

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY
YEARS ENDED DECEMBER 31, 2007 AND 2006

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

ATLANTIC COUNTY UTILITIES AUTHORITY
ATLANTIC COUNTY

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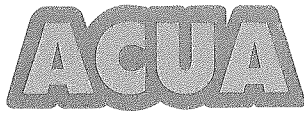
ATLANTIC COUNTY UTILITIES AUTHORITY
ATLANTIC COUNTY

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INTRODUCTORY SECTION



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May 15, 2008

Chairman Gallagher, Authority Board Members and President Dovey:

Presented to you are the audited financial statements for the 2007-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 2007-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. This statement is also prepared and presented to you on a monthly basis, 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, which relate more to the "Budget to Actual" statements. In addition there are statements done in accordance with the bond indenture.

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

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

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

The staff of the Finance Department prepared the basic financial statements and the supplemental financial statements and schedules discussed above. 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 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, 2007 and 2006. There were 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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the Atlantic County Utilities Authority ("Authority"), a component unit of the County of Atlantic, as of and for the years ended December 31, 2007 and 2006, 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, 2007, 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
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In accordance with Government Auditing Standards, we have also issued our report dated May 15, 2008 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 15, 2008

REQUIRED SUPPLEMENTARY INFORMATION

ATLANTIC COUNTY UTILITIES AUTHORITY

DECEMBER 31, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Atlantic County Utilities Authority's ("Authority" or "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, 2007.

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 bases, 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 December 31, 2007 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 service has been received as of December 31, 2007 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 \$1,264,037. Current Assets were up by about 25% or \$3.2 million. Non Current Assets increased by about \$2.3 million. Loans Receivable was up by about \$2 million. Accumulated Depreciation increased by about \$6.5 million, resulting in a decrease in Net Capital Assets by \$6.5 million.

Total liabilities decreased \$2,760,352. Bonds Payable went from \$56,069,728 in 2006 to \$53,364,953 in 2007, thereby accounting for most of total liability decrease. The Authority entered into an agreement with the New Jersey Environmental Infrastructure Trust ("NJEIT") borrowing in 2007 in the amount of \$3,008,152.

Current Liabilities Payable from Current Assets decreased by \$125,566. Accounts Payable accounted for \$168,531 of the decrease, Deferred Revenue accounted for \$2,900 of the decrease, and an increase for the amount Due To Solid Waste of \$45,865 accounts for the balance.

Current Liabilities Payable from Restricted Assets increased \$138,011. The Current Portion of Long Term Debt increased by 6.4%, and Construction Contract Payables and Accrued Interest Payable both decreased by almost 18% and 8%.

Non Current Liabilities decreased 4.7%, or \$2,772,797. This decrease is mostly attributable to a \$2.7 million reduction in Long Term Bonds Payable.

Assets exceed liabilities by \$62,677,455. This compares to 2006 where the division's assets exceeded its liabilities by \$61,181,140. The net change is an increase in assets over liabilities of \$1,496,315.

The Division's Net Assets of \$62,677,455 is comprised of the following:

- (1) Capital Assets, Net of Related Debt of \$30,346,147 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 \$5,987,794 restricted for the purpose of forthcoming debt service payments.
- (4) Net Assets of \$7,753,979 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 number last increased in 2004 due to the 2004 NJEIT Financing.

(5) Unrestricted Net Assets of \$13,789,535 represents the portion available to maintain the Authority's continuing obligations to the contractual customers of its service area, its creditors and current liabilities.

Restricted Net Assets decreased \$3,943,919 in 2007 as follows: Investments in Capital Assets Net of Related Debt decreased \$4,116,682, and the Reserve for Debt Service Fund and Debt Service Reserve Fund increased \$172,763. The Renewal and Replacement Fund did not change from 2007.

Unrestricted Net Assets increased \$5,440,234, which is comprised of the Net Income by Operations for 2007 and the decrease in Restricted Net Assets.

Total Fund Equity increased 2.45% or \$1,496,315, the reported Net Income for the 2007-year. It is comprised of Operating Income in the amount of \$2,412,475 and Non-Operating Expenses of \$916,160.

Wastewater	2007	2006	Change	%
Total Current Assets	\$16,267,088	\$13,034,100	\$3,232,988	24.80%
Total Non Current Assets	\$19,500,761	\$17,221,043	\$2,279,718	13.24%
Net Capital Assets	\$89,328,856	\$95,811,410	(\$6,482,554)	-6.77%
Deferred Costs	<u>\$2,353,534</u>	<u>\$2,647,723</u>	<u>(\$294,189)</u>	<u>-11.11%</u>
Total Assets	\$127,450,239	\$128,714,276	(\$1,264,037)	-0.98%
Total Current Liabilities				
Payable from Current Assets	\$1,840,591	\$1,966,157	(\$125,566)	-6.39%
Total Current Liabilities				
Payable from Restricted Assets	\$7,149,551	\$7,011,540	\$138,011	1.97%
Deferred Revenue	\$1,307,595	\$1,398,075	(\$90,480)	-6.47%
Accrued Compensated Absences and Post Retirement Benefits	\$1,110,094	\$1,087,636	\$22,458	2.06%
Long Term Obligations	<u>\$53,364,953</u>	<u>\$56,069,728</u>	<u>(\$2,704,775)</u>	<u>-4.82%</u>
Total Liabilities	\$64,772,784	\$67,533,136	(\$2,760,352)	-4.09%
Net Assets	\$62,677,455	\$61,181,140	\$1,496,315	2.45%

Current Cash and Cash Equivalents increased \$4,958,491, receivables decreased \$1,725,503.

Non Current Assets increased \$2,279,718 due to the 2007 NJEIT Finance and resulting increase to Loans Receivable.

Net Capital Assets decreased by almost \$6.5 million due to depreciation of about the same amount of \$6.5 million. Depreciation Expense for the 2007 year increased by 5.75%. An adjustment for about \$1 million dating back to the period of 1979 and up to 1992 was recognized as a result of a re-calculation of the schedules.

Capital Assets before depreciation remained relatively unchanged.

Total Current Liabilities Payable from Current Assets decreased by \$125,566. Accounts Payable was less than 2006.

Total Current Liabilities Payable from Restricted Assets increased 1.97% primarily due to an increase in Current Portion of Long-Term Debt of 6.42%. Both Construction Payables and Accrued Interest dropped in 2007.

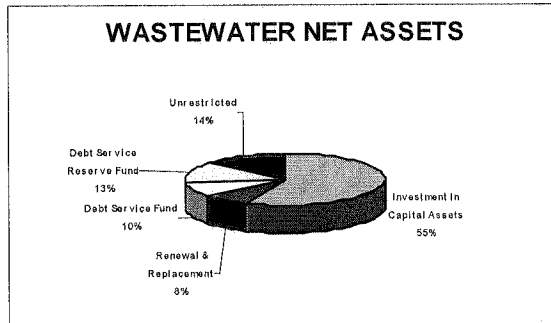
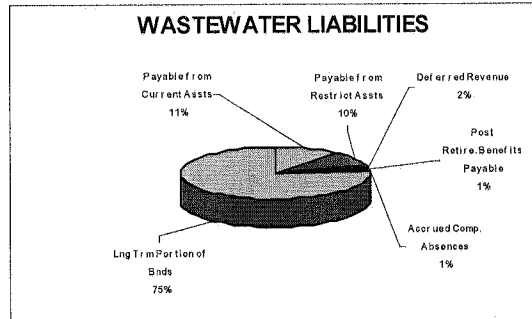
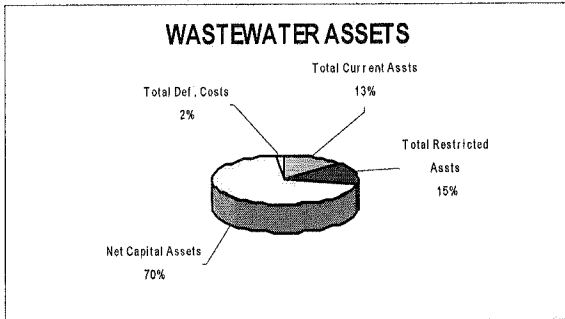
Deferred Revenue dropped 6.47% due to services provided in 2007 for pre-paid leachate disposal.

Accrued Compensated Absences were increased 4% 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 number remains the same in 2007. Additional funds have been set aside in a separate account for Other Post Employment Benefits.

Long-Term Obligations decreased by 4.8% or \$2.7 million. In 2007, \$5,183,682 of annual debt service was paid in accordance with existing debt service schedules and \$3,008,152 of new debt was added.

Total Net Assets increased 2.45% as a result of the reported net income for the 2007-year.



Comparative Statement of Revenues, Expenses and Changes in Net Assets

Operating Income dropped almost 64%.

In 2006 the Authority received a \$2.8 million rebate from the Board of Public Utilities for cost incurred in 2005 for building and installing solar panels to generate electricity. The rebate was reported as Other Income, as required, and represents about 66% of the 2006 to 2007 change in total operating income.

All other operating incomes increased. The user fee charged to the fourteen participants increased 1.28%. The user fee was increased; the anticipated flow into the facility remained the same. Sludge income increased 7%. Income from Septage and Leachate disposal increased 2%. 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: \$15,291,912 for operating expenses, and \$7,770,978 for annual debt service.

Expenses increased 8% from the prior year, a \$1,862,284 increase. Most of this was due to depreciation increasing by \$1,443,629. Net of Depreciation, Total Expenses increased 2.2%. Net of Depreciation and Interest Expense, Operating Expenses increased 3.64% when compared to 2006. Some highlights include a 2% increase in Salaries, a 12% increase for Health Benefits, 13% increase in Chemicals, a 23% decrease in Fuel Cost, a 70% increase in Contractual Services, 41% increase in Indirect Operating Expense and an 11% decrease in License and Permitting Fees.

As in 2006, fuel savings from gas came from improvements done at the wastewater plant. Electricity has been held fairly stable, with only a 2% increase as a result of 60% of electricity needs coming from wind and solar.

Increase to Indirect Operating is mostly due to quantity of ash disposed as well as an increase in the tip fee for ash disposal. The 41% increase for Contractual Services is mostly due to consulting Engineer services received and related to the planning and design of improvements to the system to be funded by the New Jersey Environmental Infrastructure Trust.

Depreciation Expense increased 29% mostly due a one time adjustment and correction to the schedule and calculation for a period that pre-dates current management. Amortization of Bond Issue Costs remained the same.

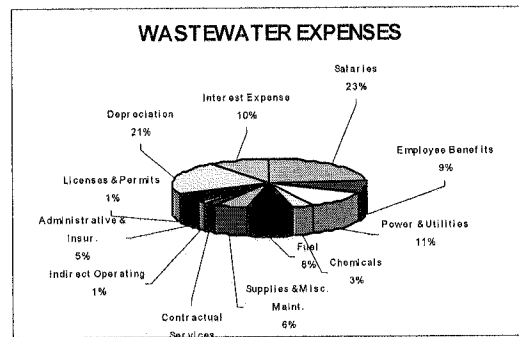
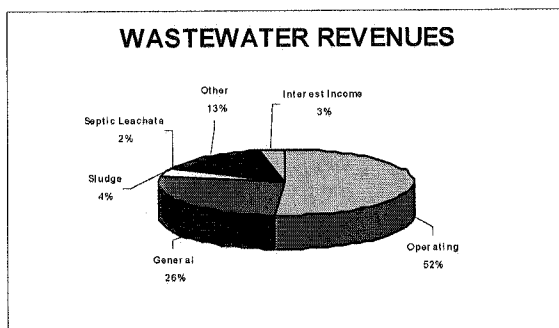
Total Operating Revenues exceeded Total Operating Expenses by \$2,412,475.

Non Operating Revenues/Expenses, which is comprised of Interest Income and Interest Expense, increased 11%. This is comprised of a 34% increase in Interest Income and a 7% decrease in Interest Expense.

Total 2007 Revenues exceeded Total Expenses by \$1,496,315.

Total Net Assets increased to \$62,677,455.

	2007	2006	Change	%
Total Operating Revenues	\$26,086,442	\$28,299,202	(\$2,212,760)	-7.82%
Operating Expenses including Depreciation	\$23,673,967	\$21,636,906	\$2,037,061	9.41%
Operating Income	\$2,412,475	\$6,662,296	(\$4,249,821)	-63.79%
Non-Operating Revenues/Expenses				
Interest Expense	(\$2,248,445)	(\$2,423,222)	\$174,777	-7.21%
Interest Income	\$1,332,285	\$993,297	\$338,988	34.13%
Total Non-Operating Expense	(\$916,160)	(\$1,429,925)	\$513,765	-35.93%
Net Income/(Loss)	\$1,496,315	\$5,232,371	(\$3,736,056)	-71.40%
Net Assets, January 1	\$61,181,140	\$55,948,769	\$5,232,371	9.35%
Net Assets, December 31	\$62,677,455	\$61,181,140	\$1,496,315	2.45%



Statement of Cash Flows

Net Cash Provided by Operating Activities decreased 4.73%, a decrease of \$533,681. Payments to suppliers changed by 6.5% and payments to employees changed by 2.2%. Receipts from the participants of the system (Users) and other Customers increased 1.22%.

Net Cash Used By Capital and Related Financing Activities went from \$8,582,905 in 2006 to \$6,816,605. There were no Loan Proceeds in 2007 compared to Loan Proceeds of \$1,555,885 in 2006. Proceeds from Wastewater Trust went from \$2,551,272 in 2006 to \$933,131 in 2007. Principal Paid was up 6.7% and Interest Paid was down 10.6%. The Authority has six NJEIT Financings outstanding to date. The 1995, 2001, and 2006 NJEIT Loan is 100% complete, and there will be no additional Loan Proceeds from these Loans. The 2004 year loan is 98% complete. The 1997 and 2007 Loan and related capital improvements remain open. The 2007 NJEIT Financing was completed in November, and not yet drawn on in 2007.

Net Cash Provided By Investment Activities was up about 22%.

Net Increase in Cash and Cash Equivalents for the 2007 year is \$5,189,794, a 22% change over last year.

Balance at the Beginning of the Year was \$23,576,239. Balance at the End of the Year was \$28,766,033.

	2007	2006	Change	%
Net Cash Provided by Operating Activities	\$10,962,854	\$11,290,298	(\$327,444)	-2.90%
Net Cash Provided by Non-Capital Financing	\$45,865	(\$185,695)	\$231,560	-124.70%
Net Cash Used By Capital and Related Financing Activities	(\$7,022,842)	(\$8,582,905)	\$1,560,063	-18.18%
Net Cash Provided by Investing Activities	\$1,203,917	\$989,769	\$214,148	21.64%
Net(Decrease)/Increase in Cash and Cash Equivalents	\$5,189,794	\$3,511,467	\$1,678,327	47.80%
Balance-Beginning of the Year	\$23,576,239	\$20,064,772	\$3,511,467	17.50%
Balance-End of the Year	\$28,766,033	\$23,576,239	\$5,189,794	18.04%

Solid Waste Division

Comparative Statement of Net Assets

The Solid Waste Division reports Total Assets of \$100,073,375, an increase of \$2,384,903 from 2006.

The Division's Net Assets of \$27,797,877 are comprised of the following:

- (1) Capital Assets, Net of Related Debt of (\$573,543), 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 and in 2006 negative capital assets of \$1,003,023.

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 \$20,317,651 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 \$3.5 million, or 21% in 2007, and increased 24% or \$3.2 million in 2006.

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 December 31, 2002 has been unchanged at \$2,631,532.

Investment in Capital Assets, Net of Related Debt, of a negative \$573,543, improved by \$429,480, or 42%.

Total Net Assets grew by \$3,975,842, a 16.7% increase and is comprised of Operating Income of \$1,173,225 and Net Non- Operating Revenues in the amount of \$2,802,617.

	2007	2006	Change	%
Solid Waste				
Total Current Assets	\$24,555,215	\$21,285,591	\$3,269,624	15.36%
Total Non Current Assets	\$22,169,220	\$21,442,210	\$727,010	3.39%
Net Capital Assets	\$52,728,977	\$54,281,780	(\$1,552,803)	-2.86%
Deferred Costs	<u>\$619,963</u>	<u>\$678,891</u>	<u>(\$58,928)</u>	<u>-8.68%</u>
Total Assets	\$100,073,375	\$97,688,472	\$2,384,903	2.44%
Total Current Liabilities				
Payable from Current Assets	\$2,730,593	\$1,635,771	\$1,094,822	66.93%
Total Current Liabilities				
Payable from Restricted Assets	\$6,046,902	\$5,538,914	\$507,988	9.17%
Deferred Revenue				
Accrued Compensated Absences and Post Retirement Benefits	\$1,374,099	\$1,374,099	\$0	0.00%
Long Term Obligations	\$48,902,520	\$53,255,422	(\$4,352,902)	-8.17%
Accrued Landfill Closure and Post Closure	<u>\$13,221,384</u>	<u>\$12,062,231</u>	<u>\$1,159,153</u>	<u>9.61%</u>
Total Liabilities	\$72,275,498	\$73,866,437	(\$1,590,939)	-2.15%
Net Assets	\$27,797,877	\$23,822,035	\$3,975,842	16.69%

Cash, Cash Equivalents and Investments increased about 20%. Receivables dropped 9%.

Restricted Assets increased \$727,010 or 3.4%. In 2006, Restricted Assets grew \$6,805,572 or 46%. 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 the next cell, Cell 10, began and was nearly completed by year end.

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 2.86%. Capital Improvements to PP&E grew 4% and Accumulated Depreciation grew 11%, for a net decrease to Net Capital Assets of \$1,552,803. Most of the improvements were for construction of Cell 10.

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 increased 67% from \$1,635,771 to \$2,730,593. Accounts Payable was up 70% from about \$1.5 million to \$2.5 million.

Total Current Liabilities Payable from Restricted Assets increased 9 %, a total amount of \$507,988. The Current Portion of Long-Term Debt, which represents the March 1, 2008 payment due, increased \$300,000. Construction Contracts Payable went from \$74,099 due in 2006 to \$377,754 in 2007. Accrued Interest Payable dropped 7% in accordance with the existing debt service schedule for the 1992 Solid Waste Revenue Bonds.

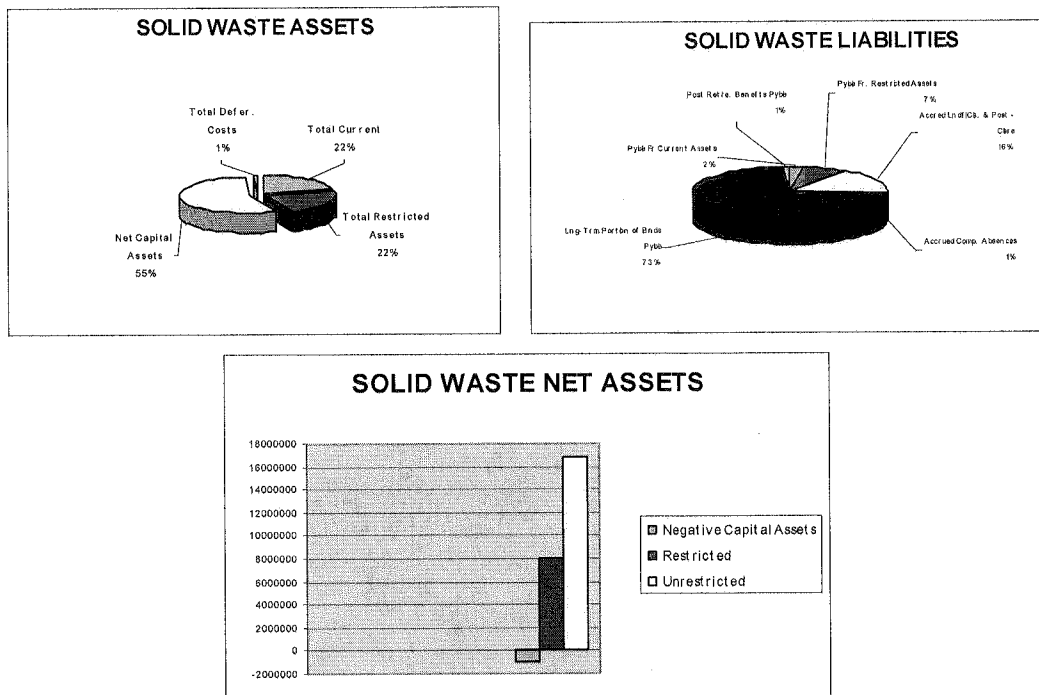
Non-Current Liabilities Payable from Restricted Assets decreased 4.8%. Accrued Landfill Closure & Post Closure grew by almost \$1.2 million, a 9.6% increase to funds restricted and escrowed for closure. The amount escrowed is in accordance with the consulting Engineer's findings as reported. Total anticipated closure cost as of December 31, 2007 is \$13,221,384. The percent of cumulative landfill capacity utilized as of December 31, 2007 according to the consulting engineer report is 70.9%. Indications are that this liability will decrease 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 4.8% because Bonds Payable was reduced by \$4.4 million as a result of 2007 payments to bond holders.

Other Non-Current Liabilities include an accrual for expected future Post Retirement Benefit costs in the amount of \$800,000 and Accrued Compensated Absences of \$574,099. The Authority has set aside additional funds for Other Post Employment Benefits.

Total Liabilities dropped 2%.

Total Net Assets increased 16.6%, or \$3,975,842; the reported Net Income for the 2007 year.



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

Solid Waste Operating Revenues dropped 3% in 2007. Tip Fees were down 11% due to a decline in waste received. Recycling and Collection Contract Revenue increased 11%, due to the market for recyclables, and increase in collection contract activity. Compost and Eco-Products were up 6%. Other Income was up over 100%, resulting from a rebate provided by the Atlantic County Improvement Authority, earned from earlier years' pooled loan financings.

Total Operating Expenses increased in 2007 by 13.14%.

There was a 36% increase for Supplies and Maintenance mostly for repair of vehicles and equipment. Indirect Operating costs increased 29%. 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. Other expenses include vehicle, building and equipment maintenance, insurance cost, permitting and licensing fees, landfill maintenance, and household hazardous waste program expenses.

In 2006, Power and Utility cost dropped 4% because the Authority was able to generate quite a bit of its electricity needs for a full year as a result of the landfill methane to energy project discussed earlier. In 2005, that savings was even greater. However in 2007, Power and Utilities increased about \$84,000 or 20%.

Salaries were up 4% in 2007. Benefits were up 9%. 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 overtime.

Depreciation Expense increased \$461,053, a 9% increase when compared to 2006. Most of this increase is for depreciation on landfill design and cell development.

Host Community Benefit costs increased 5%. Host Community Benefit is paid to the host community, Egg Harbor Township, for every ton that comes into the facility. Tonnages were down in 2007, but the per ton rate was up in 2007, and the exemptions and exceptions to tons charged were down in 2007. The HCB has a CPI adjustment each year.

Recycling and Solid Waste Taxes and state mandated closure funds dropped 10%, due to a drop in waste received. Taxes are paid on a per ton basis.

Administrative costs increased 15% in 2007, after dropping 22% in 2006. The increase was related to professional service fees and computer expenses.

Total Operating Revenues exceeded Total Operating Expenses by \$1,173,225; a 82% drop when compared to net operating income for 2006.

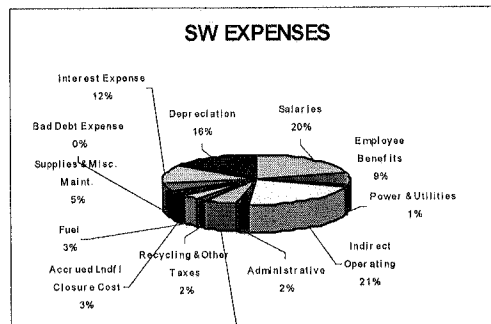
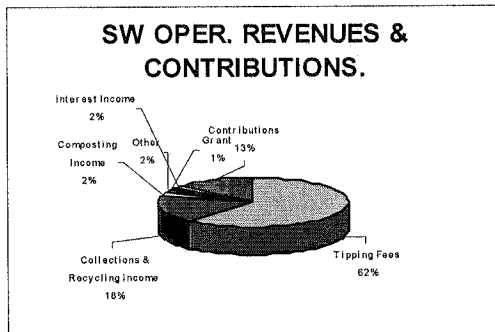
In 2007, the Authority again received \$5,630,747 from the State of New Jersey, in the form of a subsidy for the payment of most of its March 1, 2007 debt service.

Interest Income increased 4% in 2007, compared to a 87% increase in 2006, and a 73% increase in 2005.

Total Non-Operating Revenues were \$2,802,617 compared to \$2,479,018 in 2006.

Total Net Income for the 2007 year is \$3,975,842, compared to \$8,894,379 in 2006, and \$5,024,252 in 2005.

	2007	2006	Change	%
Total Operating Revenues	\$35,767,481	\$36,991,621	(\$1,224,140)	-3.31%
Operating Expenses including Depreciation	\$34,594,256	\$30,576,260	\$4,017,996	13.14%
Operating Income	\$1,173,225	\$6,415,361	(\$5,242,136)	-81.71%
Non-Operating Revenues/Expenses				
Contributions- State Subsidy	\$5,630,747	\$5,630,747	\$0	0.00%
Interest Expense	(\$3,855,277)	(\$4,139,069)	\$283,792	-6.86%
Interest Income	\$1,027,147	\$987,340	\$39,807	4.03%
Total Non-Operating Revenue	\$2,802,617	\$2,479,018	\$323,599	13.05%
Net Income/(Loss)	\$3,975,842	\$8,894,379	(\$4,918,537)	-55.30%
Net Assets, January 1	\$23,822,035	\$14,927,656	\$8,894,379	59.58%
Net Assets, December 31	\$27,797,877	\$23,822,035	\$3,975,842	16.69%



Statement of Cash Flows

Net Cash Provided by Operating Activities dropped 21%, a little more than \$2.5 million. Receipts from Customers and Users dropped less than 1/2%. Payments to Employees increased 4% and Payments to Suppliers increased 12%.

Net Cash Used By Capital and Related Financing Activities decreased 10% or \$775,494. Included within this area, Purchases of Capital Assets decreased 16%, Principal paid increased 6.71% and Interest Paid decreased 5.43%.

State Contribution remained the same in 2007 at \$5,630,747.

Net Cash Used By Investment Activities dropped by \$5,470,600, compared to 2006 when Net Cash was Provided by Investment Activities by \$4,266,101. The 2006 provided amount was due to a transfer from Investments of \$3.4 million.

Net Decrease in Cash and Cash Equivalents for 2007 is \$2,465,477. In 2006, there was a Net Increase to Cash and Cash Equivalents of \$8,983,512 mostly attributed to the increase in Net Cash Provided by Operating Activities.

Cash and Cash Equivalents at the Beginning of the Year was \$32,538,448 and \$30,072,971 at the End of Year, a 7.6% change.

	2007	2006	Change	%
Net Cash Provided by Operating Activities	\$9,499,162	\$12,014,452	(\$2,515,290)	-20.94%
Net Cash Provided by Non-Capital Financing	\$213,203	\$185,695	\$27,508	14.81%
Net Cash Used By Capital and Related Financing Activities	(\$6,707,242)	(\$7,482,736)	\$775,494	-10.36%
Net Cash Provided by Investing Activities	(\$5,470,600)	\$4,266,101	(\$9,736,701)	-228.23%
Net(Decrease)/Increase in Cash and Cash Equivalents	(\$2,465,477)	\$8,983,512	(\$11,448,989)	-127.44%
Balance-Beginning of the Year	\$32,538,448	\$23,554,936	\$8,983,512	38.14%
Balance-End of the Year	\$30,072,971	\$32,538,448	(\$2,465,477)	-7.58%

Core Competencies

Wastewater Division

The Wastewater Division provides wastewater conveyance and treatment ("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 services on a contractual basis for a local municipal utility and other governmental agencies.

Solid Waste Division

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

The Atlantic County Utilities Authority operates an extensive solid waste management system that consists of 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 of at the Authority's Landfill. This includes municipal, commercial, construction, and industrial waste. In 2007 about 344,000 tons of waste came in, compared to 400,000 tons in 2006. 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 processed at the Solid Waste Division's 58,500 square foot Recycling Center. Collection is provided to about twenty Atlantic County municipalities on a bi-weekly basis and many commercial entities have weekly service. All the recyclables received are processed and marketed. In 2007, the Solid Waste Division collected about 21,000 tons of recycling from residents of Atlantic County, and another 15,000 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, followed by marketing of recyclables.

The Authority's compost operation processes leaves, grass clippings, tree branches, clean wood, and brush and Christmas trees. About 20,000 tons of yard waste was processed in 2007. The branches, brush, and trees are processed into mulch and sold to the public, providing additional income to support the Solid Waste system.

The 17,000 square foot Maintenance Center maintains and services a fleet of over 70 vehicles and 30 pieces of specialized heavy equipment. In addition, the Solid Waste Division also provides maintenance to other governmental agencies on an as needed 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 and 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.

Integral to the Finance Department staff is Sandra Bourguignon, Business Director, Michael Hayes, Purchasing Manager, Kate Vesey, Comptroller and R&D Director 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.

FINANCIAL STATEMENTS

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

COMPARATIVE BALANCE SHEET

December 31, 2007 and 2006

Assets	2007		2006	
	Wastewater Division	Solid Waste Division	Total	2006
Current Assets:				
Cash and Cash Equivalents	\$ 14,914,096	\$ 16,795,933	\$ 31,710,029	\$ 24,782,638
Investments		4,673,000	4,673,000	3,076,000
Accrued Interest Receivable	203,064	290,262	493,326	346,737
Accounts Receivable (Net of Allowance in 2007 and 2006 respectively)	1,149,928	1,892,203	3,042,131	5,256,292
Other Accounts Receivable		371,251	371,251	371,323
Internal Accounts		532,566	532,566	486,701
Total Current Assets	16,267,088	24,555,215	40,822,303	34,319,691
Non-Current Assets:				
Restricted Assets:				
Cash and Cash Equivalents	13,851,937	13,277,038	27,128,975	31,332,049
Investments	1,534,867	4,798,000	6,332,867	1,614,244
Amounts Held By State of New Jersey		3,845,689	3,845,689	3,517,127
Accrued Interest Receivable	2,419	248,493	250,912	89,818
Grants Receivable				73,498
Loans Receivable	4,111,538		4,111,538	2,036,517
Total Non-Current Assets	19,500,761	22,169,220	41,669,981	38,663,253
Capital Assets:				
Property, Plant and Equipment (Note 4)	208,629,047	110,496,167	319,125,214	314,838,295
Less: Accumulated Depreciation	(119,300,191)	(57,767,190)	(177,067,381)	(164,745,105)
Net Capital Assets	89,328,856	52,728,977	142,057,833	150,093,190
Deferred Costs:				
Unamortized Bond Issue Costs	2,353,534	619,963	2,973,497	3,326,614
Total Deferred Costs	2,353,534	619,963	2,973,497	3,326,614
Total Assets	\$ 127,450,239	\$ 100,073,375	\$ 227,523,614	\$ 226,402,748
Liabilities and Net Assets				
Current Liabilities Payable From Current Assets:				
Accounts Payable	\$ 1,214,645	\$ 2,524,979	\$ 3,739,624	\$ 2,865,468
Due To Solid Waste Division	532,566		532,566	486,701
Customer Deposits		205,614	205,614	153,479
Deferred Revenue	93,380		93,380	96,280
Total Current Liabilities Payable From Current Assets	1,840,591	2,730,593	4,571,184	3,601,928
Current Liabilities Payable From Restricted Assets:				
Construction Contracts Payable	537,329	377,754	915,083	727,966
Current Portion of Long-Term Debt	5,617,756	4,400,000	10,017,756	9,378,853
Accrued Interest	994,466	1,269,148	2,263,614	2,443,635
Total Current Liabilities Payable From Restricted Assets	7,149,551	6,046,902	13,196,453	12,550,454
Non-Current Liabilities Payable From Restricted Assets:				
Accrued Landfill Closure and Post-Closure Care Cost		13,221,384	13,221,384	12,062,231
Total Non-Current Liabilities Payable From Restricted Assets		13,221,384	13,221,384	12,062,231
Non-Current Liabilities:				
Deferred Revenue	1,307,595		1,307,595	1,398,075
Accrued Compensated Absences	575,075	574,099	1,149,174	1,126,716
Post Retirement Benefits Payable	535,019	800,000	1,335,019	1,335,019
Long-Term Portion of Bonds Payable (Note 5) Net of Unamortized Bond Premium and Discount of \$761,369 and \$856,541 for Wastewater Bonds and \$212,480 and \$259,578 for Solid Waste Bonds in 2007 and 2006, respectively)				
Total Non-Current Liabilities	53,364,953	48,902,520	102,267,473	109,325,150
Total Non-Current Liabilities	55,782,642	63,498,003	119,280,645	125,247,191
Total Liabilities	\$ 64,772,784	\$ 72,275,498	\$ 137,048,282	\$ 141,399,573
Net Assets:				
Invested in Capital Assets, Net of Related Debt Restricted for:	\$ 30,346,147	\$ (573,543)	\$ 29,772,604	\$ 33,459,806
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	5,987,794		5,987,794	5,815,031
Debt Service Reserve Fund	7,753,979		7,753,979	7,753,979
Unrestricted	13,789,535	20,317,651	34,107,186	25,120,590
Total Net Assets	62,677,455	27,797,877	90,475,332	85,003,175
Total Liabilities and Net Assets	\$ 127,450,239	\$ 100,073,375	\$ 227,523,614	\$ 226,402,748

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years ended December 31, 2007 and 2006

	2007		Total	2006
	Wastewater Division	Solid Waste Division		
Operating Revenues:				
Wastewater:				
User Service Agreements:				
Operating	\$ 15,291,912		\$ 15,291,912	\$ 15,076,813
General	7,770,978		7,770,978	7,693,701
Sludge	1,388,972		1,388,972	1,301,382
Septic and Leachate	506,034		506,034	496,938
Other	1,128,546		1,128,546	3,730,368
Solid Waste:				
Tipping Fees		\$ 24,039,425	24,039,425	26,930,192
Collections and Recycling Income		8,762,282	8,762,282	7,869,186
Grant Income		259,068	259,068	424,629
Composting Income		998,324	998,324	941,532
Other		1,708,382	1,708,382	826,082
Total Operating Revenues	26,086,442	35,767,481	61,853,923	65,290,823
Operating Expenses:				
Salaries	5,589,668	7,326,378	12,916,046	12,495,904
Employee Benefits	2,285,012	3,294,103	5,579,115	5,060,817
Power and Utilities	2,747,721	513,697	3,261,418	3,119,604
Chemicals	875,368		875,368	775,989
Fuel	1,423,304	1,143,687	2,566,991	2,841,156
Supplies and Miscellaneous Maintenance	1,352,282	2,328,741	3,681,023	3,056,622
Contractual Services	820,704		820,704	482,868
Indirect Operating Expenses	405,052	9,320,027	9,725,079	7,534,396
Accrued Landfill Closure Costs		1,159,153	1,159,153	1,211,526
Administrative	1,264,524	917,400	2,181,924	2,022,179
Community Benefit		2,095,658	2,095,658	2,000,251
Recycling and Other Taxes		571,636	571,636	633,554
Licenses and Permits	133,716		133,716	150,751
Bad Debt Expense		25,000	25,000	56,837
Depreciation	6,482,427	5,839,848	12,322,275	10,417,593
Amortization of Bond Issue Costs	294,189	58,928	353,117	353,119
Total Operating Expenses	23,673,967	34,594,256	58,268,223	52,213,166
Operating Income	2,412,475	1,173,225	3,585,700	13,077,657
Non-Operating Revenues/(Expenses):				
Interest Income	1,332,285	1,027,147	2,359,432	1,980,637
Interest Expense	(2,248,445)	(3,855,277)	(6,103,722)	(6,562,291)
Contributions - State Subsidy		5,630,747	5,630,747	5,630,747
Total Non-Operating Revenues/(Expenses)	(916,160)	2,802,617	1,886,457	1,049,093
Net Income	1,496,315	3,975,842	5,472,157	14,126,750
Total Net Assets - Beginning	61,181,140	23,822,035	85,003,175	70,876,425
Total Net Assets - Ending	\$ 62,677,455	\$ 27,797,877	\$ 90,475,332	\$ 85,003,175

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

COMPARATIVE STATEMENTS OF CASH FLOWS

Years ended December 31, 2007 and 2006

	2007			2006
	Wastewater Division	Solid Waste Division	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts From Customers and Users	\$ 27,893,421	\$ 35,967,802	\$ 63,861,223	\$ 63,850,080
Payments To Employees	(5,589,668)	(7,326,378)	(12,916,046)	(12,495,904)
Payments To Suppliers	(11,547,136)	(19,142,262)	(30,689,398)	(27,849,426)
Net Cash Provided By Operating Activities	10,756,617	9,499,162	20,255,779	23,304,750
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Subsidies and Transfers To Other Funds	45,865	213,203	259,068	
Net Cash From Noncapital Financing Activities	45,865	213,203	259,068	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases of Capital Assets	(116,411)	(4,287,045)	(4,403,456)	(10,078,167)
Principal Paid on Capital Debt	(5,374,024)	(4,100,000)	(9,474,024)	(8,863,829)
Interest Paid on Capital Debt	(2,332,799)	(3,950,944)	(6,283,743)	(6,788,051)
State Contribution	73,498	5,630,747	5,704,245	5,557,249
Loan Proceeds				1,555,885
Proceeds From Wastewater Trust	933,131		933,131	2,551,272
Net Cash Provided/(Used) By Capital and Related Financing Activities	(6,816,605)	(6,707,242)	(13,523,847)	(16,065,641)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Income	1,251,540	797,400	2,048,940	1,792,240
Transferred From Investments	(47,623)	(6,268,000)	(6,315,623)	3,463,630
Net Cash Provided/(Used) By Investing Activities	1,203,917	(5,470,600)	(4,266,683)	5,255,870
Net Increase/(Decrease) in Cash and Cash Equivalents	5,189,794	(2,465,477)	2,724,317	12,494,979
Cash and Cash Equivalents, January 1	23,576,239	32,538,448	56,114,687	43,619,708
Cash and Cash Equivalents, December 31	\$ 28,766,033	\$ 30,072,971	\$ 58,839,004	\$ 56,114,687
Reconciliation of Operating Income To Net Cash Provided By Operating Activities:				
Operating Income	\$ 2,412,475	\$ 1,173,225	\$ 3,585,700	\$ 13,077,655
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:				
Depreciation Expense	6,482,427	5,839,848	12,322,275	10,417,593
Amortization of Bond Issuance Costs	294,189	58,928	353,117	353,119
Bad Debt Expense		25,000	25,000	55,341
Decrease/(Increase) in Accounts Receivable	1,806,979	407,254	2,214,233	(1,258,996)
Increase in Accrued Landfill Closure and Post-Closure		1,159,153	1,159,153	1,211,526
(Decrease)/Increase in Accounts and Other Payables	(146,073)	1,112,181	966,108	(74,957)
Decrease in Deferred Revenue	(93,380)		(93,380)	(96,280)
Increase in Customer Deposits		52,135	52,135	500
Decrease in Amounts Held by the State		(328,562)	(328,562)	(380,751)
	10,756,617	9,499,162	20,255,779	23,304,750
Unrestricted Cash and Cash Equivalents	\$ 14,914,096	\$ 16,795,933	\$ 31,710,029	\$ 24,782,638
Restricted Cash and Cash Equivalents	13,851,937	13,277,038	27,128,975	31,332,049

NOTES TO FINANCIAL STATEMENTS

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

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, 2007 and 2006

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, 2007 and 2006

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, Ventor, 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, 2007 and 2006

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, 2007 and 2006, the Construction Fund and Wastewater Trust Fund cash equivalents amounted to \$764,566 and \$702,880, 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, 2007 and 2006, the Rebate Fund amounted to \$91,060 and \$87,117, 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 15th next ensuing, plus any unpaid principal and interest then due. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. In addition, a sinking fund is included which shall equal the aggregate amount of all sinking fund installments required to redeem bonds on the next January 15th beginning in 2005 for the Sewer Revenue Refunding Bonds (See Note 5). At December 31, 2007 and 2006, the Debt Service Fund cash amounted to \$5,987,794 and \$5,815,030, 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, 2007 and 2006, the Debt Service Reserve Fund cash and investments amounted to \$2,924,382 and \$2,878,283, 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, 2007 and 2006

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, 2007 and 2006, the Renewal and Replacement Fund cash amounted to \$5,615,796 and \$5,621,501, respectively. The System Reserve Fund, a component of the Renewal and Replacement Fund, cash requirement was \$4,800,000 at December 31, 2007 and 2006.

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, 2007 and 2006, 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, 2007 and 2006, 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, 2007 and 2006, the Debt Service Fund cash amounted to \$344,317 and \$448,650, respectively.

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

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, 2007 and 2006, 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, until the Debt Service Reserve Fund was depleted.

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, 2007 and 2006, the Renewal and Replacement Fund cash and investments amounted to \$14,862,565 and \$14,994,856, 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 cost, which approximates market. 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, 2007 and 2006

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, 2007 and 2006

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, 2007 is as follows:

Due to the Solid Waste Division from the Wastewater Division representing cash advances	\$ (532,566)
Due from the Wastewater Division to the Solid Waste Division representing cash advances	532,566

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment consisted of the following at December 31, 2007 and 2006:

Wastewater Division

	<u>2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>2007</u>
Land	\$ 12,691,336			\$ 12,691,336
Sewers Mains and Interceptors	73,225,132	\$ 32,597		73,257,729
Buildings and Improvements	40,333,520	173,514		40,507,034
Machinery and Equipment	39,396,086		\$ 206,237	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>
	208,629,173	206,111	206,237	208,629,047
Less: Accumulated Depreciation	<u>(112,817,763)</u>	<u>(6,482,428)</u>	<u> </u>	<u>(119,300,191)</u>
Total	<u>\$ 95,811,410</u>	<u>\$ (6,276,317)</u>	<u>\$ 206,237</u>	<u>\$ 89,328,856</u>

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

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (continued)

Property, Plant and Equipment consisted of the following at December 31, 2007 and 2006:

Solid Waste Division

	<u>2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>2007</u>
Land and Improvements	\$ 13,119,185			\$ 13,119,185
Buildings	23,508,801	\$ 189,107		23,697,908
Equipment and Vehicles	21,238,383		\$ 182,951	21,055,432
Landfill Design & Implementation	44,966,921	4,280,889		49,247,810
Planning and Design	<u>3,375,832</u>	<u> </u>	<u> </u>	<u>3,375,832</u>
	106,209,122	4,469,996	182,951	110,496,167
Less: Accumulated Depreciation	<u>(51,927,342)</u>	<u>(5,839,848)</u>	<u> </u>	<u>(57,767,190)</u>
Total	<u>\$ 54,281,780</u>	<u>\$ (1,369,852)</u>	<u>\$ 182,951</u>	<u>\$ 52,728,977</u>

In addition to financing the majority of the Plant, Property and Equipment, the 1992 Solid Waste Revenue Bonds of \$87,650,000 also provided funding as follows:

\$9,859,501 pre-operating costs dating back to 1987 has been fully amortized as of December 31, 2006; \$2,631,532 Debt Service Reserve; \$4,010,000 Transfer to Operating Reserve; \$2,951,898 capitalized interest; \$2,235,211 underwriters discount and \$434,695 cost of bond issuance. The applicable amount for 2007 and 2006 was \$0 and \$375,302 respectively.

Authority Grand Total

	<u>2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>2007</u>
Land and Improvements	\$ 25,810,521			\$ 25,810,521
Buildings and Improvements	63,842,321	\$ 362,621		64,204,942
Sewers Mains and Interceptors	73,225,132	32,597		73,257,729
Machinery and Equipment	39,396,086		\$ 206,237	39,189,849
Equipment and Vehicles	21,238,383		182,951	21,055,432
Incinerator Facility	16,353,524			16,353,524
Landfill Design & Implementation	44,966,921	4,280,889		49,247,810
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>
	314,838,295	4,676,107	389,188	319,125,214
Less: Accumulated Depreciation	<u>(164,745,105)</u>	<u>(12,322,276)</u>	<u> </u>	<u>(177,067,381)</u>
Total	<u>\$ 150,093,190</u>	<u>\$ (7,646,169)</u>	<u>\$ 389,188</u>	<u>\$ 142,057,833</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

NOTE 6 - BONDS PAYABLE

Wastewater Revenue and Revenue Refunding Bonds at December 31, 2007 and 2006 consist of the following:

	<u>2006</u>	<u>Increases/ (Decreases)</u>	<u>2007</u>
Wastewater Revenue Bonds, 1991 Series	\$ 1,090,857	\$ (227,184)	\$ 863,673
Wastewater Treatment Trust - 1995	4,259,150	(422,132)	3,837,018
Wastewater Treatment Trust - 1997	6,750,536	(541,805)	6,208,731
Wastewater Treatment Trust - 2001	1,602,005	(85,168)	1,516,837
Environmental Infrastructure Trust - 2004	4,678,220	(238,622)	4,439,598
Wastewater Revenue Bonds, 1998 Series	29,260,000	(3,410,000)	25,850,000
Sewer Revenue Refunding Bonds, 2003 Series	10,300,000	(310,000)	9,990,000
Wastewater Treatment Trust - 2006	2,551,272	(43,941)	2,507,331
Wastewater Treatment Trust - 2007	<u> </u>	<u>3,008,152</u>	<u>3,008,152</u>
	60,492,040	(2,270,700)	58,221,340
Unamortized Bond Premium	<u>856,541</u>	<u>(95,172)</u>	<u>761,369</u>
Total	<u>\$ 61,348,581</u>	<u>\$ (2,365,872)</u>	<u>\$ 58,982,709</u>

Solid Waste Revenue Bonds and Loans at December 31, 2007 and 2006 consist of the following:

	<u>2006</u>	<u>Increases/ (Decreases)</u>	<u>2007</u>
Solid Waste System Revenue Bonds	\$ 57,615,000	\$ (4,100,000)	\$ 53,515,000
Unamortized Bond Discount	<u>(259,578)</u>	<u>47,098</u>	<u>(212,480)</u>
Total	<u>\$ 57,355,422</u>	<u>\$ (4,052,902)</u>	<u>\$ 53,302,520</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

NOTE 6 - 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	\$ 58,982,709
Solid Waste Division	<u>53,302,520</u>
Total Net Debt of the Authority	<u>\$ 112,285,229</u>
Current Portion of Long-Term Debt:	
Wastewater Division	\$ 5,617,756
Solid Waste Division	<u>4,400,000</u>
	<u>10,017,756</u>
Noncurrent Portion of Long-Term Debt:	
Wastewater Division	53,364,953
Solid Waste Division	<u>48,902,520</u>
	<u>102,267,473</u>
Total Net Debt of the Authority	<u>\$ 112,285,229</u>

Description of Bonds Payable

At December 31, 2007, 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, 2007 is \$863,673.

\$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, 2007 is \$3,837,018.

\$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, 2007 is \$6,208,731.

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

NOTE 6 - 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, 2007 is \$1,516,837.

\$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, 2007 is \$25,850,000.

\$10,725,000 Sewer Refunding Bonds, dated October 15, 2003, due in annual installments for principal beginning January 15, 2006 through January 15, 2015, bearing interest at various rates from 2.00% to 5.75% per annum. The balance remaining as of December 31, 2007 is \$9,990,000.

\$4,919,402 New Jersey Environmental Infrastructure Trust Fund Loan, dated 2004, due in semiannual installments for principal and interest through August 1, 2024, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2007 is \$4,439,598.

\$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 4.00% to 5.00% per annum. The balance remaining as of December 31, 2007 is \$2,507,331.

\$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 4.00% to 5.00% per annum. The balance remaining as of December 31, 2007 is \$3,008,152.

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, 2007 and 2006

NOTE 6 - 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, 2007 is \$53,515,000.

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, 2007 are:

	<u>Wastewater Division</u>		<u>Solid Waste Division</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 5,617,756	\$ 2,134,681	\$ 4,400,000	\$ 3,653,444
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
2013-2017	22,105,217	1,946,183	28,035,000	4,172,578
2018-2022	3,323,192	295,444		
2023-2027	1,994,855	70,338		
	<u>\$ 58,221,340</u>	<u>\$ 10,490,960</u>	<u>\$ 53,515,000</u>	<u>\$ 18,953,491</u>
		<u>Authority Grand Total</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2008	\$ 10,017,756	\$ 5,788,125	\$ 15,805,881	
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	
2013-2017	50,140,217	6,118,761	56,258,978	
2018-2022	3,323,192	295,444	3,618,636	
2023-2027	1,994,855	70,338	2,065,193	
	<u>\$ 111,736,340</u>	<u>\$ 29,444,451</u>	<u>\$ 141,180,791</u>	

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

NOTE 7 - 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% 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, 2007 and 2006

NOTE 7 - 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>
2007	\$ 371,207.00	100%	\$ 0.00
2006	198,702.00	100%	0.00
2005	72,663.00	100%	0.00

NOTE 8 - POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required PERS to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. As of December 31, 2007, there were 22 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L.1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994, with an additional contribution beginning in fiscal year 1996 to maintain a medical reserve by one half of one percent of the active State payroll.

NOTE 9 - 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 10 - 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.

As of December 31, 2007, the Authority changed its estimate for calculating the accrued post closure liability, resulting in an additional charge of \$1,159,153.

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

NOTE 11 - 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 12 - 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, 2007:

United States Treasury Notes	\$ 3,411,947
Cash	<u>433,742</u>
	<u>\$ 3,845,689</u>

NOTE 13 - 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.

NOTE 14 - 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, 2007 and 2006

NOTE 14 - 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, 2007, the carrying amount of the Authority's deposits (cash and cash equivalents) was \$58,839,004 and the bank balance was \$61,187,391.

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, 2007, the Authority's bank balance was exposed to custodial credit risk as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Insured	\$ 411,292	
Collateralized with securities held by the pledging financial institution	<u>60,776,099</u>	<u>\$ 10,691,249</u>
	<u>\$ 61,187,391</u>	<u>\$ 10,691,249</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

NOTE 14 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Investments

As of December 31, 2007 and 2006, the Authority had the following investments:

	<u>2007 Fair Value</u>	<u>2007 Book Value</u>	<u>2006 Fair Value</u>	<u>2006 Book Value</u>
Solid Waste:				
New Jersey ARM Term	\$ 9,471,000	\$ 9,471,000	\$ 3,203,000	\$ 3,203,000
Wastewater:				
US Treasury Strips	1,149,682	1,256,537	1,149,682	1,235,510
US Treasury Bonds	70,566	278,329	70,568	251,734

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.

OTHER SUPPLEMENTARY INFORMATION

WASTEWATER DIVISION

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

December 31, 2007 and 2006

<u>Assets</u>	<u>2007</u>	<u>2006</u>	<u>Liabilities and Net Assets</u>	<u>2007</u>	<u>2006</u>
Current Assets:			Current Liabilities Payable From Current Assets:		
Cash and Cash Equivalents	\$ 14,914,096	\$ 9,955,605	Accounts Payable	\$ 3,025,053	\$ 2,529,508
Accrued Interest Receivable	203,064	121,588	Deferred Revenue	93,380	96,280
Accounts Receivable	<u>1,272,486</u>	<u>2,956,907</u>	Due To Solid Waste Division	<u>532,566</u>	<u>486,701</u>
Total Current Assets	<u>16,389,646</u>	<u>13,034,100</u>	Total Current Liabilities Payable From Current Assets	<u>3,650,999</u>	<u>3,112,489</u>
Non-Current Assets:			Current Liabilities Payable From Restricted Assets:		
Restricted Assets:			Construction Contracts Payable	537,329	653,867
Cash and Cash Equivalents	13,851,937	13,620,634	Current Portion of Long-Term Debt	5,617,756	5,278,853
Investments	1,534,867	1,487,244	Accrued Interest	<u>994,466</u>	<u>1,078,820</u>
Accrued Interest Receivable	2,419	3,150	Total Current Liabilities Payable From Restricted Assets	<u>7,149,551</u>	<u>7,011,540</u>
Grants Receivable	4,111,538	73,498	Non-Current Liabilities:		
Loans Receivable	<u>4,111,538</u>	<u>2,036,517</u>	Deferred Revenue	1,307,595	1,398,075
Total Non-Current Assets	<u>19,500,761</u>	<u>17,221,043</u>	Post Retirement Benefits Payable	535,019	535,019
			Accrued Compensated Absences	575,075	552,617
			Long-Term Portion of Bonds Payable (Note 5)		
			(Net of Unamortized Bond Premium and		
			Discount of \$761,369 and \$856,541		
			in 2007 and 2006, respectively)	<u>53,364,953</u>	<u>56,069,728</u>
			Total Non-Current Liabilities	<u>55,782,642</u>	<u>58,555,439</u>
Capital Assets:			Total Liabilities	<u>\$ 66,583,192</u>	<u>\$ 68,679,468</u>
Property, Plant and Equipment	208,629,047	208,422,936	Net Assets:		
Less: Accumulated Depreciation	<u>(119,300,191)</u>	<u>(112,817,763)</u>	Invested in Capital Assets, Net of Related Debt	\$ 30,346,147	\$ 34,256,592
Net Capital Assets	<u>89,328,856</u>	<u>95,605,173</u>	Restricted for:		
			Renewal and Replacement	4,800,000	4,800,000
			Debt Service Fund	5,987,794	5,815,031
			Debt Service Reserve Fund	7,753,979	7,753,979
Unamortized Bond Issue Costs	<u>2,353,534</u>	<u>2,647,723</u>	Unrestricted	<u>12,101,685</u>	<u>7,202,969</u>
Total Assets	<u>\$ 127,572,797</u>	<u>\$ 128,508,039</u>	Total Net Assets	<u>60,989,605</u>	<u>59,828,571</u>
			Total Liabilities and Net Assets	<u>\$ 127,572,797</u>	<u>\$ 128,508,039</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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues:		
User Service Agreements:		
Operating	\$ 15,291,912	\$ 15,076,813
General	7,770,978	7,693,701
Sludge	1,388,972	1,301,382
Septic and Leachate	506,034	496,938
Other	<u>1,334,376</u>	<u>3,730,368</u>
Total Operating Revenues	<u>26,292,272</u>	<u>28,299,202</u>
Operating Expenses:		
Salaries	5,589,261	5,465,359
Employee Benefits	2,288,841	2,046,280
Power and Utilities	2,725,404	2,661,038
Chemicals	829,778	819,955
Fuel	1,561,358	1,793,164
Supplies and Miscellaneous Maintenance	1,748,540	1,398,188
Contractual Services	978,258	554,752
Indirect Operating Expenses	363,609	346,602
Administrative	1,220,058	1,242,150
Licenses and Permits	133,355	151,112
Depreciation	6,482,427	5,038,798
Amortization of Bond Issue Costs	<u>294,189</u>	<u>294,190</u>
Total Operating Expenses	<u>24,215,078</u>	<u>21,811,588</u>
Operating Income	<u>2,077,194</u>	<u>6,487,614</u>
Non-Operating Revenues/(Expenses):		
Interest Income	1,332,285	993,297
Interest Expense	<u>(2,248,445)</u>	<u>(2,423,222)</u>
Total Non-Operating Revenues/(Expenses)	<u>(916,160)</u>	<u>(1,429,925)</u>
Net Income	1,161,034	5,057,689
Total Net Assets - Beginning	<u>59,828,571</u>	<u>54,770,882</u>
Total Net Assets - Ending	<u>\$ 60,989,605</u>	<u>\$ 59,828,571</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, 2007

	<u>2007</u> <u>Budget</u>	<u>2007</u> <u>Actual</u>
Revenues:		
User Service Agreements:		
Operating and General Charge	\$ 23,062,888	\$ 23,062,890
Sludge, Septic and Leachate	1,674,119	1,895,006
Interest on Investments and Deposits	965,000	1,017,667
Miscellaneous	795,441	1,226,082
Fund Balance	<u>577,958</u>	<u> </u>
Total Revenues	<u>27,075,406</u>	<u>27,201,645</u>
Expenses:		
Salaries	5,991,817	5,589,261
Employee Benefits	2,485,467	2,288,841
Power and Utilities	3,071,000	2,725,404
Chemicals	1,102,000	829,778
Fuel	1,988,000	1,561,358
Supplies and Miscellaneous Maintenance	799,800	919,419
Contractual Services	1,044,100	978,258
Indirect Operating Expenses	541,000	591,291
Administrative	1,495,243	1,314,386
Maintenance Program Expenditures	786,000	829,121
Cancelled Purchase Orders	<u> </u>	<u>(188,654)</u>
	<u>19,304,427</u>	<u>17,438,463</u>
Debt Service	<u>7,770,979</u>	<u>7,770,978</u>
Total Expenses	<u>27,075,406</u>	<u>25,209,441</u>
Net Income From Operations	<u>\$ 0</u>	<u>\$ 1,992,204</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

WASTEWATER DIVISION
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS

Year ended December 31, 2007

<u>Description</u>	<u>Cost</u>	<u>Interest Rate</u>	<u>Fair Market Value December 31, 2007</u>
Unrestricted Accounts:			
Cash	\$ 3,109,562		\$ 3,109,562
First American Treasury Obligation Fund	5,088,516	3.20%	5,088,516
NJ ARM - Term	2,850,000	5.16/5.23%	2,850,000
NJ ARM Pooled Investment	<u>3,866,018</u>	4.41%	<u>3,866,018</u>
Total Unrestricted Accounts	<u>14,914,096</u>		<u>14,914,096</u>
Restricted Accounts:			
Wastewater Trust Fund:			
Grant Water Supply	60	3.21%	60
First American Treasury Money Market - 1997	146,674	3.20%	146,674
First American Treasury Money Market - 2004	<u>617,832</u>	3.20%	<u>617,832</u>
	<u>764,566</u>		<u>764,566</u>
Rebate Account:			
First American Treasury	<u>91,060</u>	3.20%	<u>91,060</u>
2003 Investment Settlement Account:			
First American Treasury	<u>3,206</u>	3.20%	<u>3,206</u>
Debt Service Fund:			
First American Treasury	<u>5,987,794</u>	3.20%	<u>5,987,794</u>
Debt Service Reserve Fund:			
NJ ARM Pooled Investment	639,516	3.20%	639,516
NJ ARM Term	750,000	4.41%	750,000
United States Treasury Strips	1,149,682	4.18%	1,256,537
United States Treasury Bonds	<u>70,566</u>	11.25%	<u>278,329</u>
	<u>2,609,764</u>		<u>2,924,382</u>
Renewal and Replacement Fund:			
First American Treasury	3,070,735	3.20%	3,070,735
NJ ARM Term	1,250,000	4.18%	1,250,000
NJ ARM Pooled Investment	<u>1,295,061</u>	4.41%	<u>1,295,061</u>
	<u>5,615,796</u>		<u>5,615,796</u>
Total	<u>\$ 29,986,282</u>		<u>\$ 30,300,900</u>
Unrestricted:			
Cash and Cash Equivalents	\$ 14,914,096		\$ 14,914,096
Restricted:			
Cash and Cash Equivalents	13,851,938		13,851,937
Investments	<u>1,220,248</u>		<u>1,534,867</u>
	<u>\$ 29,986,282</u>		<u>\$ 30,300,900</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, 2007, 2006, 2005, 2004, 2003, and 2002

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Additions During the Year:						
Property, Plant and Equipment:						
Sewer Mains and Interceptors	\$ 32,597	\$	(11,978)	\$	13,459	\$ 890,500
Buildings and Improvements	173,514	2,694,768	5,589,611	61,966	11,581	99,558
Equipment and Vehicles		291,084		42,386	54,201	
Total Additions	206,111	2,985,852	5,577,633	104,352	79,241	990,058
Costs Capitalized at the Beginning of the Year	208,422,936	205,437,084	199,859,451	199,755,099	199,675,858	198,685,800
	208,629,047	208,422,936	205,437,084	199,859,451	199,755,099	199,675,858
Less:						
Accumulated Depreciation	(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	\$ 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, 2007, 2006, 2005, 2004, 2003, and 2002

	<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	\$ 4,744,100	\$ 4,744,100
Net Effect of Refunding Bond Issue					462,778	
	<u>5,206,878</u>	<u>5,206,878</u>	<u>5,206,878</u>	<u>5,206,878</u>	<u>5,206,878</u>	<u>4,744,100</u>
Less:						
Accumulated Amortization	<u>(2,853,344)</u>	<u>(2,559,155)</u>	<u>(2,264,965)</u>	<u>(1,970,776)</u>	<u>(1,676,586)</u>	<u>(1,437,267)</u>
Unamortized Debt Issue Costs	<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 ATLANTIC
SOLID WASTE DIVISION
COMPARATIVE STATEMENT OF NET ASSETS
MODIFIED GAAP BASIS

December 31, 2007 and 2006

Assets	<u>2007</u>	<u>2006</u>	<u>Liabilities and Net Assets</u>	<u>2007</u>	<u>2006</u>
Current Assets:			Current Liabilities Payable From Current Assets:		
Cash and Cash Equivalents	\$ 16,795,933	\$ 14,827,033	Accounts Payable	\$ 3,014,568	\$ 2,989,999
Investments	4,673,000	3,076,000	Customer Deposits	205,614	153,479
Accrued Interest Receivable	290,262	225,149			
Accounts Receivable (Net of Allowance			Total Current Liabilities Payable From	3,220,182	3,143,478
\$1,120,074 and \$1,100,415			Current Assets		
in 2007 and 2006 respectively)	1,892,203	2,299,385			
Other Accounts Receivable	371,251	371,323	Current Liabilities Payable From		
Due From Wastewater Division	532,566	486,701	Restricted Assets:		
			Construction Contracts Payable	2,473,993	2,145,782
			Current Portion of Long-Term Debt	4,400,000	4,100,000
			Accrued Interest	1,269,148	1,364,815
Total Current Assets	<u>24,555,215</u>	<u>21,285,591</u>			
			Total Current Liabilities Payable From	8,143,141	7,610,597
Non-Current Assets:			Restricted Assets		
Restricted Assets:			Non-Current Liabilities Payable From		
Cash and Cash Equivalents	13,277,038	17,711,415	Restricted Assets:		
Investments	4,798,000	127,000	Accrued Landfill Closure and Post-Closure		
Amounts Held By State of New Jersey	3,845,689	3,517,127	Care Cost	13,221,384	12,062,231
Accrued Interest Receivable	248,493	86,668			
Total Non-Current Assets	<u>22,169,220</u>	<u>21,442,210</u>	Non-Current Liabilities:		
			Accrued Compensated Absences	574,099	574,099
			Post Retirement Benefits Payable	800,000	800,000
			Long-Term Portion of Bonds Payable (Note 5)		
			(Net of Unamortized Bond Premium and		
			Discount of \$212,480 and \$259,578	48,902,520	53,255,422
			in 2007 and 2006, respectively)		
Capital Assets:			Total Non-Current Liabilities	63,498,003	66,691,752
Property, Plant and Equipment	112,592,406	106,773,863			
Less: Accumulated Depreciation	(57,767,190)	(51,927,342)	Total Liabilities	<u>\$ 74,861,326</u>	<u>\$ 77,445,827</u>
Net Capital Assets	<u>54,825,216</u>	<u>54,846,521</u>	Net Assets:		
			Invested in Capital Assets, Net of Related Debt	\$ 1,522,696	\$ (2,508,900)
			Restricted For Debt Service Reserve Fund	8,053,769	8,053,769
			Unrestricted	17,731,823	15,262,517
			Total Net Assets	<u>\$ 27,308,288</u>	<u>\$ 20,807,386</u>
Deferred Costs:			Total Liabilities and Net Assets	<u>\$ 102,169,614</u>	<u>\$ 98,253,213</u>
Preoperating Costs (Net of Accumulated					
Depreciation of \$9,859,501 and					
\$9,859,501 in 2007 and 2006 respectively)	619,963	678,891			
Unamortized Bond Discount and Issue Costs	619,963	678,891			
	<u>\$ 102,169,614</u>	<u>\$ 98,253,213</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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues:		
Tipping Fees	\$ 24,039,425	\$ 26,930,192
Collections and Recycling Income	8,762,282	7,869,186
Grant Income	259,068	424,629
Composting Income	998,324	941,532
Other	<u>1,708,382</u>	<u>826,082</u>
Total Operating Revenues	<u>35,767,481</u>	<u>36,991,621</u>
Operating Expenses:		
Salaries	7,326,378	7,009,310
Employee Benefits	3,281,943	3,032,903
Power and Utilities	461,884	490,722
Fuel	1,216,721	1,010,001
Supplies and Miscellaneous Maintenance	1,803,052	1,574,308
Indirect Operating Expenses	7,357,456	7,395,438
Accrued Landfill Closure Costs	1,159,153	1,211,526
Administrative	850,480	853,800
Community Benefit	2,109,030	2,143,739
Recycling and Other Taxes	579,323	666,756
Bad Debt Expense	25,000	56,837
Depreciation	5,839,848	5,378,795
Amortization of Bond Issue Costs	<u>58,928</u>	<u>58,929</u>
Total Operating Expenses	<u>32,069,196</u>	<u>30,883,064</u>
Operating Income	<u>3,698,285</u>	<u>6,108,557</u>
Non-Operating Revenues/(Expenses):		
Interest Income	1,027,147	987,340
Interest Expense	(3,855,277)	(4,139,069)
Contributions - State Subsidy	<u>5,630,747</u>	<u>5,630,747</u>
Total Non-Operating Revenues	<u>2,802,617</u>	<u>2,479,018</u>
Net Income	6,500,902	8,587,575
Total Net Assets - Beginning	<u>20,807,386</u>	<u>12,219,811</u>
Total Net Assets - Ending	<u>\$ 27,308,288</u>	<u>\$ 20,807,386</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, 2007

	<u>2007 Budget</u>	<u>2007 Actual</u>
Long Term Debt Related Revenues:		
State Subsidy	\$ 5,630,747	\$ 5,630,747
Less:		
Long Term Debt Related Expense:		
Principal and Interest	<u>8,205,277</u>	<u>8,205,277</u>
Net Loss on Debt Related Activities	<u>(2,574,530)</u>	<u>(2,574,530)</u>
Operating Revenues:		
Tipping Fees	24,301,630	24,039,424
Collections and Recycling Income	7,867,687	8,786,915
Composting Income	856,782	998,324
Other	629,354	1,942,817
Interest Income	<u>790,000</u>	<u>1,027,147</u>
Total Revenues	<u>34,445,453</u>	<u>36,794,627</u>
Operating Expenses:		
Administration	2,417,277	2,299,720
Solid Waste Administration	866,763	665,935
Transfer Station Operations	6,446,715	6,053,994
Composting Operations	391,638	380,393
Landfill Operations	6,044,355	6,633,077
Recycling Center Operations	1,847,941	1,746,339
Collections	4,624,939	4,481,875
Maintenance Center	3,315,566	3,717,801
Lease Purchase	418,561	418,561
Cancelled Purchase Orders		<u>(227,276)</u>
Total Operating Expenses	<u>26,373,755</u>	<u>26,170,419</u>
Net Income From Operating Activities	8,071,698	10,624,208
Renewal and Replacement Fund CIP	<u>(5,497,168)</u>	<u>(7,466,489)</u>
Net Income, Before Adjustment	<u>2,574,530</u>	<u>3,157,719</u>
PERS and Health Benefits Due		(4,220,000)
Debt Service Fund Due 10/12		(416,667)
Landfill Closure Adjustment		<u>(1,603,984)</u>
Net Income	<u>\$ 0</u>	<u>\$ (5,657,462)</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

SOLID WASTE DIVISION
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS

Year ended December 31, 2007

<u>Description</u>	<u>Face Amount</u>	<u>Interest Rate</u>	<u>Cost December 31, 2007</u>
Unrestricted Accounts:			
Operations:			
Cash	\$ 305,849		\$ 305,849
Revenue Fund:			
US Treasury Fund	9,553,796		9,553,796
NJ ARM Investment	1,114,957	4.41%	1,114,957
NJ ARM - Term	5,776,000	5.00%-5.23%	5,776,000
	<u>16,444,753</u>		<u>16,444,753</u>
E.I.C.:			
US Treasury Fund	<u>298,876</u>		<u>298,876</u>
Operating Reserve:			
NJ ARM Investment	113,605	4.41%	113,605
NJ ARM - Term	1,973,000	5.11%	1,973,000
US Treasury Fund	2,332,850	0.00%	2,332,850
	<u>4,419,455</u>		<u>4,419,455</u>
Restricted Accounts:			
Renewal and Replacement Fund:			
US Treasury Fund	1,189,068	4.40%	1,189,068
NJ ARM Investment	2,646,645	4.41%	2,646,645
NJ ARM Investment	3,861,143	4.41%	3,861,143
NJ ARM - Term	7,298,000	5.00%-5.23%	7,298,000
	<u>14,994,856</u>		<u>14,994,856</u>
Debt Service Fund:			
US Treasury Fund	<u>448,650</u>	0.00%	<u>448,650</u>
Debt Service Reserve Fund:			
US Treasury Fund	<u>2,631,532</u>	0.00%	<u>2,631,532</u>
Total	<u>\$ 39,543,971</u>		<u>\$ 39,543,971</u>
Unrestricted	\$ 21,468,933		\$ 21,468,933
Restricted	<u>18,075,038</u>		<u>18,075,038</u>
	<u>55 \$ 39,543,971</u>		<u>\$ 39,543,971</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, 2007, 2006, 2005, 2004, 2003, and 2002

	<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	\$ 66,030	\$ 461,586	\$ (1,874)	\$ 93,700		
Buildings and Improvements			168,504	41,654	63,422	
Equipment and Vehicles	526,994	282,995	613,064	2,217,967	599,925	
Landfill Design and Implementation	3,982,550	1,830,145	1,017,183	4,443,223	5,954,124	
Planning and Designs						\$ 3,790,005
Total Additions	<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>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>
Less:						
Accumulated Depreciation	<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>\$ 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	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>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>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>(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>\$ 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>\$ 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, 2007, 2006, 2005, 2004, 2003, and 2002

	<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	\$ 2,182,779	\$ 2,182,779	\$ 2,182,779	\$ 2,182,779	\$ 2,182,779	\$ 2,182,779
Less:						
Accumulated Amortization	<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>\$ 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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying Special-Purpose Statements of Revenues and Expenses of the Atlantic County Utilities Authority ("Authority") Wastewater and Solid Waste Divisions for the year ended December 31, 2007. 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, 2007.

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, 2007 on the basis of accounting described in Note 1.

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

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

May 15, 2008

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, 2007

Operating Revenues:	
Wastewater:	
User Service Agreements:	
Operating	\$ 15,291,912
General	7,770,978
Sludge	1,388,972
Septage and Leachate	506,034
Other	<u>1,128,546</u>
Total Operating Revenues	<u>26,086,442</u>
Operating Expenses:	
Salaries	5,589,668
Employee Benefits	2,285,012
Power and Utilities	2,747,721
Chemicals	875,368
Fuel	1,423,304
Supplies and Miscellaneous Maintenance	1,352,282
Contractual Services	820,704
Indirect Operating Expenses	405,052
Administrative	1,264,524
License and Permits	133,716
Amortization of Bond Issue Costs	<u>294,189</u>
Total Operating Expenses	<u>17,191,540</u>
Excess of Revenues Over Expenses from Operations	<u>8,894,902</u>
Non-Operating Revenues/(Expenses):	
Interest Income	1,017,667
Interest Expense	<u>(2,248,445)</u>
Total Non-Operating Revenue/(Expenses)	<u>(1,230,778)</u>
Excess of Revenues Over Expenses	<u><u>\$ 7,664,124</u></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, 2007

Operating Revenues:	
Solid Waste:	
Tipping Fees	\$ 24,039,425
Collections and Recycling Income	8,762,282
Grant Income	259,068
Composting Income	998,324
Other	<u>1,708,382</u>
Total Operating Revenues	<u>35,767,481</u>
Operating Expenses:	
Salaries	7,326,378
Employee Benefits	3,294,103
Power and Utilities	513,697
Fuel	1,143,687
Supplies and Miscellaneous Maintenance	2,328,741
Indirect Operating Expenses	9,320,027
Administrative	917,400
Community Benefit	2,095,658
Recycling and Other Taxes	571,636
Bad Debt Expense	25,000
Amortization of Bond Issue Costs	58,928
Accrued Landfill Closure Costs	<u>1,159,153</u>
Total Operating Expenses	<u>28,754,408</u>
Excess of Revenues Over Expenses from Operations	<u>7,013,073</u>
Non-Operating Revenues/(Expenses):	
Interest Income	1,027,147
Interest Expense	<u>(3,855,277)</u>
Total Non-Operating Revenue/(Expenses)	<u>(2,828,130)</u>
Excess of Revenues Over Expenses	<u><u>\$ 4,184,943</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, 2007

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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Atlantic County Utilities Authority ("Authority"), as of and for the year ended December 31, 2007, and have issued our report thereon dated May 15, 2008.

In connection with our audit, nothing came to our attention that caused us to believe that, as of December 31, 2007, 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 15, 2008

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

SOLID WASTE DIVISION
DEBT SERVICE REQUIREMENT

For the year ended December 31, 2007

Debt Service Requirement:	
Interest Payable During 2007	\$ 3,855,277
Principal Payable During 2007	<u>4,100,000</u>
Subtotal	<u>7,955,277</u>
Plus: Coverage Requirement	<u>110%</u>
Debt Service Requirement	<u>\$ 8,750,805</u>
Net Revenues Provided:	
Gross Revenue	\$ 37,600,005
Operating Expenses	<u>26,170,419</u>
Net Revenues Provided	<u>\$ 11,429,586</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
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the basic financial statements of the Atlantic County Utilities Authority ("Authority") as of and for the year ended December 31, 2007, and have issued our report thereon dated May 15, 2008. 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.

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

May 15, 2008

COMMENTS AND RECOMMENDATIONS

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

COMMENTS AND RECOMMENDATIONS

Year ended December 31, 2007

None noted.