

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY
SANITARY LANDFILL CLOSURE ESCROW FUND
YEAR ENDED SEPTEMBER 30, 2008

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY
SANITARY LANDFILL CLOSURE ESCROW FUND

Year ended September 30, 2008

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements

| | |
|--|-----------|
| Statement of Assets and Fund Balance | Exhibit A |
| Statement of Revenue, Expenditures and Change in Fund Balance | Exhibit B |

Notes to Financial Statements

Report on Internal Control over Financial Reporting
and on Compliance Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards

Findings and Recommendations

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

Certified Public Accountants • Business & Financial Advisors

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying regulatory-basis financial statements of the Atlantic County Utilities Authority, County of Atlantic, New Jersey ("Authority") Sanitary Landfill Closure Escrow Fund as of September 30, 2008 and for the year ended September 30, 2008, listed as financial statement exhibits in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and in compliance with the audit requirements prescribed by the Department of Environmental Protection, State of New Jersey and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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.

As described in Note 2, the Authority prepares its Sanitary Landfill Closure Escrow Fund financial statements on a prescribed basis of accounting that demonstrates compliance with the regulatory basis of accounting of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are not reasonably determinable.

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

In our opinion, because of the Authority's policy to prepare its Sanitary Landfill Closure Escrow Fund financial statements on the basis of accounting discussed in the preceding paragraph, the 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 Atlantic County Utilities Authority Sanitary Landfill Closure Escrow Fund as of September 30, 2008, or the results of its operations for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position, on a regulatory accounting basis, of the Atlantic County Utilities Authority Sanitary Landfill Closure Escrow Fund as of September 30, 2008 and the results of its operations for the year then ended, on the basis of accounting described in Note 2.

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

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

October 22, 2008

FINANCIAL STATEMENTS

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

SANITARY LANDFILL FACILITY STANDARD ESCROW FUND

STATEMENT OF ASSETS AND FUND BALANCE

Year ended September 30, 2008

| | Balance September 30, <u>2008</u> |
|--|---|
| <u>Assets</u> | |
| Cash | \$ 1,836,314.09 |
| Investments | 2,280,738.89 |
| Due From Atlantic County Utilities Authority | <u>49,079.21</u> |
| Total Assets | <u>\$ 4,166,132.19</u> |
| <u>Fund Balance</u> | |
| Fund Balance | <u>\$ 4,166,132.19</u> |

See accompanying notes.

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

SANITARY LANDFILL FACILITY STANDARD ESCROW FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE

Year ended September 30, 2008

| | | Number Tons <u>Accepted</u> | Date of <u>Deposit</u> | Dollars <u>Deposited</u> | Income on <u>Invested Funds</u> | Total For <u>Month</u> |
|-----------------------------------|------|--------------------------------|---------------------------|-----------------------------|------------------------------------|---------------------------|
| October | 2007 | 23,219.86 | 11/14/07 | \$ 23,219.86 | \$ 2,437.29 | \$ 25,657.15 |
| November | 2007 | 23,512.29 | 01/09/08 | 23,512.29 | 313.81 | 23,826.10 |
| December | 2007 | 23,321.51 | 01/09/08 | 23,321.51 | 6,229.15 | 29,550.66 |
| January | 2008 | 21,333.61 | 02/14/08 | 21,333.61 | 4,646.58 | 25,980.19 |
| February | 2008 | 17,230.41 | 03/11/08 | 17,230.41 | 4,639.42 | 21,869.83 |
| March | 2008 | 18,181.15 | 04/09/08 | 18,181.15 | 28,549.81 | 46,730.96 |
| April | 2008 | 20,821.65 | 05/09/08 | 20,821.65 | 2,374.51 | 23,196.16 |
| May | 2008 | 24,671.00 | 06/06/08 | 24,671.00 | 23.46 | 24,694.46 |
| June | 2008 | 22,443.71 | 07/10/08 | 22,443.71 | 25.14 | 22,468.85 |
| July | 2008 | 22,875.35 | 08/07/08 | 22,875.35 | 4,494.14 | 27,369.49 |
| August | 2008 | 24,934.83 | 10/06/08 | 24,934.83 | 4,099.70 | 29,034.53 |
| September | 2008 | 24,144.38 | 10/06/08 | 24,144.38 | 29,120.84 | 53,265.22 |
| | | | | <u>\$ 266,689.75</u> | <u>\$ 86,953.85</u> | <u>\$ 353,643.60</u> |
| Total Revenue | | | | | | \$ 353,643.60 |
| Less: | | | | | | |
| Maintenance Fees | | | | | | <u>(1,000.00)</u> |
| Net Increase in Fund Balance | | | | | | 352,643.60 |
| Fund Balance, Beginning of Period | | | | | | <u>3,813,488.59</u> |
| Fund Balance, End of Period | | | | | | <u>\$ 4,166,132.19</u> |

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

LANDFILL CLOSURE ESCROW FUND

NOTES TO FINANCIAL STATEMENTS

Year ended September 30, 2008

NOTE A: FINANCIAL STATEMENT PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Landfill Closure Escrow Account was created pursuant to the "Sanitary Landfill Facility Closure and Contingency Fund Act" (P.L. 1981, c. 306). It requires the owner or operator of every sanitary landfill to establish a separate interest bearing escrow account for each landfill. The escrow account is for the closure and post closure care of that particular landfill.

The financial statements presented are prepared from only the accounts and financial transactions of the Landfill Closure Escrow Fund of the Atlantic County Utilities Authority. The financial statements of the Atlantic County Utilities Authority for the year ended December 31, 2007 have been audited by Hutchins, Farrell, Meyer & Allison, P.A., Certified Public Accountants and the report has been issued thereon dated May 15, 2008.

Revenues are recorded on the accrual basis of accounting.

NOTE B: 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.

GASB Statement No. 3 amended by Statement No. 40 requires disclosure of the level of custodial credit risk assumed by the District 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.

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

LANDFILL CLOSURE ESCROW FUND

NOTES TO FINANCIAL STATEMENTS

Year ended September 30, 2008

NOTE B: CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Deposits

Deposits are insured through the Federal Deposit Insurance Corporation ("FDIC") or New Jersey's Governmental Unit Deposit Protection Act. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Bank balances are insured up to \$100,000.00 in the aggregate by the FDIC for each bank. At September 30, 2008, the book value of the deposits was \$1,836,314.09 and the bank balances of the cash and deposits amounted to \$1,836,314.09. Of the bank balances, \$100,000.00 was covered by FDIC, and \$1,736,314.09 was covered by the New Jersey Governmental Unit Deposit Protection Act. The deposits which are displayed on the combined balance sheet as Cash are categorized as:

| <u>Depository Account</u> | <u>Bank Balance</u> |
|---------------------------|-------------------------|
| Insured | <u>\$ 1,836,314.09</u> |

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The State of New Jersey has certain collateral requirements for governmental units.

As of September 30, 2008, the bank balance was exposed to custodial credit risk as follows:

| | <u>Cash and Cash Equivalents</u> |
|--|--------------------------------------|
| Insured | \$ 1,836,314.09 |
| Uninsured and Collateral Held By Pledging Bank's Trust Department Not in Authority's Name | <u>0.00</u> |
| | <u>\$ 1,836,314.09</u> |

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

LANDFILL CLOSURE ESCROW FUND

NOTES TO FINANCIAL STATEMENTS

Year ended September 30, 2008

NOTE B: CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Investments

As of September 30, 2008, Landfill Closure Escrow Fund maintained investment holdings as listed below:

| <u>Investment Type</u> | <u>Cost</u> | <u>Moody's Rating</u> | <u>S&P Rating</u> |
|------------------------|------------------------|---------------------------|---------------------------|
| U.S. Treasury Notes | <u>\$ 2,280,738.99</u> | AAA | AAA |

COMPLIANCE

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

Certified Public Accountants • Business & Financial Advisors

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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 regulatory-basis financial statements of the Atlantic County Utilities Authority, County of Atlantic, New Jersey ("Authority") Sanitary Landfill Closure Escrow Fund as of and for the year ended September 30, 2008, and have issued our report thereon dated October 22, 2008 in which we expressed an adverse opinion on the conformity of the statements with accounting principles generally accepted in the United States due to differences between those principles and the accounting practices prescribed by the Department of Environmental Protection, State of New Jersey. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States; audit requirements as prescribed by the Department of Environmental Protection, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the Atlantic County Utilities Authority's management, Board members, and the Department of Environmental Protection, and is not intended to be, and should not be, used by anyone other than these specified parties.

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

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

October 22, 2008

FINDINGS AND RECOMMENDATIONS

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

LANDFILL CLOSURE ESCROW FUND

FINDINGS AND RECOMMENDATIONS

Year ended September 30, 2008

None noted.