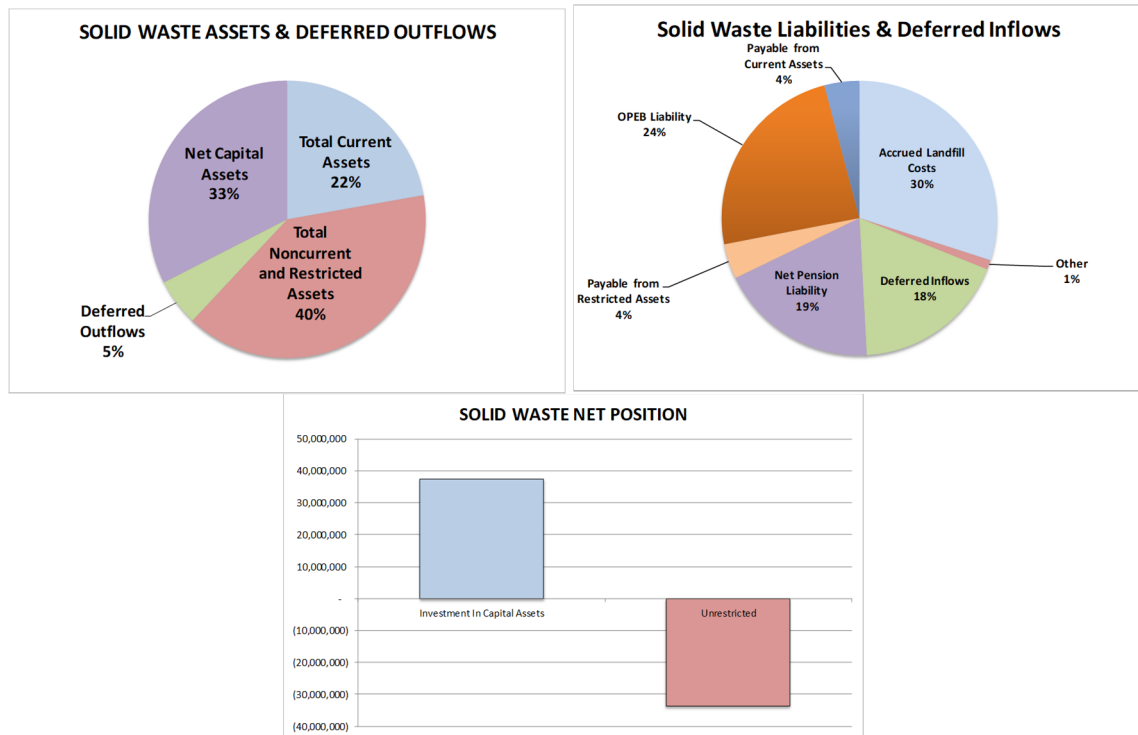
Below is a synopsis of the Solid Waste Division's 2018 Balance Sheet with a comparison to last year:

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Total Current Assets	\$ 25,592,192	\$ 24,920,121	\$ 672,071	3%
Total Noncurrent & Restricted Assets	45,813,392	40,893,833	4,919,559	12%
Capital Assets, Net of Depreciation	37,464,981	36,834,531	630,450	2%
Deferred Outflow Related to Pensions & OPEB	6,331,934	5,616,881	715,053	13%
TOTAL ASSETS & DEFERRED OUTFLOWS	115,202,501	108,265,366	6,937,135	6%
Total Liabilities Payable from Current Assets	4,576,697	4,935,388	(358,691)	-7%
Total Liabilities Payable from Restricted Assets	4,598,490	33,885	4,564,605	13471%
Accrued Landfill Closure and Post-Closure Costs	33,428,432	32,837,954	590,478	2%
Other Non-Current Liabilities	49,307,588	57,959,321	(8,651,733)	-15%
Total Deferred Inflows Related to Pensions & OPEB	20,140,355	9,583,800	10,556,555	110%
TOTAL LIABILITIES & DEFERRED INFLOWS	112,051,562	105,350,348	6,701,214	6%
Invested in Capital Assets, Net Debt	37,464,981	36,834,531	630,450	2%
Unrestricted	(34,314,042)	(33,919,513)	(394,529)	-1%
TOTAL NET POSITION	\$ 3,150,939	\$ 2,915,018	\$ 235,921	8%
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 115,202,501	\$ 108,265,366	\$ 6,937,135	6%

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Solid Waste Division (Continued)



The Solid Waste Division reports restricted Total Assets and Deferred Outflows of \$115,202,501, an increase of \$6.9 million from 2017.

Current Assets increased \$672,000 and 3% primarily due to more cash and investments on hand which resulted in additional Accrued Interest Receivable, combined with a \$168,000 increase in Accounts Receivable which is consistent with increased revenue for the year.

Restricted and Noncurrent Assets increased \$4.9 million and 12%. Cash and investments increased due to monthly deposits made to fund a mechanically stabilized earth (MSE) wall around the landfill which will result in increased capacity. MSE construction is planned for the second quarter of 2019. Amounts held by the state of New Jersey increased \$165,000 and 1% and represents a combination of deposits made to the ACUA escrow account equal to \$1 per ton of certain waste types received, interest income earned on the accounts and withdrawals from the Pinelands Park Landfill (PPL) escrow accounts for post-closure care and maintenance costs. Accrued Interest Receivable decreased slightly to \$152,000 and is due to more interest being paid in 2018 versus being due to the Authority resulting from the investment mix in 2018 as compared to 2017.

Capital Assets increased \$630,000 and 2% and include the acquisition of equipment, vehicles and landfill improvements in addition to the removal of equipment and vehicles sold on GovDeals.com. Accumulated Depreciation increased \$3.8 million and 4% and is a combination of \$4.2 million depreciation expense and \$451,000 removed when assets were sold. 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 an asset’s life.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Solid Waste Division (Continued)

Deferred Outflows Related to Pensions decreased \$749,000 to \$4.9 million. The decrease is primarily due to the actuarial assumptions used to calculate pension obligations. The discount rate increased causing a significant decrease in the Deferred Outflow for all participating units. Deferred Outflows Related to OPEB increased \$1.5 million to \$1.5 million also due to the actuarial assumptions used to calculate OPEB obligations.

Total Liabilities and Deferred Inflows increased \$6.7 million and 6% to \$112.1 million. Current Liabilities Payable from Unrestricted Assets decreased by \$359,000 and 7% primarily due to Accounts Payable and Pension Payable. Accounts Payable decreased \$489,000 to \$3.3 million due to timing of payments to vendors. Customer Deposits did not change significantly. Pension Payable increased approximately \$119,000 to \$1,051,000 and represents the amount owed to the New Jersey Public Employee's Retirement System for the current year.

Current Liabilities Payable from Restricted Assets consists of Construction Contracts Payable, Accrued Interest and Lease Payable. Construction Contracts Payable represents the amount owed to vendors for the portion of capital projects and purchases that were complete but not yet paid as of December 31, 2018. The amount owed increased to \$1.1 million from \$34,000 in 2017. The increase is due to timing as vehicles, building improvements and cell wall design goods and services were received in 2018 but not paid until January 2019. Accrued Interest in the amount of \$16,975 and a Lease Payable in the amount of \$3.5 million represent a capital lease for the purchase of vehicles in 2018 to prepare for a significant collections contract in Vineland, NJ to begin January 1, 2019. The lease is for five years and was obtained for the financing of eleven collection vehicles and two pickup trucks required for the contract.

Accrued Landfill Closure and Post-Closure costs increased \$590,000. The ACUA owns two landfills, the active ACUA landfill and the closed Pinelands Park Landfill that was acquired in 2012. The ACUA closure liability is calculated by the Authority's consulting engineer and includes total costs for closure and post-closure care of \$17.2 million, an increase of \$1.3 million from 2017. The PPL Closure Liability is \$16.2 million and decreased more than \$719,000 due to closure expenses incurred in 2018 which are partially offset by interest income earned in the escrow accounts.

The amount accrued for ACUA's landfill is in accordance with the consulting Engineer's findings as reported. Total anticipated closure cost as of December 31, 2018 is \$17,182,596. The percent of cumulative landfill capacity utilized as of December 31, 2018 according to the consulting engineer report is 68.4%, up from 64.2% in 2017. This increase is the result of 559,326 current year tons of waste accepted and 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.

The Pinelands Park Landfill Post-Closure Costs assumed are \$16.2 million and are fully funded. The ACUA Landfill Post-Closure Costs are estimated to be \$17.2 million and \$10.7 million is funded. Both are shown in the Noncurrent Assets of the Authority.

ATLANTIC COUNTY UTILITIES AUTHORITY

(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Solid Waste Division (Continued)

Accrued Absences increased \$20,000 to \$449,000 which represents the value associated with vacation time earned by employees. Other Non-Current Liabilities include an accrual for expected future Post Retirement Benefit costs in the amount of \$800,000. This balance represents additional funds set aside by the Authority for Other Post-Employment Benefits.

The Net Pension Liability is required as part of the implementation of GASB 68 and represents an actuarial estimate of the current liability for future pension expenses. The Net Pension Liability decreased \$2.6 million and 11% to \$20.8 million in 2018. The decrease is attributable to changes in actuarial assumptions used to calculate pension obligations. The discount rate increased causing a significant decrease in the Net Pension Liability for all participating units. The OPEB Liability is required as part of the implementation of GASB 75 and represents an actuarial estimate of the current liability for future post-employment benefits for retirees. The liability is \$27.3 million and decreased \$6.1 million from 2017. The decrease is almost entirely attributable to changes in actuarial assumptions used to calculate OPEB obligations. The discount rate of return increased causing a significant decrease in the OPEB Liability for all participating units.

Deferred Inflows Related to Pensions increased \$2.2 million and Deferred Inflows Related to OPEB increased \$8.4 million due to changes in actuarial assumptions used to calculate pension and OPEB obligations.

The Division's Net Position of \$3,150,939 is comprised of the following:

- (1) Capital Assets are \$37,464,981 and include Property, Plant and Equipment, net of Accumulated Depreciation.
- (2) Unrestricted Net Position decreased \$395,000 to (\$34,314,042) and represents the Net Position available to maintain the Authority's continuing obligations to the Authority's service area, certain creditors, current liabilities and other post-employment benefits. Also reflected in the balance are the financial impacts of the implementation of GASB 68 and GASB 75.

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

Below is a synopsis of the Solid Waste Division's 2018 Statement of Revenues, Expenses and Changes in Net Position with a comparison to last year:

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Solid Waste Division (Continued)

SW Revenue	2018	2017	\$ Change	% Change
Tipping Fee	\$ 24,534,013	\$ 23,307,196	\$ 1,226,817	5%
Collections & Recycling	8,477,075	8,845,058	(367,983)	-4%
Grant Income	212,402	211,927	475	0%
Composting & Eco Product Income	1,143,598	1,060,366	83,232	8%
Other	1,111,663	991,646	120,017	12%
Total Revenue	35,478,751	34,416,193	1,062,558	3%
SW Operating Expenses				
Salaries	9,856,193	9,185,061	671,132	7%
Employee Benefits	7,226,107	7,380,272	(154,165)	-2%
Power & Utilities	637,020	626,591	10,429	2%
Fuel	1,157,836	863,182	294,654	34%
Supplies & Miscellaneous Maintenance	2,653,979	2,521,496	132,483	5%
Indirect Operating Expenses	4,039,898	2,909,240	1,130,658	39%
Administrative	1,142,000	1,012,524	129,476	13%
Community Benefit	2,539,785	2,384,381	155,404	7%
Recycling & Other Taxes	1,116,553	1,065,815	50,738	5%
Bad Debt Expense	21,545	-	21,545	100%
Depreciation	4,210,349	4,513,118	(302,769)	-7%
Total Operating Expenses	34,601,265	32,461,680	2,139,585	7%
Operating Income	877,486	1,954,513	(1,077,027)	-55%
SW Non-Operating Revenue/(Expenses)				
County Appropriation	(436,926)	(439,575)	2,649	1%
Interest Income	1,121,570	504,886	616,684	122%
Interest Expense	(16,975)	-	(16,975)	-100%
Gain on Sale of Fixed Asset	29,457	146,227	(116,770)	-80%
Adjustment to landfill closure and post-closure care cost	(990,499)	(968,477)	(22,022)	-2%
Total Non-Operating Revenue/(Expenses)	(293,373)	(756,939)	463,566	-61%
NET INCOME	\$ 584,113	\$ 1,197,574	\$ (613,461)	-51%

Solid Waste Net Income decreased \$613,000 from \$1,198,000 in 2017 to \$584,000 in 2018. There had been a significant downturn in the local and regional economy primarily due to five casino properties closing from 2014-2016, leaving only seven active casino properties in an economy heavily reliant on the casino industry. In 2018 two new casino properties opened. The economy started to rebound in 2017 with additional employment and visitors and continues to show growth. Operating Revenue increased \$1.1 million to \$35.5 million. Operating Expenses increased \$2.1 million to \$34.6 million and Net Non-Operating Expenses decreased \$464,000 to \$293,000.

Tip Fees increased by \$1.2 million and 5% primarily due to an increase in construction and demolition waste and increased trash received at the landfill. The increase is related to the improved economy in Atlantic County. Recycling Market Revenue and Revenue from Collection Contracts decreased 4% and \$368,000. The decrease is due to significant world-wide price declines as the markets changed the requirements for acceptable materials. The markets strictly limited the materials acceptable for recycling and ACUA changed its recycling guidelines to conform to these changes and to keep our program sustainable. Grant income stayed the same at \$212,000 and includes the Clean Communities grant and a grant to cover the incremental cost of purchasing two compressed natural gas collection trucks versus diesel trucks. Compost and Eco-Product Revenue increased \$83,000 and 8% due in part to increased compost material sold. In 2017 Eco Soil revenue was lower as a result of limited Eco Product material available for sale. Other Income decreased \$120,000 and 12% due to several factors as shown below. Significant changes are explained following the chart:

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Solid Waste Division (Continued)

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Rental Income	245,308	239,142	\$ 6,166	3%
PPL Reimbursement	222,570	217,248	5,322	2%
Landfill Gas to Energy	199,512	250,245	(50,733)	-20%
Clean Energy	125,436	58,944	66,492	113%
CNG Tax Rebate	123,469	101,870	21,599	21%
Fuel Sales	109,348	36,536	72,812	199%
Miscellaneous	57,388	59,557	(2,169)	-4%
Insurance Refunds	21,038	13,104	7,934	61%
Waste Flow Settlement	7,592	15,000	(7,408)	-49%
Total Other Income	\$ 1,111,663	\$ 991,646	\$ 120,017	12%

The Landfill Gas to Energy (LFG) project that converts methane from the landfill to electricity has experienced major difficulties. The project was designed to have three engines to maximize the amount of methane gas collected and converted to electricity. In 2013 two of the three engines started to perform poorly and were subsequently taken off line by the Authority's partner, AC Landfill Energy, LLC (ACLE). The Authority renegotiated the lease agreement in 2016 and it was agreed that only two engines would run going forward. ACUA shares in total project revenue and earned \$99,000 in 2018 which is \$46,000 more than the prior year. The ACUA also receives rental income from the project which decreased from \$198,000 in 2017 to \$100,000 in 2018 which was anticipated as part of a contract renegotiation. Clean Energy built the CNG station and provides billing and operations and maintenance for the station. The Clean Energy revenue represents the net revenue for outside customers. The CNG tax rebate is a 50 cent per gallon equivalent rebate from the IRS for CNG dispensed by the station owner. The rebate increased as CNG fuel use by ACUA increased with additional CNG trucks deployed in 2018 as well as for increased fuel dispensed to customers of the station. Bio-diesel and unleaded fuel sales also increased due to more fuel purchased by outside customers and because the wastewater fueling dispenser was non-operational for the majority of 2018, so their fleet fueled at solid waste.

Operating Expenses increased \$1.2 million and 6%, which is the net result of increases and decreases among significant operating items.

Salaries increased \$671,000 and 7% due to a combination of a new administrative positions, increased overtime and new hires to prepare for upcoming retirements as part of the Authority's succession planning program. Employee Benefits decreased \$154,000 and is a combination of increased current year benefits of \$125,000 and 2%, and GASB 68 and 75 impacts. GASB 68 Pension expense decreased \$759,000 while GASB 75 OPEB expense increased \$480,000. Fuel increased \$295,000 and 34% due to increases in the commodity prices and customer sales of biodiesel and unleaded fuel as well as increases in prices for heating oil and natural gas. Supplies & Miscellaneous Maintenance increased \$132,000 and 5% primarily due to the purchase of additional containers and carts in 2018 as compared to 2017. Indirect Operating expenses increased \$1.1 million and 39% primarily due to the implementation of Fleetmind throughout the collection fleet to aid in GPS routing, vehicle maintenance and employee safety. Furthermore, additional costs were recognized for the hydrogen sulfide system to treat landfill gas and cover material needed due to increased tonnages. Administrative expenses increased \$129,000 and 13% primarily due to additional fees associated with investment advisory

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Solid Waste Division (Continued)

services, credit card processing services, office equipment rental, branding and advertising. Host Community Benefit increased \$155,000 and 7% as a direct result of increased tonnages and the annual CPI increase. Recycling and Other Taxes also increased \$51,000 and 5% as a direct result of increased tonnages. The rates did not increase from 2017. Bad Debt increased \$22,000 based on management's estimate of an adequate Reserve for Doubtful Accounts. Finally, Depreciation decreased \$303,000 primarily due to landfill design and construction projects being fully depreciated in 2017 and 2018. Landfill construction is expensive and has approximately a 7-year life. The division experienced a modest increase in Power & Utilities.

Total Operating Revenue exceeded Total Operating Expenses resulting in operating income of \$877,000 for 2018 versus \$1,955,000 in 2017. Net income, if available, normally funds the capital improvements of the Authority which include the construction of new cells, the purchase of collection vehicles and other equipment, infrastructure improvements and landfill closure responsibilities.

Total Non-Operating Expense is \$293,000 compared Non-Operating Expense of \$757,000 in 2017, a decrease of \$464,000.

In 2014, the County of Atlantic exercised its right to request that up to five percent (5%) of the Authority's operating budget appropriations be transferred to the County. The County did not request any funds in 2015 but did request contributions from the ACUA for 2016-2020. The County requested a total of \$500,000 per year for five years be paid towards Economic Development initiatives to be split pro-rata between Wastewater and Solid Waste. In addition, the County requested a total of \$300,000 per year for five years be paid towards the National Aviation Research and Technology Park, also to be split pro-rata between Wastewater and Solid Waste. In 2018 the Solid Waste Division was responsible for \$437,000 of the \$800,000 due for both initiatives.

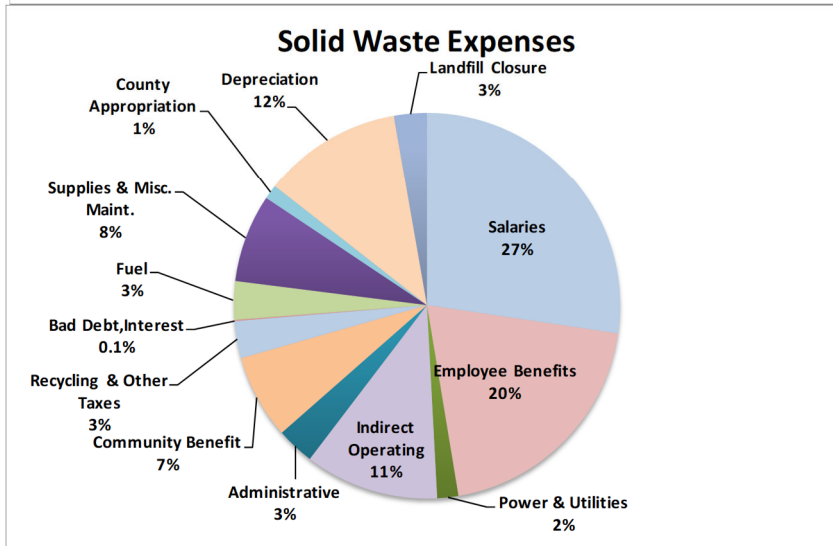
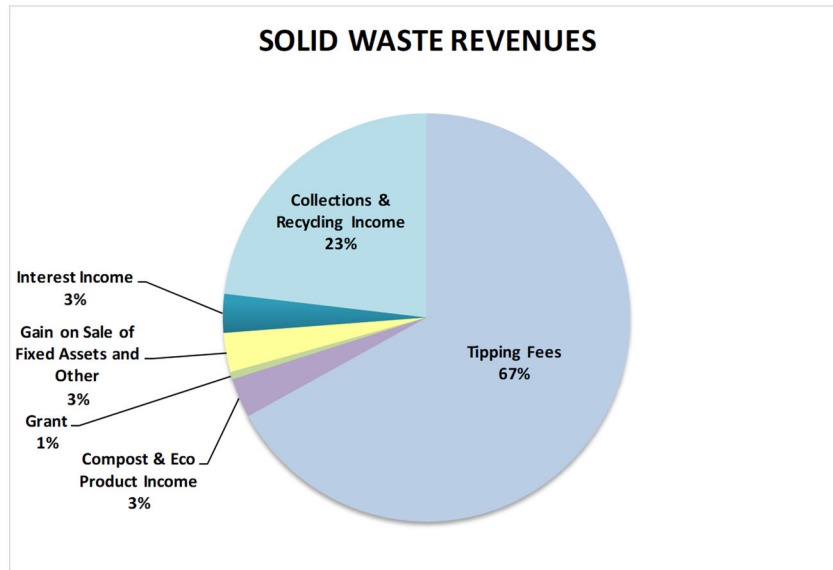
Interest Income increased \$617,000 because interest rates paid on investments increased during the year and because the Authority invested more of its available cash in 2018. Interest Expense in the amount of \$17,000 is related to the capital lease for the purchase of 13 vehicles in 2018 to prepare for a significant collections contract in Vineland, NJ to begin January 1, 2019. Gain on Sale of fixed assets decreased to \$29,000 and is unique to the surplus equipment sold in any given year. The Adjustment to Landfill Closure and Post-Closure Care Cost represents the charge necessary to bring the Landfill Closure Liability up to the estimated amount in the annual engineer's report. The adjustment is consistent with the required adjustment in 2017.

ATLANTIC COUNTY UTILITIES AUTHORITY
 (A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Solid Waste Division (Continued)

Net Income for the 2018 year is \$584,113 compared to \$1,197,574 in 2017, a \$613,461 decrease.



ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Solid Waste Division (Continued)

Comparative Statement of Cash Flows

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 37,930,626	\$ 34,493,832	\$ 3,436,794	10%
Payments to Employees	(9,856,193)	(9,185,061)	(671,132)	-7%
Payments to Suppliers	(20,233,777)	(15,729,120)	(4,504,657)	-29%
Net Cash Provided by Operating Activities	<u>7,840,656</u>	<u>9,579,651</u>	<u>(1,738,995)</u>	<u>-18%</u>
Cash Flows from Noncapital Financing Activities				
Transfers to Other Funds	<u>(5,086)</u>	<u>1,350,875</u>	<u>(1,355,961)</u>	<u>-100%</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(4,850,241)	(2,532,910)	(2,317,331)	-91%
Gain on Sale of Fixed Assets	29,457	146,227	(116,770)	-80%
Net Cash Used by Capital and Financing	<u>(4,820,784)</u>	<u>(2,386,683)</u>	<u>(2,434,101)</u>	<u>-102%</u>
Cash Flows from Investing Activities				
Interest Income	1,067,892	414,100	653,792	158%
County Appropriation	(436,926)	(439,575)	2,649	1%
Transferred to Investments	1,658,782	(17,689,404)	19,348,186	109%
Net Cash Provided (Used) by Investing Activities	<u>2,289,748</u>	<u>(17,714,879)</u>	<u>20,004,627</u>	<u>113%</u>
Net Increase (decrease) in Cash and Cash Equivalents	5,304,534	(9,171,036)	14,475,570	158%
Cash and Cash Equivalents, January 1	<u>6,495,307</u>	<u>15,666,343</u>	<u>(9,171,036)</u>	<u>-59%</u>
Cash and Cash Equivalents, December 31	<u>\$ 11,799,841</u>	<u>\$ 6,495,307</u>	<u>\$ 5,304,534</u>	<u>82%</u>

Net Cash Provided by Operating Activities decreased 18% and \$1.7 million. Receipts from Customers and Users increased \$3.4 million due to increased revenue in 2018. Payments to Employees increased \$671,000 due to increased Salary Expense as described in the Operating Expense section of the report. Payments to Suppliers increased 29% and \$4.5 million which is partly because Operating Expenses increased and December 2017 payments to vendors in the amount of \$1.3 million were not released until January 2018.

Net Cash from Non-capital Financing Activities decreased \$1.4 million and is the net amount of cash transferred to and from the Wastewater division. This amount fluctuates annually based on intercompany activity.

Net Cash Used by Capital and Related Financing Activities increased \$2.4 million due to more capital asset additions in 2018 which was offset slightly by the 2018 Gain on Sale of Fixed Assets.

Net Cash Provided by Investment Activities increased by \$20 million due to an inflow of \$2.3 million compared to an outflow of \$17.7 million in 2017. Interest Income increased by \$654,000 due to CDs and US Government investments held at December 31, 2017 that matured and/or paid interest in 2018, coupled with higher interest rates in 2018. The County Appropriation did not change significantly. Net transfers from cash to investments were \$17.7 million in 2017 because the Authority hired an investment manager in 2017 to assist with investment strategy, to maximize returns on available funds and to keep the Authority apprised of market conditions. Some of the investments that matured in 2018 were not reinvested because the funds were needed to pay obligations.

Total Cash and Cash Equivalents at December 31, 2018 are \$11,799,841, a Net Increase in 2018 of \$5,304,534.

ATLANTIC COUNTY UTILITIES AUTHORITY

(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

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 fourteen municipalities and Municipal Utilities Authorities 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 Position as "User Service Agreements: Operating and General" and reported as Operating Revenues. Other services provided include sludge, septage, 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 services 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 a transfer station, landfill, recycling center, composting facility and maintenance center.

Tip fees are the primary source of income for the Solid Waste Division. Atlantic County has Flow Control which means all waste generated in Atlantic County must be processed at the ACUA. Waste brought to the ACUA includes municipal, commercial, construction, and industrial waste. In 2018 approximately 334,000 tons of waste came in compared to approximately 309,000 tons in 2017. This increase is attributed to more construction and demolition waste received in 2018 as well as a general improvement in tourism and the local economy.

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. Recycling collection is provided to twenty-five municipalities, trash collection is provided to sixteen municipalities and yard waste collection services are provided to nine municipalities in and around Atlantic County. The Authority entered into a five-year contract beginning January 1, 2019, with the City of Vineland for trash and recycling collection services. The annual revenue to the Authority for this contract will be approximately \$2.6 million. Approximately 43,000 tons

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Solid Waste Division (Continued)

of recyclable materials were collected in 2018 as compared to 52,000 in 2017. The reduction in tonnages is due to the curtailment of outside recyclables authorized under the revised recycling guidelines necessary to keep the program sustainable.

The Authority's compost operation processes leaves, grass clippings, tree branches, clean wood, brush and Christmas trees. In 2018 about 24,000 tons of yard waste were processed as compared to 22,000 tons in 2017. The branches, brush, and trees are processed into EcoSoil and sold to the public, providing additional income to support the Solid Waste system.

Centralized Maintenance

The ACUA has a 17,000 square foot Maintenance Center where a fleet of over 140 vehicles and 30 pieces of specialized heavy equipment is maintained and serviced. In addition to a CNG fueling station open to the public, the Authority now has forty-two CNG refuse collection trucks, four CNG roll off trucks, eight CNG utility trucks, a CNG street sweeper and eleven bi-fuel trucks in its fleet.

Accountability

The Atlantic County Utilities Authority's 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, ratepayers, customers, the local governments, agencies and people served, and the employees of the ACUA. Excellent customer service is a top priority. Fair and reasonable fees is another 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 fundraising 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. The Authority is financially accountable to the Department of Community Affairs, Division of Local Government Services. 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 Commissioners, and as such, accountable to other government officials.

ATLANTIC COUNTY UTILITIES AUTHORITY

(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

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.

Actions taken at the meetings of the Authority are not effective until approved by the County Executive or until ten days after the minutes of the meeting of the Authority Board have been delivered to the County Executive.

The Authority Board Members as of December 31, 2018 were:

Marvin E. Embry, Chairman
Michael C. Epps, Vice Chairman
Peter A. Sarkos, Treasurer
Fred Akers, Assistant Treasurer
Andrew Berenato, III, Member
Paul A. Rosenberg, Member
John E. Lyons, Member
Dennis Levinson, County Executive

Management of the Authority

Richard S. Dovey, President
Linda Bazemore, VP of Administration and Finance/CFO
Brian Lefke, Senior VP – Solid Waste Division and Board Secretary
Joseph Pantalone, VP – Wastewater Division
Thomas Ganard, Chief Engineer
Matthew DeNafo, VP of Centralized Maintenance and Asset Management

Funding of Infrastructure and Debt Management

It is the current policy of the Atlantic County Utilities Authority Board of Commissioners 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
Capital Lease Purchases
Lease with Option to Purchase Financing
Funding incrementally or annually from the Operating Budget

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 and additional information can be obtained by contacting the Atlantic County Utilities Authority or on the web site at www.acua.com.

BASIC FINANCIAL STATEMENTS

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

STATEMENTS OF NET POSITION
December 31, 2018 and 2017

	2018			2017 *
	Wastewater Division	Solid Waste Division	Total	
ASSETS				
Unrestricted current assets:				
Cash and cash equivalents	\$ 10,220,985	\$ 4,271,547	\$ 14,492,532	\$ 14,032,475
Investments	31,499,653	17,556,487	49,056,140	45,403,635
Accrued interest receivable	206,430	186,102	392,532	274,955
Accounts receivable (net of allowance)	474,870	2,608,568	3,083,438	5,274,224
Other receivable	438,346	339,466	777,812	359,064
Internal accounts	(630,023)	630,023	-	-
Total unrestricted current assets	42,210,261	25,592,192	67,802,454	65,344,353
Restricted noncurrent assets:				
Cash and cash equivalents	1,931,837	7,528,294	9,460,131	5,052,098
Investments	5,830,377	8,193,582	14,023,959	14,866,353
Amounts held by State of New Jersey	-	29,939,367	29,939,367	29,774,409
Accrued interest receivable	21,789	152,149	173,938	182,974
Loans receivable	4,456,724	-	4,456,724	145,848
Total restricted noncurrent assets	12,240,727	45,813,392	58,054,119	50,021,682
Capital assets, gross	240,553,140	146,282,691	386,835,831	373,797,161
Accumulated depreciation	(177,992,436)	(108,817,710)	(286,810,146)	(277,487,966)
Capital assets, net	62,560,704	37,464,981	100,025,685	96,309,195
TOTAL ASSETS	117,011,692	108,870,567	225,882,258	211,675,230
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	3,964,808	4,861,941	8,826,749	10,165,371
Deferred outflows related to OPEB	1,267,421	1,469,993	2,737,414	10,638
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,232,229	6,331,934	11,564,163	10,176,009
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 122,243,921	\$ 115,202,501	\$ 237,446,422	\$ 221,851,239

*Certain account balances have been restated to conform with current year presentation.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

STATEMENTS OF NET POSITION (CONTINUED)
December 31, 2018 and 2017

	2018			2017 *
	Wastewater Division	Solid Waste Division	Total	
LIABILITIES				
Current liabilities payable from current assets:				
Accounts payable and accrued expenses	\$ 2,715,772	\$ 3,341,166	\$ 6,056,938	\$ 6,888,354
Customer deposits	-	184,982	184,982	173,920
Unearned revenue, current	40,870	-	40,870	40,870
Pension payable	826,620	1,050,549	1,877,169	1,663,641
Total current liabilities payable from current assets	<u>3,583,262</u>	<u>4,576,697</u>	<u>8,159,960</u>	<u>8,766,785</u>
Current liabilities payable from restricted assets:				
Construction contracts payable	953,637	1,081,515	2,035,152	1,258,215
Current portion of long-term debt	1,380,233	-	1,380,233	1,096,302
NJEIT loan payable, net	3,180,751	-	3,180,751	3,245,296
Accrued interest	82,006	16,975	98,981	78,659
Lease payable	-	3,500,000	3,500,000	-
Total current liabilities payable from restricted assets	<u>5,596,627</u>	<u>4,598,490</u>	<u>10,195,117</u>	<u>5,678,472</u>
Noncurrent liabilities payable from restricted assets:				
Accrued landfill closure and post-closure care cost	-	33,428,432	33,428,432	32,837,954
Noncurrent liabilities:				
Unearned revenue, non-current	41,349	-	41,349	81,018
Accrued compensated absences	354,368	449,278	803,645	803,598
Post retirement benefits payable	535,019	800,000	1,335,019	1,335,019
Long-term portion of bonds payable	17,432,166	-	17,432,166	11,148,471
Net pension liability	16,362,837	20,795,482	37,158,319	41,803,959
OPEB liability	23,505,940	27,262,828	50,768,768	62,722,816
Total noncurrent liabilities	<u>58,231,679</u>	<u>49,307,588</u>	<u>107,539,267</u>	<u>117,894,881</u>
TOTAL LIABILITIES	<u>67,411,568</u>	<u>91,911,207</u>	<u>159,322,775</u>	<u>165,178,092</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	5,685,844	7,072,893	12,758,737	8,840,385
Deferred inflows related to OPEB	11,266,732	13,067,462	24,334,194	8,759,794
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>16,952,576</u>	<u>20,140,355</u>	<u>37,092,931</u>	<u>17,600,179</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>\$ 84,364,144</u>	<u>\$ 112,051,562</u>	<u>\$ 196,415,706</u>	<u>\$ 182,778,271</u>

*Certain account balances have been restated to conform with current year presentation.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

STATEMENTS OF NET POSITION (CONTINUED)
December 31, 2018 and 2017

	2018			2017 *
	Wastewater Division	Solid Waste Division	Total	
NET POSITION				
Net Investment in capital assets	\$ 40,567,555	\$ 37,464,981	\$ 78,032,536	\$ 80,819,126
Restricted for:				
Wastewater:				
Renewal and replacement	7,000,000	-	7,000,000	7,000,000
Debt service fund	395,133	-	395,133	208,437
Debt service reserve fund	429,758	-	429,758	429,758
Unrestricted	(10,512,669)	(34,314,042)	(44,826,712)	(49,384,353)
TOTAL NET POSITION	<u>37,879,777</u>	<u>3,150,939</u>	<u>41,030,716</u>	<u>39,072,968</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 122,243,921</u>	<u>\$ 115,202,501</u>	<u>\$ 237,446,422</u>	<u>\$ 221,851,239</u>

* Certain account balances have been restated to conform with current year presentation.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2018 and 2017

	2018			2017 *
	Wastewater Division	Solid Waste Division	Total	
Operating revenues:				
Wastewater:				
User service agreements:				
Operating	\$ 21,893,135	\$ -	\$ 21,893,135	\$ 22,318,899
General	1,450,784	-	1,450,784	1,025,022
Sludge	2,365,031	-	2,365,031	2,211,839
Septage	383,828	-	383,828	337,919
Grant income	2,498,598	-	2,498,598	-
Other	1,623,950	-	1,623,950	1,287,659
Solid Waste:				
Tipping fees	-	24,534,013	24,534,013	23,307,196
Collections and recycling income	-	8,477,075	8,477,075	8,845,058
Grant income	-	212,402	212,402	211,927
Composting and EcoProduct income	-	1,143,598	1,143,598	1,060,366
Other	-	1,111,663	1,111,663	991,646
Total operating revenues	<u>30,215,326</u>	<u>35,478,751</u>	<u>65,694,076</u>	<u>61,597,531</u>
Operating expenses:				
Salaries	6,574,233	9,856,193	16,430,426	15,267,617
Employee benefits	4,883,355	7,226,107	12,109,462	11,755,133
Power and utilities	2,598,158	637,020	3,235,178	2,969,687
Chemicals	794,896	-	794,896	703,980
Fuel	1,202,741	1,157,836	2,360,577	1,957,389
Supplies and miscellaneous maintenance	4,095,619	2,653,979	6,749,598	7,102,975
Contractual services	1,141,231	-	1,141,231	557,651
Indirect operating expenses	659,469	4,039,898	4,699,367	3,540,413
Administrative	1,349,921	1,142,000	2,491,921	2,466,871
Community benefit	-	2,539,785	2,539,785	2,384,381
Recycling and other taxes	-	1,116,553	1,116,553	1,065,815
Licenses and permits	176,984	-	176,984	179,153
Bad debt	-	21,545	21,545	-
Depreciation	5,562,374	4,210,349	9,772,723	9,907,837
Total operating expenses	<u>29,038,981</u>	<u>34,601,265</u>	<u>63,640,246</u>	<u>59,858,902</u>
Operating income	<u>1,176,345</u>	<u>877,486</u>	<u>2,053,831</u>	<u>1,738,629</u>
Non-operating revenues / (expenses):				
County appropriation	(363,074)	(436,926)	(800,000)	(800,000)
Interest income	766,267	1,121,570	1,887,837	789,440
Interest expense	(205,903)	(16,975)	(222,878)	(211,328)
Gain on sale of fixed assets	-	29,457	29,457	146,227
Adjustment to landfill closure and post-closure care cost	-	(990,499)	(990,499)	(968,477)
Total non-operating revenues / (expenses)	<u>197,290</u>	<u>(293,373)</u>	<u>(96,083)</u>	<u>(1,044,138)</u>
Changes in net position	1,373,635	584,113	1,957,748	694,491
Net position, January 1,	36,506,142	2,566,826	39,072,968	109,850,449
Net position, January 1, restated	-	-	-	38,378,477
Net position, December 31,	<u>\$ 37,879,777</u>	<u>\$ 3,150,939</u>	<u>\$ 41,030,715</u>	<u>\$ 39,072,968</u>

* Certain account balances have been restated to conform with current year presentation.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018			2017
	Wastewater Division	Solid Waste Division	Total	
Cash flows from operating activities:				
Receipts from customers and users	\$ 32,553,796	\$ 37,930,626	\$ 70,484,422	\$ 62,263,207
Payments to employees	(6,574,233)	(9,856,193)	(16,430,426)	(15,267,617)
Payments to suppliers	(18,123,614)	(20,233,777)	(38,357,391)	(28,846,550)
Net cash flows from operating activities	7,855,949	7,840,656	15,696,605	18,149,040
Cash flows from non-capital financing activities:				
Operating subsidies and transfers to other funds	5,086	(5,086)	-	-
Net cash flows from non-capital financing activities	5,086	(5,086)	-	-
Cash flows from capital and related financing activities:				
Purchase of capital assets	(8,648,415)	(4,850,241)	(13,498,656)	(8,513,324)
Principal paid on debt	(1,244,881)	-	(1,244,881)	(1,752,306)
Proceeds from issuance of debt	7,812,507	-	7,812,507	1,504,928
Interest paid on debt	(202,556)	-	(202,556)	(227,433)
Gain on sale of fixed assets	-	29,457	29,457	146,227
Net cash flows from capital and related financing activities	(2,283,345)	(4,820,784)	(7,104,129)	(8,841,908)
Cash flows from investing activities:				
Interest income	708,007	1,067,892	1,775,899	538,364
County appropriation	(363,074)	(436,926)	(800,000)	(800,000)
Transferred from/(to) investments	(6,359,068)	1,658,782	(4,700,286)	(45,183,049)
Net cash flows from investing activities	(6,014,135)	2,289,748	(3,724,387)	(45,444,685)
Net change in cash and cash equivalents	(436,444)	5,304,534	4,868,089	(36,137,553)
Cash and cash equivalents, January 1	12,589,266	6,495,307	19,084,573	55,222,126
Cash and cash equivalents, December 31,	\$ 12,152,822	\$ 11,799,841	\$ 23,952,662	\$ 19,084,573
Reconciliation of Statements of Net Positions:				
Unrestricted cash and cash equivalents	\$ 10,220,985	\$ 4,271,547	\$ 14,492,532	\$ 14,032,475
Restricted cash and cash equivalents	1,931,837	7,528,294	9,460,131	5,052,098
Total cash and cash equivalents	\$ 12,152,822	\$ 11,799,841	\$ 23,952,663	\$ 19,084,573

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2018 and 2017

	2018		
	Wastewater Division	Solid Waste Division	Total
Reconciliation of operating income to net cash flows from operating activities:			
Operating income	\$ 1,176,345	\$ 877,486	\$ 2,053,831
Items which did not use/(provide) cash:			
Depreciation expense	5,562,374	4,210,349	9,772,723
Unbudgeted pension expense	(269,170)	(342,164)	(611,334)
Unbudgeted OPEB expense	(413,726)	(479,850)	(893,576)
Working capital changes which provided/(used) cash:			
Accounts receivable	2,378,139	2,440,813	4,818,952
Accrued landfill post-closure costs	-	590,478	590,478
Accounts and other payables	(538,343)	697,440	159,096
Unearned revenues	(39,669)	-	(39,669)
Customer deposits	-	11,062	11,062
Amounts held by the State	-	(164,958)	(164,958)
Net cash flows from operating activities	<u>\$ 7,855,949</u>	<u>\$ 7,840,656</u>	<u>\$ 15,696,605</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Atlantic County Utilities Authority (the "Authority") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Reporting Entity

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 as of December 31, 1991. Recycling operations 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 Wastewater and Solid Waste Divisions are adequate to cover all operating expenses, debt service and current capital costs.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Unit

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 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.

Basis of Presentation

The basic financial statements of the Authority have been prepared on the accrual basis of accounting in accordance with GAAP applicable to proprietary funds of State and Local Governments on a going concern basis.

All activities of the Authority are accounted for within proprietary (enterprise) funds. Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, accountability or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflows or outflows of resources associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) is segregated into invested in capital assets net of related debt, restricted and unrestricted components.

Basis of Accounting

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

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Revenues - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Sewer service charges are recognized as revenue when services are provided.

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

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

Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with *N.J.A.C. 5:31-2*. *N.J.A.C. 5:31-2* requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt no later than the beginning of the Authority's fiscal year.

The governing body may amend the budget at any point during the year by resolution of the Board of Commissioners. The budgetary basis of accounting is utilized to determine the Authority has sufficient cash to operate and pay debt service. As such, certain items such as bond payments are included in budgetary expenses while depreciation is not included.

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

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At year-end, the accounting records are adjusted to record only expenses in accordance with GAAP.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.”

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.

Restricted 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. Interest earned on investments in this fund is credited to project costs. At December 31, 2018 and 2017, the Construction Fund and Wastewater Trust Fund cash amounted to \$11 and \$10, 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, 2018 and 2017, the Rebate Fund amounted to \$0.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Wastewater Bond Resolutions (Continued)

Restricted Funds: (Continued)

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 15th 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 15th for the Sewer Revenue Refunding Bonds. At December 31, 2018 and 2017, the Debt Service Fund cash amounted to \$395,133 and \$208,437, respectively.

Debt Service Reserve Fund (1997, 2001, 2004, 2009 and 2013 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 (1997, 2001, 2004, 2009 and 2013 Series) less any surety. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. At December 31, 2018 and 2017, the market value of the Debt Service Reserve Fund investments amounted to \$429,845 and \$1,149,027, respectively.

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, 2018 and 2017, the Renewal and Replacement Fund investment balances totaled \$6,937,225 and \$7,597,099, respectively. The System Reserve Fund, a component of the Renewal and Replacement Fund, requirement at December 31, 2018 and 2017, was \$7,000,000, respectively.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash in banks and may include petty cash and change funds. It may also include all highly liquid investments with a maturity of ninety days or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. All investments including U.S. treasuries, agency obligations, and certificates of deposit are stated at fair value.

New Jersey authorities are required by *N.J.S.A. 40A:5-14* to deposit public funds into a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States of America or State of New Jersey or the New Jersey Cash Management Fund. *N.J.S.A. 40A:5-15.1* provides a list of securities which may be purchased by New Jersey authorities. The Authority is required by *N.J.S.A. 17:9-41* to deposit 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.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Investments (Continued)

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of GUDPA. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Capital Assets

Capital assets primarily consist of expenditures to acquire, construct, place in operation, and improve the facilities of the Authority. Assets purchased are stated at cost. Assets contributed by developer's are valued at estimated fair market value as of the date of contribution. Costs incurred for construction projects are recorded as construction in progress. In the year that the project is completed, these costs are transferred to capital assets.

Depreciation is determined on a straight-line basis for all capital assets. Depreciation was provided over the following estimated useful lives:

	<u>Years</u>
Sewer mains and interceptors	50
Buildings and improvements	40
Incinerator facility	40
Pump stations	35
Machinery and equipment	5-10
Vehicles	5-10

Landfill cells are depreciated on the basis of capacity utilized.

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

Restricted Assets

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

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Deferred Inflows of Resources (Continued)

future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

Compensated absences represent amounts to which employees are entitled, based on accumulated vacation leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of termination or retirement from service at their current salary.

Unearned Revenue

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

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 other operating revenues.

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.

Pensions and Other Post-Employment Benefits Other Than Pensions ("OPEB")

For purposes of measuring the net pension, OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and OPEB and additions to/deductions from the PERS's and OPEB's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

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

Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Restricted Net Position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Income Taxes

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

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

For the year ended December 31, 2018, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, which establishes new accounting and financial reporting requirements for OPEB Plans. See footnotes H and M for additional detail regarding the OPEB plan and the impact of the implementation on the prior year restatement.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles (Continued)

Recently Issued Accounting Pronouncements

The GASB has issued the following Statement which will become effective in future fiscal years as shown below:

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement will become effective for the Authority in the fiscal year ending December 31, 2020. Management has not yet determined the impact of this Statement on the financial statements.

Fair Value Measurement

The Authority categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level 2 – Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent to initial recognition, the Authority may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Rounding

Some schedules in the financial statements may have dollar differences due to rounding adjustments.

B. CASH AND CASH EQUIVALENTS

This Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits held at December 31, 2018 and 2017, reported at fair value, are as follows:

	<u>2018</u>	<u>2017</u>
Deposits:		
Demand deposits	\$ 23,952,663	\$ 19,084,573
Total deposits	<u>\$ 23,952,663</u>	<u>\$ 19,084,573</u>
Reconciliation to statement of net position		
Current unrestricted assets		
Cash and cash equivalents	\$ 14,492,532	\$ 14,032,475
Current restricted assets		
Cash and cash equivalents	9,460,131	5,052,098
Total deposits	<u>\$ 23,952,663</u>	<u>\$ 19,084,573</u>

Custodial Credit Risk Related to Deposits

Under the provisions of *N.J.S.A. 17:9-41*, authorized public depositories include state or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. The market value of the collateral must equal five percent of the average daily balance of public funds; and, if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. Deposits were made with contracted depository banks in interest-bearing accounts that were insured under the GUDPA. All such deposits are held in the Authority's name. Deposits in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC") are covered by a collateral pool maintained by the banks under GUDPA requirements.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

B. CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk Related to Deposits (Continued)

However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below. As of December 31, 2018 and 2017, the Authority's bank balances were insured or exposed to credit risk as follows:

	<u>2018</u>	<u>2017</u>
Insured by FDIC	\$ 439,642	\$ 408,081
Collateralized in the Authority's name under GUDPA	5,059,773	63,471
Total	<u>\$ 5,499,415</u>	<u>\$ 471,552</u>

C. INVESTMENTS

Custodial Credit Risk

For investments, custodial credit risk is a risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. All of the Authority's investments are held in the name of the Authority and are collateralized by GUDPA.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Other than the rules and regulations promulgated by *N.J.S.A. 40A:5-15.1*, the Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure; however, investments are matched with anticipated cash flows to minimize interest rate risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Other than the rules and regulations promulgated by *N.J.S.A. 40A:5-15.1*, the Authority's investment policies place no limit on the amount the Authority may invest in any one issuer.

Investment Credit Risk

New Jersey authorities are limited as to the types of investments and types of financial institutions they may invest in. *N.J.S.A. 40A:5-15.1* provides a list of permissible investments that may be purchased by New Jersey authorities. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or other obligations of the local unit or units within which the Authority is located, bonds or other obligations approved by the

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

C. INVESTMENTS (CONTINUED)

Investment Credit Risk (Continued)

Division of Investment in the Department of Treasury for investment by authorities, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions.

The Authority has also adopted a cash management plan stating that “Authority funds may be invested in Investment Obligations, which shall mean and include any security that is legal for the investment of funds of the Authority, at the time of such investment, as authorized by applicable law including, without limitation, *N.J.S. 40A:5-15.1*, provided, however, that such Investment Obligations must be authorized investments pursuant to any applicable Bond Documents.”

As of December 31, 2018 and 2017, the Authority had the following restricted and unrestricted investments:

	2018		2017	
	Face Value	Fair/Market	Face Value	Fair/Market
Wastewater				
Unrestricted				
Certificates of Deposit - Various Issuers	\$ 6,800,000	\$ 6,778,055	\$ 6,800,000	\$ 6,783,283
US Treasury Bills	-	-	1,586,162	1,590,871
US Treasury Notes	24,895,524	24,721,598	20,422,783	20,244,788
Restricted				
US Treasury Bills	-	-	1,437,459	3,969,155
US Treasury Notes	5,832,602	5,830,377	4,398,461	1,841,011
Solid Waste				
Unrestricted				
Certificates of Deposit - Various Issuers	5,125,000	5,099,832	5,040,000	5,021,821
US Treasury Bills	-	-	768,297	770,579
US Treasury Notes	12,497,166	12,456,655	11,052,995	10,992,293
Restricted				
US Treasury Bills	-	-	3,757,813	3,766,164
US Treasury Notes	8,164,551	8,193,582	5,298,371	5,290,023
Total	<u>\$ 63,314,843</u>	<u>\$ 63,080,100</u>	<u>\$ 60,562,341</u>	<u>\$ 60,269,988</u>

Fair Value of Investments

Authority investments are Level 1 investments and are shown at fair value on the statement of net position. Fair value and face value of investments at December 31, 2018 and 2017, are summarized above.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

D. ACCOUNTS RECEIVABLE

Consumer accounts receivable, net of allowance for doubtful accounts of \$52,240, totaled \$3,083,438 and \$5,633,288 at December 31, 2018 and 2017, respectively. Consumer accounts receivable consisted of unrestricted receivables entirely from customer accounts.

E. CAPITAL ASSETS

The activity in capital assets for the year ended December 31, 2018, is as follows:

<u>Wastewater Division</u>	Balance December 31, 2017	Additions	Retirements and Transfers	Balance December 31, 2018
Capital assets not being depreciated:				
Land	\$ 12,691,336	\$ -	\$ -	\$ 12,691,336
Construction in progress	5,298,749	2,930,711	-	8,229,460
Total capital assets not being depreciated	<u>17,990,085</u>	<u>2,930,711</u>	<u>-</u>	<u>20,920,796</u>
Capital assets being depreciated:				
Sewer mains and interceptors	79,097,487	-	-	79,097,487
Buildings and improvements	51,150,440	-	-	51,150,440
Equipment and vehicles	40,683,615	5,717,704	-	46,401,319
Incinerator facility	16,353,524	-	-	16,353,524
Atlantic County coastal alternative	26,629,575	-	-	26,629,575
Total capital assets being depreciated	<u>213,914,641</u>	<u>5,717,704</u>	<u>-</u>	<u>219,632,345</u>
Less: accumulated depreciation	(172,430,062)	(5,562,374)	-	(177,992,436)
Total capital assets being depreciated, net	<u>41,484,579</u>	<u>155,330</u>	<u>-</u>	<u>41,639,909</u>
Total capital assets, net	<u>\$ 59,474,664</u>	<u>\$ 3,086,041</u>	<u>\$ -</u>	<u>\$ 62,560,704</u>
<u>Solid Waste</u>	Balance December 31, 2017	Additions	Retirements and Transfers	Balance December 31, 2018
Capital assets not being depreciated:				
Land	\$ 14,758,845	\$ -	\$ -	\$ 14,758,845
Construction in progress	9,442	1,242,689	(9,441)	1,242,690
Total capital assets not being depreciated	<u>14,768,287</u>	<u>1,242,689</u>	<u>(9,441)</u>	<u>16,001,535</u>
Capital assets being depreciated:				
Buildings and improvements	31,666,499	-	-	31,666,499
Equipment and vehicles	28,126,769	3,398,741	(450,543)	31,074,967
Landfill design and implementation	63,955,048	208,811	-	64,163,859
Planning and design	3,375,832	-	-	3,375,832
Total capital assets being depreciated	<u>127,124,148</u>	<u>3,607,552</u>	<u>(450,543)</u>	<u>130,281,157</u>
Less: accumulated depreciation:	(105,057,904)	(4,210,349)	450,543	(108,817,710)
Total capital assets being depreciated, net	<u>22,066,244</u>	<u>(602,797)</u>	<u>(0)</u>	<u>21,463,446</u>
Total capital assets, net	<u>\$ 36,834,531</u>	<u>\$ 639,892</u>	<u>\$ (9,441)</u>	<u>\$ 37,464,981</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

E. CAPITAL ASSETS (CONTINUED)

The activity in capital assets for the year ended December 31, 2017, is as follows:

<u>Wastewater Division</u>	<u>Balance December 31, 2016</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance December 31, 2017</u>
Capital assets not being depreciated:				
Land	\$ 12,691,336	\$ -	\$ -	\$ 12,691,336
Construction in progress	647,328	4,651,421	-	5,298,749
Total capital assets not being depreciated	<u>13,338,664</u>	<u>4,651,421</u>	<u>-</u>	<u>17,990,085</u>
Capital assets being depreciated:				
Sewer mains and interceptors	78,054,066	1,043,421	-	79,097,487
Buildings and improvements	51,150,440	-	-	51,150,440
Equipment and vehicles	40,398,043	285,572	-	40,683,615
Incinerator facility	16,353,524	-	-	16,353,524
Atlantic County coastal alternative	26,629,575	-	-	26,629,575
Total capital assets being depreciated	<u>212,585,648</u>	<u>1,328,993</u>	<u>-</u>	<u>213,914,641</u>
Less: accumulated depreciation	(167,035,343)	(5,394,719)	-	(172,430,062)
Total capital assets being depreciated, net	<u>45,550,305</u>	<u>(4,065,726)</u>	<u>-</u>	<u>41,484,579</u>
Total capital assets, net	<u>\$ 58,888,969</u>	<u>\$ 585,695</u>	<u>\$ -</u>	<u>\$ 59,474,664</u>
<u>Solid Waste</u>	<u>Balance December 31, 2016</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance December 31, 2017</u>
Capital assets not being depreciated:				
Land	\$ 14,758,845	\$ -	\$ -	\$ 14,758,845
Construction in progress	303,651	9,442	(303,651)	9,442
Total capital assets not being depreciated	<u>15,062,496</u>	<u>9,442</u>	<u>(303,651)</u>	<u>14,768,287</u>
Capital assets being depreciated:				
Buildings and improvements	31,666,499	-	-	31,666,499
Equipment and vehicles	26,994,776	1,861,325	(729,332)	28,126,769
Landfill design and implementation	63,292,904	662,144	-	63,955,048
Planning and design	3,375,832	-	-	3,375,832
Total capital assets being depreciated	<u>125,330,011</u>	<u>2,523,469</u>	<u>(729,332)</u>	<u>127,124,148</u>
Less: accumulated depreciation:	(101,266,624)	(4,513,118)	721,838	(105,057,904)
Total capital assets being depreciated, net	<u>24,063,387</u>	<u>(1,989,649)</u>	<u>(7,494)</u>	<u>22,066,244</u>
Total capital assets, net	<u>\$ 39,125,883</u>	<u>\$ (1,980,207)</u>	<u>\$ (311,145)</u>	<u>\$ 36,834,531</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.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

F. LIABILITIES

During the years ended December 31, 2018 and 2017, the following changes occurred in long-term obligations:

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018
Bonds payable	\$ 12,244,773	\$ 7,812,507	\$ 1,244,881	\$ 18,812,398
Compensated absences	803,598	19,563	19,515	803,645
Pension liability	41,803,959	-	4,645,640	37,158,319
OPEB liability*	62,722,816	-	11,954,048	50,768,768
	<u>\$ 117,575,146</u>	<u>\$ 7,832,070</u>	<u>\$ 17,864,084</u>	<u>\$ 107,543,131</u>

	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017
Bonds payable	\$ 12,492,151	\$ 1,504,928	\$ 1,752,306	\$ 12,244,773
Compensated absences	1,168,191	-	364,593	803,598
Net pension liability	53,824,768	-	12,020,809	41,803,959
	<u>\$ 67,485,110</u>	<u>\$ 1,504,928</u>	<u>\$ 14,137,708</u>	<u>\$ 54,852,330</u>

*Beginning balance restated to conform with current year implementation of GASB 75.

Bonds & Loans Payable

The Authority has various bonds and loans outstanding with the New Jersey Infrastructure Bank (formerly New Jersey Environmental Infrastructure Trust). At December 31, 2018 and 2017, bonds and loans payable consisted of the following issues:

\$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, 2018 and 2017, is \$359,592 and \$475,847, respectively.

\$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, 2018 and 2017, is \$1,672,368 and \$1,943,551, respectively.

\$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, 2018 and 2017, is \$999,318 and \$1,128,670, respectively.

\$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, 2018 and 2017, is \$1,472,096 and \$1,627,426, respectively.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

F. LIABILITIES (CONTINUED)

Bonds Payable (Continued)

\$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, 2018 and 2017, is \$2,525,313 and \$2,726,250, respectively.

\$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, 2018 and 2017, is \$1,177,857 and \$1,258,930, respectively.

\$2,065,563 New Jersey Environmental Infrastructure Trust Fund Loan Series 2012, dated January 2012, due in semiannual installments for principal and interest through August 1, 2031, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2018 and 2017, is \$1,475,303 and \$1,579,171, respectively.

\$1,504,928 New Jersey Environmental Infrastructure Trust Fund Loan Series 2017, dated November 2017, due in semiannual installments for principal and interest through August 1, 2037, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2018 and 2017, is \$1,466,625 and \$1,504,928, respectively.

\$6,178,555 New Jersey Environmental Infrastructure Trust Fund Loan Series 2018, dated January 2018, due in semiannual installments for principal and interest through August 1, 2037, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2018 and 2017, is \$4,564,516 and \$0, respectively.

\$3,099,412 New Jersey Infrastructure Bank Direct Loan, dated December 2018, due in semiannual installments for principal only through August 1, 2038. The balance remaining as of December 31, 2018 and 2017, is \$3,099,412 and \$0, respectively.

The following is a summary of remaining long-term revenue bond payments:

Years Ending December 31,	Principal	Interest	Total
2019	\$ 1,380,233	\$ 196,814	\$ 1,577,047
2020	1,522,677	178,114	1,700,791
2021	1,574,077	157,401	1,731,478
2022	1,469,437	137,389	1,606,825
2023	1,506,679	119,389	1,626,068
2024-2028	5,951,298	339,819	6,291,117
2029-2033	3,271,504	69,653	3,341,157
2034-2038	2,136,493	14,819	2,151,312
	<u>\$ 18,812,399</u>	<u>\$ 1,213,397</u>	<u>\$ 20,025,795</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

F. LIABILITIES (CONTINUED)

Compensated Absences

The estimated liability for vested compensated absences is recorded as a noncurrent liability due to the nature of the account. The current portion of the compensated absences balance is not fully determinable and is considered immaterial and therefore is not shown separately from a long-term liability portion of compensated absences.

Net Pension Liability

For details on the net pension liability, see Pension Obligations in Note G. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

NJIB Loans Payable (NJEIT)

The Authority closed on two interim financing loans with the NJEIT that act as construction loans until total project costs are available and long-term financing can be scheduled. The loans totaled \$4,152,917. As of December 31, 2018, \$3,180,751 was borrowed, leaving \$972,166 available to fund remaining project costs.

Lease Payable

The Authority entered into a lease purchase agreement with TD Equipment Finance, Inc. on October 31, 2018, to lease 11 new garbage trucks and two new Ford F150 trucks. The total lease payable is for \$3,500,000 with a fixed interest rate of 2.91%. The lease payable matures November 1, 2023.

G. PENSION OBLIGATIONS

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR), which can be found at <http://www.nj.gov/treasury/pensions/financial-reports.shtml>.

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1.	Members who were enrolled prior to July 1, 2007.
2.	Members who were eligible to enroll on or after July 1, 2007, and prior to November 2, 2008.
3.	Members who were eligible to enroll on or after November 2, 2008, and prior to May 22, 2010.
4.	Members who were eligible to enroll on or after May 22, 2010, and prior to June 28, 2011.
5.	Members who were eligible to enroll on or after June 28, 2011.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

G. PENSION OBLIGATIONS (CONTINUED)

Plan Description (Continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62, and tier 5 with 30 years or more of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Basis of Presentation

The schedule of employer allocations and the schedule of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with GAAP. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions

The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, the State contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers were credited with the full payment and any such amounts were not be included in their unfunded liability. The actuaries determined the unfunded liability of the System, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012, and are adjusted by the rate of return on the actuarial value of assets. For the years ended December 31, 2018 and 2017, the Authority's contractually required contribution to PERS plan was \$1,877,169 and \$1,663,641, respectively.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

G. PENSION OBLIGATIONS (CONTINUED)

Components of Net Pension Liability

At December 31, 2018 and 2017, the Authority's proportionate share of the PERS net pension liability was \$37,158,319 and \$41,803,959, respectively. The net pension liability was measured as of June 30, 2018. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the years ended June 30, 2018 and 2017. The Authority's December 31, 2018, proportion measured as of June 30, 2018, was .18872% which was an increase of .00914 from its proportion measured as of June 30, 2017, of 0.17958%.

Pension Expense and Deferred Outflows/Inflows of Resources

At December 31, 2018 and 2017, the Authority's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2018, measurement date is \$2,492,910 and \$1,663,641, respectively. At December 31, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	December 31, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 708,615	\$ 191,600
Changes of assumptions	6,123,075	11,881,254
Net difference between projected and actual earnings on pension plan investments	-	348,547
Changes in proportion and differences between Authority contributions and proportionate share of contributions	1,995,059	337,336
	<u>\$ 8,826,749</u>	<u>\$ 12,758,737</u>
	December 31, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 984,339	\$ -
Changes of assumptions	8,422,057	8,391,180
Net difference between projected and actual earnings on pension plan investments	284,657	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	474,318	449,205
	<u>\$ 10,165,371</u>	<u>\$ 8,840,385</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

G. PENSION OBLIGATIONS (CONTINUED)

Pension Expense and Deferred Outflows/Inflows of Resources (Continued)

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

<u>Years Ending December 31,</u>	<u>Amount</u>
2019	\$ 3,860,901
2020	(872,503)
2021	(3,218,140)
2022	(2,770,362)
2023	(931,884)
	<u>\$ (3,931,988)</u>

Actuarial Assumptions

The collective total pension liability for the June 30, 2018 and 2017, measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation	<u>2018 & 2017</u> 2.25%
Salary increases	
Through 2026	1.65% - 4.15% based on age
Thereafter	2.65% - 5.15% based on age
Investment rate of return	7.00%
Mortality rate table	RP-2000

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

G. PENSION OBLIGATIONS (CONTINUED)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018), is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees, and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 and 2017, are summarized in the following table:

Asset Class	2018 and 2017	
	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

G. PENSION OBLIGATIONS (CONTINUED)

Discount Rate (Continued)

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority's proportionate share of the Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	At June 30, 2018		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Authority's proportionate share of net pension liability	<u>\$ 46,722,305</u>	<u>\$ 37,158,319</u>	<u>\$ 29,134,747</u>
	At June 30, 2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Authority's proportionate share of net pension liability	<u>\$ 51,860,648</u>	<u>\$ 41,803,959</u>	<u>\$ 33,425,490</u>

H. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The Authority participates in the State Health Benefit Local Government Retired Employees Plan (the "Plan"), which is a cost sharing multiple-employer defined post-retirement benefit plan administered by the State of New Jersey. The Plan provides continued health care benefits to employees retiring after twenty-five years of service. Benefits, contributions, funding and the manner of administration are determined by the State of New Jersey Legislature. The Division of Pensions and Benefits charges the Authority for its contributions. The total number of retired participants eligible for benefits was 329, 319, and 298 at December 31, 2018, 2017, and 2016, respectively.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

H. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The Authority's contribution to the Plan for the years ended December 31, 2018, 2017, and 2016 was \$1,799,727, \$1,807,088, and \$1,715,239, respectively.

Please refer to the State website, www.state.nj.us for more information regarding the Plan. The Plan's financial report may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

General Information about the OPEB Plan

The Plan covers employees of local government employers that have adopted a resolution to participate in the Plan. The Authority adopted a resolution on November 16, 2000, with an effective date of January 1, 2001.

The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide post-retirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Authority. Chapter 48 allows local employers to establish their own age and service eligibility for employer-paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of post-retirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer.

Further, the law provides that the employer-paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

H. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

General Information about the OPEB Plan (Continued)

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for post-retirement medical coverage who have less than 20 years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2017, through June 30, 2018.

Net OPEB Liability

Components of Net OPEB Liability

The components of the Authority's net OPEB liability as of June 30, 2018 and 2017, is as follows:

	June 30, 2018	June 30, 2017
Total OPEB liability	\$ 50,768,768.73	\$ 62,722,816.57
Plan Fiduciary Net Position	999,056.22	\$ 648,406.75
Net OPEB Liability	<u>\$ 49,769,712.51</u>	<u>\$ 62,074,409.82</u>
 Plan Fiduciary Net Position as a % of total OPEB liability	 1.97%	 1.03%

Actuarial Assumptions

The total OPEB liability as of June 30, 2018, was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

H. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions (Continued)

This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>2018 and 2017</u>
Inflation	2.50%
Salary increases*	
Through 2026	1.65 - 8.98%
Thereafter	2.65 - 9.98%

* Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2017, valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013, and July 1, 2011 to June 30, 2014, respectively. One-hundred percent of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

H. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Discount Rate

The discount rate for June 30, 2018 and 2017, was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB liability of the participating employers as of June 30, 2018 and 2017, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

At June 30, 2018		
At 1% Decrease (2.87%)	At Current Discount Rate (3.87%)	At 1% Increase (4.87%)
\$ 59,392,087	\$ 50,768,769	\$ 43,880,689

At June 30, 2017		
At 1% Decrease (2.58%)	At Current Discount Rate (3.58%)	At 1% Increase (4.58%)
\$ 135,941,433	\$ 62,722,817	\$ 53,880,076

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the net OPEB liability as of June 30, 2018 and 2017, respectively, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

At June 30, 2018		
At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
\$ 42,514,976	\$ 50,768,769	\$ 61,450,403

At June 30, 2017		
At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
\$ 52,234,054	\$ 62,722,817	\$ 76,380,400

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

H. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

	<u>Year of Deferral</u>	<u>Amortization Period</u>	<u>Beginning of the Year Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>End of the Year Balance</u>
Deferred Outflows of Resources:						
Differences between projected and actual investment earnings on OPEB plan investments						
	2017	5 years	\$ 11,115	\$ -	\$ 2,779	\$ 8,336
	2018	5 years	-	22,457	4,491	17,966
			<u>\$ 11,115</u>	<u>\$ 22,457</u>	<u>\$ 7,270</u>	<u>\$ 26,301</u>
Deferred Inflows of Resources:						
Differences between expected and actual experience						
	2018	8.04 years	\$ -	\$ 11,520,297	\$ 1,415,270	\$ 10,105,027
Changes of assumptions						
	2017	8.04 years	7,198,562	-	1,022,523	6,176,039
	2018	8.14 years	-	7,351,880	903,179	6,448,700
			<u>\$ 7,198,562</u>	<u>\$ 18,872,177</u>	<u>\$ 3,340,972</u>	<u>\$ 22,729,766</u>

The amounts reported as a deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending</u>	<u>OPEB</u>
2019	\$ (3,326,973)
2020	(3,326,973)
2021	(3,326,975)
2022	(3,329,634)
2023	(3,334,214)
Thereafter	(6,058,696)
	<u>\$ (22,703,465)</u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources of \$2,711,113 and deferred inflow of resources of \$1,604,428 related to the changes in proportion. These amounts will be recognized (amortized) by the Authority over the average remaining service lives of all plan members, which is 8.14 years and 8.04 years for the 2018 and 2017 amounts, respectively.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

I. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Authority adopted the provisions of GASB Statement No. 18, *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. The estimated liability as of December 31, 2018 and 2017, totaled \$33,428,432 and \$32,837,954, respectively. For the years ended December 31, 2018 and 2017, landfill closure capacity used was 68.4% and 64.2%, respectively.

J. AMOUNTS HELD BY THE STATE OF NEW JERSEY

The State of New Jersey holds the Landfill Closure Escrow Account in the name of the Authority. The cash and investments consisted of the following at December 31, 2018 and 2017, respectively:

	2018	2017
United States Treasury	\$ 28,788,771	\$ 29,405,241
Cash	1,150,596	369,168
Total	<u>\$ 29,939,367</u>	<u>\$ 29,774,409</u>

K. 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. These risks are covered by commercial insurance purchased from independent third parties.

L. 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 not the property or rights of the Authority.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

M. PRIOR PERIOD ADJUSTMENT

In 2018, the Authority adopted new accounting guidance Governmental Accounting Standards Board Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of this implementation, a restatement of the prior year net position was required in order to record the December 31, 2017, total OPEB liability of \$62,722,816 and the deferred outflows of resources and deferred inflows of resources of \$10,638 and \$8,759,794, respectively.

N. SUBSEQUENT EVENTS

The Authority issued on March 29, 2019, \$164,202 principal amount of Wastewater Revenue Bonds, Series 2019C. The bond was issued through the State of New Jersey, Department of Environmental Protection and the New Jersey Infrastructure Bank pursuant to the New Jersey Environmental Infrastructure Bank Financing Program for project number S340809-24.

The Authority issued on May 16, 2019, \$2,569,675 principal amount of Wastewater Revenue Bonds, Series 2019A and \$835,000 of Wastewater Revenue Bonds, Series 2019B. The bonds were issued through the State of New Jersey, Department of Environmental Protection and the New Jersey Infrastructure Bank pursuant to the New Jersey Environmental Infrastructure Bank Financing Program for project number S340809-28. The Authority also issued on May 16, 2019, \$70,000 principal amount of Wastewater Revenue Bonds, Series 2019D. The bond was issued through the State of New Jersey, Department of Environmental Protection and the New Jersey Infrastructure Bank pursuant to the New Jersey Environmental Infrastructure Bank Financing Program for project number S340809-24.

SUPPLEMENTARY INFORMATION

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

WASTEWATER DIVISION
STATEMENTS OF NET POSITION
MODIFIED ACCRUAL BASIS
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Unrestricted current assets:		
Cash and cash equivalents	\$ 10,220,985	\$ 9,444,859
Investments	31,499,653	28,618,942
Accrued interest receivable	200,791	142,531
Accounts receivable (net of allowance)	474,870	2,636,196
Other receivable	438,346	216,813
	<u>42,834,645</u>	<u>41,059,341</u>
Restricted noncurrent assets:		
Cash and cash equivalents	1,931,837	3,144,407
Investments	5,830,377	5,810,166
Accrued interest receivable	27,428	27,428
Loans receivable	4,456,724	145,848
	<u>12,246,366</u>	<u>9,127,849</u>
Capital assets, gross	240,553,140	231,904,726
Accumulated depreciation	<u>(177,992,436)</u>	<u>(172,430,062)</u>
Capital assets, net	<u>62,560,704</u>	<u>59,474,664</u>
TOTAL ASSETS	<u>\$ 117,641,715</u>	<u>\$ 109,661,854</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

WASTEWATER DIVISION
STATEMENTS OF NET POSITION (CONTINUED)
MODIFIED ACCRUAL BASIS
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
LIABILITIES		
Current liabilities payable from current assets:		
Accounts payable and accrued expenses	\$ 3,064,770	\$ 4,202,698
Unearned revenue, current	40,870	40,870
Due to Solid Waste Division	630,023	635,109
Pension payable	826,620	732,582
	<u>4,562,283</u>	<u>5,611,259</u>
Total current liabilities payable from current assets		
Current liabilities payable from restricted assets:		
Construction contracts payable	953,637	1,224,330
Current portion of long-term debt	1,380,233	1,096,302
NJEIT loan payable, net	3,180,751	3,245,296
Accrued interest	82,006	78,659
	<u>5,596,627</u>	<u>5,644,587</u>
Total current liabilities payable from restricted assets		
Noncurrent liabilities:		
Accrued compensated absences	354,368	373,883
Post-retirement benefits payable	535,019	535,019
Unearned revenue, non-current	41,349	81,018
Long-term portion of bonds payable	17,432,166	11,148,471
	<u>18,362,902</u>	<u>12,138,391</u>
Total noncurrent liabilities		
TOTAL LIABILITIES	<u>28,521,812</u>	<u>23,394,237</u>
NET POSITION		
Net investments in capital assets	40,567,555	43,984,595
Restricted for:		
Renewal and replacement	7,000,000	7,000,000
Debt service fund	395,133	208,437
Debt service reserve fund	429,758	429,758
Unrestricted	<u>40,727,456</u>	<u>34,644,827</u>
TOTAL NET POSITION	<u>89,119,903</u>	<u>86,267,617</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 117,641,715</u>	<u>\$ 109,661,854</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

WASTEWATER DIVISION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MODIFIED ACCRUAL BASIS
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues:		
User service agreements:		
Operating	\$ 21,893,135	\$ 22,318,899
General	1,450,784	1,025,022
Sludge	2,365,031	2,211,839
Septage	383,828	337,919
Other	4,122,547	1,287,659
	<u>30,215,325</u>	<u>27,181,338</u>
Total operating revenues		
Operating expenses:		
Salaries	6,574,233	6,082,556
Employee benefits	4,200,458	4,061,657
Power and utilities	2,598,158	2,343,096
Chemicals	792,559	703,980
Fuel	1,202,741	1,094,207
Supplies and miscellaneous maintenance	3,220,487	3,828,771
Contractual services	1,136,457	557,651
Indirect operating expenses	657,434	631,173
Administrative	1,438,445	1,454,347
Licenses and permits	176,984	179,153
Depreciation	5,562,374	5,394,719
	<u>27,560,330</u>	<u>26,331,310</u>
Total operating expenses		
Operating income	<u>2,654,995</u>	<u>850,028</u>
Non-operating revenues/(expenses):		
County appropriation	(363,074)	(360,425)
Interest income	766,267	284,554
Interest expense	(205,903)	(211,328)
	<u>197,290</u>	<u>(287,199)</u>
Total non-operating revenues/(expenses)		
Net income	2,852,285	562,829
Net position, January 1,	<u>86,267,617</u>	<u>85,704,788</u>
Net position, December 31,	<u>\$ 89,119,902</u>	<u>\$ 86,267,617</u>
Reconciliation to Statements of Revenues, Expenses and Changes in Net Position - GAAP Basis:		
Net income - modified accrual basis	\$ 2,852,285	\$ 562,829
Prior year wastewater GAAP adjustment	(1,144,753)	(1,897,461)
Current year wastewater GAAP adjustment	348,998	1,144,753
Unbudgeted pension expense	(269,170)	(313,204)
Unbudgeted OPEB expense	(413,726)	-
	<u>\$ 1,373,634</u>	<u>\$ (503,083)</u>
Net income/(loss) - GAAP basis		

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

WASTEWATER DIVISION
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING
REVENUES COMPARED TO BUDGET
RATE BASIS
Year Ended December 31, 2018

	Original Budget (Unaudited)	Modified Budget (Unaudited)	Actual	Favorable/ (Unfavorable) Variance
Revenues:				
User service agreements	\$ 23,343,919	\$ 23,343,919	\$ 23,343,919	\$ -
Sludge and septage	2,443,300	2,443,300	2,748,859	305,559
Interest on investments and deposits	500,000	500,000	766,267	266,267
Miscellaneous	1,242,383	1,242,383	4,122,547	2,880,164
Fund balance and reserves anticipated	1,084,074	1,084,074	1,084,074	-
Total revenues	28,613,676	28,613,676	32,065,666	3,451,990
Expenses:				
Salaries	6,810,997	6,810,997	6,574,233	236,764
Employee benefits	4,430,255	4,430,255	4,200,458	229,797
Power and utilities	2,789,000	2,789,000	2,598,158	190,842
Chemicals	1,272,000	1,272,000	836,008	435,992
Fuel	1,333,000	1,333,000	1,202,741	130,259
Supplies and miscellaneous maintenance	1,627,950	1,627,950	1,563,958	63,992
Contractual services	1,491,000	1,491,000	1,162,610	328,390
Indirect operation expenses	957,443	957,443	836,453	120,990
Administrative	1,927,145	1,927,145	1,459,109	468,036
Maintenance program expense	1,750,000	1,750,000	1,673,414	76,586
Cancelled purchase order	-	-	(109,187)	109,187
Total operating expenses	24,388,790	24,388,790	21,997,955	2,390,835
Non-operating expenses:				
County appropriation	363,074	363,074	363,074	-
System reserve requirements	2,223,459	2,223,459	2,223,459	-
Debt service interest	254,581	254,581	205,903	48,678
Debt service principal	1,383,772	1,383,772	1,244,881	138,891
Total non-operating expenses	4,224,886	4,224,886	4,037,317	187,569
Total expenses	28,613,676	28,613,676	26,035,272	2,578,404
Net income from operations	\$ -	\$ -	\$ 6,030,394	\$ 6,030,394
Reconciliation to Statements of Revenues, Expenses and changes in Net Position - Modified Accrual Basis:				
Net income - rate basis			\$ 6,030,394	
Fund balance and reserves anticipated			(1,084,074)	
System reserve requirements			2,223,459	
Principal payments			1,244,881	
Depreciation expense			(5,562,374)	
Prior year wastewater GAAP adjustment			(1,144,753)	
Current year wastewater GAAP adjustment			348,998	
Unbudgeted pension expense			(269,170)	
Unbudgeted OPEB expense			(413,726)	
Net income - GAAP basis			\$ 1,373,635	

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

WASTEWATER DIVISION
SCHEDULE OF CASH AND CASH EQUIVALENTS AND INVESTMENTS
December 31, 2018

Description	Face Amount	Interest Rate	Maturity Date	Fair Value December 31, 2018
Unrestricted accounts:				
Cash	\$ 2,742,893			\$ 2,742,893
First American Treasury Obligation Fund	5,299,281	1.88%		5,299,281
Certificates of Deposit - Various Issuers	3,500,000	1.4%-1.75%	2/4/19 - 11/1/19	3,478,055
PFM Asset Management - NJ ARM	203,402	2.23%		203,402
PFM Asset Management - US Treasury Notes	14,149,243	1.27%-2.46%	2/28/19 - 8/15/20	14,042,057
PFM Asset Management - NJ ARM	129,454	2.23%		129,454
PFM Asset Management - US Treasury Notes	10,746,281	1.27%-2.62%	2/28/19 - 8/15/20	10,679,541
	<u>34,027,661</u>			<u>33,831,790</u>
Operating reserve:				
First American Treasury Money Market	46,646	1.88%		46,646
Certificate of Deposit-Capital Bank of NJ	3,300,000	1.25%	2/22/2019	3,300,000
PFM Asset Management - NJ ARM	1,799,309	2.23%		1,799,309
	<u>5,145,955</u>			<u>5,145,955</u>
Total unrestricted accounts	<u>41,916,509</u>			<u>41,720,638</u>
Restricted accounts:				
Wastewater Trust Fund:				
First American Treasury Money Market:	11	1.72%-1.99%		11
Debt Service Fund:				
First American Treasury	395,133	1.88%		395,133
Debt Service Reserve Fund:				
PFM Asset Management - NJ ARM	30,651	2.23%		30,651
PFM Asset Management - US Treasury Note	399,125	1.27%		399,194
	<u>429,776</u>			<u>429,845</u>
Renewal and Replacement Fund:				
PFM Asset Management - NJ ARM	1,506,041	2.23%		1,506,041
PFM Asset Management - US Treasury Notes	5,433,477	1.27%-2.34%	2/28/19 - 7/31/19	5,431,183
	<u>6,939,518</u>			<u>6,937,225</u>
Total restricted accounts	<u>7,764,438</u>			<u>7,762,214</u>
Total	<u>\$ 49,680,948</u>			<u>\$ 49,482,852</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

WASTEWATER DIVISION
SCHEDULES OF PROPERTY, PLANT AND EQUIPMENT
MODIFIED ACCRUAL BASIS
Years Ended December 31, 2018, 2017, 2016, 2015 and 2014

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Property, plant and equipment:					
Property, plant and equipment, gross - January 1,	\$ 231,904,726	\$ 225,924,312	\$ 225,276,984	\$ 225,276,984	\$ 223,760,258
Additions:					
Sewer mains and interceptors	-	1,043,421	-	-	1,516,726
Buildings and improvements	-	-	-	-	-
Construction in progress	2,930,711	4,651,421	647,328	-	-
Equipment and vehicles	5,717,704	285,572	-	-	-
Total additions	<u>8,648,415</u>	<u>5,980,414</u>	<u>647,328</u>	<u>-</u>	<u>1,516,726</u>
Property, plant and equipment, gross - December 31,	240,553,141	231,904,726	225,924,312	225,276,984	225,276,984
Less:					
Accumulated depreciation and amortization	<u>(177,992,436)</u>	<u>(172,430,062)</u>	<u>(167,035,343)</u>	<u>(161,648,228)</u>	<u>(156,246,558)</u>
Property, plant and equipment, net - December 31,	<u>\$ 62,560,705</u>	<u>\$ 59,474,664</u>	<u>\$ 58,888,969</u>	<u>\$ 63,628,756</u>	<u>\$ 69,030,426</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SOLID WASTE DIVISION
STATEMENTS OF NET POSITION
MODIFIED ACCRUAL BASIS
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Unrestricted current assets:		
Cash and cash equivalents	\$ 4,271,547	\$ 4,587,616
Investments	17,556,487	16,784,693
Accrued interest receivable	186,102	132,424
Accounts receivable (net of allowance of \$52,240 and \$52,240 in 2018 and 2017, respectively)	2,608,568	2,638,028
Other receivable	339,466	142,251
Due from Wastewater Division	630,023	635,109
	<u>25,592,193</u>	<u>24,920,121</u>
Restricted noncurrent assets:		
Cash and cash equivalents	7,528,294	1,907,691
Investments	8,193,582	9,056,187
Amounts held by State of New Jersey	29,939,367	29,774,409
Accrued interest receivable	152,149	155,546
	<u>45,813,392</u>	<u>40,893,833</u>
Capital assets, gross	146,282,691	141,892,435
Accumulated depreciation	(108,817,710)	(105,057,904)
	<u>37,464,981</u>	<u>36,834,531</u>
Capital assets, net	<u>37,464,981</u>	<u>36,834,531</u>
TOTAL ASSETS	<u><u>\$ 108,870,567</u></u>	<u><u>\$ 102,648,485</u></u>

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SOLID WASTE DIVISION
STATEMENTS OF NET POSITION (CONTINUED)
MODIFIED ACCRUAL BASIS
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
LIABILITIES		
Current liabilities payable from current assets:		
Accounts payable and accrued expenses	\$ 3,475,935	\$ 4,086,184
Customer deposits	184,982	173,920
Pension payable	1,050,549	931,059
Total current liabilities payable from current assets	<u>4,711,466</u>	<u>5,191,163</u>
Current liabilities payable from restricted assets:		
Accrued Interest	16,975	-
TD Lease payable	3,500,000	-
Construction contracts payable	1,081,515	33,885
Total current liabilities payable from restricted assets	<u>4,598,490</u>	<u>33,885</u>
Noncurrent liabilities payable from restricted assets:		
Accrued landfill closure and post-closure care costs	<u>33,428,432</u>	<u>32,837,954</u>
Noncurrent liabilities:		
Accrued compensated absences	449,278	429,715
Post-retirement benefits payable	800,000	800,000
Total noncurrent liabilities	<u>1,249,278</u>	<u>1,229,715</u>
TOTAL LIABILITIES	<u>43,987,666</u>	<u>39,292,717</u>
NET POSITION		
Investment in capital assets, net of related debt	37,464,981	36,834,531
Unrestricted	<u>27,417,920</u>	<u>26,521,237</u>
TOTAL NET POSITION	<u>64,882,901</u>	<u>63,355,768</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 108,870,567</u>	<u>\$ 102,648,485</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SOLID WASTE DIVISION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MODIFIED ACCRUAL BASIS
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Tipping fees	\$ 24,534,013	\$ 23,307,196
Collections and recycling income	8,477,075	8,845,058
Grant income	212,402	211,927
Composting income	1,143,598	1,060,366
Other	1,111,662	991,646
Total operating revenues	<u>35,478,750</u>	<u>34,416,193</u>
Operating expenses:		
Salaries	9,856,193	9,185,061
Employee benefits	6,390,093	6,279,348
Power and utilities	637,020	626,591
Fuel	1,169,624	863,182
Supplies and miscellaneous maintenance	2,624,869	2,427,190
Indirect operating expenses	3,978,425	2,909,240
Administrative	1,113,788	1,012,524
Community benefit	2,539,785	2,384,381
Recycling and other taxes	1,116,553	1,065,815
Depreciation	4,210,349	4,513,118
Bad debt	21,545	-
Total operating expenses	<u>33,658,244</u>	<u>31,266,450</u>
Operating income	<u>1,820,506</u>	<u>3,149,743</u>
Non-operating revenues/(expenses):		
County appropriation	(436,926)	(439,575)
Interest income	1,121,570	504,886
Interest expense	(16,975)	-
(Loss)/Gain on sale of fixed assets	29,457	146,227
Adjustment to landfill closure and post-closure care costs	(990,499)	(968,477)
Total non-operating expenses	<u>(293,373)</u>	<u>(756,939)</u>
Net income	1,527,133	2,392,804
Net position, January 1,	<u>63,355,768</u>	<u>60,962,964</u>
Net position, December 31,	<u>\$ 64,882,901</u>	<u>\$ 63,355,768</u>
Reconciliation to Statements of Revenues, Expenses and Changes in Net Position - GAAP Basis:		
Net income - modified accrual basis	\$ 1,527,133	\$ 2,392,804
Prior year solid waste GAAP adjustment	(255,775)	(350,081)
Current year solid waste GAAP adjustment	134,769	255,775
Unbudgeted pension expense	(342,164)	(1,100,924)
Unbudgeted OPEB expense	(479,850)	-
Net income - GAAP basis	<u>\$ 584,113</u>	<u>\$ 1,197,574</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SOLID WASTE DIVISION
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING
REVENUES COMPARED TO BUDGET
RATE BASIS
Year Ended December 31, 2018 and 2017

	Original Budget (Unaudited)	Modified Budget (Unaudited)	Actual	Favorable/ (Unfavorable) Variance
Operating revenues:				
Tipping fees	\$ 23,083,984	\$ 23,083,984	\$ 24,534,013	\$ 1,450,029
Collections and recycling income	8,549,876	8,549,876	8,404,785	(145,091)
Composting income	1,136,147	1,136,147	1,143,598	7,451
Interest on investments and deposits	300,000	300,000	656,974	356,974
Miscellaneous	926,983	926,983	1,396,355	469,372
Fund balance and reserves anticipated	436,926	436,926	436,926	-
Total operating revenues	34,433,916	34,433,916	36,572,651	2,138,735
Operating expenses:				
Administration	3,944,136	3,944,136	3,606,098	338,038
Solid Waste Administration	1,400,095	1,400,095	1,402,754	(2,659)
Transfer Station Operations	1,446,921	1,446,921	1,375,231	71,690
Composting	648,255	648,255	430,417	217,838
Landfill Operations	8,638,234	8,638,234	8,225,390	412,844
Recycling Center Processing	175,245	175,245	221,947	(46,702)
Collections	7,284,044	7,284,044	8,079,528	(795,484)
Maintenance Center	6,789,117	6,789,117	6,210,479	578,638
Cancelled purchase orders	-	-	(103,948)	103,948
Total operating expenses	30,326,047	30,326,047	29,447,896	878,151
Net income from operating activities	4,107,869	4,107,869	7,124,755	3,016,886
Non-operating expenses:				
County appropriation	(436,926)	(436,926)	(436,926)	-
Renewal and replacement fund CIP	(3,670,943)	(3,670,943)	(4,841,665)	(1,170,722)
Total non-operating expenses	(4,107,869)	(4,107,869)	(5,278,591)	(1,170,722)
Net income from operations	-	-	1,846,164	1,846,164
Reconciliation to Statements of Revenues, Expenses and Changes in Net Position - Modified Accrual Basis:				
Net income - rate basis			\$ 1,846,164	
Fund balance and reserves anticipated			(436,926)	
Transfers to Cell Replacement & Capital Improvement Fund			4,841,665	
Contributions to landfill escrows			-	
Depreciation expense			(4,210,349)	
Pinelands Park Landfill interest income			464,596	
(Loss)/Gain on sale of fixed assets			29,457	
Adjustment to landfill closure and post-closure care cost			(990,499)	
Prior year solid waste GAAP adjustment			(255,775)	
Current year solid waste GAAP adjustment			134,769	
Unbudgeted interest expense			(16,975)	
Unbudgeted pension expense			(342,164)	
Unbudgeted OPEB expense			(479,850)	
Net income - GAAP basis			\$ 584,113	

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SOLID WASTE DIVISION
SCHEDULE OF CASH AND CASH EQUIVALENTS AND INVESTMENTS
December 31, 2018

Description	Face Amount	Interest Rate	Maturity Date	Fair Value December 31, 2018
Unrestricted accounts:				
Operations:				
Cash	\$ 266,187			\$ 266,187
PFM Asset Management - NJ ARM	3,595,850	2.23%		3,595,850
PFM Asset Management - US Treasury Notes	3,178,012	2.25%-2.70%	3/15/19 - 10/15/19	3,189,992
Wells Fargo Government Money Market	14,637	2.20%		14,637
Certificates of Deposit - Various	5,125,000	1.55%-1.75%	2/15/19 - 8/23/19	5,099,832
PFM Asset Management - NJ ARM	113,322	2.23%		113,322
PFM Asset Management - US Treasury Notes	8,272,881	0.875%-3.625%	2/28/19 - 8/15/19	8,222,091
PFM Asset Management - NJ ARM	281,550	2.23%		281,550
PFM Asset Management - US Treasury Notes	1,046,273	0.875%-1.625%	2/28/19 - 7/31/19	1,044,572
	<u>21,627,526</u>			<u>21,561,847</u>
Total unrestricted accounts	<u>21,893,713</u>			<u>21,828,034</u>
Restricted accounts:				
Renewal and Replacement Fund:				
PFM Asset Management - NJ ARM	1,679,168	2.23%		1,679,168
PFM Asset Management - US Treasury Note	894,418	1.25%-1.375%	2/28/19 - 3/31/19	897,922
PFM Asset Management - NJ ARM	2,401,434	2.23%		2,401,434
PFM Asset Management - US Treasury Notes	7,270,133	0.75%-1.625%	2/15/19 - 11/15/19	7,295,660
TD Bank - Escrow Fund Capital Leases	3,447,692			3,447,692
	<u>15,692,845</u>			<u>15,721,876</u>
Escrow Funds:				
ACUA Standard Escrow	5,633,041			5,633,041
ACUA Alternative Escrow	5,042,193			5,042,193
Pinelands Park Standard Escrow	10,984,048			10,984,048
Pinelands Park Alternative Escrow	8,280,086			8,280,086
	<u>29,939,367</u>			<u>29,939,367</u>
Total restricted accounts	<u>45,632,212</u>			<u>45,661,243</u>
Total	<u>\$ 67,525,925</u>			<u>\$ 67,489,277</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SOLID WASTE DIVISION
SCHEDULES OF PROPERTY, PLANT AND EQUIPMENT
MODIFIED ACCRUAL BASIS
Years Ended December 31, 2018, 2017, 2016, 2015 and 2014

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Waste Disposal:					
Property, plant and equipment:					
Property, plant and equipment, gross - January 1,	\$ 113,870,320	\$ 112,563,204	\$ 111,965,508	\$ 109,113,091	\$ 100,566,525
Additions:					
Buildings and improvements	-	-	245,618	563,231	10,747
Construction in progress	328,788	9,442	303,651	-	-
Equipment and vehicles	1,763,274	1,157,063	-	655,592	1,496,984
Landfill design and implementation	208,811	662,144	273,160	2,143,647	7,038,835
Total additions	2,300,873	1,828,649	822,429	3,362,470	8,546,566
Disposals:					
Buildings and improvements	-	-	-	-	-
Construction in progress	(9,441)	(303,651)	-	-	-
Equipment and vehicles	(450,543)	(217,882)	(224,733)	(510,053)	-
Total disposals	(459,984)	(521,533)	(224,733)	(510,053)	-
Property, plant and equipment, gross - December 31,	115,711,209	113,870,320	112,563,204	111,965,508	109,113,091
Less:					
Accumulated depreciation and amortization	(85,130,871)	(82,563,812)	(79,358,203)	(76,019,206)	(71,775,228)
Property, plant and equipment, net - December 31,	<u>\$ 30,580,338</u>	<u>\$ 31,306,508</u>	<u>\$ 33,205,001</u>	<u>\$ 35,946,302</u>	<u>\$ 37,337,863</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SOLID WASTE DIVISION
SCHEDULES OF PROPERTY, PLANT AND EQUIPMENT (CONTINUED)
MODIFIED ACCRUAL BASIS
Years Ended December 31, 2018, 2017, 2016, 2015 and 2014

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Waste Recycling:					
Property, plant and equipment:					
Property, plant and equipment, gross - January 1,	37,881,615	37,688,803	37,362,979	37,977,540	37,689,306
Additions:					
Buildings and improvements	-	-	-	-	59,142
Equipment and vehicles	1,635,467	704,262	1,255,528	61,355	229,092
Construction in Progress	913,902	-	-	-	-
Total additions	2,549,369	704,262	1,255,528	61,355	288,234
Disposals:					
Buildings and improvements	-	-	-	-	-
Equipment and vehicles	-	(511,450)	(929,704)	(675,916)	-
Total disposals	-	(511,450)	(929,704)	(675,916)	-
Property, plant and equipment, gross - December 31,	40,430,984	37,881,615	37,688,803	37,362,979	37,977,540
Less:					
Accumulated depreciation and amortization	(33,546,341)	(32,353,592)	(31,767,921)	(31,020,353)	(31,007,146)
Property, plant and equipment, net - December 31,	6,884,643	5,528,023	5,920,882	6,342,626	6,970,394
Grand total	<u>\$ 37,464,981</u>	<u>\$ 36,834,531</u>	<u>\$ 39,125,883</u>	<u>\$ 42,288,928</u>	<u>\$ 44,308,257</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SOLID WASTE DIVISION
SPECIAL PURPOSE STATEMENT OF REVENUES AND EXPENSES TO COMPLY WITH
REVENUE BOND RESOLUTIONS
Year Ended December 31, 2018

	<u>2018</u>
Operating revenues:	
User service agreements:	
Operating	\$ 22,318,898
General	1,025,022
Sludge	2,365,031
Septage	383,828
Grants	2,498,598
Other	<u>1,623,949</u>
Total operating revenues	<u>30,215,326</u>
Operating expenses:	
Salaries	6,574,233
Employee benefits	4,200,458
Power and utilities	2,598,158
Chemicals	792,559
Fuel	1,202,741
Supplies and miscellaneous maintenance	3,220,487
Contractual services	1,136,457
Indirect operating expenses	657,434
Administrative	1,438,445
Licenses and permits	<u>176,984</u>
Total operating expenses	<u>21,997,956</u>
Operating income	<u>8,217,370</u>
Non-operating revenues/(expenses):	
County appropriation	(363,074)
Interest income	766,267
Interest expense	<u>(205,903)</u>
Total non-operating revenues/(expenses)	<u>197,290</u>
Net income	<u>\$ 8,414,660</u>

REQUIRED SUPPLEMENTARY INFORMATION

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (UNAUDITED)
Last Ten Years

	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability	0.1887214815%	0.1795826008%	0.1817352485%	0.1817731987%	0.1765915174%	0.1774297598%
Authority's proportionate share of net pension liability	\$ 37,158,319	\$ 41,803,959	\$ 53,824,768	\$ 40,804,441	\$ 33,062,762	\$ 33,910,352
Authority's covered-employee payroll	12,814,155	12,431,741	12,312,031	12,482,810	12,051,171	12,145,642
Authority's proportionate share of net pension liability as a % of payroll	289.98%	336.27%	437.17%	326.89%	274.35%	279.20%
Total pension liability	80,077,494	80,547,047	89,912,966	78,361,663	68,996,903	66,132,144
Plan fiduciary net position	42,919,175	38,743,088	36,088,198	37,557,222	35,934,141	32,221,791
Plan fiduciary net position as a % of total pension liability	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

*In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail in the above Schedule of Proportionate Share of Net Pension Liability Public Employees' Retirement System, however, only six years of data are available at this time.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (UNAUDITED)
Last Ten Years

	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 1,877,169	\$ 1,663,641	\$ 1,614,510	\$ 1,562,762	\$ 1,455,795	\$ 1,336,897
Contributions in relation to the contractually required contribution	1,877,169	1,663,641	1,614,510	1,562,762	1,455,795	1,336,897
Agency's covered employee payroll	13,043,021	12,814,155	12,431,741	12,312,031	12,482,810	12,051,171
Contributions as a % of covered employee payroll	14.39%	12.98%	12.99%	12.69%	11.66%	11.09%

*In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail in the above Schedule of Contributions Public Employees' Retirement System, however, only six years of data are available at this time.

ATLANTIC COUNTY UTILITIES AUTHORITY
 (A Component Unit of the County of Atlantic, New Jersey)

SCHEDULE OF PROPORTIONATE SHARE OF THE OPEB LIABILITY AND CONTRIBUTIONS (UNAUDITED)
 Last Ten Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the net OPEB liability	0.317680%	0.304051%	0.313885%
Proportionate share of net OPEB liability	\$ 50,768,769	\$ 62,722,817	\$ 68,167,863
Contributions	\$ 1,799,727	\$ 1,807,088	\$ 1,715,239

*In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail in the above Schedule of Proportionate Share of the OPEB Liability and Contributions, however, only three years of data are available at this time.

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Chairman and Members of
Atlantic County Improvement Authority

We have audited, 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 prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Atlantic County Utilities Authority (the “Authority”), a component unit of the County of Atlantic, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated September 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Authority’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes 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. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

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

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mercadieu, P.C.
Certified Public Accountants

September 19, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY
UNIFORM GUIDANCE AND NEW JERSEY CIRCULAR LETTER 15-08-OMB**

To the Chairman and Members of
Atlantic County Improvement Authority

Report on Compliance for Each Major State Program

We have audited the Atlantic County Utility Authority's compliance with the types of compliance requirements described in the *Uniform Guidance* and *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Authority's major state programs for the fiscal year ended December 31, 2018. The Atlantic County Utility Authority's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Atlantic County Utility Authority's major state programs based on our audit of the types of compliance requirements referred to above. 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"); and the State of New Jersey Circular Letter 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* ("Circular Letter 15-08-OMB"); and the audit requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards, Uniform Guidance and Circular Letter 15-08-OMB 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 state 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 our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Authority's compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY
UNIFORM GUIDANCE AND NEW JERSEY CIRCULAR LETTER 15-08-OMB
(CONTINUED)**

Opinion on Each Major State Program

In our opinion, the Atlantic County Utilities Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of the Atlantic County Utility Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with Uniform Guidance and Circular Letter 15-08-OMB, 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 internal 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 state 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 material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance and Circular Letter 15-08-OMB. Accordingly, this report is not suitable for any other purpose.

Merodien, P.C.
Certified Public Accountants

September 19, 2019

ATLANTIC COUNTY UTILITIES AUTHORITY

(A Component Unit of the County of Atlantic, New Jersey)

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2018

State Funding Agency/Program Title	State Account Number/ Project Number	Award Amount	2018 Program Receipts	2018 Program Disbursements	Subrecipient Expenditures	Cumulative Disbursements
New Jersey Infrastructure Bank:						
2016 Construction Loan Fund	S340 809 23	\$ 6,331,336	\$ 2,583,902	\$ 2,583,902	\$ -	\$ 5,098,744
2018 Long-Term Loan	S340 809 23	795,094	591,419	591,419	-	591,419
2017 Construction Loan Fund	S340 809 26	286,849	-	-	-	286,849
2016 Construction Loan Fund	S340 809 27	1,601,458	-	-	-	1,020,542
2016 Construction Loan Fund	S340 809 27	340,180	-	-	-	340,180
2017 Long-Term Loan	S340 809 27	41,849	25,349	25,349	-	25,349
2017 Construction Loan Fund	S340 809 28	3,628,000	2,737,146	2,737,146	-	3,139,633
Total State Financial Assistance		\$ 13,024,766	\$ 5,937,816	\$ 5,937,816	\$ -	\$ 10,502,716

See notes to schedule of expenditures of state financial assistance.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

NOTE 1: GENERAL

The accompanying schedule of expenditures of state financial assistance presents the activity of all state financial assistance programs of the Atlantic County Utilities Authority. The Authority is defined in Note 1 of the general purpose financial statements. The information in this schedule is presented in accordance with the requirements of Uniform Guidance and New Jersey OMB’s Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All state awards received directly from state agencies, as well as state awards passed through other government agencies, are included on the schedule of state financial assistance.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of state financial assistance is presented using the accrual basis of accounting, which is described in the Notes to the Financial Statements, Note A.

The amounts shown as current year expenditures represent only the state grant portion of the program costs. Such expenditures are recognized following the cost principles contained in Uniform Guidance and State of New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Authority did not elect the 10-percent de minimis indirect cost rate as discussed in 2 CFR 200.414.

NOTE 3: RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

The accompanying schedule of expenditures of state financial assistance may include expenditures that occurred in prior fiscal years. The amounts reported in the accompanying schedule agree with the amounts reported in the Authority’s financial statements, except for the following grants and amounts:

	Recognized in Current Year Financial Statements	Total
New Jersey Environmental Infrastructure Trust - 2016	\$ 2,583,902	\$ 2,583,902
New Jersey Environmental Infrastructure Trust - 2017	2,762,495	2,762,495
New Jersey Environmental Infrastructure Trust - 2018	591,419	591,419
Total financial assistance	<u>\$ 5,937,816</u>	<u>\$ 5,937,816</u>

NOTE 4: RELATIONSHIP TO THE STATE FINANCIAL REPORTS

The regulations and guidelines governing the preparation of state financial reports vary by state agency and among programs administered by the same agencies. Accordingly, the amounts reported in the state financial reports do not necessarily agree with the amounts reported in the accompanying Schedule, which is prepared on the accrual basis of accounting as explained in Note 1.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)

NOTE 5: STATE LOANS OUTSTANDING

The Atlantic County Utilities Authority had loan balances outstanding at December 31, 2018, of \$3,180,751.

NOTE 6: CONTINGENCIES

Each of the grantor agencies reserves the right to conduct additional audits of the Authority's grant program for economy, efficiency and program results. However, the Authority administration does not believe such audits would result in material amounts of disallowed costs.

ATLANTIC COUNTY UTILITIES AUTHORITY
 (A Component Unit of the County of Atlantic, New Jersey)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

Section I - Summary of Auditor's Results
Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? yes X no

2) Significant deficiency(ies) identified?
 reported yes X none

Noncompliance material to financial statements noted? yes X no

State Financial Assistance

Dollar threshold used to determine Type A programs \$750,000

Auditee qualified as low-risk auditee? yes X no

Internal control over major programs:

1) Material weakness(es) identified? yes X no

2) Significant deficiency(ies) identified? yes X no

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be
 Reported in accordance with Uniform Guidance and
 New Jersey OMB's Circular 15-08? yes X no

Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
<u>S340 809-23</u>	<u>New Jersey Environmental Infrastructure Trust - Fund (2016)</u>
<u>S340 809-26</u>	<u>New Jersey Environmental Infrastructure Trust - Fund (2017)</u>
<u>S340 809-27</u>	<u>New Jersey Environmental Infrastructure Trust - Fund (2016)</u>
<u>S340 809-27</u>	<u>New Jersey Environmental Infrastructure Trust - Trust (2016)</u>
<u>S340 809-28</u>	<u>New Jersey Environmental Infrastructure Trust - Fund (2017)</u>

ATLANTIC COUNTY UTILITIES AUTHORITY

(A Component Unit of the County of Atlantic, New Jersey)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

Section II - Financial Statement Findings

None.

Section III - State Financial Assistance Findings & Questioned Costs

None

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2018

None reported.