

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY  
YEARS ENDED DECEMBER 31, 2008 AND 2007

FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
with  
INDEPENDENT AUDITOR'S REPORTS  
and  
COMMENTS AND RECOMMENDATIONS

ATLANTIC COUNTY UTILITIES AUTHORITY  
ATLANTIC COUNTY

TABLE OF CONTENTS

Year ended December 31, 2008

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1-2
FINANCIAL SECTION	
Independent Auditor's Report	3-4
Required Supplementary Information: Management's Discussion and Analysis	5-24
FINANCIAL STATEMENTS	
Comparative Balance Sheet	25
Comparative Statement of Revenues, Expenses and Changes in Net Assets	26
Comparative Statement of Cash Flows	27
Notes to the Financial Statements	28-48
Other Supplementary Information	
Wastewater Division:	
Comparative Statement of Net Assets - Modified GAAP Basis	49
Comparative Statement of Revenues, Expenses and Changes in Net Assets - Modified GAAP Basis	50
Schedule of Operating Revenues and Costs Funded By Operating Revenues Compared To Budget - Rate Basis	51
Schedule of Cash, Cash Equivalents and Investments	52
Schedule of Property, Plant and Equipment and Other Capitalized Costs - Modified GAAP Basis	53
Schedule of Debt Issue Costs - Modified GAAP Basis	54
Solid Waste Division:	
Comparative Statement of Net Assets - Modified GAAP Basis	55
Comparative Statement of Revenues, Expenses and Changes in Net Assets - Modified GAAP Basis	56
Schedule of Revenues and Costs Funded By Operating Revenues Compared To Budget - Rate Basis	57
Schedule of Cash, Cash Equivalents and Investments	58
Schedule of Property, Plant and Equipment and Preoperating Costs - Modified GAAP Basis	59
Schedule of Debt Issue Costs - Modified GAAP Basis	60

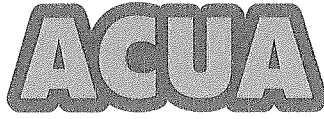
ATLANTIC COUNTY UTILITIES AUTHORITY  
ATLANTIC COUNTY

TABLE OF CONTENTS

Year ended December 31, 2008

	<u>Page</u>
FINANCIAL SECTION (continued)	
Special-Purpose Statements of Revenue and Expenses to Comply With Revenue Bond Resolution: Independent Auditor's Report	61-62
Wastewater Division: Special-Purpose Statement of Revenue and Expenses to Comply With Bond Resolutions	63
Solid Waste Division: Special-Purpose Statement of Revenue and Expenses to Comply With Bond Resolutions	64
Note to Special-Purpose Financial Statements	65
Debt Service Requirement: Independent Auditor's Report	66
Solid Waste Division - Debt Service Requirement	67
GENERAL COMMENTS AND RECOMMENDATIONS	
Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	68-69
Comments and Recommendations	70

## INTRODUCTORY SECTION



## Atlantic County Utilities Authority

P.O. Box 996 • Pleasantville, NJ, 08232-0996

street address: 6700 Delilah Road, Egg Harbor Twp., NJ, 08234-5623

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

May 20, 2009

Chairman Gallagher, Authority Board Members and President Dovey:

Presented to you are the audited financial statements for the 2008-year. There are separate financial statements for the Wastewater Division and Solid Waste Division, as has been done in prior years. The financial statements are presented separately for each division because the Divisions are separate and distinct for ratemaking, operating, and public financing purposes. There are also combined statements as required by accounting standards for the Comparative Statement of Net Assets, the Comparative Statement of Revenues, Expenses, and Changes in Net Assets, and Comparative Statement of Cash Flows.

Government Auditing Standards and State law requires that the Atlantic County Utilities Authority publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards. The financial statements for the 2008-year are presented as required.

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

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

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

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

Regarding the reliability of the statements presented, a reasonable internal control framework and procedures exist to protect the Atlantic County Utility Authority's assets from loss, theft or misuse. This internal control framework provides a basis that allows staff to compile sufficient and reliable information for



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. Hutchins, Farrell, Meyer & Allison, P.A., 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, 2008 and 2007. There are no recommendations noted.

Sincerely,

*Maria Mento*

Maria Mento

Executive Vice President & Chief Financial Officer

## FINANCIAL SECTION

# Hutchins, Farrell, Meyer & Allison, P.A.

Certified Public Accountants • Business & Financial Advisors

Robert H. Hutchins, CPA, CVA  
Eugene M. Farrell, CPA, RMA, CFP  
Robert W. Allison, CPA, RMA  
Alan E. Meyer, CPA/ABV  
Joann DiLieto, CPA

Patrice R. Antonucci, CPA  
Thomas L. Stetson, CPA

## Monmouth County Office

912 Highway 33 • Suite 2  
Freehold, NJ 07728  
(732) 409-0800  
Fax: (732) 866-9312

## Ocean County Office

512 Main Street • PO Box 1778  
Toms River, NJ 08754  
(732) 240-5600  
Fax: (732) 505-8358

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the Atlantic County Utilities Authority ("Authority"), a component unit of the County of Atlantic, as of and for the years ended December 31, 2008 and 2007, as listed in the accompanying Table of Contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2008, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



The Honorable Chairman  
and Members of the Board  
of the Atlantic County Utilities Authority  
Page 2

In accordance with Government Auditing Standards, we have also issued our report dated May 20, 2009 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying financial information listed as Other Supplementary Information is not a required part of the basic financial statements, but is presented as additional analytical data. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

*Hutchins, Farrell, Meyer & Allison, P.A.*  
Hutchins, Farrell, Meyer & Allison, P.A.

May 20, 2009

REQUIRED SUPPLEMENTARY INFORMATION

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

Within this section of the Atlantic County Utilities Authority's (the Authority or the ACUA) annual financial report, the management of the Authority provides narrative discussion and analysis of the financial activities of the Authority for the audit year ending December 31, 2008.

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

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

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

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

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

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

The primary difference between the statements is the recording and reporting of accounts payable. On the "Modified GAAP Basis" statements, all encumbrances as of 12/31/2008 are reported as Accounts Payable or Construction Contracts Payable, and as Property, Plant and Equipment. On the "GAAP Basis" statements, only those encumbrances where goods or services have been received as of 12/31/2008 are reported as Accounts Payable or Construction Contracts Payable, and as Property, Plant and Equipment. The difference between the two statements and methodologies presents itself in Net Assets-Unrestricted.

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

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

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

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

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

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

## Wastewater Division

### Comparative Balance Sheet

The Wastewater Division's Total Assets decreased \$3.8 million. Current Assets were up by about 9.5% or \$1.5 million. Non Current Assets decreased by about \$195,000. Loans Receivable was down by about \$900,000. Accumulated Depreciation increased by about \$5 million and PP&E increased by \$213,000, resulting in a decrease in Net Capital Assets by \$4.8 million.

Total liabilities decreased by \$5.8 million. Bonds Payable went from \$53.4 million in 2007 to \$47.3 million in 2008, thereby accounting for most of total liability decrease. There were no new borrowings in 2008.

Current Liabilities Payable From Current Assets increased \$581,134. Accounts Payable accounted for \$226,570 of the increase, Deferred Revenue accounted for \$21,460 of the increase, and an increase for the amount Due To Solid Waste of \$333,104 accounts for the balance.

Current Liabilities Payable From Restricted Assets decreased \$224,937. The Current Portion of Long Term Debt increased by 5.7%, and Construction Contract Payables and Accrued Interest Payable both decreased by almost 85% and 9%, respectively.

Non Current Liabilities decreased 11%, or \$6.1 million. This decrease is mostly attributable to a \$6 million reduction in Long Term Bonds Payable.

Assets exceed liabilities by \$64,658,805. This compares to 2007 where the division's assets exceeded its liabilities by \$62,677,455. The net change is an increase in assets over liabilities of \$1,981,350. In 2007, the net change was an increase of 1,496,315.

The Division's Net Assets of \$64,658,805 is comprised of the following:

- (1) Capital Assets, Net of Related Debt of \$31,195,795 include property, plant and equipment, net of accumulated depreciation, and net of long-term debt and short-term debt related to the purchase or construction of capital assets. Calculated as: (Net Capital Assets-Long-Term Portion of Bonds Payable – Current Maturities of Long-Term Debt = Investment in Capital Assets, Net of Related Debt).
- (2) Net Assets of \$4,800,000 restricted for the purpose of Renewal and Replacement of “the System” and restricted as the “System Improvement Requirement”, which is determined each year by an independent consulting engineer.
- (3) Net Assets of \$6,130,912 restricted for the purpose of forthcoming debt service payments.
- (4) Net Assets of \$7,608,017 restricted for the purpose of providing a Debt Service Reserve Fund, in accordance with the Authority's debt covenants, and of which part is in the form of a Surety Bond. This Requirement decreased slightly in 2008.

(5) Unrestricted Net Assets of \$14,924,080 represents the portion available to maintain the Authority's continuing obligations to the contractual customers of its service area, its creditors and current liabilities.

Restricted Net Assets increased \$846,805 in 2008 as follows: Investments in Capital Assets Net of Related Debt increased \$849,648, and the Reserve for Debt Service Fund and Debt Service Reserve Fund decreased \$2,843 combined.. The Renewal and Replacement Fund did not change from 2007.

Unrestricted Net Assets increased \$1,134,545, which is comprised of the Net Income in Operations for 2008 and an increase in Restricted Net Assets.

Total Fund Equity increased 3% or \$1,981,350, the reported Net Income for the 2008-year. It is comprised of Operating Income in the amount of \$3,307,690 and Non-Operating Expenses of \$1,326,340.

Wastewater	2008	2007	Change	%
<b>Total Current Assets</b>	\$17,813,368	\$16,267,088	\$1,546,280	9.51%
<b>Total Non Current Assets</b>	\$19,305,776	\$19,500,761	(\$194,985)	-1.00%
<b>Net Capital Assets</b>	\$84,465,577	\$89,328,856	(\$4,863,279)	-5.44%
<b>Deferred Costs</b>	<u>\$2,059,344</u>	<u>\$2,353,534</u>	<u>(\$294,190)</u>	<u>12.50%</u>
<b>Total Assets</b>	\$123,644,065	\$127,450,239	(\$3,806,174)	-2.99%
<b>Total Current Liabilities</b>				
<b>Payable from Current Assets</b>	\$2,421,725	\$1,840,591	\$581,134	31.57%
<b>Total Current Liabilities Payable from Restricted Assets</b>	\$6,924,614	\$7,149,551	(\$224,937)	-3.15%
<b>Deferred Revenue</b>	\$1,171,295	\$1,307,595	(\$136,300)	10.42%
<b>Accrued Compensated Absences and Post Retirement Benefits</b>	\$1,135,023	\$1,110,094	\$24,929	2.25%
<b>Long Term Obligations</b>	<u>\$47,332,603</u>	<u>\$53,364,953</u>	<u>(\$6,032,350)</u>	<u>11.30%</u>
<b>Total Liabilities</b>	\$58,985,260	\$64,772,784	(\$5,787,524)	-8.94%
<b>Net Assets</b>	\$64,658,805	\$62,677,455	\$1,981,350	3.16%

Current Cash and Cash Equivalents decreased \$844,354 and receivables decreased \$608,582

Non Current Assets decreased \$194,985. Loans Receivable dropped \$903,295 and Cash & Investments increased \$524,784.

Net Capital Assets decreased by almost \$4.9 million due to additions of \$213,000 and depreciation of about the same amount of about \$5.1 million. Depreciation Expense for the 2008 year dropped about \$1.4 million due to a one year adjustment in 2007 that corrected depreciation for the period of 1979 through 1992.

Total Current Liabilities Payable from Current Assets increased by \$581,134 mostly due to an increase in Accounts Payable and Due to Solid Waste and also an increase in Deferred Revenue.

Total Current Liabilities Payable From Restricted Assets decreased 3.1% due to decreases in Construction Contracts Payable and Accrued Interest, combined with an increase in Current Portion of Long Term Debt.

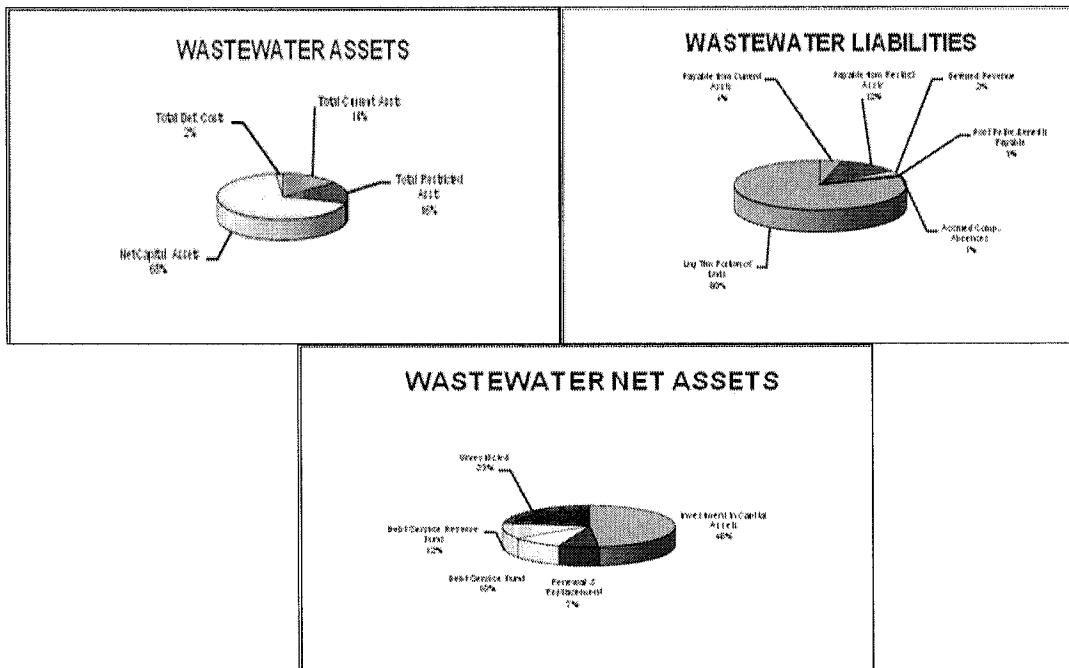
Non-Current Deferred Revenue dropped 10.4% due to services provided in 2008 for prepaid leachate disposal.

Accrued Compensated Absences were increased 4.3% to meet required balances. The Authority does not pay employees for their unused sick time hours at retirement.

In 2003, the Authority began to fund a potential and expected future liability for Other Post Retirement Benefits and began to estimate for the liability in anticipation of the implementation of GASB 45 and GASB 43. In 2004 this was increased by \$231,856 for a total of \$535,019. This liability remains the same in 2008. Additional funds have been set aside in a separate account for Other Post Employment Benefits.

Long-Term Obligations decreased by 11.3% or \$6,032,350. This represents the principal paid in 2008 in accordance with existing debt service schedules.

Total Net Assets increased 3.16% as a result of the reported net income of \$1,981,350 for the 2008-year.



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

Operating Income increased \$895,215, more than 37%.

The user fee charged to the fourteen participants increased 2.5%. The user fee was increased and the anticipated flow into the facility remained the same. Sludge income increased 16%. Income from Septage and Leachate disposal decreased 3%. Sludge, Septage and Leachate disposal services is considered "outside income", and as such is utilized to reduce or stabilize the user fee charged to the Authority's fourteen direct participants. The user fee is the primary revenue source of the Authority and supports the expenses as follows: \$15,743,904 for operating expenses, and \$7,895,555 for annual debt service. Interest income decreased more than \$925,000 and 70% as a result of the current recession.

Expenses decreased 0.5% from the prior year, a \$120,285 decrease. This was due to decreases in depreciation of \$1,405,920 and Interest Expense of \$517,141 combined with increases in Fuel, Supplies and Maintenance of \$1,290,245. Net of Depreciation, Total Expenses increased 5.19%. Net of Depreciation and Interest Expense, Operating Expenses increased 8.88% when compared to 2007. Some highlights include a 1% decrease in Salaries, a 9% increase for Health Benefits, a 2% increase in Power and Utilities, a 6% decrease in Chemicals, a 36% increase in Fuel cost, a 57% increase in Supplies and Maintenance, a 5% decrease in Indirect Operating Expense and a 34% increase in License and Permitting Fees. The increase in Supplies and Maintenance is primarily due to incinerator parts needed in 2008. The increase in License and Permitting Fees is due to timing of permit renewals as well as applying a state formula to determine our fees. Some of our permits are renewed every five years and 2008 was a renewal year for some permits.

In 2008 fuel increased due to higher prices and there was no significant shutdown period that was experienced in 2007. Electricity increased 18.7% and \$489,841 as a result of higher market prices and increased usage. Wind and solar power help stabilize this significant expense.

Depreciation Expense decreased 22% mostly due a onetime adjustment and correction recorded in 2007 to the schedule and calculation for a period that pre-dates current management. Amortization of Bond Issue Costs remained the same.

Total Operating Revenues exceeded Total Operating Expenses by \$3,307,690.

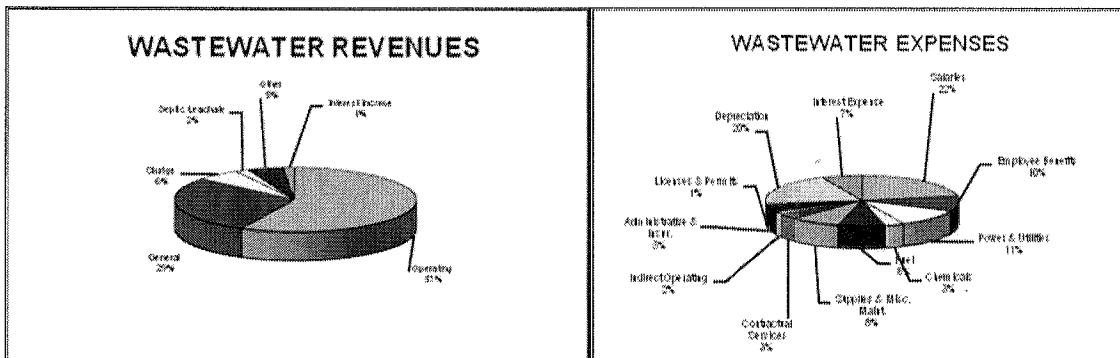
Non Operating Expenses, which is comprised of Interest Income and Interest Expense, increased 44.78%. This is comprised of a 69.6% decrease in Interest Income and a 23% decrease in Interest Expense.

Total 2008 Revenues exceeded Total Expenses by \$1,981,350.

Total Net Assets increased to \$64,658,805.



	2008	2007	Change	%
<b>Total Operating Revenues</b>	<b>\$27,101,942</b>	<b>\$26,086,442</b>	<b>\$1,015,500</b>	<b>3.89%</b>
<b>Operating Expenses including Depreciation</b>	<b>\$23,794,252</b>	<b>\$23,673,967</b>	<b>\$120,285</b>	<b>0.51%</b>
<b>Operating Income</b>	<b>\$3,307,690</b>	<b>\$2,412,475</b>	<b>\$895,215</b>	<b>37.11%</b>
<b>Non-Operating Revenues/Expenses</b>				
<b>Interest Expense</b>	<b>(\$1,731,304)</b>	<b>(\$2,248,445)</b>	<b>\$517,141</b>	<b>-23.00%</b>
<b>Interest Income</b>	<b>\$404,964</b>	<b>\$1,332,285</b>	<b>(\$927,321)</b>	<b>-69.60%</b>
<b>Total Non-Operating Expense</b>	<b>(\$1,326,340)</b>	<b>(\$916,160)</b>	<b>(\$410,180)</b>	<b>44.77%</b>
<b>Net Income/(Loss)</b>	<b>\$1,981,350</b>	<b>\$1,496,315</b>	<b>\$485,035</b>	<b>32.42%</b>
<b>Net Assets, January 1</b>	<b>\$62,677,455</b>	<b>\$61,181,140</b>	<b>\$1,496,315</b>	<b>2.45%</b>
<b>Net Assets, December 31</b>	<b>\$64,658,805</b>	<b>\$62,677,455</b>	<b>\$1,981,350</b>	<b>3.16%</b>



Statement of Cash Flows

Net Cash Provided by Operating Activities decreased 15.17%, a decrease of \$1,631,922. Payments to suppliers increased 8.69% and payments to employees decreased by 1.15%. Receipts from the participants of the system (Users) and other Customers decreased 2.14%.

Net Cash Used By Capital and Related Financing Activities went from \$6,816,605 in 2007 to \$7,298,524 in 2008. The increase is primarily from investments in Capital Assets and Debt Service Payments. Proceeds from Wastewater Trust went from \$933,131 in 2007 to \$903,295 in 2008. Principal Paid was up 6.3% and Interest Paid was down 21.97%. The Authority has six NJEIT Financings outstanding to date. The 1995, 2001, and 2006 NJEIT Loans are 100% complete, and there will be no additional Loan Proceeds from these Loans. The 2004 year loan is 99.8% complete. The 1997 and 2007 Loans and related capital improvements remain open. The 2007 NJEIT Financing was completed in November 2007, and \$689,095 was drawn on it in 2008.

Net Cash Used By Investment Activities was \$5,965,787 as compared to Net Cash Provided by Investment Activities of \$1,203,917 in 2007, representing a cash flow reduction of \$7,169,704 and 595%.

Net Decrease in Cash and Cash Equivalents for the 2008 year is \$3,806,512, a 173% change over last year. The Cash and Cash Equivalents Balance at the Beginning of the Year was \$28,766,033 And the Balance at the End of the Year was \$24,959,521.

	2008	2007	Change	%
<b>Net Cash Provided by Operating Activities</b>	\$9,124,695	\$10,756,617	(\$1,631,922)	-15.17%
<b>Net Cash Provided by Non-Capital Financing</b>	\$333,104	\$45,865	\$287,239	626.27%
<b>Net Cash Used By Capital and Related Financing Activities</b>	(\$7,298,524)	(\$6,816,605)	(\$481,919)	7.07%
<b>Net Cash Provided by Investing Activities</b>	(\$5,965,787)	\$1,203,917	(\$7,169,704)	595.53%
<b>Net(Decrease)/Increase in Cash and Cash Equivalents</b>	(\$3,806,512)	\$5,189,794	(\$8,996,306)	173.35%
<b>Balance-Beginning of the Year</b>	\$28,766,033	\$23,576,239	\$5,189,794	22.01%
<b>Balance-End of the Year</b>	\$24,959,521	\$28,766,033	(\$3,806,512)	-13.23%

#### Solid Waste Division

##### Comparative Statement of Net Assets

The Solid Waste Division reports Total Assets of \$98,180,121, a decrease of \$1,893,254 from 2007.

The Division's Net Assets of \$33,533,134 are comprised of the following:

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

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

- (2) Net Assets of \$8,053,769 restricted for the purpose of Debt Service Reserve Fund, in accordance with the Authority's debt covenants.
- (3) Unrestricted Net Assets of \$24,762,364 represents the portion available to maintain the Authority's continuing obligations to the Authority's service area, certain creditors, and current liabilities.

Unrestricted Net Assets rose over \$4.4 million, or 21.9% in 2008, and increased 21%, or \$3.5 million in 2007.

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

Investment in Capital Assets, Net of Related Debt, of \$717,001, improved by \$1,290,544, or 225%.

Total Net Assets grew by \$5,735,257, a 20.6% increase and is comprised of Operating Income of \$649,173, Net Non- Operating Revenues in the amount of \$2,064,418 and Reduction in Closure Costs of \$3,021,666.

<b>Solid Waste</b>	<b>2008</b>	<b>2007</b>	<b>Change</b>	<b>%</b>
<b>Total Current Assets</b>	<b>\$22,541,698</b>	<b>\$24,555,215</b>	<b>(\$2,013,517)</b>	<b>-8.20%</b>
<b>Total Non Current Assets</b>	<b>\$25,414,488</b>	<b>\$22,169,220</b>	<b>\$3,245,268</b>	<b>14.64%</b>
<b>Net Capital Assets</b>	<b>\$49,662,900</b>	<b>\$52,728,977</b>	<b>(\$3,066,077)</b>	<b>-5.81%</b>
<b>Deferred Costs</b>	<b>\$561,035</b>	<b>\$619,963</b>	<b>(\$58,928)</b>	<b>-9.51%</b>
<b>Total Assets</b>	<b>\$98,180,121</b>	<b>\$100,073,375</b>	<b>(\$1,893,254)</b>	<b>-1.89%</b>
<b>Total Current Liabilities</b>				
<b>Payable from Current Assets</b>	<b>\$2,140,315</b>	<b>\$2,730,593</b>	<b>(\$590,278)</b>	<b>-21.62%</b>
<b>Total Current Liabilities</b>				
<b>Payable from Restricted Assets</b>	<b>\$5,921,109</b>	<b>\$6,046,902</b>	<b>(\$125,793)</b>	<b>-2.08%</b>
<b>Deferred Revenue</b>				
<b>Accrued Compensated Absences and Post Retirement Benefits</b>	<b>\$1,443,915</b>	<b>\$1,374,099</b>	<b>\$69,816</b>	<b>5.08%</b>
<b>Long Term Obligations</b>	<b>\$44,225,899</b>	<b>\$48,902,520</b>	<b>(\$4,676,621)</b>	<b>-9.56%</b>
<b>Accrued Landfill Closure and Post Closure</b>	<b>\$10,915,749</b>	<b>\$13,221,384</b>	<b>(\$2,305,635)</b>	<b>-17.44%</b>
<b>Total Liabilities</b>	<b>\$64,646,987</b>	<b>\$72,275,498</b>	<b>(\$7,628,511)</b>	<b>-10.55%</b>
<b>Net Assets</b>	<b>\$33,533,134</b>	<b>\$27,797,877</b>	<b>\$5,735,257</b>	<b>20.63%</b>

Cash, Cash Equivalents and Investments decreased about 10%. Receivables dropped \$222,866, mostly from Accrued Interest Receivable. Market rates of return declined significantly due to the current recession.

Restricted Assets increased \$3,245,268 or 14.6%. In 2007, Restricted Assets grew \$727,010 or 3.4%. This was for funds being escrowed to the Renewal and Replacement Fund for future Capital Improvements, particularly construction of the next landfill cell, and for estimated Landfill Closure costs over and above what is required by the State of NJ to be set aside. In 2007 construction of cell 10 began and was completed in 2008.

The Authority raises funds for capital improvements from the operating budget and from the tip fee revenue that supports the operating budget. These funds are then deposited to the Renewal and Replacement Fund.

Net Capital Assets from Property Plant and Equipment decreased by 5.8%. Capital Improvements to PP&E grew 2.7% and Accumulated Depreciation grew 10.5%, for a decrease to Net Capital Assets of \$3,066,077. Most of the improvements were for construction of Cell 10, flare upgrades and maintenance center improvements.

Most of the added depreciation expense is connected to depreciation on individual landfill cells, which has a depreciation schedule of about seven years, the estimated total average life of each landfill cell constructed by the ACUA.

Total Current Liabilities Payable from Current Assets decreased 21.6% from \$2,730,593 to \$2,140,315. Accounts Payable was down 21% from about \$2.5 million to \$2.0 million. Customer Deposits decreased 27.8% from \$205,614 to \$148,490.

Total Current Liabilities Payable from Restricted Assets decreased 2%, a total amount of \$125,793. The Current Portion of Long-Term Debt, which represents the March 1, 2010 payment due, increased \$320,000. Construction Contracts Payable went from \$377,754 due in 2007 to \$34,628 in 2008. Accrued Interest Payable dropped 8% in accordance with the existing debt service schedule for the 1992 Solid Waste Revenue Bonds.

Non-Current Liabilities Payable from Restricted Assets decreased 17.4%. Accrued Landfill Closure & Post Closure was reduced by more than \$2.3 million, a significant decrease to funds restricted and escrowed for closure. The amount escrowed is in accordance with the consulting Engineer's findings as reported. Total anticipated closure cost as of 12/31/08 is \$10,915,749. The percent of cumulative landfill capacity utilized as of 12/31/08 according to the consulting engineer report is 41.3%, down from 70.9% in 2007. This decrease was anticipated as changes to operations and available technology allow for greater capacity at the ACUA landfill, thereby potentially reducing the percent of usage by a significant amount or changes to how waste is disposed of due to new technologies. 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.

Overall, Total Non-Current Liabilities decreased 10.9% because Bonds Payable was reduced by \$4.7 million as a result of 2008 payments to bond holders and Landfill Closure was reduced as discussed above.



There was a 39% increase for Fuel due to increased fuel prices as well as increased collection activity including two out of county contracts in Ocean City and Township of Ocean. Indirect Operating costs decreased 42% and \$3.9 million. The largest expense charged to Indirect Operating is for Hauling and Disposing of waste out of county and based on the tip fee charged and the transporting costs and the number of tons shipped out. ACUA stopped shipping waste out of county in the summer of 2008 which resulted in a decrease of \$2,419,133. Other expenses include vehicle, building and equipment maintenance, insurance cost, permitting and licensing fees, landfill maintenance, and house hold hazardous waste program expenses.

Accrued Landfill Closure decreased by \$443,122 and 38% due to decreased tonnages received in 2008.

Power and Utility cost dropped \$32,015 because the Authority generates all of its electricity needs from the landfill methane to energy project. This project saved the ACUA over \$850,000 in 2008.

Salaries were up 10% in 2008. Benefits were up 8%. Pension, Health Benefits and Payroll Taxes all saw increases. The largest percentage increase was for pension cost and as a result of the State pension system method of billing of the years.

The Solid Waste Division operations are represented by one union. Salaries increased in accordance with the union contract and cost of living non-union increases. Salaries also increased due to the addition of an employee in Solid Waste Administration and overtime.

Depreciation Expense increased \$213,382, a 4% increase when compared to 2007. Most of this increase is for depreciation on landfill design and cell development.

Host Community Benefit costs decreased 8%. Host Community Benefit is paid to the host community, Egg Harbor Township, for every ton that comes into the facility. Tonnages were down in 2008. The HCB has a CPI adjustment each year.

Recycling and Solid Waste Taxes, a function of tons of waste received, increased \$105,001 due to a new tax created in April 2008. The Solid Waste Services Tax was eliminated and replaced with the Recycling Enhancement Act Tax I April 2008. The new tax is a \$3.00 per ton pass through compared with the Solid Waste Services Tax which would have been \$1.65 per ton for 2008. State mandated closure funds dropped 38%, due to a drop in waste received. Taxes are paid on a per ton basis.

Administrative costs increased 5% in 2008. The Increase was related to professional service fees for a covered compost demonstration project and computer expenses.

Total Operating Revenues exceeded Total Operating Expenses by \$649,173, a 44.7% drop when compared to net operating income for 2007.

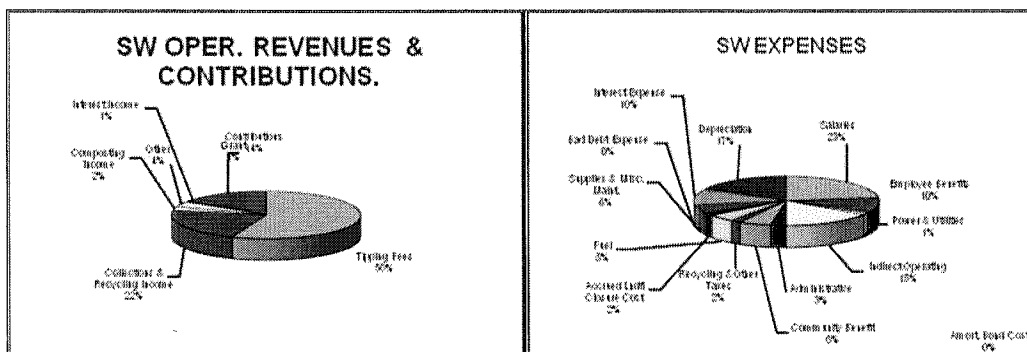
In 2008 the Authority received \$5,130,747 from the State of New Jersey, in the form of a subsidy for the payment of most of its March 1, 2008 debt service. This is down \$500,000 from the previously agreed to subsidy.

Interest Income decreased 53% in 2008, compared to a 4% increase in 2007. The decrease is attributable to the current recession in the United States.

Total Non-Operating Revenues were \$2,064,418 compared to \$2,802,617 in 2007. The decrease is attributed to reduced Interest Income and State Subsidy combined with an increase in Interest Expense.

Total Net Income for the 2008 year is \$2,713,591 plus \$3,021,666 in Extraordinary Item: Reduced Closure Costs for total increase to Net Assets of \$5,735,257. Total Net Income for 2007 was \$3,975,842, for 2006 \$8,894,379, and \$5,024,252 in 2005.

	2008	2007	Change	%
<b>Total Operating Revenues</b>	<b>\$32,068,718</b>	<b>\$35,767,481</b>	<b>(\$3,698,763)</b>	<b>-10.34%</b>
<b>Operating Expenses including Depreciation</b>	<b>\$31,419,545</b>	<b>\$34,594,256</b>	<b>(\$3,174,711)</b>	<b>-9.18%</b>
<b>Operating Income</b>	<b>\$649,173</b>	<b>\$1,173,225</b>	<b>(\$524,052)</b>	<b>-44.67%</b>
<b>Non-Operating Revenues/Expenses</b>				
<b>Contributions- State Subsidy</b>	<b>\$5,130,747</b>	<b>\$5,630,747</b>	<b>(\$500,000)</b>	<b>-8.88%</b>
<b>Interest Expense</b>	<b>(\$3,550,777)</b>	<b>(\$3,855,277)</b>	<b>\$304,500</b>	<b>-7.90%</b>
<b>Interest Income</b>	<b>\$484,448</b>	<b>\$1,027,147</b>	<b>(\$542,699)</b>	<b>-52.84%</b>
<b>Total Non-Operating Revenue</b>	<b>\$2,064,418</b>	<b>\$2,802,617</b>	<b>(\$738,199)</b>	<b>-26.34%</b>
<b>Net Income/(Loss)</b>	<b>\$2,713,591</b>	<b>\$3,975,842</b>	<b>(\$1,262,251)</b>	<b>-31.75%</b>
<b>Extraordinary Item</b>	<b>\$3,021,666</b>	<b>\$0</b>	<b>\$3,021,666</b>	<b>100.00%</b>
<b>Net Assets, January 1</b>	<b>\$27,797,877</b>	<b>\$23,822,035</b>	<b>\$3,975,842</b>	<b>16.69%</b>
<b>Net Assets, December 31</b>	<b>\$33,533,134</b>	<b>\$27,797,877</b>	<b>\$5,735,257</b>	<b>20.63%</b>



## Statement of Cash Flows

Net Cash Provided by Operating Activities dropped 34%, a little more than \$3.2 million. Receipts from Customers and Users dropped 12%. Payments to Employees increased 8.9% and Payments to Suppliers decreased 9.2%.

Net Cash Used By Capital and Related Financing Activities decreased 12.5% or \$840,771. Included within this area is Purchases of Capital Assets which decreased about \$1.3 million due to significant expenditures for Landfill Cell 10 Construction in 2007 not experienced in 2008, Principal Paid increased 5.9%, Interest Paid decreased 7.5% and State Contribution decreased \$500,000 and 8.9%.

Net Cash Used By Investment Activities dropped by \$4,685,536 compared to 2007 when Net Cash Used by Investment Activities was \$5,470,600. Net Decrease in Cash and Cash Equivalents for 2008 is \$718,171. In 2007 there was a Net Decrease to Cash and Cash Equivalents of \$2,465,477.

Cash and Cash Equivalents at the Beginning of the Year was \$30,072,971 and \$29,354,800 at the End of Year, a 2.4% change.

## **Core Competencies**

### Wastewater Division

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

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

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

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

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

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



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

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

### Solid Waste Division

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

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

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

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

Most waste is disposed at the Authority's Landfill. This includes municipal, commercial, construction, and industrial waste. In 2008 about 290,000 tons of waste came in, compared to 344,000 tons in 2007. Tipping Fees for every ton of waste that comes into the solid waste facility is the primary source of revenue for the Solid Waste Division.

Recyclable material is no longer processed at the Solid Waste Division's 58,500 square foot Recycling Center. The Recycling Center was designed as a dual stream facility and was in need of upgrades. The ACUA stopped sorting material in late 2008 and converted recycling collection to single stream January 1, 2009. Recycling Collection is provided to about twenty Atlantic County municipalities and two out of county municipalities on a bi-weekly basis. One town and many commercial entities have weekly service. All the recyclables received are marketed. Revenue from recyclables declined sharply in late 2008 due to the global economic crisis. In 2008, the Solid Waste Division collected about 21,000 tons of recycling from residents of Atlantic County, and another 11,000 tons from the commercial market.

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

The Authority's compost operation processes leaves, grass clippings, tree branches, clean wood, brush and Christmas trees. About 21,000 tons of yard waste was processed in 2008. The branches, brush, and trees are processed into mulch and sold to the public, providing additional income to support the Solid Waste system.

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

### **Accountability**

The Atlantic County Utilities Authority mission statement is:

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

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

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

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

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

## Governing Body

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

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

The Authority Board Members are:

Matthew Gallagher, Chairman  
Chris C. Seher, Vice Chairman  
Marvin E. Embry, Treasurer  
Michele Verno, Assistant Treasurer  
Vince Leonetti, Member  
Andrew Berenato Sr., Member  
Michael C. Epps, Member

## Management of the Authority

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

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

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

Maria K. Mento, Executive Vice President & Chief Financial Officer. Ms. Mento was hired at the Authority in 1990 and was appointed as the Chief Financial Officer in the following year. Prior to accepting her position in 1990, she was with Atlantic County Government for ten years. Her tenure with Atlantic County Government was primarily with the Department of Finance, Treasurer's Office. Her responsibilities at the county included activities pertaining to the capital budget and operating budget, accounts payable, accounts receivable, monitoring various grants and contracts, payroll and employee pension services. Ms. Mento received her Bachelor of Arts degree in Business Administration from Glassboro State College (Rowan University), and her Masters of Business Administration in Finance from Rutgers, The State University of New Jersey. Ms. Mento is officially recognized by the State of New Jersey as a Certified County Finance Officer and a Certified Municipal Finance Officer and holds a Real Estate License in the State of New Jersey. Ms. Mento serves on the Board of the American Red Cross, the United Way Women's Leadership Initiative, the United Way Funding Allocation Committee, the Rowan Alumni Council Advisory Board, and was recently appointed to the Board of Directors for the United Way.

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

Also integral to the Finance Department staff is Sandra Bourguignon, Business Director, Michael Hayes, Purchasing Manager, and Tim Kaye, IT Director.

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

Brian Lefke, Authority Board Secretary. Mr. Lefke was hired by the Atlantic County Utilities Authority in 1988 and has served in various capacities. In 1991, he was promoted to Director of Solid Waste Operations and in December 2003 was re-assigned to Acting Authority Board Secretary. In 2004 he was appointed Authority Board Secretary. He is currently responsible for Human Resources and Personnel Management, Health Benefits and Insurance and serves as the Director of that Department. Prior to coming to the Authority, Mr. Lefke was with Atlantic County Government for ten years. When he left the county, he was Deputy Department Head for the Department of Planning and Engineering. He holds a Bachelor of Science degree in Environmental Science from Stockton State College and a Masters of Administrative Science from Fairleigh Dickinson University. Mr. Lefke served on the Somers Point Planning Board for ten years, five as Board Chair, the New Jersey Pinelands Commission for nine years, and was also a Director on the Board of the New Jersey Association of Recyclers. Currently, Mr. Lefke is Chairman of the Atlantic Cape Community College Board of Trustees.

Thomas J. Lauletta, PE, CME, Vice President – Wastewater Division. The Authority hired Mr. Lauletta in 2004 after having served as Vice President of Perks Reutter Associates and the Authority's independent consulting engineer for 15 years. Mr. Lauletta has a degree in Civil Engineering from Drexel University and is a Professional Engineer in New Jersey and Pennsylvania, a licensed Wastewater Treatment Operator in Pennsylvania and New Jersey, and a Certified Municipal Engineer in New Jersey. Prior to Mr. Lauletta's career as a consulting engineer he served as Plant Manager for Philadelphia's Wastewater Treatment Plants. Integral to the Wastewater Division is Chris Harris, Director of Operations.

Eugene L. Petitt, PE, PP Chief Engineer. The Atlantic County Utilities Authority hired Mr. Petitt in September 1990. Prior to joining the Authority, he was appointed as Atlantic County Engineer and held that position for six years. Earlier career experiences included Assistant Atlantic County Engineer, and Chief Design Engineer and Office Manager for a private consulting engineering firm. Mr. Petitt holds an Associates Degree in Mathematics from Cumberland County College and a Bachelors Degree in Civil Engineering from Drexel University. He is licensed to practice Engineering and Planning in the State of New Jersey. Integral to the Engineering Department is Tom Ganard, Deputy Chief Engineer.

Gary L. Conover, Solid Waste Director. Mr. Conover was hired at the Authority in 1991. Since then he has held various positions such as: Material Handler, Equipment Operator I, Scale Master, Group Leader, Safety Coordinator, Project Analyst and Project Manager. As Solid Waste Director, Mr. Conover is responsible for the day to day operations of the Solid Waste operations, as well as oversight of the division budget and capital improvement program, permit compliance, customer outreach and resolution of customer issues, and local government and customer contracts. Mr. Conover graduated from Richard Stockton State College in 1986 with Bachelor of Arts Degree in Business Administration. He is a Solid Waste Association of North America (SWANA) Certified Manager of Landfill Operations, since August 2003. He has received a certificate of completion from Rutgers Center for Management Development Mini-MBA Business Essential Program. He also holds a certificate of successful completion of the Water and Waste Water Leadership Center from The University of North Carolina at Chapel Hill Kenan-Flagler Business School.

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

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

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

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

### **Auditors**

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

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

## FINANCIAL STATEMENTS

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

COMPARATIVE BALANCE SHEET

December 31, 2008 and 2007

Assets	2008		2007	
	Wastewater Division	Solid Waste Division	Total	Total
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 14,069,742	\$ 12,180,238	\$ 26,249,980	\$ 31,710,029
Investments	2,999,216	7,164,940	10,164,156	4,673,000
Accrued Interest Receivable	90,073	87,128	177,201	493,326
Accounts Receivable (Net of Allowance \$1,150,074 and \$1,120,074 in 2008 and 2007 respectively)	654,337	1,349,372	2,003,709	3,042,131
Other Accounts Receivable		894,350	894,350	371,251
Internal Accounts		865,670	865,670	532,566
<b>Total Current Assets</b>	<b>17,813,368</b>	<b>22,541,698</b>	<b>40,355,066</b>	<b>40,822,303</b>
<b>Non-Current Assets:</b>				
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	10,889,779	17,174,562	28,064,341	27,128,975
Investments	5,021,809	3,900,000	8,921,809	6,332,867
Amounts Held By State of New Jersey	3	4,212,727	4,212,727	3,845,689
Accrued Interest Receivable	185,942	127,199	127,202	250,912
Grants Receivable	3,208,243	185,942	3,208,243	4,111,538
Loans Receivable				
<b>Total Non-Current Assets</b>	<b>19,305,776</b>	<b>25,414,488</b>	<b>44,720,264</b>	<b>41,669,981</b>
<b>Capital Assets:</b>				
Property, Plant and Equipment (Note 6)	208,842,275	113,493,320	322,325,595	319,125,214
Less: Accumulated Depreciation	(124,376,698)	(63,820,420)	(188,197,118)	(177,067,381)
<b>Net Capital Assets</b>	<b>84,465,577</b>	<b>49,672,900</b>	<b>134,128,477</b>	<b>142,057,833</b>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities Payable From Current Assets:</b>				
Accounts Payable	\$ 1,441,215	\$ 1,991,825	\$ 3,433,040	\$ 3,739,624
Due To Solid Waste Division	865,670	148,490	1,014,160	532,566
Customer Deposits	114,840		114,840	205,614
Deferred Revenue				93,360
<b>Total Current Liabilities Payable From Current Assets</b>	<b>2,421,725</b>	<b>2,140,315</b>	<b>4,562,040</b>	<b>4,571,184</b>
<b>Current Liabilities Payable From Restricted Assets:</b>				
Construction Contracts Payable	81,842	34,628	116,470	915,083
Current Portion of Long-Term Debt	5,937,179	4,720,000	10,657,179	10,017,756
Accrued Interest	905,593	1,166,481	2,072,074	2,263,614
<b>Total Current Liabilities Payable From Restricted Assets</b>	<b>6,924,614</b>	<b>5,921,109</b>	<b>12,845,723</b>	<b>13,196,453</b>
<b>Non-Current Liabilities Payable From Restricted Assets:</b>				
Accrued Landfill Closure and Post-Closure Care Cost		10,915,749	10,915,749	13,221,384
<b>Total Non-Current Liabilities Payable From Restricted Assets</b>				
<b>Non-Current Liabilities:</b>				
Deferred Revenue	1,171,295		1,171,295	1,307,595
Accrued Compensated Absences	600,004	643,915	1,243,919	1,148,174
Post Retirement Benefits Payable	535,019	800,000	1,335,019	1,335,019
Long-Term Portion of Bonds Payable (Note 7)				
Net of Unamortized Bond Premium and Discount of \$660,197 and \$761,369 for Wastewater Bonds and \$169,101 and \$212,480 for Solid Waste Bonds in 2008 and 2007, respectively	47,332,603	44,225,899	91,558,502	102,267,473
<b>Total Non-Current Liabilities</b>	<b>49,638,921</b>	<b>56,585,563</b>	<b>106,224,484</b>	<b>119,280,645</b>
<b>Total Liabilities</b>	<b>\$ 58,985,260</b>	<b>\$ 64,646,987</b>	<b>\$ 123,632,247</b>	<b>\$ 137,048,282</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt Restricted for:	\$ 31,195,795	\$ 717,001	\$ 31,912,796	\$ 28,772,604
Solid Waste:				
Debt Service Reserve		8,053,769	8,053,769	8,053,769
Wastewater:				
Renewal and Replacement	4,800,000		4,800,000	4,800,000
Debt Service Fund	6,130,912		6,130,912	5,987,794
Debt Service Reserve Fund	7,608,018		7,608,018	7,753,979
Unrestricted	14,924,080	24,762,364	39,686,444	34,107,186
<b>Total Net Assets</b>	<b>64,658,805</b>	<b>33,533,134</b>	<b>98,191,939</b>	<b>90,475,332</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 123,644,065</b>	<b>\$ 98,180,121</b>	<b>\$ 221,824,186</b>	<b>\$ 227,523,614</b>



ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years ended December 31, 2008 and 2007

	2008			2007
	Wastewater Division	Solid Waste Division	Total	
Operating Revenues:				
Wastewater:				
User Service Agreements:				
Operating	\$ 15,743,904		\$ 15,743,904	\$ 15,291,912
General	7,895,555		7,895,555	7,770,978
Sludge	1,614,421		1,614,421	1,388,972
Septic and Leachate	490,685		490,685	506,034
Other	1,357,377		1,357,377	1,128,546
Solid Waste:				
Tipping Fees		\$ 21,064,394	21,064,394	24,039,425
Collections and Recycling Income		8,248,444	8,248,444	8,762,282
Grant Income		424,857	424,857	259,068
Composting Income		937,232	937,232	998,324
Other		1,393,791	1,393,791	1,708,382
Total Operating Revenues	<u>27,101,942</u>	<u>32,068,718</u>	<u>59,170,660</u>	<u>61,853,923</u>
Operating Expenses:				
Salaries	5,550,895	8,047,085	13,597,980	12,916,046
Employee Benefits	2,490,728	3,568,054	6,058,782	5,579,115
Power and Utilities	2,812,027	481,682	3,293,709	3,261,418
Chemicals	826,825		826,825	875,368
Fuel	1,938,343	1,592,406	3,530,749	2,566,991
Supplies and Miscellaneous Maintenance	2,127,488	1,922,920	4,050,408	3,681,023
Contractual Services	846,761		846,761	820,704
Indirect Operating Expenses	385,112	5,378,831	5,763,943	9,725,079
Accrued Landfill Closure Costs		716,031	716,031	1,159,153
Administrative	1,266,179	959,109	2,225,288	2,181,924
Community Benefit		1,934,632	1,934,632	2,095,658
Recycling and Other Taxes		676,637	676,637	571,636
Licenses and Permits	179,197		179,197	133,716
Bad Debt Expense		30,000	30,000	25,000
Depreciation	5,076,507	6,053,230	11,129,737	12,322,275
Amortization of Bond Issue Costs	294,190	58,928	353,118	353,117
Total Operating Expenses	<u>23,794,252</u>	<u>31,419,545</u>	<u>55,213,797</u>	<u>58,268,223</u>
Operating Income	<u>3,307,690</u>	<u>649,173</u>	<u>3,956,863</u>	<u>3,585,700</u>
Non-Operating Revenues/(Expenses):				
Interest Income	404,964	484,448	889,412	2,359,432
Interest Expense	(1,731,304)	(3,550,777)	(5,282,081)	(6,103,722)
Contributions - State Subsidy		5,130,747	5,130,747	5,630,747
Total Non-Operating Revenues/(Expenses)	<u>(1,326,340)</u>	<u>2,064,418</u>	<u>738,078</u>	<u>1,886,457</u>
Net Income	1,981,350	2,713,591	4,694,941	5,472,157
Extraordinary Item: Reduction in Closure Costs		3,021,666	3,021,666	
Total Net Assets - Beginning	<u>62,677,455</u>	<u>27,797,877</u>	<u>90,475,332</u>	<u>85,003,175</u>
Total Net Assets - Ending	<u>\$ 64,658,805</u>	<u>\$ 33,533,134</u>	<u>\$ 98,191,939</u>	<u>\$ 90,475,332</u>

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

COMPARATIVE STATEMENTS OF CASH FLOWS

Years ended December 31, 2008 and 2007

	2008			2007
	Wastewater Division	Solid Waste Division	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts From Customers and Users	\$ 27,296,751	\$ 31,634,288	\$ 58,931,039	\$ 63,861,223
Payments To Employees	(5,525,966)	(7,977,269)	(13,503,235)	(12,916,046)
Payments To Suppliers	(12,646,090)	(17,390,551)	(30,036,641)	(30,689,398)
<b>Net Cash Provided By Operating Activities</b>	<u>9,124,695</u>	<u>6,266,468</u>	<u>15,391,163</u>	<u>20,255,779</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Operating Subsidies and Transfers To Other Funds	333,104	(333,104)		259,068
<b>Net Cash From Noncapital Financing Activities</b>	<u>333,104</u>	<u>(333,104)</u>		<u>259,068</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchases of Capital Assets	(668,715)	(2,987,153)	(3,655,868)	(4,403,456)
Principal Paid on Capital Debt	(5,712,927)	(4,356,621)	(10,069,548)	(9,474,024)
Interest Paid on Capital Debt	(1,820,177)	(3,653,444)	(5,473,621)	(6,283,743)
State Contribution		5,130,747	5,130,747	5,704,245
Proceeds From Wastewater Trust	903,295		903,295	933,131
<b>Net Cash Provided/(Used) By Capital and Related Financing Activities</b>	<u>(7,298,524)</u>	<u>(5,866,471)</u>	<u>(13,164,995)</u>	<u>(13,523,847)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest Income	517,955	808,876	1,326,831	2,048,940
Transferred From Investments	(6,483,742)	(1,593,940)	(8,077,682)	(6,315,623)
<b>Net Cash Provided/(Used) By Investing Activities</b>	<u>(5,965,787)</u>	<u>(785,064)</u>	<u>(6,750,851)</u>	<u>(4,266,683)</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<u>(3,806,512)</u>	<u>(718,171)</u>	<u>(4,524,683)</u>	<u>2,724,317</u>
Cash and Cash Equivalents, January 1	<u>28,766,033</u>	<u>30,072,971</u>	<u>58,839,004</u>	<u>56,114,687</u>
<b>Cash and Cash Equivalents, December 31</b>	<u>\$ 24,959,521</u>	<u>\$ 29,354,800</u>	<u>\$ 54,314,321</u>	<u>\$ 58,839,004</u>
<b>Reconciliation of Operating Income To Net Cash Provided By Operating Activities:</b>				
Operating Income	\$ 3,307,690	\$ 649,173	\$ 3,956,863	\$ 3,585,700
<b>Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:</b>				
Depreciation Expense	5,076,507	6,053,230	11,129,737	12,322,275
Amortization of Bond Issuance Costs	294,190	58,928	353,118	353,117
Bad Debt Expense				25,000
Decrease/(Increase) in Accounts Receivable	495,591	19,732	515,323	2,214,233
Decrease/(Increase) in Grants Receivable	(185,942)		(185,942)	
Increase in Accrued Landfill Closure and Post-Closure		716,031	716,031	1,159,153
(Decrease)/Increase in Accounts and Other Payables	251,499	(806,464)	(554,965)	966,108
Decrease in Deferred Revenue	(114,840)		(114,840)	(93,380)
Decrease in Customer Deposits		(57,124)	(57,124)	52,135
Increase in Amounts Held by the State		(367,038)	(367,038)	(328,562)
	<u>\$ 9,124,695</u>	<u>\$ 6,266,468</u>	<u>\$ 15,391,163</u>	<u>\$ 20,255,779</u>
Unrestricted Cash and Cash Equivalents	\$ 14,069,742	\$ 12,180,238	\$ 26,249,980	\$ 31,710,029
Restricted Cash and Cash Equivalents	10,889,779	17,174,562	28,064,341	27,128,975

## NOTES TO FINANCIAL STATEMENTS

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

**NOTE 1. - AUTHORITY DESCRIPTION AND GENERAL INFORMATION**

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

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

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

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

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

**NOTE 2 - BASIS OF PRESENTATION**

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

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

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

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

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

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

Financial Statement Presentation and Basis of Accounting

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

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

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Financial Statement Presentation and Basis of Accounting (continued)

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

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

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

Wastewater Service Contract

The Authority has a Wastewater Service Contract with the Atlantic City Sewerage Company, the Cities of Abescon, 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.

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Wastewater Bond Resolutions

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

Construction Fund - All costs pertaining to the acquisition or construction of a designated project shall be paid from this Fund and capitalized herein. The proceeds from the sale of bonds and certain receipts are deposited herein to pay for all such construction costs. Interest earned on investments in this Fund is credited to project costs. At December 31, 2008 and 2007, the Construction Fund and Wastewater Trust Fund cash equivalents amounted to \$993,901 and \$764,566, 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, 2008 and 2007, the Rebate Fund amounted to \$92,447 and \$91,060, respectively.

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

Debt Service Fund - The Debt Service Fund is to accumulate a balance sufficient to pay the interest and principal to become due at or before the January 15<sup>th</sup> next ensuing, plus any unpaid principal and interest then due. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. In addition, a sinking fund is included which shall equal the aggregate amount of all sinking fund installments required to redeem bonds on the next January 15<sup>th</sup> beginning in 2005 for the Sewer Revenue Refunding Bonds (See Note 7). At December 31, 2008 and 2007, the Debt Service Fund cash amounted to \$6,130,912 and \$5,987,794, respectively.

Debt Service Reserve Fund (1991, 1994 and 1998 Series) - The balance in this Reserve Fund shall be maintained equal to the maximum amount of principal and interest payable in any one year on the Wastewater Revenue Bonds (1991, 1994 and 1998 Series) less any surety. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. At December 31, 2008 and 2007, the Debt Service Reserve Fund cash and investments amounted to \$3,040,481 and \$2,924,382, respectively. The balance of the Debt Service Reserve Requirement is funded by a surety issued by Ambac Assurance Corporation.

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Wastewater Bond Resolutions (continued)

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, 2008 and 2007, the Renewal and Replacement Fund cash amounted to \$5,650,592 and \$5,615,796, respectively. The System Reserve Fund, a component of the Renewal and Replacement Fund, cash requirement was \$4,800,000 at December 31, 2008 and 2007.

Solid Waste Bond Resolutions

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

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

Construction Fund - All costs pertaining to the acquisition or construction of a designated project shall be paid from this Fund and capitalized herein. The proceeds from the sale of bonds and certain receipts are deposited herein to pay for all such construction costs. At December 31, 2008 and 2007, Restricted Cash and Investments included in this Fund amounted to \$0.

Rebate Fund - The balance in this Fund shall be maintained in an amount sufficient to make payments to the United States Treasury for investment earnings above levels permitted by Section 148(f) of The Internal Revenue Code of 1986, as amended. At December 31, 2008 and 2007, the Rebate Fund amounted to \$0.

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

Debt Service Fund - The Debt Service Fund shall be maintained in an amount sufficient to pay the interest and principal currently due on the 1992 Bonds. At December 31, 2008 and 2007, the Debt Service Fund cash amounted to \$559,317 and \$344,317 respectively.



ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Solid Waste Bond Resolutions (continued)

Debt Service Reserve Fund - The balance in this Reserve Fund shall be maintained in an amount equal to the lesser of (a) 10% of the principal amount of Bonds which are outstanding from time to time, (b) maximum amount of principal and interest which is payable during the current or any subsequent fiscal year with respect to all Series of Bonds, including the 1992 Bonds, or (c) 125% of the average annual principal and interest which is payable with respect to all Series of Bonds, including the 1992 Bonds. The Debt Service Reserve Fund must be marked to market not less than annually. At December 31, 2008 and 2007, the Debt Service Reserve Fund cash amounted to \$2,631,532.

There was a draw on the Debt Service Reserve Fund in 2002 in the amount of \$5,422,237 for the payment of the March 1, 2002 principal and interest. Officials of the State of New Jersey Treasurer's Office directed the Authority to use the Debt Service Reserve Fund for the March 1, 2002 debt service payment. It was indicated that no subsidy would be forthcoming from the State of New Jersey for the March 1, 2002 principal and interest payment, as had been done in prior years.

Renewal and Replacement Fund - The balance in this Fund shall be maintained in an amount equal to the System Improvement Requirement (the "Requirement"). The Requirement is equal to that amount, as certified by the independent Consulting Engineer, which is reasonably necessary to be held as a Reserve for Expenses with respect to the System for (a) nonrecurring major repairs, renewals, replacements or maintenance items, or (b) expenses relating to the closure and post-closure of any System component, or (c) repairs, renewals, replacements resulting from the occurrence of uncontrollable events or circumstances which are not covered by the proceeds of an insurance policy. At December 31, 2008 and 2007, the Renewal and Replacement Fund cash and investments amounted to \$17,883,713 and \$14,862,565, respectively.

Investments

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

Investments are obligations of the United States Government and are stated at fair market value. Investments are not considered cash equivalents for purposes of the Statement of Cash Flows.

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Property, Plant and Equipment and Other Capitalized Costs

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

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

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

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

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

Unamortized Debt Issue Costs

Debt Issue Costs are being amortized over the life of the issues.

Wastewater Revenues

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

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

Allocation of Common Costs

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

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Restricted Assets

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

Inter-District Agreements

The Solid Waste Division is a party to one agreement which provides for minimum delivery requirements of municipal waste from the Authority.

**NOTE 4 - INTERFUND BALANCES AND ACTIVITY**

Balance due to/from the other Division at December 31, 2008 is as follows:

Due to the Solid Waste Division from the Wastewater Division representing cash advances	\$ (865,670)
Due from the Wastewater Division to the Solid Waste Division representing cash advances	865,670

**NOTE 5 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash and Cash Equivalents include petty cash, change funds, bank deposits and all highly-liquid investments with a maturity of three months or less at the time of purchase, and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

**NOTE 5 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)**

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks, (both state and national banks), and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

GASB Statement No. 3, amended by Statement No. 40, requires disclosures of the level of custodial credit risk assumed by the Authority in its Cash, Cash Equivalents and Investments.

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

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

At December 31, 2008, the carrying amount of the Authority's deposits (cash and cash equivalents) was \$54,314,321 and the bank balance was \$56,283,700.

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

As of December 31, 2008, the Authority's bank balance was exposed to custodial credit risk as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Insured	\$ 1,011,380	
Collateralized with Securities Held by the Pledging Financial Institution	<u>55,272,320</u>	<u>\$ 18,684,406</u>
	<u>\$ 56,283,700</u>	<u>\$ 18,684,406</u>

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

**NOTE 5 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)**

Investments

As of December 31, 2008 and 2007, the Authority had the following investments:

	<u>2008</u> <u>Fair Value</u>	<u>2008</u> <u>Book Value</u>	<u>2007</u> <u>Fair Value</u>	<u>2007</u> <u>Book Value</u>
Wastewater:				
US Treasury Strips	1,149,682	1,306,194	1,149,682	1,256,537
US Treasury Bonds	70,568	315,615	70,566	278,329
New Jersey ARM Term	6,399,216	6,399,216	3,000,000	3,000,000
Solid Waste:				
New Jersey ARM Term	\$ 11,064,940	\$ 11,064,940	\$ 9,471,000	\$ 9,471,000

Interest Rate Risk

Interest Rate Risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. The Authority minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet the cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Credit Rate Risk

State law limits the types of investments the Authority may purchase.

The Fair Value of the above listed investments was based on quoted market prices. During the year, the Authority had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of the year, no such investments were held by the Authority.

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

**NOTE 6 - PROPERTY, PLANT AND EQUIPMENT**

Property, Plant and Equipment consisted of the following at December 31, 2008 and 2007:

Wastewater Division

	<u>2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>2008</u>
Land	\$ 12,691,336			\$ 12,691,336
Sewers Mains and Interceptors	73,257,729			73,257,729
Buildings and Improvements	40,507,034	\$ 213,228		40,720,262
Machinery and Equipment	39,189,849			39,189,849
Incinerator Facility	16,353,524			16,353,524
Atlantic Coastal Alternative	<u>26,629,575</u>	<u>                    </u>	<u>                    </u>	<u>26,629,575</u>
	208,629,047	213,228	0	208,842,275
Less: Accumulated Depreciation	<u>(119,300,191)</u>	<u>(5,076,507)</u>	<u>                    </u>	<u>(124,376,698)</u>
Total	<u>\$ 89,328,856</u>	<u>\$ (4,863,279)</u>	<u>\$ 0</u>	<u>\$ 84,465,577</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.

Solid Waste Division

	<u>2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>2008</u>
Land and Improvements	\$ 13,119,185			\$ 13,119,185
Buildings	23,697,908	\$ 100,387		23,798,295
Equipment and Vehicles	21,055,432	2,127,958		23,183,390
Landfill Design & Implementation	49,247,810	758,808		50,006,618
Planning and Design	<u>3,375,832</u>	<u>                    </u>	<u>                    </u>	<u>3,375,832</u>
	110,496,167	2,987,153	0	113,483,320
Less: Accumulated Depreciation	<u>(57,767,190)</u>	<u>(6,053,230)</u>	<u>                    </u>	<u>(63,820,420)</u>
Total	<u>\$ 52,728,977</u>	<u>\$ (3,066,077)</u>	<u>\$ 0</u>	<u>\$ 49,662,900</u>

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

**NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (continued)**

Authority Grand Total

	<u>2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>2008</u>
Land and Improvements	\$ 25,810,521			\$ 25,810,521
Buildings and Improvements	64,204,942	\$ 313,615		64,518,557
Sewers Mains and Interceptors	73,257,729			73,257,729
Machinery and Equipment	39,189,849			39,189,849
Equipment and Vehicles	21,055,432	2,127,958		23,183,390
Incinerator Facility	16,353,524			16,353,524
Landfill Design & Implementation	49,247,810	758,808		50,006,618
Planning and Design	3,375,832			3,375,832
Atlantic Coastal Alternative	<u>26,629,575</u>	<u>                    </u>	<u>                    </u>	<u>26,629,575</u>
	319,125,214	3,200,381	0	322,325,595
Less: Accumulated Depreciation	<u>(177,067,381)</u>	<u>(11,129,737)</u>	<u>                    </u>	<u>(188,197,118)</u>
Total	<u>\$ 142,057,833</u>	<u>\$ (7,929,356)</u>	<u>\$ 0</u>	<u>\$ 134,128,477</u>

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

**NOTE 7 - BONDS PAYABLE**

Wastewater Revenue and Revenue Refunding Bonds at December 31, 2008 and 2007 consist of the following:

	<u>2007</u>	<u>Increases/ (Decreases)</u>	<u>2008</u>
Wastewater Revenue Bonds, 1991 Series	\$ 863,673	\$ (235,621)	\$ 628,052
Wastewater Treatment Trust - 1995	3,837,018	(431,806)	3,405,212
Wastewater Treatment Trust - 1997	6,208,731	(549,848)	5,658,883
Wastewater Treatment Trust - 2001	1,516,837	(92,167)	1,424,670
Environmental Infrastructure Trust - 2004	4,439,598	(235,208)	4,204,390
Wastewater Revenue Bonds, 1998 Series	25,850,000	(3,580,000)	22,270,000
Sewer Revenue Refunding Bonds, 2003 Series	9,990,000	(315,000)	9,675,000
Wastewater Treatment Trust - 2006	2,507,331	(125,144)	2,382,187
Wastewater Treatment Trust - 2007	<u>3,008,152</u>	<u>(52,961)</u>	<u>2,955,191</u>
	58,221,340	(5,617,755)	52,603,585
Unamortized Bond Premium	<u>761,369</u>	<u>(95,172)</u>	<u>666,197</u>
Total	<u>\$ 58,982,709</u>	<u>\$ (5,712,927)</u>	<u>\$ 53,269,782</u>

Solid Waste Revenue Bonds and Loans at December 31, 2008 and 2007 consist of the following:

	<u>2007</u>	<u>Increases/ (Decreases)</u>	<u>2008</u>
Solid Waste System Revenue Bonds	\$ 53,515,000	\$ (4,400,000)	\$ 49,115,000
Unamortized Bond Discount	<u>(212,480)</u>	<u>(43,379)</u>	<u>(169,101)</u>
Total	<u>\$ 53,302,520</u>	<u>\$ (4,356,621)</u>	<u>\$ 48,945,899</u>



ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

**NOTE 7 - BONDS PAYABLE (continued)**

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

Total Net Debt:	
Wastewater Division	\$ 53,269,782
Solid Waste Division	<u>48,945,899</u>
Total Net Debt of the Authority	<u>\$ 102,215,681</u>
Current Portion of Long-Term Debt:	
Wastewater Division	\$ 5,937,179
Solid Waste Division	<u>4,720,000</u>
	<u>10,657,179</u>
Noncurrent Portion of Long-Term Debt:	
Wastewater Division	47,332,603
Solid Waste Division	<u>44,225,899</u>
	<u>91,558,502</u>
Total Net Debt of the Authority	<u>\$ 102,215,681</u>

Description of Bonds Payable

At December 31, 2008, Bonds Payable consisted of the following issues:

Wastewater Division

\$3,691,756 New Jersey Pinelands Infrastructure Trust Fund Loan, dated 1991, due in semiannual installments for principal and interest through January 1, 2011, bearing interest at 3.68% per annum. The balance remaining as of December 31, 2008 is \$628,052.

\$7,967,538 New Jersey Wastewater Trust Fund Loan, dated 1995, due in semiannual installments for principal and interest through August 15, 2015, bearing interest at various rates from 0.00% to 5.25% per annum. The balance remaining as of December 31, 2008 is \$3,405,212.

\$10,602,202 New Jersey Wastewater Trust Fund Loan, dated 1997, due in semiannual installments for principal and interest through August 1, 2017, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2008 is \$5,658,883.

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

**NOTE 7 - BONDS PAYABLE (continued)**

Description of Bonds Payable (continued)

Wastewater Division (continued)

\$1,972,543 New Jersey Wastewater Trust Fund Loan, dated 2001, due in semiannual installments for principal and interest through August 1, 2021, bearing interest at various rates from 0.00% to 5.50% per annum. The balance remaining as of December 31, 2008 is \$1,424,670.

\$51,405,000 Sewer Refunding Bonds, dated January 15, 1998, due in annual installments for principal through January 15, 2015, bearing interest at various rates from 3.75% to 5.25% per annum. The balance remaining as of December 31, 2008 is \$22,270,000.

\$10,725,000 Sewer Refunding Bonds, dated October 15, 2003, due in annual installments for principal beginning January 15, 2005 through January 15, 2015, bearing interest at various rates from 2.00% to 5.75% per annum. The balance remaining as of December 31, 2008 is \$9,675,000.

\$4,919,402 New Jersey Environmental Infrastructure Trust Fund Loan, dated 2004, due in semiannual installments for principal and interest through August 1, 2024, bearing interest at various rates from 0% to 5.00% per annum. The balance remaining as of December 31, 2008 is \$4,204,390.

\$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% to 5.00% per annum. The balance remaining as of December 31, 2008 is \$2,382,187.

\$3,008,152 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% to 5.00% per annum. The balance remaining as of December 31, 2008 is \$2,955,191.

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

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

**NOTE 7 - BONDS PAYABLE** (continued)

Description of Bonds Payable (continued)

Solid Waste Division

\$87,650,000 Solid Waste System Revenue Bonds, dated April 15, 1992, due in annual installments for principal through September 1, 2016, bearing interest at various rates from 5.200% to 7.125% per annum. The balance remaining as of December 31, 2008 is \$49,115,000.

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

Debt service requirements on serial bonds and loans payable at December 31, 2008 are:

	<u>Wastewater Division</u>		<u>Solid Waste Division</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 5,937,179	\$ 1,907,967	\$ 4,720,000	\$ 3,331,294
2010	6,280,771	1,658,527	5,070,000	2,982,525
2011	6,417,134	1,380,956	5,445,000	2,607,928
2012	6,545,236	1,096,864	5,845,000	2,205,722
2013	6,831,991	814,556	6,280,000	1,773,769
2014-2018	15,945,347	1,195,723	21,755,000	2,398,809
2019-2023	3,250,508	259,831		
2024-2027	<u>1,395,419</u>	<u>41,856</u>		
	<u>\$ 52,603,585</u>	<u>\$ 8,356,280</u>	<u>\$ 49,115,000</u>	<u>\$ 15,300,047</u>
		<u>Authority Grand Total</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2009	\$ 10,657,179	\$ 5,239,261	\$ 15,896,440	
2010	11,350,771	4,641,052	15,991,823	
2011	11,862,134	3,988,884	15,851,018	
2012	12,390,236	3,302,586	15,692,822	
2013	13,111,991	2,588,325	15,700,316	
2014-2018	37,700,347	3,594,532	41,294,879	
2019-2023	3,250,508	259,831	3,510,339	
2024-2027	<u>1,395,419</u>	<u>41,856</u>	<u>1,437,275</u>	
	<u>\$ 101,718,585</u>	<u>\$ 23,656,327</u>	<u>\$ 125,374,912</u>	

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

**NOTE 8 - PENSION PLANS**

Description of Plans - All qualified employees of the Authority are covered by the Public Employees' Retirement System ("System") which has been established by state statute and is administered by the New Jersey Division of Pensions and Benefits ("Division"). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly-available financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System. This report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

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

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

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

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

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

**NOTE 8 - PENSION PLANS (continued)**

Three-Year Trend Information for PERS

<u>Year Funding December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$ 668,140	100%	\$ 0
2007	371,207	100%	0
2006	198,702	100%	0

**NOTE 9 - POST-RETIREMENT BENEFITS**

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating entities, including the Authority. The Plans are cost-sharing, multiple employer-defined benefit plans.

As a result of implementing GASB Statement No. 43, Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans ("OPEB"), effective for fiscal year 2007, the State Health Benefits Program ("SHBP") and the Prescription Drug Program ("PDP") and Post-Retirement Medical ("PRM") of the PERS and TPAF are combined and reported as Pension and Other Employee Benefit Trust funds in the State's Comprehensive Annual Financial Report ("CAFR"). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Fund (Health Benefits Program Fund – State). The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as a separate Fund (Health Benefits Program Fund – Local) in the State's CAFR. As of the date of this report, the State has not made available a valuation report in accordance with GASB 45. The unfunded actuarial accrued liability for the local participants is \$9,096,600,000.

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

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

**NOTE 9 - POST-RETIREMENT BENEFITS (continued)**

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of Treasury, Division of Investments issues publicly-available financial reports. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, PO Box 2909, Trenton, New Jersey 08625-0290.

Funding Policy

P.L. 1987, c.384 and P.L. 1990, c.6 required the PERS to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2007, there were 75,860 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

P.L. 1977, c.136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under 2 provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service. The State and participating local governments contributed \$64.6 million for 6,304 eligible retired members for fiscal year 2007.

PERS retirees are excluded from the provisions set forth in P.L. 1977, c.136 since their health benefits coverage is funded through each of their respective pension fund systems via an annual appropriation. The State and participating local governments made PRM contributions of \$224.3 million for PERS in fiscal year 2007.

The State will set in fiscal year 2008 the employer contribution rate based on the annual required contribution of the employers ("ARC"), an amount actuarially-determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years. The Authority's contributions to the State Health Benefits Program Fund for post-retirement benefits for the years ended December 31, 2008, 2007, 2006 and 2005 were not available.

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

**NOTE 10 - COMPENSATED ABSENCES**

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

**NOTE 11 - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

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

**NOTE 12 - RISK MANAGEMENT**

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

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

**NOTE 13 - AMOUNTS HELD BY THE STATE OF NEW JERSEY**

The State of New Jersey holds the Landfill Closure Escrow Account in the name of the Atlantic County Utilities Authority. These Cash and Investments consisted of the following at December 31, 2008:

United States Treasury Notes	\$ 2,139,715
Cash	<u>2,073,012</u>
	<u>\$ 4,212,727</u>

**NOTE 14 - DEFERRED COMPENSATION**

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

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

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

**NOTE 15 - EXTRAORDINARY ITEM – REDUCTION IN CLOSURE AND POST-CLOSURE COST**

As a result of linear design changes to the landfill and Department of Environmental Protection approval to fill in side slope benches in cells one through four, the Authority gained additional capacity in the total landfill capacity. This additional capacity resulted in a significant reduction in the Authority's accrued landfill closure costs in the amount of \$3,021,666.

**NOTE 16 – SUBSEQUENT EVENT**

In 2009, the Authority authorized the issuance of up to \$23,500,000 of Wastewater Revenue Refunding Bonds.



OTHER SUPPLEMENTARY INFORMATION

WASTEWATER DIVISION

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTICWASTEWATER DIVISION  
COMPARATIVE STATEMENT OF NET ASSETS  
MODIFIED GAAP BASIS

December 31, 2008 and 2007

<u>Assets</u>	<u>2008</u>	<u>2007</u>	<u>Liabilities and Net Assets</u>	<u>2008</u>	<u>2007</u>
Current Assets:			Current Liabilities Payable From Current Assets:		
Cash and Cash Equivalents	\$ 14,069,742	\$ 14,914,096	Accounts Payable	\$ 3,313,849	\$ 3,025,053
Investments	2,999,216		Deferred Revenue	114,840	93,380
Accrued Interest Receivable	90,073	203,064	Due To Solid Waste Division	865,670	532,566
Accounts Receivable	654,337	1,272,486			
Total Current Assets	<u>17,813,368</u>	<u>16,389,646</u>	Total Current Liabilities Payable From Current Assets	<u>4,294,359</u>	<u>3,650,999</u>
Non-Current Assets:			Current Liabilities Payable From Restricted Assets:		
Restricted Assets:			Construction Contracts Payable	1,517,413	537,329
Cash and Cash Equivalents	10,889,779	13,851,937	Current Portion of Long-Term Debt	5,937,179	5,617,756
Investments	5,021,809	1,534,867	Accrued Interest	905,593	994,466
Accrued Interest Receivable	3	2,419			
Grants Receivable	185,942	4,111,538	Total Current Liabilities Payable From Restricted Assets	<u>8,360,185</u>	<u>7,149,551</u>
Loans Receivable	3,208,243	4,111,538	Non-Current Liabilities:		
Total Non-Current Assets	<u>19,305,776</u>	<u>19,500,761</u>	Deferred Revenue	1,171,295	1,307,595
			Post Retirement Benefits Payable	535,019	535,019
			Accrued Compensated Absences	600,004	575,075
			Long-Term Portion of Bonds Payable (Note 7)		
			(Net of Unamortized Bond Premium and Discount of \$666,197 and \$761,369 in 2008 and 2007, respectively)	47,332,603	53,364,953
			Total Non-Current Liabilities	<u>49,638,921</u>	<u>55,782,642</u>
Capital Assets:			Total Liabilities	<u>\$ 62,293,465</u>	<u>\$ 66,583,192</u>
Property, Plant and Equipment	210,277,846	208,629,047	Net Assets:		
Less: Accumulated Depreciation	<u>(124,376,698)</u>	<u>(119,300,191)</u>	Invested in Capital Assets, Net of Related Debt Restricted for:	\$ 32,631,366	\$ 30,346,147
Net Capital Assets	<u>85,901,148</u>	<u>89,328,856</u>	Renewal and Replacement	4,800,000	4,800,000
			Debt Service Fund	6,130,912	5,987,794
			Debt Service Reserve Fund	7,608,018	7,753,979
Unamortized Bond Issue Costs	<u>2,059,344</u>	<u>2,353,534</u>	Unrestricted	11,615,875	12,101,685
			Total Net Assets	<u>62,786,171</u>	<u>60,989,605</u>
Total Assets	<u>\$ 125,079,636</u>	<u>\$ 127,572,797</u>	Total Liabilities and Net Assets	<u>\$ 125,079,636</u>	<u>\$ 127,572,797</u>

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

WASTEWATER DIVISION  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
MODIFIED GAAP BASIS

Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues:		
User Service Agreements:		
Operating	\$ 15,743,904	\$ 15,291,912
General	7,895,555	7,770,978
Sludge	1,614,421	1,388,972
Septic and Leachate	490,685	506,034
Other	<u>1,357,377</u>	<u>1,334,376</u>
 Total Operating Revenues	 <u>27,101,942</u>	 <u>26,292,272</u>
 Operating Expenses:		
Salaries	5,550,895	5,589,261
Employee Benefits	2,479,250	2,288,841
Power and Utilities	3,223,991	2,725,404
Chemicals	874,912	829,778
Fuel	1,969,247	1,561,358
Supplies and Miscellaneous Maintenance	1,947,131	1,748,540
Contractual Services	711,983	978,258
Indirect Operating Expenses	373,638	363,609
Administrative	1,298,095	1,220,058
Licenses and Permits	179,197	133,355
Depreciation	5,076,507	6,482,427
Amortization of Bond Issue Costs	<u>294,190</u>	<u>294,189</u>
 Total Operating Expenses	 <u>23,979,036</u>	 <u>24,215,078</u>
 Operating Income	 <u>3,122,906</u>	 <u>2,077,194</u>
 Non-Operating Revenues/(Expenses):		
Interest Income	404,964	1,332,285
Interest Expense	<u>(1,731,304)</u>	<u>(2,248,445)</u>
 Total Non-Operating Revenues/(Expenses)	 <u>(1,326,340)</u>	 <u>(916,160)</u>
 Net Income	 1,796,566	 1,161,034
 Total Net Assets - Beginning	 <u>60,989,605</u>	 <u>59,828,571</u>
 Total Net Assets - Ending	 <u>\$ 62,786,171</u>	 <u>\$ 60,989,605</u>

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

WASTEWATER DIVISION  
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES  
COMPARED TO BUDGET - RATE BASIS

Year ended December 31, 2008

	2008 <u>Budget</u>	2008 <u>Actual</u>
Revenues:		
User Service Agreements:		
Operating and General Charge	\$ 23,639,460	\$ 23,639,460
Sludge, Septic and Leachate	1,724,000	1,990,266
Interest on Investments and Deposits	1,000,000	806,524
Miscellaneous	598,915	1,357,376
Fund Balance	802,147	0
	<u>27,764,522</u>	<u>27,793,626</u>
Total Revenues		
Expenses:		
Salaries	6,121,387	5,550,895
Employee Benefits	2,750,468	2,479,250
Power and Utilities	2,995,000	3,223,991
Chemicals	1,102,000	874,912
Fuel	1,938,000	1,969,244
Supplies and Miscellaneous Maintenance	847,500	1,110,998
Contractual Services	1,038,500	758,566
Indirect Operating Expenses	576,500	667,740
Administrative	1,544,113	1,413,001
Maintenance Program Expenditures	955,500	789,550
Cancelled Purchase Orders		(229,810)
	<u>19,868,968</u>	<u>18,608,337</u>
Debt Service	<u>7,895,554</u>	<u>7,895,554</u>
Total Expenses	<u>27,764,522</u>	<u>26,503,891</u>
Net Income From Operations	<u>\$ 0</u>	<u>\$ 1,289,735</u>

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

WASTEWATER DIVISION  
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS

Year ended December 31, 2008

<u>Description</u>	<u>Cost</u>	<u>Interest Rate</u>	<u>Fair Market Value December 31 2008</u>
Unrestricted Accounts:			
Cash	\$ 3,685,588		\$ 3,685,588
First American Treasury Obligation Fund	6,418,131	.02%	6,418,131
NJ ARM - Investment OPEB	130,420	1.36%	130,420
NJ ARM - Pooled Investment	1,850,000	2.06%	1,850,000
NJ ARM - Term	2,999,216	.91%-2.82%	2,999,216
NJ ARM Investment	<u>1,985,603</u>	1.36%	<u>1,985,603</u>
Total Unrestricted Accounts	<u>17,068,958</u>		<u>17,068,958</u>
Restricted Accounts:			
Wastewater Trust Fund:			
Grant Water Supply	61	.02%	61
First American Treasury Money Market - 1997	108,737	.02%	108,737
First American Treasury Money Market - 2004	627,273	.02%	627,273
First American Treasury Money Market - 2007	<u>257,830</u>	.02%	<u>257,830</u>
	<u>993,901</u>		<u>993,901</u>
Rebate Account:			
First American Treasury	<u>92,447</u>		<u>92,447</u>
2003 Investment Settlement Account:			
First American Treasury	<u>3,255</u>	.02%	<u>3,255</u>
Debt Service Fund:			
First American Treasury	<u>6,130,912</u>	.02%	<u>6,130,912</u>
Debt Service Reserve Fund:			
NJ ARM Pooled Investment	18,672	1.36%	18,672
NJ ARM Term	1,400,000	2.06%	1,400,000
United States Treasury Strips	70,568	0.00%	315,615
United States Treasury Bonds	<u>1,149,682</u>	11.25%	<u>1,306,194</u>
	<u>2,638,922</u>		<u>3,040,481</u>
Renewal and Replacement Fund:			
First American Treasury	3,020,747	.02%	3,020,747
NJ ARM Term	2,000,000	2.02%	2,000,000
NJ ARM Pooled Investment	<u>629,845</u>	1.36%	<u>629,845</u>
	<u>5,650,592</u>		<u>5,650,592</u>
Total	<u>\$ 32,578,987</u>		<u>\$ 32,980,546</u>
Unrestricted:			
Cash and Cash Equivalents	\$ 14,069,742		\$ 14,069,742
Investments	2,999,216		2,999,216
Restricted:			
Cash and Cash Equivalents	10,889,779		10,889,779
Investments	<u>4,620,250</u>		<u>5,021,809</u>
	<u>\$ 52,578,987</u>		<u>\$ 32,980,546</u>

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

WASTEWATER DIVISION  
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT AND OTHER CAPITALIZED COSTS  
MODIFIED GAAP BASIS

For the years ended December 31, 2008, 2007, 2006, 2005, 2004, 2003, and 2002

	2008	2007	2006	2005	2004	2003	2002
Additions During the Year:							
Property, Plant and Equipment:							
Sewer Mains and Interceptors	\$ 1,648,799	\$ 32,597	\$ 2,694,768	\$ (11,978)	\$ 61,966	\$ 13,459	\$ 890,500
Buildings and Improvements		173,514	291,084	5,589,611	42,386	11,581	99,558
Equipment and Vehicles						54,201	
Total Additions	1,648,799	206,111	2,985,852	5,577,633	104,352	79,241	990,058
Costs Capitalized at the Beginning of the Year	208,629,047	208,422,936	205,437,084	199,859,451	199,755,099	199,675,858	198,685,800
	210,277,846	208,629,047	208,422,936	205,437,084	199,859,451	199,755,099	199,675,858
Less:							
Accumulated Depreciation	(124,376,698)	(119,300,191)	(112,817,763)	(107,778,965)	(102,848,598)	(97,952,789)	(93,073,201)
Total Property, Plant and Equipment, End of Year	\$ 85,901,148	\$ 89,328,856	\$ 95,605,173	\$ 97,658,119	\$ 97,010,853	\$ 101,802,310	\$ 106,602,657

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

WASTEWATER DIVISION  
SCHEDULE OF DEBT ISSUE COSTS  
MODIFIED GAAP BASIS

For the years ended December 31, 2008, 2007, 2006, 2005, 2004, 2003, and 2002

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Costs Capitalized at the Beginning of the Year	\$ 5,206,878	\$ 5,206,878	\$ 5,206,878	\$ 5,206,878	\$ 5,206,878	\$ 4,744,100	\$ 4,744,100
Net Effect of Refunding Bond Issue	5,206,878	5,206,878	5,206,878	5,206,878	5,206,878	462,778	4,744,100
Less:							
Accumulated Amortization	(3,147,534)	(2,853,344)	(2,559,155)	(2,264,965)	(1,970,776)	(1,676,586)	(1,437,267)
Unamortized Debt Issue Costs	<u>\$ 2,059,344</u>	<u>\$ 2,353,534</u>	<u>\$ 2,647,723</u>	<u>\$ 2,941,913</u>	<u>\$ 3,236,102</u>	<u>\$ 3,530,292</u>	<u>\$ 3,306,833</u>



SOLID WASTE DIVISION

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTICSOLID WASTE DIVISION  
COMPARATIVE STATEMENT OF NET ASSETS  
MODIFIED GAAP BASIS

December 31, 2008 and 2007

Assets	<u>2008</u>	<u>2007</u>	<u>Liabilities and Net Assets</u>	<u>2008</u>	<u>2007</u>
Current Assets:			Current Liabilities Payable From Current Assets:		
Cash and Cash Equivalents	\$ 12,180,238	\$ 16,795,933	Accounts Payable	\$ 3,040,513	\$ 3,014,568
Investments	7,164,940	4,673,000	Customer Deposits	148,490	205,614
Accrued Interest Receivable	87,128	290,262			
Accounts Receivable (Net of Allowance \$1,150,074 and \$1,120,074 in 2008 and 2007 respectively)	1,349,372	1,892,203	Total Current Liabilities Payable From Current Assets	3,189,003	3,220,182
Other Accounts Receivable	894,350	371,251	Current Liabilities Payable From Restricted Assets:		
Due From Wastewater Division	865,670	532,566	Construction Contracts Payable	198,322	2,473,993
			Current Portion of Long-Term Debt	4,720,000	4,400,000
Total Current Assets	<u>22,541,698</u>	<u>24,555,215</u>	Accrued Interest	1,166,481	1,269,148
Non-Current Assets:			Total Current Liabilities Payable From Restricted Assets	6,084,803	8,143,141
Restricted Assets:					
Cash and Cash Equivalents	17,174,562	13,277,038	Non-Current Liabilities Payable From Restricted Assets:		
Investments	3,900,000	4,798,000	Accrued Landfill Closure and Post-Closure Care Cost	10,915,749	13,221,384
Amounts Held By State of New Jersey	4,212,727	3,845,689			
Accrued Interest Receivable	127,199	248,493	Non-Current Liabilities:		
Total Non-Current Assets	<u>25,414,488</u>	<u>22,169,220</u>	Accrued Compensated Absences	643,915	574,099
			Post Retirement Benefits Payable	800,000	800,000
Capital Assets:			Long-Term Portion of Bonds Payable (Note 7) (Net of Unamortized Bond Premium and Discount of \$169,101 and \$212,480 in 2008 and 2007, respectively)	44,225,899	48,902,520
Property, Plant and Equipment	113,647,014	112,592,406	Total Non-Current Liabilities	56,585,563	63,498,003
Less: Accumulated Depreciation	(63,820,420)	(57,767,190)	Total Liabilities	<u>\$ 65,859,369</u>	<u>\$ 74,861,326</u>
Net Capital Assets	<u>49,826,594</u>	<u>54,825,216</u>	Net Assets:		
			Invested in Capital Assets, Net of Related Debt Restricted For Debt Service Reserve Fund Unrestricted	\$ 880,696	\$ 1,522,696
Deferred Costs:				8,053,769	8,053,769
Preoperating Costs (Net of Accumulated Depreciation of \$9,859,501 and \$9,859,501 in 2008 and 2007 respectively)			Total Net Assets	<u>\$ 32,484,446</u>	<u>\$ 27,308,288</u>
Unamortized Bond Discount and Issue Costs	561,035	619,963	Total Liabilities and Net Assets	<u>\$ 98,343,815</u>	<u>\$ 102,169,614</u>
Total Assets	<u>\$ 98,343,815</u>	<u>\$ 102,169,614</u>			

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

SOLID WASTE DIVISION  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
MODIFIED GAAP BASIS

Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues:		
Tipping Fees	\$ 21,064,394	\$ 24,039,425
Collections and Recycling Income	8,248,444	8,762,282
Grant Income	424,857	259,068
Composting Income	937,232	998,324
Other	<u>1,393,791</u>	<u>1,708,382</u>
Total Operating Revenues	<u>32,068,718</u>	<u>35,767,481</u>
Operating Expenses:		
Salaries	8,047,085	7,326,378
Employee Benefits	3,572,296	3,281,943
Power and Utilities	538,417	461,884
Fuel	1,514,631	1,216,721
Supplies and Miscellaneous Maintenance	2,178,679	1,803,052
Indirect Operating Expenses	5,422,472	7,357,456
Accrued Landfill Closure Costs	716,031	1,159,153
Administrative	1,108,331	850,480
Community Benefit	1,904,695	2,109,030
Recycling and Other Taxes	833,849	579,323
Bad Debt Expense	30,000	25,000
Depreciation	6,053,230	5,839,848
Amortization of Bond Issue Costs	<u>58,928</u>	<u>58,928</u>
Total Operating Expenses	<u>31,978,644</u>	<u>32,069,196</u>
Operating Income	<u>90,074</u>	<u>3,698,285</u>
Non-Operating Revenues/(Expenses):		
Interest Income	484,448	1,027,147
Interest Expense	(3,550,777)	(3,855,277)
Contributions - State Subsidy	<u>5,130,747</u>	<u>5,630,747</u>
Total Non-Operating Revenues	<u>2,064,418</u>	<u>2,802,617</u>
Net Income	2,154,492	6,500,902
Extraordinary Item: Reduction in Closure Costs	3,021,666	
Total Net Assets - Beginning	<u>27,308,288</u>	<u>20,807,386</u>
Total Net Assets - Ending	<u>\$ 32,484,446</u>	<u>\$ 27,308,288</u>

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

SOLID WASTE DIVISION  
SCHEDULE OF REVENUES AND COSTS FUNDED BY OPERATING REVENUES  
COMPARED TO BUDGET - RATE BASIS

Year ended December 31, 2008

	<u>2008</u> <u>Budget</u>	<u>2008</u> <u>Actual</u>
Long Term Debt Related Revenues:		
State Subsidy	\$ 5,630,747	\$ 5,130,747
Less:		
Long Term Debt Related Expense:		
Principal and Interest	<u>8,217,443</u>	<u>8,217,443</u>
Net Loss on Debt Related Activities	<u>(2,586,696)</u>	<u>(3,086,696)</u>
Operating Revenues:		
Tipping Fees	24,471,489	21,064,394
Collections and Recycling Income	8,817,801	8,594,294
Composting Income	923,924	937,233
Other	1,223,272	1,472,797
Interest Income	<u>830,000</u>	<u>484,448</u>
Total Revenues	<u>36,266,486</u>	<u>32,553,166</u>
Operating Expenses:		
Administration	2,747,037	2,633,792
Solid Waste Administration	717,836	844,347
Transfer Station Operations	5,468,646	3,685,280
Composting Operations	446,373	524,091
Landfill Operations	6,178,775	6,063,792
Recycling Center Operations	1,908,381	1,499,081
Collections	5,147,598	5,160,253
Maintenance Center	4,316,823	4,639,917
Lease Purchase	125,254	125,054
Cancelled Purchase Orders		<u>(55,152)</u>
Total Operating Expenses	<u>27,056,723</u>	<u>25,120,455</u>
Net Income From Operating Activities	9,209,763	7,432,711
Renewal and Replacement Fund CIP	<u>(6,623,067)</u>	<u>(5,570,444)</u>
Net Income, Before Adjustment	<u>2,586,696</u>	<u>1,862,267</u>
Bad Debt Expense		(30,000)
Extraordinary Item - Landfill Closure Adjustment		<u>2,305,635</u>
Net Income	<u>\$ 0</u>	<u>\$ 1,051,206</u>

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

SOLID WASTE DIVISION  
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS

Year ended December 31, 2008

<u>Description</u>	<u>Face Amount</u>	<u>Interest Rate</u>	<u>Cost December 31, 2008</u>
Unrestricted Accounts:			
Operations:			
Cash	\$ 293,526		\$ 293,526
Revenue Fund:			
US Treasury Fund	7,276,845	.05%	7,276,845
NJ ARM Investment - OPEB	154,362	1.36%	154,362
NJ ARM - Term - OPEB	4,401,940	.91%-2.84%	4,401,940
NJ ARM Investment	1,905,167	1.36%	1,905,167
NJ ARM - Term	<u>790,000</u>	.091%	<u>790,000</u>
	<u>14,528,314</u>		<u>14,528,314</u>
E.I.C.:			
US Treasury Fund	<u>699</u>	.05%	<u>699</u>
Operating Reserve:			
NJ ARM Investment	216,789	1.36%	216,789
NJ ARM - Term	1,973,000	2.44%	1,973,000
US Treasury Fund	<u>2,332,850</u>	0.05%	<u>2,332,850</u>
	<u>4,522,639</u>		<u>4,522,639</u>
Restricted Accounts:			
Renewal and Replacement Fund:			
US Treasury Fund	3,219,656	0.05%	3,219,656
NJ ARM Investment	1,366,063	1.36%	1,366,063
NJ ARM - Term	9,397,994	2.65%-2.80%	9,397,994
NJ ARM - Term	<u>3,900,000</u>	1.36%	<u>3,900,000</u>
	<u>17,883,713</u>		<u>17,883,713</u>
Debt Service Fund:			
US Treasury Fund	<u>559,317</u>	0.00%	<u>559,317</u>
Debt Service Reserve Fund:			
US Treasury Fund	<u>2,631,532</u>	0.05%	<u>2,631,532</u>
Total	<u>\$ 40,419,740</u>		<u>\$ 40,419,740</u>
Unrestricted	\$ 19,345,178		\$ 19,345,178
Restricted	<u>21,074,562</u>		<u>21,074,562</u>
	<u>\$ 40,419,740</u>		<u>\$ 40,419,740</u>

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

SOLID WASTE DIVISION  
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT AND OTHER PREOPERATING COSTS  
MODIFIED GAAP BASIS

For the years ended December 31, 2008, 2007, 2006, 2005, 2004, 2003, and 2002

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Waste Disposal: Additions/(Deletions) During the Year:							
Property, Plant and Equipment:							
Land and Improvements	\$ 87,167	\$ 66,030	\$ 461,586	\$ (1,874)	\$ 93,700		
Buildings and Improvements	143,531	526,994	282,995	168,504	41,654	\$ 63,422	
Equipment and Vehicles	555,432	3,982,550	1,830,145	613,064	2,217,967	599,925	
Landfill Design and Implementation				1,017,183	4,443,223	5,954,124	
Planning and Designs							\$ 3,790,005
Total Additions	<u>786,130</u>	<u>4,575,574</u>	<u>2,574,726</u>	<u>1,796,877</u>	<u>6,796,544</u>	<u>6,617,471</u>	<u>3,790,005</u>
Costs Capitalized at the Beginning of the Year	<u>85,916,091</u>	<u>81,340,517</u>	<u>78,765,791</u>	<u>76,968,914</u>	<u>70,172,370</u>	<u>63,554,899</u>	<u>59,764,894</u>
On Balance:							
Accumulated Depreciation	<u>(52,423,509)</u>	<u>(47,774,542)</u>	<u>(43,270,901)</u>	<u>(39,093,397)</u>	<u>(35,677,378)</u>	<u>(31,858,268)</u>	<u>(28,835,667)</u>
Total Property, Plant and Equipment, End of Year	<u>\$ 34,278,712</u>	<u>\$ 38,141,549</u>	<u>\$ 38,069,616</u>	<u>\$ 39,672,394</u>	<u>\$ 41,291,536</u>	<u>\$ 38,314,102</u>	<u>\$ 34,719,232</u>
Waste Recycling: Additions/(Deletions) During the Year:							
Property, Plant and Equipment:							
Land and Improvements	\$	\$ 118,678			\$ 33,000	\$ 22,123	\$ 38,898
Buildings and Improvements		(14,662)	\$ 61,075			33,327	
Equipment and Vehicles	\$ 268,478	1,138,952	1,702,894	\$ 943,574	1,845,226	421,608	100,986
Planning and Designs					61,107	2,676	
Total Additions	<u>268,478</u>	<u>1,242,968</u>	<u>1,763,969</u>	<u>943,574</u>	<u>1,939,333</u>	<u>479,734</u>	<u>139,884</u>
Costs Capitalized at the Beginning of the Year	<u>36,535,815</u>	<u>35,292,847</u>	<u>33,528,878</u>	<u>32,585,304</u>	<u>30,645,971</u>	<u>30,166,237</u>	<u>30,026,353</u>
Less:							
Accumulated Depreciation	<u>(21,256,411)</u>	<u>(19,852,148)</u>	<u>(18,515,942)</u>	<u>(17,314,734)</u>	<u>(16,207,124)</u>	<u>(15,208,559)</u>	<u>(14,219,788)</u>
Total Property, Plant and Equipment, End of Year	<u>\$ 15,547,882</u>	<u>\$ 16,683,667</u>	<u>\$ 16,776,905</u>	<u>\$ 16,214,144</u>	<u>\$ 16,378,180</u>	<u>\$ 15,437,412</u>	<u>\$ 15,946,449</u>
Grand Total	<u>\$ 49,826,594</u>	<u>\$ 54,825,216</u>	<u>\$ 54,846,521</u>	<u>\$ 55,886,538</u>	<u>\$ 57,669,716</u>	<u>\$ 53,751,514</u>	<u>\$ 50,665,681</u>

ATLANTIC COUNTY UTILITIES AUTHORITY  
 COUNTY OF ATLANTIC

SOLID WASTE DIVISION  
 SCHEDULE OF DEBT ISSUE COSTS  
 MODIFIED GAAP BASIS

For the years ended December 31, 2008, 2007, 2006, 2005, 2004, 2003, and 2002

	2008	2007	2006	2005	2004	2003	2002
Costs Capitalized at the Beginning of the Year	\$ 2,182,779	\$ 2,182,779	\$ 2,182,779	\$ 2,182,779	\$ 2,182,779	\$ 2,182,779	\$ 2,182,779
Less:							
Accumulated Amortization	<u>(1,621,744)</u>	<u>(1,562,816)</u>	<u>(1,503,888)</u>	<u>(1,444,959)</u>	<u>(1,386,031)</u>	<u>(1,327,103)</u>	<u>(1,268,174)</u>
Unamortized Debt Issue Costs	<u>\$ 561,035</u>	<u>\$ 619,963</u>	<u>\$ 678,891</u>	<u>\$ 737,820</u>	<u>\$ 796,748</u>	<u>\$ 855,676</u>	<u>\$ 914,605</u>

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



# **Hutchins, Farrell, Meyer & Allison, P.A.**

Certified Public Accountants • Business & Financial Advisors

Robert H. Hutchins, CPA, CVA  
Eugene M. Farrell, CPA, RMA, CFP  
Robert W. Allison, CPA, RMA  
Alan E. Meyer, CPA/ABV  
Joann DiLieto, CPA

Patrice R. Antonucci, CPA  
Thomas L. Stetson, CPA

Monmouth County Office  
912 Highway 33 • Suite 2  
Freehold, NJ 07728  
(732) 409-0800  
Fax: (732) 866-9312

Ocean County Office  
512 Main Street • PO Box 1778  
Toms River, NJ 08754  
(732) 240-5600  
Fax: (732) 505-8358

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying Special-Purpose Statements of Revenues and Expenses of the Atlantic County Utilities Authority ("Authority") Wastewater and Solid Waste Divisions for the year ended December 31, 2008. These special-purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

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

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

In our opinion, because the Authority has prepared these special-purpose financial statements on the prescribed basis of accounting discussed in the preceding paragraph, the special-purpose financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Authority, as of December 31, 2008.

The Honorable Chairman  
and Members of the Board  
of the Atlantic County Utilities Authority  
Page 2

However, in our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the revenues and expenses of the Wastewater and Solid Waste Divisions of the Authority for the year ended December 31, 2008 on the basis of accounting described in Note 1.

*Hutchins, Farrell, Meyer & Allison, P.A.*  

---

Hutchins, Farrell, Meyer & Allison, P.A.

May 20, 2009

WASTEWATER DIVISION

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

WASTEWATER DIVISION  
SPECIAL PURPOSE STATEMENT OF REVENUES AND EXPENSES  
TO COMPLY WITH BOND RESOLUTIONS

For the year ended December 31, 2008

Operating Revenues:	
Wastewater:	
User Service Agreements:	
Operating	\$ 15,743,904
General	7,895,555
Sludge	1,614,421
Septage and Leachate	490,685
Other	<u>1,357,377</u>
Total Operating Revenues	<u>27,101,942</u>
Operating Expenses:	
Salaries	5,550,895
Employee Benefits	2,490,728
Power and Utilities	2,812,027
Chemicals	826,825
Fuel	1,938,343
Supplies and Miscellaneous Maintenance	2,127,488
Contractual Services	846,761
Indirect Operating Expenses	385,112
Administrative	1,266,179
License and Permits	179,197
Amortization of Bond Issue Costs	<u>294,190</u>
Total Operating Expenses	<u>18,717,745</u>
Excess of Revenues Over Expenses from Operations	<u>8,384,197</u>
Non-Operating Revenues/(Expenses):	
Interest Income	404,964
Interest Expense	<u>(1,731,304)</u>
Total Non-Operating Revenue/(Expenses)	<u>(1,326,340)</u>
Excess of Revenues Over Expenses	<u>\$ 7,057,857</u>

The accompanying Note to Special-Purpose Financial Statements is an integral part of this statement.

SOLID WASTE DIVISION

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

SOLID WASTE DIVISION  
SPECIAL PURPOSE STATEMENT OF REVENUES AND EXPENSES  
TO COMPLY WITH BOND RESOLUTIONS

For the year ended December 31, 2008

Operating Revenues:	
Solid Waste:	
Tipping Fees	\$ 21,064,394
Collections and Recycling Income	8,248,444
Grant Income	424,857
Composting Income	937,232
Other	<u>1,393,791</u>
 Total Operating Revenues	 <u>32,068,718</u>
 Operating Expenses:	
Salaries	8,047,085
Employee Benefits	3,568,054
Power and Utilities	481,682
Fuel	1,592,406
Supplies and Miscellaneous Maintenance	1,922,920
Indirect Operating Expenses	5,378,831
Administrative	959,109
Community Benefit	1,934,632
Recycling and Other Taxes	676,637
Bad Debt Expense	30,000
Amortization of Bond Issue Costs	58,928
Accrued Landfill Closure Costs	<u>716,031</u>
 Total Operating Expenses	 <u>25,366,315</u>
 Excess of Revenues Over Expenses from Operations	 <u>6,702,403</u>
 Non-Operating Revenues/(Expenses):	
Interest Income	484,448
Interest Expense	<u>(3,550,777)</u>
 Total Non-Operating Revenue/(Expenses)	 <u>(3,066,329)</u>
 Excess of Revenues Over Expenses - Before Extraordinary Item	 <u>3,636,074</u>
 Extraordinary Item	 <u>3,021,666</u>
 Excess of Revenue Over Expenses	 <u><u>6,657,740</u></u>

The accompanying Note to Special-Purpose Financial Statements is an integral part of this statement.

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

NOTE TO SPECIAL - PURPOSE FINANCIAL STATEMENTS

Year ended December 31, 2008

**NOTE 1 - BASIS OF PRESENTATION**

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

## DEBT SERVICE REQUIREMENT



# Hutchins, Farrell, Meyer & Allison, P.A.

Certified Public Accountants • Business & Financial Advisors

Robert H. Hutchins, CPA, CVA  
Eugene M. Farrell, CPA, RMA, CFP  
Robert W. Allison, CPA, RMA  
Alan E. Meyer, CPA/ABV  
Joann DiLieto, CPA

Patrice R. Antonucci, CPA  
Thomas L. Stetson, CPA

Monmouth County Office  
912 Highway 33 • Suite 2  
Freehold, NJ 07728  
(732) 409-0800  
Fax: (732) 866-9312

Ocean County Office  
512 Main Street • PO Box 1778  
Toms River, NJ 08754  
(732) 240-5600  
Fax: (732) 505-8358

## INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Atlantic County Utilities Authority ("Authority"), as of and for the year ended December 31, 2008, and have issued our report thereon dated May 20, 2009.

In connection with our audit, nothing came to our attention that caused us to believe that, as of December 31, 2008, the Authority was not in compliance with the accounting requirements of Section 6.10(b)(ii) of the Authority's Resolution Authorizing Solid Waste System Revenue Bonds, adopted January 23, 1992, as supplemented and Restated March 5 and April 6, 1992. However, it should be noted that our examination was not directed primarily toward obtaining knowledge of such non-compliance with such accounting requirements.

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

*Hutchins, Farrell, Meyer & Allison, P.A.*

---

Hutchins, Farrell, Meyer & Allison, P.A.

May 20, 2009

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

SOLID WASTE DIVISION  
DEBT SERVICE REQUIREMENT

For the year ended December 31, 2008

Debt Service Requirement:	
Interest Payable During 2008	\$ 3,550,777
Principal Payable During 2008	<u>4,400,000</u>
Subtotal	<u>7,950,777</u>
Plus: Coverage Requirement	<u>110%</u>
Debt Service Requirement	<u>\$ 8,745,855</u>
Net Revenues Provided:	
Gross Revenue	\$ 33,358,543
Operating Expenses	<u>22,844,820</u>
Net Revenues Provided	<u>\$ 10,513,723</u>

## GENERAL COMMENTS AND RECOMMENDATIONS

# Hutchins, Farrell, Meyer & Allison, P.A.

Certified Public Accountants • Business & Financial Advisors

Robert H. Hutchins, CPA, CVA  
Eugene M. Farrell, CPA, RMA, CFP  
Robert W. Allison, CPA, RMA  
Alan E. Meyer, CPA/ABV  
Joann DiLiecto, CPA

Patrice R. Antonucci, CPA  
Thomas L. Stetson, CPA

Monmouth County Office

912 Highway 33 • Suite 2  
Freehold, NJ 07728  
(732) 409-0800  
Fax: (732) 866-9312

Ocean County Office

512 Main Street • PO Box 1778  
Toms River, NJ 08754  
(732) 240-5600  
Fax: (732) 505-8358

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

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

We have audited the basic financial statements of the Atlantic County Utilities Authority ("Authority") as of and for the year ended December 31, 2008, and have issued our report thereon dated May 20, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

### Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

The Honorable Chairman  
and Members of the Board  
of the Atlantic County Utilities Authority  
Page 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

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

#### Compliance and Other Matters

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

This report is intended for the information of the management of the Authority, the Division of Local Government Services, Department of Community Affairs, State of New Jersey as well as other federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

---

Hutchins, Farrell, Meyer & Allison, P.A.

May 20, 2009

## COMMENTS AND RECOMMENDATIONS

ATLANTIC COUNTY UTILITIES AUTHORITY  
COUNTY OF ATLANTIC

COMMENTS AND RECOMMENDATIONS

Year ended December 31, 2008

None noted.