

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

Financial Statements and Supplementary Information

For the years ended December 31, 2013 and 2012

(With Independent Auditors' Report thereon)

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

Table of Contents

For the years ended December 31, 2013 and 2012

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1-2
FINANCIAL SECTION	
Independent Auditors' Report	3-5
Management's Discussion & Analysis	6-31
Basic Financial Statements:	<u>EXHIBIT</u>
Statements of Net Position	A 32-34
Statements of Revenues Expenses and Changes in Net Position	B 35
Statements of Cash Flows	C 36-37
Notes to Financial Statements	38-52
Supplementary Information:	<u>SCHEDULE</u>
Wastewater Division:	
Statements of Net Position	I 53-54
Statements of Revenues, Expenses and Changes in Net Position	II 55
Operating Revenues and Costs Funded By	
Operating Revenues Compared to Budget	III 56
Schedule of Cash and Cash Equivalents and Investments	IV 57-58
Schedule of Property, Plant and Equipment	V 59
Schedule of Debt Issuance Costs	VI 60
Solid Waste Division:	
Statements of Net Position	VII 61-62
Statements of Revenues, Expenses and Changes in Net Position	VIII 63
Operating Revenues and Costs Funded By	
Operating Revenues Compared to Budget	IX 64
Schedule of Cash and Cash Equivalents and Investments	X 65
Schedule of Property, Plant and Equipment	XI 66-67
Special Purpose Statement of Revenues and Expenses to Comply With Bond Resolutions	XIII 68

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Table of Contents (continued)
For the years ended December 31, 2013 and 2012

	<u>Page</u>
SINGLE AUDIT SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	69-70
Independent Auditors' Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance As Required By OMB Circular A-133 and New Jersey OMB Circular 04-04	71-73
Schedule of Expenditures of State Financial Assistance	74
Notes to Schedules of Federal Awards and State Financial Assistance	75
Schedule of Findings and Questioned Costs	76-77
Summary Schedule of Prior Findings and Questioned Costs	78
GENERAL COMMENTS AND RECOMMENDATIONS	
General Comments and Recommendations	79-80



Atlantic County Utilities Authority

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May 13, 2014

Chairman Embry, Authority Board Members and President Dovey:

Presented to you are the audited financial statements for the 2013-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 2013-year are presented as required.

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

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

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

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



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

The staff of the Finance Department prepared the basic financial statements and the supplemental financial statements and schedules discussed above. Holman Frenia Allison, PC, a firm of licensed certified public accountants, has audited and opined on the Authority's financial statements. The goal of an independent audit is to provide reasonable assurance as to the validity of the financial statements. This involves examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing any estimates and calculations utilized, assessing supplemental information provided or gathered by the auditors, and assessing the overall financial statement presentation. The auditors have opined that the basic financial statements which were prepared in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards present fairly, in all material respects, the financial position of the Atlantic County Utilities Authority at December 31, 2013 and 2012. There are no recommendations noted.

Sincerely,

Maria Mento

Maria Mento

Executive Vice President & Chief Finance Officer

Katherine Vesey

Katherine Vesey

Deputy Chief Finance Officer & Director of Research & Development



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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of the
Atlantic County Utilities Authority

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of the Atlantic County Utilities Authority, a component unit of the County of Atlantic, State of New Jersey, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Atlantic County Utilities Authority as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 31 and 56 and 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Atlantic County Utilities Authority's basic financial statements. The accompanying introductory section and supplementary information contained in schedules I and II, IV through VIII, and X through XII are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and is also not a required part of the above financial statements.

The supplementary information contained in schedules I and II, IV through VIII, and X through XII and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information contained in schedules I and II, IV through VIII, and X through XII and the schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2014 on our consideration of the Atlantic County Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Atlantic County Utilities Authority's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

May 13, 2014
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Atlantic County Utilities Authority's (the Authority or the ACUA) annual financial report, the management of the Authority provides narrative discussion and analysis of the financial activities of the Authority for the audit year ending December 31, 2013.

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

After the first set of statements, and the "Notes to the Financial Statements" that follow, is the second set of statements for each respective Division. These statements are considered "Supplemental Information", and also consist of the Comparative Statement of Net Position, the Comparative Statement of Revenues, Expenses and Changes in Net Position. They are prepared on a "Modified 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, 2013 are reported as Accounts Payable or Construction Contracts Payable, and as Property, Plant and Equipment. On the "GAAP Basis" statements, only those encumbrances where goods or services have been received as of December 31, 2013 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 Position-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 is a “Special Purpose Statement of Revenues and Expenses to Comply with Revenue Bond Resolution” for the Wastewater Division. This statement is done as defined and in accordance with the Bond Resolution. This statement essentially includes the same revenues and same expenses as reported on the “GAAP Basis” statements, with the exception of Depreciation and Amortization of Bond Issue Costs. Neither is included on the statement which complies with the Wastewater 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 and Schedule of Debt Issue Costs.

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 \$7.1 million and 6%. Current Assets were up by \$2.9 million primarily due to more cash and investments on hand. Noncurrent Assets decreased by \$4.6 million or 25%. Cash and investments decreased

\$2.9 million due to payments made on capital projects during the year. Loans Receivable decreased \$1.7 million to \$0 because there are no active New Jersey Environmental Infrastructure Trust (NJEIT) projects as of December 31, 2013. Construction was completed and final payments to contractors were processed as noted below. There were drawdowns of \$1.7 million on the 2010 and 2012 NJEIT loans during 2013. The drawdowns provided funding for pump station improvements and vehicle wash facility construction. Both projects were completed in 2013. Noncurrent cash and investments are down \$2.9 due to payments on capital projects. Capital Assets increased by \$79,000 and Accumulated Depreciation increased by about \$5.4 million resulting in a net decrease in Net Capital Assets of \$5.3 million. Capital additions include pump station upgrades and construction of a vehicle wash facility. Depreciation is calculated straight line over the life of the asset with a half year of depreciation taken in the first and last years of the asset's life.

Total liabilities decreased by \$10.2 million and 25%. The decrease is comprised of an \$8.3 million reduction in bonds and interest payable in accordance with debt service schedules and the refinance of the 2003 Bonds (see next paragraph) coupled with about \$1.7 million in decreases in accounts payable and construction contracts payable. Deferred revenue also decreased by \$180,000 due to 2013 revenue recognition for processing the sludge that is related to the Authority's deferred revenue.

Current and Long-Term Bonds Payable went from \$35 million in 2012 to \$27 million in 2013 due to principal payments in accordance with debt service schedules and the refinance of 2003 Bonds. In 2013 \$7,475,000 principal due on 2003 bonds was refinanced with \$6,650,000 2013 Bonds and debt service and debt service reserve funds on hand. The 2013 Bonds interest rate is 0.68% per annum and will be paid in their entirety in 2015. The savings that will be realized by ACUA for this refinance transaction is approximately \$408,000.

The Authority adopted GASB 65, *Items Previously Reported as Assets and Liabilities*, in 2013. This statement reclassifies certain items that were previously reported as assets and liabilities. The impact to ACUA is the write off of approximately \$766,000 of deferred financing costs as of December 31, 2012 and reversing \$351,000 of Amortization Expense recognized through 2012 for a net impact to prior periods of \$1,117,000. The adjustment presents itself on the Statement of Revenues, Expenses and Changes in Net Position for 2012. At December 31, 2013 and 2012, the only deferred costs remaining on the books for debt are insurance premiums paid at closing.

Assets exceed liabilities by \$78.7 million. This compares to 2012 where the division's restated assets exceeded its liabilities by \$75.5 million. The net change represents income for the 2013-year of \$3.2 million.

The Division's Net Position of \$78,685,137 is comprised of the following:

- (1) Capital Assets, Net of Related Debt of \$45,957,888, 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 Position of \$5,800,000 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 Position of \$3,719,855 restricted for the purpose of forthcoming debt service payments.

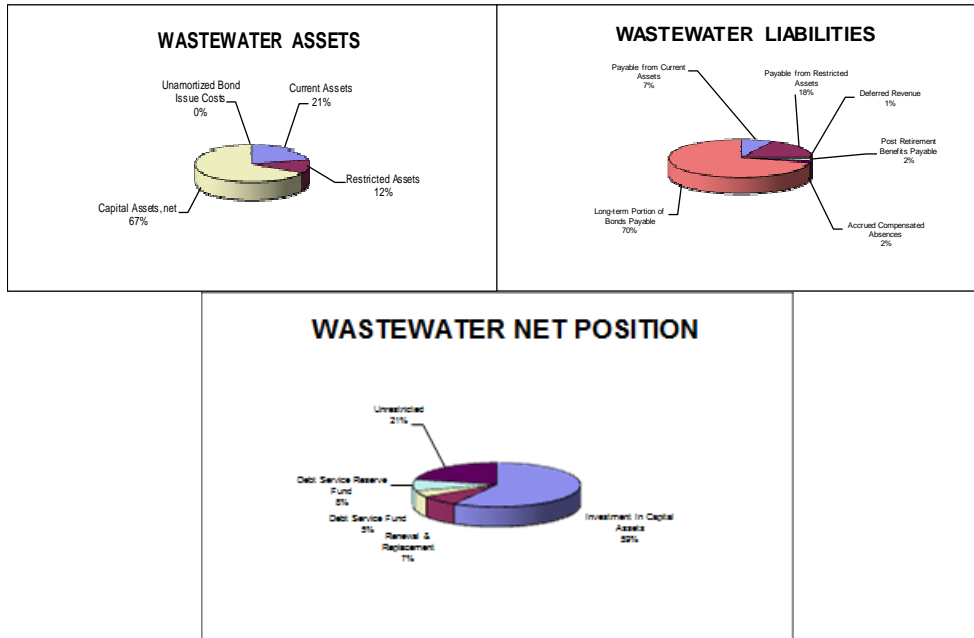
(4) Net Position of \$6,533,829 restricted for the purpose of providing a Debt Service Reserve Fund, in accordance with the Authority’s debt covenants, and of which part is in the form of a Surety Bond.

(5) Unrestricted Net Position of \$16,673,565 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 Position decreased \$2.7 million in 2013 as follows: Investments in Capital Assets Net of Related Debt increased \$2.8 million; the Renewal and Replacement Fund increased \$1 million based on the estimate provided by an independent consulting engineer; the Debt Service Fund decreased \$3 million partly due to the refinance of the 2003 Bonds; and the Debt Service Reserve Fund decreased \$707,000 because some of these funds were used to refinance the 2003 Bonds. Unrestricted Net Position increased \$3.1 million which is comprised of the Net Income from Operations for 2013 of \$3.2 million. Total Net Position increased 4% or \$3.2, the reported Net Income for the 2013-year. It is comprised of Operating Income in the amount of \$3.7 million and Non-Operating Expenses of \$566,000.

Below is a synopsis of the Wastewater Division’s 2013 Balance Sheet with a comparison to last year, as restated in accordance with GASB 65:

	<u>2013</u>	<u>2012</u>	<u>\$ Change</u>	<u>% Change</u>
Total Current Assets	\$ 22,970,121	\$ 20,107,440	\$ 2,862,681	14%
Total Restricted & Noncurrent Assets	13,640,892	18,246,432	(4,605,540)	-25%
Capital Assets, Net of Depreciation	72,902,321	78,200,814	(5,298,493)	-7%
Unamortized Bond Issue Costs	17,785	34,859	(17,074)	-49%
TOTAL ASSETS	\$109,531,119	116,589,545	(7,058,426)	-6%
Total Current Payable from Current	2,248,430	2,283,273	(34,843)	-2%
Total Current Payable from Restricted	5,514,271	9,236,039	(3,721,768)	-40%
Total Noncurrent Liabilities	23,083,281	29,535,766	(6,452,485)	-22%
TOTAL LIABILITIES	30,845,982	41,055,078	(10,209,096)	-25%
Invested in Capital Assets, Net Debt	45,957,888	43,206,880	2,751,008	6%
Total Restricted	16,053,684	18,791,550	(2,737,866)	-15%
Unrestricted	16,673,565	13,536,037	3,137,528	23%
TOTAL NET POSITION	\$ 78,685,137	\$ 75,534,467	\$ 3,150,670	4%
TOTAL LIABILITIES & NET POSITION	\$109,531,119	\$ 116,589,545	\$ (7,058,426)	-6%



Comparative Statement of Revenues, Expenses and Changes in Net Position

Net Income decreased \$131,000 or 4%. The decrease is a combination of an increase in revenues of \$958,000, an increase in operating expenditures of \$1,434,000 and a reduction of non-operating expenses of \$344,000.

The user fee charged to the fourteen participants increased in 2013 by 1% and the flows increased by 1.3% for a total increase in dollars of \$556,000; a combined increase of 2%. Sludge income decreased \$130,000 and 7% due to less sludge coming in from outside

parties. Income from Septage and Leachate disposal increased \$21,000 and 4%. Other income increased \$510,000 and 43% due to several factors as shown below. Significant changes are explained below the chart.

	<u>2013</u>	<u>2012</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Service	\$ 605,887	\$ 516,823	\$ 89,063	17%
FEMA reimbursement	513,311	130,599	382,712	293%
Amortization of Bond Prem	126,804	126,804	-	0%
Rental	116,891	118,232	(1,341)	-1%
Miscellaneous	88,627	18,136	70,491	389%
Lab	98,390	97,582	808	1%
Solar Renewable Energy Credits	70,581	174,242	(103,661)	-59%
Insurance reimbursements	42,000	-	42,000	100%
Permits	19,014	750	18,264	2435%
Truck Wash Revenue	11,753	-	11,753	100%
Total Other Income	\$ 1,693,258	\$ 1,183,168	\$ 510,090	43%

Operating Service Revenue increased due to increased activity for pump station maintenance contracts with customers, additional fuel sales and additional grease inspections for casinos. FEMA reimbursements included \$329,000 for a slip lining repair and \$184,000 for Hurricane Sandy claims. Miscellaneous increased due to a refund of trustee fees due the Authority and for engineering services provided to a third party. Solar Renewable Energy Credit (SREC) revenue decreased due to lower market prices and the loss of production during the year for one large array because the inverter needed replacement.

The user fee is the primary revenue source of the Authority and supports the expenses as follows: \$18,807,231 for operating expenses, and \$5,743,083 for annual debt service. Sludge, Septage and Leachate disposal services are considered “outside income”, and as such are utilized to reduce or stabilize the user fee charged to the Authority’s fourteen direct participants. Income for these outside services was \$2.2 million in 2013, down from \$2.3 million in 2012. One of the ACUA’s largest sludge customers installed a sludge dryer and is marketing their dried product as fuel instead of bringing that material to ACUA. In 2012 the dryers experienced technical problems and the customer sent more sludge to ACUA than in 2013. Interest income decreased more than \$45,000 and 30% as a result of lower interest paid to ACUA from the NJEIT cash balances earned and allocated to loan participants on a pro-rata basis.

Operating expenses increased by more than \$1.4 million and 6% from the prior year. The increase was due to a combination of increases and decreases among significant operating items. The Division experienced modest decreases in Salaries and Administrative expenses. Amortization of Bond Issue Costs remained the same, in accordance with established amortization schedules and as restated for 2012 as noted above. Modest increases were seen in Employee Benefits, Chemicals, Indirect Operating Expenses, Licenses & Permits, and Depreciation.

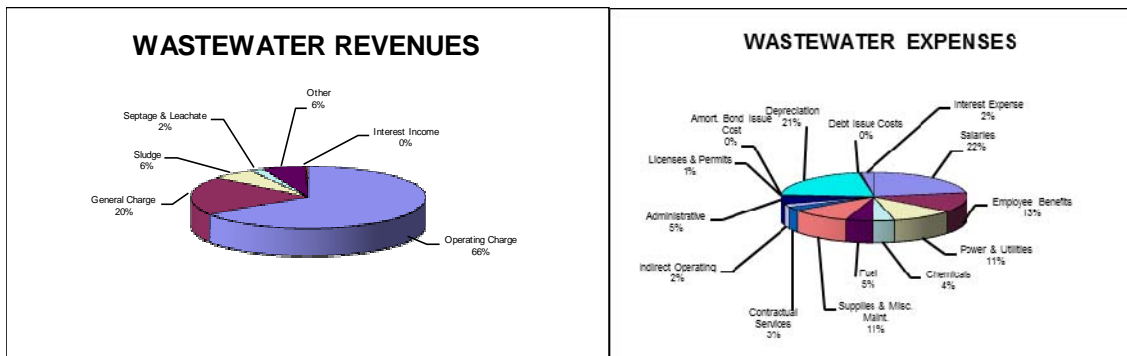
More significant increases were seen in Power & Utilities, Fuel, Supplies & Miscellaneous Maintenance and Contractual Services. Power & Utilities increased \$234,000 and 9% due to price increases in the electricity markets. Commodity prices increased more than 16% which were offset by wind and solar power which are not subject to price changes. Fuel expense increased \$58,000 and 5% primarily due to stack testing performed in 2013 that was not done in 2012. Supplies & Maintenance increased \$800,000 and 43% due to storm-related repairs, an emergency in Smithville and because 2012 was an unusually low expense as compared to typical years. In 2012 this expense decreased from 2011 by \$662,000 due to few repairs, emergencies and storm-related expenses. Contractual Services increased \$178,000 and 36% due to engineering services for required stack testing done in 2013 that was not required to be done in 2012.

Total Operating Revenues exceeded Total Operating Expenses by \$3,716,567.

Non-Operating Expenses, which is comprised of Interest Income, Interest Expense and Debt Issue Costs, decreased \$344,000. Interest income decreased \$46,000 due to minimal interest being paid on deposits. Interest expense decreased \$470,000 in accordance with debt service schedules and Debt Issue Costs were \$80,000 in 2013 and there were no Debt Issue Costs in 2012.

Total 2013 Revenues exceeded Total Expenses by \$3,150,670. Total Net Position increased to \$78,685,137.

WW Revenue	2013	2012	\$ Change	% Change
User Fee	\$ 24,550,314	\$ 23,994,052	\$ 556,262	2%
Sludge	1,666,106	1,795,961	(129,855)	-7%
Septage & Lechate	550,465	529,202	21,263	4%
Other	1,693,258	1,183,163	510,095	43%
Total Revenue	28,460,143	27,502,378	957,765	3%
WW Operating Expenses				
Salaries	5,670,362	5,695,737	(25,375)	0%
Employee Benefits	3,375,175	3,279,892	95,283	3%
Power & Utilities	2,751,171	2,517,191	233,980	9%
Chemicals	969,392	937,202	32,190	3%
Fuel	1,173,627	1,115,831	57,796	5%
Supplies & Miscellaneous Maintenance	2,652,229	1,852,286	799,943	43%
Contractual Services	674,832	496,648	178,184	36%
Indirect Operating Expenses	561,790	537,736	24,054	4%
Administrative	1,351,020	1,370,478	(19,458)	-1%
Licenses & Permits	169,605	159,249	10,356	7%
Depreciation	5,377,299	5,330,678	46,621	1%
Amortization of Bond Issue Costs	17,074	17,074	-	0%
Total Operating Expenses	24,743,576	23,310,002	1,433,574	6%
WW Non-Operating Revenue/(Expenses)				
Interest Income	108,812	154,631	(45,819)	-30%
Interest Expense	(594,826)	(1,065,008)	470,182	-44%
Debt Issue Costs	(79,883)	-	(79,883)	100%
	(565,897)	(910,377)	344,480	-38%
NET INCOME	\$ 3,150,670	\$ 3,281,999	\$ (131,329)	-4%



Statement of Cash Flows

Net Cash Provided by Operating Activities decreased 16%, a decrease of \$1.2 million. Receipts from Customers and Users increased \$294,000 and 1% primarily due to the increase in the User Fee. Payments to Employees remained flat. Payments to Suppliers increased \$1.6 million and 11% and is due to the increase in operating expenses in 2013.

Net Cash Used by Capital and Related Financing Activities increased by \$97,000. The Purchase of Capital Assets decreased \$1.8 million due to no significant projects being undertaken in 2013. Principal Paid on Capital Debt increased \$1.3 million and Interest Paid decreased by \$332,000, both in accordance with debt services schedules and the result of the refinancing of the 2003 Bonds in 2013. The Authority has nine NJEIT Financings outstanding to date: the Financings are 1995, 1997, 2001, 2004, 2006, 2007, 2010A, 2010B and 2012. The 2010B and 2012 Loans were completed in 2013 and now

all Loans are 100% complete and there will be no additional Loan Proceeds from these loans. There were draws of \$407,000 and \$1,327,000 on the 2010B and 2012 NJEIT Financings in 2013, respectively. Debt Issue costs of \$80,000 versus \$0 in 2012 are part of the refinancing transaction in 2013 discussed previously.

Net Cash Provided by Investment Activities was \$230,000 in 2012 as compared to \$2.5 million in 2013, representing a cash flow increase of \$2.3 million. The increase is a result of a combination of less Interest Income and more term investments purchased in 2013 as compared to 2012.

Net Increase in Cash and Cash Equivalents for the 2013 year is \$2,074,837. The Cash and Cash Equivalents Balance at the Beginning of the Year was \$24,401,224 and the Balance at the End of the Year was \$26,476,061.

	<u>2013</u>	<u>2012</u>	<u>Cash Flow</u> <u>Incr/(Decr)</u>	<u>% Change</u>
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 27,742,693	\$ 27,448,293	\$ 294,400	1%
Payments to Employees	(5,670,362)	(5,695,737)	25,375	0%
Payments to Suppliers	(15,413,383)	(13,848,694)	(1,564,689)	11%
Net Cash Provided by Operating Activities	6,658,948	7,903,862	(1,244,914)	-16%
Cash Flows from Noncapital Financing Activities				
Transfers to Other Funds	181,580	121,446	60,134	50%
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(78,806)	(1,832,434)	1,753,628	-96%
Principal Paid on Capital Debt	(8,031,716)	(6,706,889)	(1,324,827)	20%
Interest Paid on Capital Debt	(858,154)	(1,190,436)	332,282	-28%
Payment of Debt Issue Costs	(79,883)	-	(79,883)	100%
Proceeds from Wastewater Trust	1,733,988	2,512,495	(778,507)	-31%
Net Cash Used by Capital and Financing	(7,314,571)	(7,217,264)	(97,307)	1%
Cash Flows from Investing Activities				
Interest Income	116,673	152,058	(35,385)	-23%
Transferred to Investments	2,432,207	78,266	2,353,941	3008%
Net Cash Provided/(Used) by Investing Activities	2,548,880	230,324	2,318,556	1007%
Net Increase in Cash and Cash Equivalents	2,074,837	1,038,368	1,036,469	100%
Cash and Cash Equivalents, January 1	24,401,224	23,362,856	1,038,368	4%
Cash and Cash Equivalents, December 31	\$ 26,476,061	\$ 24,401,224	\$ 2,074,837	9%

Solid Waste Division

Comparative Balance Sheet

The Solid Waste Division reports Total Assets of \$100,131,161, an increase of \$610,523 and 1% from 2012.

Current Assets decreased \$2.2 million and 10% primarily due to less cash on hand and a decrease to accounts receivable in 2013 as compared to 2012. Cash was invested in longer term assets at the end of 2013 as described below. Accounts receivable is a

function of timing of payments from customers. As of December 31, 2013 the reduced receivable balance reflects such payments.

Restricted and Noncurrent Assets increased \$7.3 million and 23% primarily due to deposits to capital improvement funds and the Pinelands Park Landfill (PPL). Restricted investments increased \$3.1 million and 64% due to deposits to the cell construction fund and general capital improvement fund to meet the financial obligations of each.

The ACUA acquired PPL on November 26, 2012. PPL is a closed landfill located in Egg Harbor Township and is in its twenty-first year of closure, out of an anticipated thirty year closure period. The transaction included the acquisition of the PPL assets and liabilities as well as a distribution from the PPL post-closure fund of \$21 million to the ACUA to partially fund the redemption of its outstanding 1992 Solid Waste Revenue Bonds. The remaining \$7 million needed to fully redeem the bonds was funded by ACUA cash and investments.

In 2013 the ACUA received the escrow funds dedicated to post-closure costs for PPL. In 2012 there was \$24,652,000 recorded as Due from State of New Jersey/Newco Trustee and in 2013 Cash & Investments held by the state of New Jersey for PPL is \$21,723,000, a reduction of \$2,929,000. The decrease is due to payments made for closure expenses, disbursements to pay for transaction costs for Newco and ACUA as well as an adjustment to actual book value on the date the assets were transferred to the ACUA trustee. The active ACUA landfill escrow funds increased \$7 million due to required deposits to the ACUA fund for tonnages received in 2013, interest earned on deposits and deposits required by the NJ Department of Environmental Protection as part of the transaction to acquire PPL. The NJDEP required ACUA to deposit \$6.6 million to an Alternative Landfill Closure Fund as a condition of closing on the PPL transaction. The net impact of the activity in the closure escrow accounts for both ACUA and PPL landfills is an increase of \$4.1 million.

Accrued Interest Receivable increased \$168,000 due to the PPL investments received in 2013 that were recorded as a receivable in 2012. Capital Assets decreased \$4.5 million and 10%. The decrease is a combination of additions of \$1.7 million, deletions of \$4.5 million, depreciation expense of \$5.4 million and a \$3.8 million decrease to accumulated depreciation related to current year deletions. Additions include the construction of a new landfill cell, gas collection upgrades, improvements to the scale house, significant repairs to capital equipment and vehicles and the purchase of new equipment and vehicles. Deletions include the sale of the original recycling center purchased in 1991 and older collection vehicles sold as part of the conversion of collection trucks from diesel to compressed natural gas. Depreciation is calculated straight line over the life of the asset with a half year of depreciation taken in the first and last years of the asset's life. Current year depreciation expense is \$5.4 million and \$3.8 million of Accumulated Depreciation was written off in conjunction with the deletions described above.

Total Liabilities decreased \$4.8 million and 11%. Current Liabilities Payable from Unrestricted Assets increased by \$152,000 and 5% due to increased Accounts Payable and Customer Deposits. Accounts Payable increased \$151,000 primarily due to Pinelands Park Landfill payables on the books in 2013 and not in 2012. Current Liabilities Payable from Restricted Assets consists only of Construction Contracts Payable and decreased \$829,000 and 23%. The decrease is primarily due to payments made for vehicles and equipment in 2013.

Accrued Landfill Closure costs decreased \$4.2 million and 12%. The ACUA now owns two landfills, the active ACUA landfill and the closed Pinelands Park Landfill that was acquired in 2012. The ACUA closure liability is calculated by the Authority's consulting engineer and includes total costs for closure and post-closure care of \$9.5 million, a decrease of \$1.1 million from 2012. The PPL Closure Liability decreased \$3.1 million due to closure expenses incurred in 2013 and adjusting the closure liability to actual during 2013 when the assets and liabilities for PPL were formally transferred to ACUA.

The amount escrowed for ACUA's landfill is in accordance with the consulting Engineer's findings as reported. Total anticipated closure cost as of December 31, 2013 is \$9,544,511. The percent of cumulative landfill capacity utilized as of December 31, 2013 according to the consulting engineer report is 54.0%, up from 52.2% in 2012. This increase is the result of 324,226 current year tons of accepted waste plus associated cover material used and buried in the landfill. The decrease in the liability recognized in 2013 is the result of an adjustment to prior year's calculations for air space used. The Authority's independent consulting engineer performs the necessary calculation to determine the estimated liability in accordance with provisions of Statement No. 18 of the Government Accounting Standards Board, Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs.

The Pinelands Park Landfill Post-Closure Costs assumed are \$21 million and are fully funded. The ACUA Landfill Post-Closure Costs are estimated to be \$9.5 million and are fully funded. Both are shown in the Noncurrent Assets of the Authority. Other Noncurrent Liabilities increased \$31,000. 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 \$701,785, an increase of \$31,000 from 2012. The Authority has set aside additional funds for Other Post-Employment Benefits.

The Division's Net Position of \$61,999,742 are comprised of the following:

- (1) Capital Assets, Net of Related Debt of \$40,877,708, include Property, Plant and Equipment, net of Accumulated Depreciation. The recent history of Capital Asset balances as of December 31 is as follows:

2013	\$	40,877,708
2012		45,421,992
2011		15,711,957
2010		3,632,769
2009		(2,603,357)
2008		717,001
2007		(573,543)
2006		(1,003,023)
2005		(6,680,103)

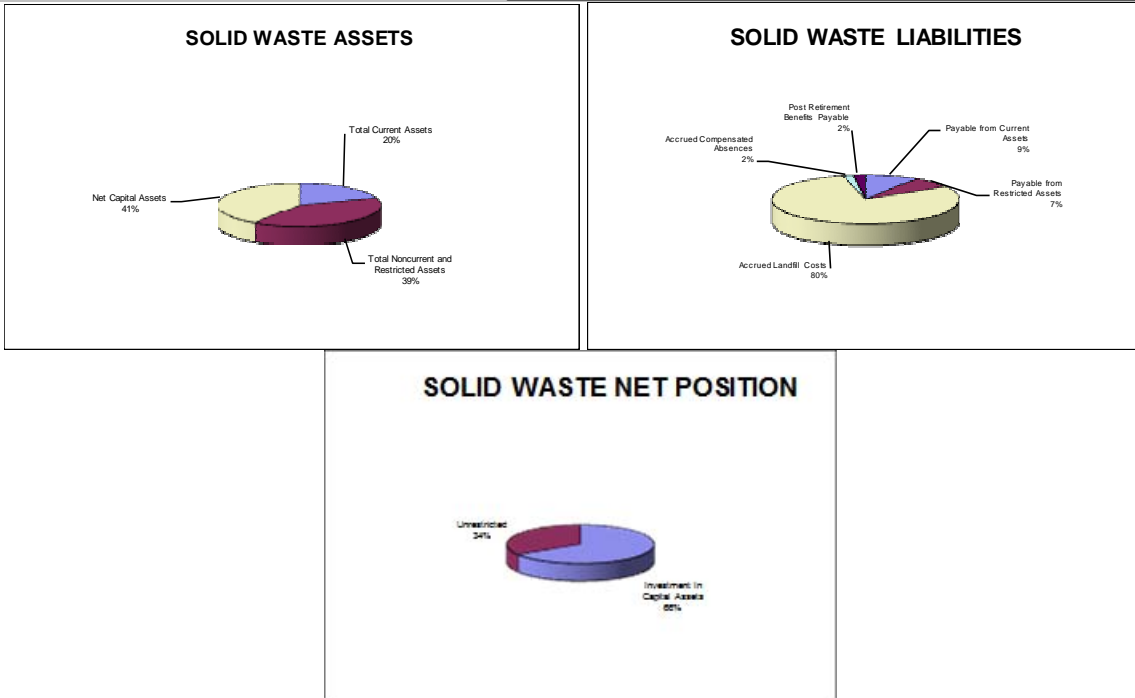
Calculated as: (Net Capital Assets-Long-Term Portion of Bonds Payable – Current Maturities of Long-Term Debt = Investment in Capital Assets, Net of Related Debt). In 2013 and 2012 there was no debt. In 2011 and prior there was debt.

- (2) Unrestricted Net Position of \$21,122,034 represents the portion available to maintain the Authority’s continuing obligations to the Authority’s service area, certain creditors, current liabilities and other post-employment benefits.

Unrestricted Net Position increased approximately \$10 million, or 89% in 2013, and is primarily a function of the redemption of Solid Waste Debt in 2012 and Net Income for 2013.

Total Net Position increased by \$5,426,336 and is comprised of Operating Income of \$3,988,259 and net Non- Operating Income in the amount of \$1,438,077. Included in Non-Operating Income are Interest Income, the reduction of the Accrued Landfill Closure Liability and the Loss on the Sale of the original warehouse.

	2013	2012	\$ Change	% Change
Total Current Assets	\$ 19,928,472	\$ 22,082,384	\$ (2,153,912)	-10%
Total Noncurrent & Restricted Assets	39,324,981	32,016,262	7,308,719	23%
Capital Assets, Net of Depreciation	40,877,708	45,421,992	(4,544,284)	-10%
TOTAL ASSETS	100,131,161	99,520,638	610,523	1%
Total Liabilities Payable from Current Assets	3,436,537	3,284,459	152,078	5%
Total Liabilities Payable from Restricted Assets	2,733,333	3,562,647	(829,314)	-23%
Accrued Landfill Closure and Post-Closure Costs	30,459,764	34,629,707	(4,169,943)	-12%
Other Non-Current Liabilities	1,501,785	1,470,419	31,366	2%
TOTAL LIABILITIES	38,131,419	42,947,232	(4,815,813)	-11%
Invested in Capital Assets, Net Debt	40,877,708	45,421,992	(4,544,284)	-10%
Unrestricted	21,122,034	11,151,414	9,970,620	89%
TOTAL NET POSITION	\$ 61,999,742	\$ 56,573,406	\$ 5,426,336	10%
TOTAL LIABILITIES & NET POSITION	\$ 100,131,161	\$ 99,520,638	\$ 610,523	1%



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

Solid Waste Operating Revenues increased \$2 million and 6% from 2012. Tip Fees were up 13% and \$2.8 million due to a combination of increased revenue from tonnages from an amendment to waste flow in the latter part of 2012 that requires all Atlantic County-generated waste to come to the ACUA and additional waste received from Hurricane

Sandy damage that occurred in 2012. Waste flow control that passed in 2010 required that waste generated in Atlantic County be disposed of at the ACUA landfill or out of state. Disposal to other New Jersey county landfills was prohibited. In October 2011 ACUA's largest customer started shipping its waste to Pennsylvania creating a financial strain on the solid waste infrastructure designed to handle all waste generated in Atlantic County. In March 2011 the Atlantic County Board of Freeholders approved a resolution that requires all waste generated in Atlantic County to come to the ACUA for disposal to close the loophole created by the resolution passed in 2010. The NJ State Department of Environmental Protection took 150 days to approve this change, certifying it on August 10, 2012.

Recycling Market Revenue and Revenue from Collection Contracts decreased 7% and \$568,000. The decrease is primarily due to a decrease in revenue from the resale of recycled materials of \$428,000 and the decrease in collection revenue of \$40,000.

Grant Income decreased \$80,000 mostly because in 2012 the Authority received a one-time grant of \$75,000 towards improvements to the maintenance center necessary to work on compressed natural gas vehicles. Compost and Eco-Products were down \$55,000 and 4% to due decreased demand. Other Income decreased \$109,000 and 6% due to several factors as shown below. Significant changes are explained following the chart.

	<u>2013</u>	<u>2012</u>	<u>\$ Change</u>	<u>% Change</u>
Landfill Gas to Energy	\$ 694,723	\$ 667,806	\$ 26,917	4%
PPL Reimbursement	321,503	-	321,503	100%
Rental Income	223,040	219,178	3,862	2%
CNG Tax Rebate	121,946	236,987	(115,041)	-49%
Fuel Sales	69,309	68,020	1,289	2%
Insurance Refunds	63,443	154,320	(90,877)	-59%
Finance Charges	48,097	55,847	(7,750)	-14%
Miscellaneous	76,244	215,453	(139,209)	-65%
Clean Energy	15,950	126,105	(110,155)	-87%
Total Other Income	\$ 1,634,254	\$ 1,743,716	\$ (109,462)	-6%

In 2011 and 2012 the ACUA expended funds to prepare for the acquisition of Pinelands Park Landfill (PPL). Once the transaction was approved and completed the NJ Department of Environmental Protection agreed to reimburse ACUA for these costs from the PPL landfill closure funds. In addition, overhead costs allocated to PPL for ACUA staff time are reimbursed on a bi-monthly basis. Compressed natural gas (CNG) revenues decreased \$110,000 in 2013 and the related CNG tax rebate decreased \$115,000 due to the Jitney Association, formerly the ACUA's largest CNG customer, opening its own fueling station. Insurance refunds decreased due to fewer claims in 2013. Finally miscellaneous decreased \$139,000 mostly because utility income from the ReCommunity recycling facility was recorded as miscellaneous income in 2012 and reclassified and included in recycling income in 2013.

Operating Expenses remained relatively flat, up \$108,000, which is the net result of increases and decreases among significant operating items. The Division experienced a modest decrease in Employee Benefits. More significant increases and decreases are explained below.

There was a \$691,000 and 31% increase in Indirect Operating Expenses due to the purchase of \$373,000 of more cover material for the additional tons received in 2013 and for the construction of a new landfill cell. Also, in 2012 prior year canceled purchase orders reduced Indirect Operating Expenses by \$179,000 more than in 2013. The Host Community Benefit paid to Egg Harbor Township increased \$307,000 and 14% and Recycling and Other Taxes increased \$127,000 and 13%. Both are a function of tonnages received and are due to additional waste received as a result of additional waste from flow control and rebuilding in the aftermath of Hurricane Sandy. Bad Debt increased 100% by \$100,000 to provide additional reserves for potentially uncollectible balances in Accounts Receivable.

Salaries decreased \$190,000 and 2% due to management's efforts to reduce overtime as well as the loss of a collection contract and related salaries paid to service that contract. Power and Utilities decreased \$70,000 and 9% primarily due to less gas used at the maintenance center. Fuel decreased \$84,000 and 6% as a result of having eighteen compressed natural gas (CNG) trucks on the road in 2013 and due to the loss of a collection contract in 2013. CNG is less expensive and cleaner than diesel fuel. Supplies & Miscellaneous Maintenance decreased \$201,000 and 9% due to not needing to rent equipment in 2013 when in 2012 equipment rentals of \$117,000 were incurred. Accrued Landfill Closure expense decreased \$131,000 and 100% and is the direct result of the consulting engineer's report described above that estimated that the liability should be decreased by \$1.1 million. Administrative Expenses decreased \$334,000 and 25% because fees associated with the purchase of PPL were recognized in 2012 and reimbursed to ACUA in 2013. Finally, Depreciation decreased \$99,000 and 2% in accordance with depreciation schedules.

Total Operating Revenues exceeded Total Operating Expenses resulting in operating income of \$4 million for 2013 versus \$2.1 million in 2012. Net income funds the capital improvements of the Authority which include the construction of new cells, the purchase of collection vehicles and other equipment, infrastructure improvements and landfill closure responsibilities.

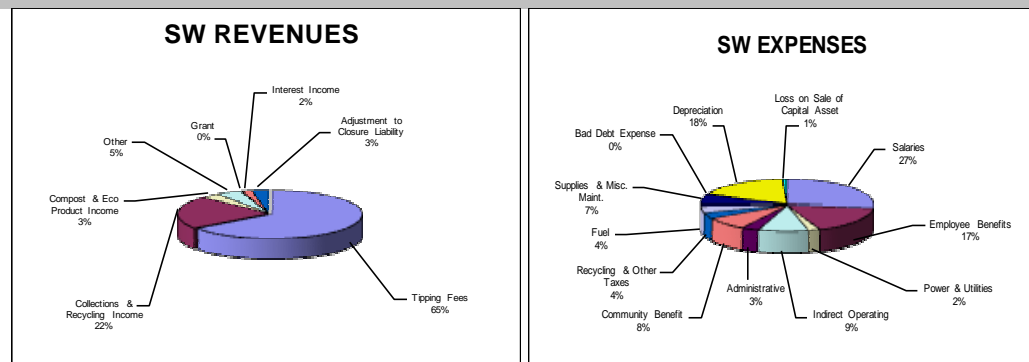
Total Non-Operating Income is \$1.4 million compared to \$18.5 million in 2012, a decrease of \$17.1 million. In 2012 the impact of the PPL acquisition resulted in a \$21 million gain, there was \$2.1 million in interest expense on debt that was defeased in 2012 and a \$449,000 loss on the extinguishment of that debt. In 2013 Interest Income increased \$590,000 as a result of having the PPL investments on ACUA's book. Also in 2013 the original recycling center was sold which resulted in a loss on the sale of the asset of \$265,000. The center was purchased in 1991 for \$1.7 million and sold in 2013 for \$500,000. The center was being depreciated over a 40 year expected life and therefore was not fully depreciated at the time of the sale; the loss is the result of writing

off the undepreciated portion of the building which was \$765,000. The center was rented to a third party from 1996 to 2012 and provided over \$2 million in rental income during this period. Finally, the estimated landfill closure liability decreased \$1.1 million as a result of the consulting engineer's report and is reported as Non-Operating Income.

Net Income for the 2013 year is \$5,426,336 compared to \$20,642,382 in 2012. Net Income for recent years was:

2013	\$	5,426,336
2012		20,642,382
2011		(783,795)
2010		3,084,973
2009		89,345
2008		2,713,591
2007		3,975,842
2006		8,894,379
2005		5,024,252

SW Revenue	2013	2012	\$ Change	% Change
Tipping Fee	\$23,617,717	\$ 20,844,357	\$ 2,773,360	13%
Collections & Recycling	7,999,914	8,567,969	(568,055)	-7%
Grant Income	93,741	173,486	(79,745)	-46%
Composting & Eco Product Income	1,226,345	1,281,162	(54,817)	-4%
Other	1,634,254	1,743,715	(109,461)	-6%
Total Revenue	34,571,971	32,610,689	1,961,282	6%
SW Operating Expenses				
Salaries	8,301,648	8,491,973	(190,325)	-2%
Employee Benefits	5,226,935	5,233,437	(6,502)	0%
Power & Utilities	676,814	746,881	(70,067)	-9%
Fuel	1,274,941	1,358,832	(83,891)	-6%
Supplies & Miscellaneous Maintenance	2,065,893	2,266,647	(200,754)	-9%
Indirect Operating Expenses	2,892,596	2,201,969	690,627	31%
Accrued Landfill Closure	-	131,035	(131,035)	-100%
Administrative	991,608	1,325,485	(333,877)	-25%
Community Benefit	2,471,419	2,164,195	307,224	14%
Recycling & Other Taxes	1,135,167	1,008,613	126,554	13%
Bad Debt Expense	100,000	-	100,000	100%
Depreciation	5,446,691	5,546,185	(99,494)	-2%
Total Operating Expenses	30,583,712	30,475,252	108,460	0%
SW Non-Operating Revenue/(Expenses)				
Interest Income	612,700	22,625	590,075	2608%
Loss on Sale of Fixed Asset	(265,191)	-	(265,191)	-100%
Adjustment to landfill closure and post-closure care cost	1,090,568	-	1,090,568	100%
Interest Expense	-	(2,066,903)	2,066,903	-100%
Gain on Acquisition of Pinelands Park Landfill	-	21,000,000	(21,000,000)	-100%
Loss on Extinguishment of Debt	-	(448,777)	448,777	-100%
	1,438,077	18,506,945	(17,068,868)	-92%
NET INCOME/ (Loss)	\$ 5,426,336	\$ 20,642,382	\$ (15,216,046)	-74%



Statement of Cash Flows

Net Cash Provided by Operating Activities decreased 46% and \$2.2 million. Receipts from Customers and Users increased 13% due to increased revenue. Payments to Employees were flat and Payments to Suppliers increased 35% and \$6.5 million which includes the true up of the PPL Closure Liability and payments made for the ongoing closure costs for PPL.

Net Cash Used by Capital and Related Financing Activities decreased 93% and \$16 million. In 2012 \$15.8 million was related to the acquisition of PPL and the defeasance

of the bonds. In 2013 the only activity is the purchase of capital assets which decreased \$173,000.

Net Cash Provided by Investment Activities decreased by \$8.4 million to an inflow of \$813,000 compared to an inflow in 2012 of \$9.2 million. In 2012 there were inflows and outflows of Cash and Investments related to the Pinelands Park Landfill and Debt transactions, in addition to transfers done in the normal course of business. In 2013 the only activity was interest income of \$428,000 and transfers of \$385,000 done in the normal course of business.

Total Net Increase in Cash and Cash Equivalents for 2013 is \$1.9 million. In 2012, 2011 and 2010 there were Net Decreases of \$3,407,000, \$13,272,000 and \$444,000, respectively.

Cash and Cash Equivalents at the Beginning of the Year were \$9,935,000 and \$11,831,859 at the End of Year, a 19% increase.

	<u>2013</u>	<u>2012</u>	<u>\$ Change</u>	<u>% Change</u>
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$35,482,378	\$ 31,406,110	\$ 4,076,268	13%
Payments to Employees	(8,301,648)	(8,491,973)	190,325	-2%
Payments to Suppliers	(24,647,517)	(18,195,541)	(6,451,976)	35%
Net Cash Provided by Operating Activities	<u>2,533,213</u>	<u>4,718,596</u>	<u>(2,185,383)</u>	<u>-46%</u>
Cash Flows from Noncapital Financing Activities				
Transfers to Other Funds	(181,580)	(121,446)	(60,134)	50%
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(1,267,598)	(1,440,747)	173,149	-12%
Principal Paid on Capital Debt	-	(33,880,000)	33,880,000	-100%
Interest Paid on Capital Debt	-	(2,871,553)	2,871,553	-100%
Gain on Acquisition of Pinelands Park Landfill	-	21,000,000	(21,000,000)	-100%
Net Cash Used by Capital and Financing	<u>(1,267,598)</u>	<u>(17,192,300)</u>	<u>15,924,702</u>	<u>-93%</u>
Cash Flows from Investing Activities				
Interest Income	427,903	30,689	(397,214)	-1294%
Transferred to Investments	384,921	9,157,820	(8,772,899)	-96%
Net Cash Provided (Used) by Investing Activities	<u>812,824</u>	<u>9,188,509</u>	<u>(8,375,685)</u>	<u>-91%</u>
Net Increase (decrease) in Cash and Cash Equivalents	<u>1,896,859</u>	<u>(3,406,641)</u>	<u>5,303,500</u>	<u>-156%</u>
Cash and Cash Equivalents, January 1	<u>9,935,000</u>	<u>13,341,641</u>	<u>(3,406,641)</u>	<u>-26%</u>
Cash and Cash Equivalents, December 31	<u>\$11,831,859</u>	<u>\$ 9,935,000</u>	<u>\$ 1,896,859</u>	<u>19%</u>

Core Competencies

Wastewater Division

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

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

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

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

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

Other services provided include sludge, septage, 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. Waste received goes through the Transfer Station before being taken to the landfill for disposal. Cell 11 was

constructed in 2011 and 2012 for a total cost of approximately \$4.6 million. This cell began to accept waste in the second quarter of 2012, and is expected to reach capacity in approximately three years based on historical tonnages received. Cell 9 is the next, and last, cell to be built under the original landfill footprint and is currently underway. After Cell 9 is built construction of the mechanically stabilized earth (MSE) wall as approved under the landfill expansion permit will begin and will allow for additional capacity. Capacity at the landfill is expected to be available through 2028. The ACUA is seriously researching and collaborating on other innovative and emerging technologies for the disposal of solid waste.

A gas collection system improvement was done during 2012 and included the installation of eighteen vertical gas wells to increase the amount of gas collected. The cost for the eighteen wells was approximately \$160,000. The wells help to reduce odors from the landfill and increase the amount of gas collected to be used by the Landfill Gas to Electricity (LFG) facility. In 2013 an additional \$75,000 was invested in the gas collection system and referred to as the Header Project. This project includes the installation an 18" gas collection main from the flare station to the landfill and will increase gas collection from the existing landfill wells and replace the old header which is installed under the capped portion of the landfill which cannot be maintenance if a problem were to occur. Additional well will be installed in 2014 to assist with collection and odors. The electricity for the entire solid waste facility is provided by the LFG facility which is a renewable energy source.

In 2012 the ACUA successfully closed a loop-hole in the Solid Waste Management Plan as described previously. Waste brought to the ACUA includes municipal, commercial, construction, and industrial waste. In 2013 about 323,000 tons of waste came in, compared to about 293,000 tons in 2012, 272,000 tons in 2011, 264,000 tons in 2010, and 251,000 tons in 2009. 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.

In 2010 the Authority awarded a contract to Hudson Baylor Corporation, now ReCommunity, to own and operate a single stream processing facility at the existing 58,500 square foot ACUA Recycling Center. The facility began operations in August of 2011. The ACUA delivers all single-stream material to ReCommunity and shares in the revenues earned from their resale. ReCommunity pays rent and utilities to ACUA in addition to the share of revenue earned on recyclable materials.

Recycling collection is provided to about twenty Atlantic County municipalities, generally on a bi-weekly basis. Many commercial entities have weekly service. All the recyclables received are processed and marketed by ReCommunity. Revenue from recyclables declined sharply in late 2008 due to the global economic crisis. The markets have been rebounding as the global economies begin to recover. In 2013 approximately 37,000 tons were collected, which is slightly higher than recent years.

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

The Authority's compost operation processes leaves, grass clippings, tree branches, clean wood, brush and Christmas trees. In 2013 about 24,000 tons of yard waste was processed, down about 5,000 from 2012 and more in line with historical tonnages. In 2012 about 29,000 tons of yard waste was processed which included material from a destructive derecho that hit Atlantic County resulting in significant tree, brush and wood debris that was disposed of at the ACUA. The branches, brush, and trees are processed into EcoSoil and sold to the public, providing additional income to support the Solid Waste system.

Centralized Maintenance

The ACUA has a 17,000 square foot Maintenance Center where a fleet of over 70 vehicles and 30 pieces of specialized heavy equipment is maintained and serviced. In 2010 the Authority completed construction of its compressed natural gas (CNG) fueling station and now has fifteen CNG refuse collection trucks in its fleet. In order to service these vehicles safely, approximately \$195,000 of improvements to the Maintenance Center were necessary and were completed in 2011 and 2012. The ACUA received \$75,000 in grant funding towards these costs in 2012. Maintenance to other governmental agencies is provided on an as need basis. The vehicle wash is also available to other agencies and the public. These services provide additional income to the solid waste system and optimize the existing facility and staff.

Centralized Maintenance is also responsible for buildings and grounds maintenance for ACUA property and operates and maintains the newly constructed vehicle wash facility.

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, ratepayers, customers, the local governments, agencies and people served, and the employees of the ACUA. Excellent customer service is a top priority. Fair and reasonable fees is another top priority. Excellent employee relations and striving to be “a best place to work” is another priority. Embracing technology and innovation is high on the ACUA's list of

objectives, as is community service, volunteering, and 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. The Authority is financially accountable to the Department of Community Affairs, Division of Local Government Services.

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

The Atlantic County Utilities Authority is accountable to the governing body of the Authority, the Atlantic County Utilities Authority Board of 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.

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

The Authority Board Members are:

Marvin E. Embry, Chairman
Michael C. Epps, Vice Chairman
Peter Sarkos, Treasurer
Fred Akers, Assistant Treasurer
Carla Garrison, Member
Andrew Berenato, III, Member
John L. Carman, Jr

Management of the Authority

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

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

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

Maria K. Mento, Executive Vice President & Chief Financial Officer. Ms. Mento was hired at the Authority in 1990 and was appointed as the Chief Financial Officer in the following year. Prior to accepting her position in 1990, she was with Atlantic County Government for ten years. Her tenure with Atlantic County Government was primarily with the Department of Finance, Treasurer's Office. Her responsibilities at the county included activities pertaining to the capital budget and operating budget, accounts payable, accounts receivable, monitoring various grants and contracts, payroll and employee pension services. Ms. Mento received her Bachelor of Arts degree in Business Administration from Glassboro State College (Rowan University), and her Masters of Business Administration in Finance from Rutgers, The State University of New Jersey. Ms. Mento is officially recognized by the State of New Jersey as a Certified County Finance Officer and a Certified Municipal Finance Officer and holds a Real Estate License in the State of New Jersey. Ms. Mento serves on the Board of Directors for the United Way of Greater Philadelphia and Southern New Jersey, is a member of the United Way Women's Leadership Initiative, and is a board member for St. Joseph High School in Hammonton. She also serves on the Board of Trustees of Atlantic Cape Community College Foundation. Ms. Mento was named the 2013 United Way of Greater Philadelphia and Southern New Jersey's "George F. Lynn Volunteer of the Year" and was inducted into the Atlantic County Women's Hall of Fame.

Katherine O. Vesey, Deputy Chief Financial Officer and Director of Research and Development. Ms. Vesey works closely with Ms. Mento on the annual audit. Ms. Vesey has worked for the Authority since 2004. As Deputy Chief Finance Officer and Director of Research and Development, Ms. Vesey is responsible for the daily operations of the finance department and works with her R&D team to explore energy and environmental initiatives for the ACUA. She has led the ACUA in becoming New Jersey's first organization to join the Chicago Climate Exchange (CCX), the world's first and North America's only legally binding rules-based greenhouse gas emissions allowance trading system. Ms. Vesey also manages the ACUA's Solar Renewable

Energy Certificate portfolio. Ms. Vesey holds Bachelor of Science degrees in Accounting and Management from Northeastern University. She is a Certified Public Accountant in the State of Massachusetts. She also holds a certificate of successful completion of the Water and Wastewater Leadership Center from The University of North Carolina at Chapel Hill Kenan-Flagler Business School.

Other leaders in the Finance Department include Sandra Bourguignon, Chief of Staff, Michael Hayes, Purchasing Manager, Marylou Panico, Assistant Purchasing Manager, and Harry Gallagher, IT & HR Director.

Brian Lefke, Vice President – Solid Waste Division and Authority Board Secretary. Mr. Lefke has served as Board Secretary since December 2003, and is responsible for the administration of the Authority Board of Directors business and activity. In July of 2009, Mr. Lefke was appointed to the position of Vice President of Solid Waste. Mr. Lefke is responsible for the management oversight of all operations within the Solid Waste Division which includes: Solid Waste Administration, Recycling Center Operations, Recycling Center Collections, Transfer Station, Landfill, Compost and EcoProduct Marketing. Prior to assuming his current responsibilities, Mr. Lefke served as the Director of Solid Waste Operations at the Authority for 17 years. He was employed at the Atlantic County Planning Department in various management titles and also served as the acting Executive Director of the Atlantic County Transportation Authority for one year. Mr. Lefke graduated from Richard Stockton College of New Jersey with a Bachelor of Science in Environmental Science and Farleigh Dickinson University with a Master of Science in Administrative Science. He has served on the Atlantic Cape Community College Board of Trustees since 1995 and was the Board Chairman from 2005-2007. Mr. Lefke has been a member of the Association of New Jersey Recyclers and has served on the executive committee of this group. He has previously been a member of the New Jersey Pinelands Commission and Somers Point Planning Board.

Joseph Pantalone, Vice President – Wastewater Division. Mr. Pantalone joined the Authority in August 2013 in his current title and is responsible for the day-to-day administration, operation and maintenance of the Authority's wind and solar powered wastewater treatment plant and collection system. The 40 million gallon per day (MGD) plant and regional system serves 14 municipalities, surrounding and including Atlantic City, New Jersey. A native of Hammonton, NJ, Mr. Pantalone served most recently as both the Director of Engineering and Human Resources for Adams, Regmann and Heggan Associates (ARH) in Hammonton, a civil engineering and planning firm serving both municipal and county governments. Mr. Pantalone was with this firm for more than twenty years where he was involved in a significant number of infrastructure projects throughout South Jersey, including the ACUA's interceptor project. The interceptor project was \$28 million and connected Hamilton Township to ACUA's wastewater system. Prior to joining ARH, Mr. Pantalone served as the executive director of the Hamilton Township Municipal Utilities Authority in Mays Landing from 1981 through 1988. Mr. Pantalone is a graduate of James Madison University in Harrisonburg, Virginia, where he received both a B.S. in Psychology and Sociology and a M.A. in Personnel Administration.

E. Christopher Harris, Director of Wastewater Operations. Integral to the Wastewater Division is Mr. Harris, Director of Wastewater Operations. Mr. Harris serves as the licensed operator and holds a New Jersey S4 Wastewater Treatment license. Prior to joining the ACUA, Mr. Harris was with the Philadelphia Water Department (PWD) from 1994 to 2006. The most recent position Mr. Harris held at the PWD was Plant Manager at the Southwest Water Pollution Control Plant, a 200 MGD facility. Some of Mr. Harris' professional accomplishments include implementing process and asset management efficiencies, leading the implementation of a Biosolids Best Management Practices program, participation in studies, trials and regulatory negotiations. Mr. Harris has worked closely with ACUA's public relations group in educating various groups and individuals through on-site wastewater and energy tours. Mr. Harris holds a degree in Chemical Engineering from Widener University in Chester, Pennsylvania and is a continuing education instructor at Atlantic Cape Community College teaching wastewater treatment technologies.

Eugene L. Pettitt, PE, PP Chief Engineer. Mr. Pettitt is the Chief Engineer for the Authority, a position he has held since 1990. Mr. Pettitt is responsible for the planning, design, permitting, and construction of all capital infrastructure improvements for both the Wastewater and Solid Waste Divisions. In February 2008, Mr. Pettitt was appointed Head of Centralized Maintenance, a function that combined the in-house maintenance departments of both the Divisions into a central department. Duties include handling fleet maintenance, buildings and grounds, electrical and mechanical maintenance functions. Mr. Pettitt has overseen over \$123 million worth of capital improvements since joining the Authority. Prior to joining the Authority, Mr. Pettitt was the Atlantic County Engineer for eight years, and managed a consulting engineering company in Millville, NJ for six years. Mr. Pettitt graduated from Cumberland County College with an Associates of Arts degree in Math and Science and Drexel University with a Bachelor of Science degree in Civil Engineering. Mr. Pettitt is a licensed professional engineer, a professional planner and holds an architect's license in the State of New Jersey. He is a member of numerous engineering and construction affiliations and has received numerous awards; the most prestigious include the "Twenty Year Achievement Award" and the "Key-D Award", both from Drexel University. Mr. Pettitt was inducted into the "Mary S. Irick Drexel Society," joining a very elite group of engineers who have graduated from Drexel since 1932. He also was recently presented with the "Mary S. Irick Drexel Medal".

Also serving the Engineering Department is Tom Ganard, Deputy Chief Engineer.

Funding of Infrastructure and Debt Management

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

Borrowings from the New Jersey Environmental Infrastructure Trust
Short-Term Loan Agreements (usually averaging 1 to 3 years)

Lease with Option to Purchase Financing (usually averaging 3 to 5 years)
Funding incrementally or annually from Operating Budget

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

Auditors

The Authority has a policy of changing Auditors every 3 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.

ATLANTIC COUNTY UTILITIES AUTHORITY
Statements of Net Position
December 31, 2013 and 2012

	2013			2012
	Wastewater Division	Solid Waste Division	Total	
ASSETS				
Unrestricted current assets:				
Cash and cash equivalents	\$ 17,557,478	\$ 11,831,859	\$ 29,389,337	\$ 23,269,150
Investments	5,365,578	4,698,522	10,064,100	15,212,525
Accrued interest receivable	39,889	25,246	65,135	56,643
Accounts receivable (net of allowance \$639,767 and \$550,474 in 2013 and 2012, respectively)	1,121,607	2,258,414	3,380,021	3,651,506
Internal accounts	(1,114,431)	1,114,431	-	-
Total unrestricted current assets	22,970,121	19,928,472	42,898,593	42,189,824
Restricted noncurrent assets:				
Cash and cash equivalents	11,023,846	-	11,023,846	11,067,074
Investments	2,617,046	7,822,394	10,439,440	10,213,406
Amounts held by State of New Jersey	-	31,330,746	31,330,746	2,593,083
Due from State of New Jersey / Newco Trustee	-	-	-	24,651,746
Accrued interest receivable	-	171,841	171,841	3,397
Loans receivable	-	-	-	1,733,988
Total restricted noncurrent assets	13,640,892	39,324,981	52,965,873	50,262,694
Capital assets, gross	223,760,258	128,396,333	352,156,591	354,938,892
Accumulated depreciation	(150,857,937)	(87,518,625)	(238,376,562)	(231,316,086)
Capital assets, net	72,902,321	40,877,708	113,780,029	123,622,806
TOTAL ASSETS	109,513,334	100,131,161	209,644,495	216,075,324
DEFERRED OUTFLOW OF RESOURCES				
Unamortized bond issuance costs	17,785	-	17,785	34,859
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	109,531,119	100,131,161	209,662,280	216,110,183

The accompanying notes are an integral part of this statement.

ATLANTIC COUNTY UTILITIES AUTHORITY
Statements of Net Position
December 31, 2013 and 2012

2013

	Wastewater Division	Solid Waste Division	Total	2012
LIABILITIES				
Current liabilities payable from current assets:				
Accounts payable and accrued expenses	2,068,920	3,301,348	5,370,268	5,270,545
Customer deposits	-	135,189	135,189	134,207
Unearned revenue, current	179,510	-	179,510	162,980
Total current liabilities payable from current assets	2,248,430	3,436,537	5,684,967	5,567,732
Current liabilities payable from restricted assets:				
Construction contracts payable	7,553	2,733,333	2,740,886	5,253,369
Current portion of long-term debt	5,304,641	-	5,304,641	7,079,912
Accrued interest	202,077	-	202,077	465,405
Total current liabilities payable from restricted assets	5,514,271	2,733,333	8,247,604	12,798,686
Noncurrent liabilities payable from restricted assets:				
Accrued landfill closure and post-closure care cost	-	30,459,764	30,459,764	34,629,707
Noncurrent liabilities:				
Unearned revenue, non-current	290,681	-	290,681	486,721
Accrued compensated absences	600,004	701,785	1,301,789	1,270,423
Post retirement benefits payable	535,019	800,000	1,335,019	1,335,019
Long-term portion of bonds payable (net of unamortized bond premium of \$433,408 and \$560,212 for Wastewater bonds in 2013 and 2012, respectively)	21,657,577	-	21,657,577	27,914,022
Total noncurrent liabilities	23,083,281	1,501,785	24,585,066	31,006,185
TOTAL LIABILITIES	30,845,982	38,131,419	68,977,401	84,002,310

The accompanying notes are an integral part of this statement.

ATLANTIC COUNTY UTILITIES AUTHORITY
Statements of Net Position
December 31, 2013 and 2012

	2013		2012
	Wastewater Division	Solid Waste Division	
NET POSITION			
Investment in capital assets, net of related debt	45,957,888	40,877,708	86,835,596
Restricted for:			
Wastewater:			
Renewal and replacement	5,800,000	-	5,800,000
Debt service fund	3,719,855	-	3,719,855
Debt service reserve fund	6,533,829	-	6,533,829
Unrestricted	16,673,565	21,122,034	37,795,599
TOTAL NET POSITION	<u>\$ 78,685,137</u>	<u>\$ 61,999,742</u>	<u>\$ 140,684,879</u>
			<u>\$ 132,107,873</u>

The accompanying notes are an integral part of this statement.

ATLANTIC COUNTY UTILITIES AUTHORITY
Statements of Revenues, Expenses and Changes in Net Position
For the years ended December 31, 2013 and 2012

	2013			2012
	Wastewater Division	Solid Waste Division	Total	
Operating revenues:				
Wastewater:				
User service agreements:				
Operating	\$ 18,807,231	\$ -	\$ 18,807,231	\$ 15,960,267
General	5,743,083	-	5,743,083	8,033,785
Sludge	1,666,106	-	1,666,106	1,795,961
Septage and leachate	550,465	-	550,465	529,202
Other	1,693,258	-	1,693,258	1,183,163
Solid Waste:				
Tipping fees	-	23,617,717	23,617,717	20,844,357
Collections and recycling income	-	7,999,914	7,999,914	8,567,969
Grant income	-	93,741	93,741	173,486
Composting income	-	1,226,345	1,226,345	1,281,162
Other	-	1,634,254	1,634,254	1,743,715
Total operating revenues	<u>28,460,143</u>	<u>34,571,971</u>	<u>63,032,114</u>	<u>60,113,067</u>
Operating expenses:				
Salaries	5,670,362	8,301,648	13,972,010	14,187,710
Employee benefits	3,375,175	5,226,935	8,602,110	8,465,358
Power and utilities	2,751,171	676,814	3,427,985	3,264,072
Chemicals	969,392	-	969,392	937,207
Fuel	1,173,627	1,274,941	2,448,568	2,474,663
Supplies and miscellaneous maintenance	2,652,229	2,065,893	4,718,122	4,118,933
Contractual services	674,832	-	674,832	496,648
Indirect operating expenses	561,790	2,892,596	3,454,386	2,739,705
Accrued landfill closure costs	-	-	-	131,035
Administrative	1,351,020	991,608	2,342,628	2,743,934
Community benefit	-	2,471,419	2,471,419	2,164,195
Recycling and other taxes	-	1,135,167	1,135,167	1,008,613
Licenses and permits	169,605	-	169,605	159,249
Bad debt expense	-	100,000	100,000	-
Depreciation	5,377,299	5,446,691	10,823,990	10,876,863
Amortization of bond issue costs	17,074	-	17,074	17,074
Total operating expenses	<u>24,743,576</u>	<u>30,583,712</u>	<u>55,327,288</u>	<u>53,785,259</u>
Operating income	<u>3,716,567</u>	<u>3,988,259</u>	<u>7,704,826</u>	<u>6,327,808</u>
Non-operating revenues / (expenses):				
Interest income	108,812	612,700	721,512	177,256
Interest expense	(594,826)	-	(594,826)	(3,131,911)
Gain on acquisition of Pinelands Park Landfill	-	-	-	21,000,000
Loss on sale of fixed assets	-	(265,191)	(265,191)	-
Loss on extinguishment of debt	-	-	-	(448,777)
Adjustment to landfill closure and post-closure care cost	-	1,090,568	1,090,568	-
Debt issuance costs	(79,883)	-	(79,883)	-
Total non-operating revenues / (expenses)	<u>(565,897)</u>	<u>1,438,077</u>	<u>872,180</u>	<u>17,596,568</u>
Net income	3,150,670	5,426,336	8,577,006	23,924,376
Net position, January 1, (unadjusted)	75,534,467	56,573,406	132,107,873	109,300,648
Prior period adjustment (See Note 14)	-	-	-	(1,117,151)
Net position, January 1, (adjusted)	<u>75,534,467</u>	<u>56,573,406</u>	<u>132,107,873</u>	<u>108,183,497</u>
Net position, December 31,	<u>\$ 78,685,137</u>	<u>\$ 61,999,742</u>	<u>\$ 140,684,879</u>	<u>\$ 132,107,873</u>

The accompanying notes are an integral part of this statement.

ATLANTIC COUNTY UTILITIES AUTHORITY
Statements of Cash Flows
For the years ended December 31, 2013 and 2012

	2013			2012
	Wastewater Division	Solid Waste Division	Total	
Cash flows from operating activities:				
Receipts from customers and users	\$ 27,742,693	\$ 35,482,378	\$ 63,225,071	\$ 58,854,404
Payments to employees	(5,670,362)	(8,301,648)	(13,972,010)	(14,187,710)
Payments to suppliers	(15,413,383)	(24,647,517)	(40,060,900)	(32,044,236)
Net cash flows from operating activities	<u>6,658,948</u>	<u>2,533,213</u>	<u>9,192,161</u>	<u>12,622,458</u>
Cash flows from non-capital financing activities:				
Operating subsidies and transfers to other funds	<u>181,580</u>	<u>(181,580)</u>	<u>-</u>	<u>-</u>
Net cash flows from non-capital financing activities	<u>181,580</u>	<u>(181,580)</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(78,806)	(1,267,598)	(1,346,404)	(3,273,181)
Principal paid on debt	(8,031,716)	-	(8,031,716)	(40,586,889)
Proceeds from issuance of debt	-	-	-	-
Interest paid on debt	(858,154)	-	(858,154)	(4,061,989)
Payment of debt issuance costs	(79,883)	-	(79,883)	-
Gain on acquisition of Pinelands Park Landfill	-	-	-	21,000,000
Proceeds from Wastewater Trust	<u>1,733,988</u>	<u>-</u>	<u>1,733,988</u>	<u>2,512,495</u>
Net cash flows from capital and related financing activities	<u>(7,314,571)</u>	<u>(1,267,598)</u>	<u>(8,582,169)</u>	<u>(24,409,564)</u>
Cash flows from investing activities:				
Interest income	116,673	427,903	544,576	182,747
Transferred from/(to) investments	<u>4,537,470</u>	<u>384,921</u>	<u>4,922,391</u>	<u>9,236,086</u>
Net cash flows from investing activities	<u>4,654,143</u>	<u>812,824</u>	<u>5,466,967</u>	<u>9,418,833</u>
Net change in cash and cash equivalents	4,180,100	1,896,859	6,076,959	(2,368,273)
Cash and cash equivalents, January 1	<u>24,401,224</u>	<u>9,935,000</u>	<u>34,336,224</u>	<u>36,704,497</u>
Cash and cash equivalents, December 31,	<u>\$ 28,581,324</u>	<u>\$ 11,831,859</u>	<u>\$ 40,413,183</u>	<u>\$ 34,336,224</u>
Reconciliation of Statements of Net Positions:				
Unrestricted cash and cash equivalents	\$ 17,557,478	\$ 11,831,859	\$ 29,389,337	\$ 23,269,150
Restricted cash and cash equivalents	<u>11,023,846</u>	<u>-</u>	<u>11,023,846</u>	<u>11,067,074</u>
Total cash and cash equivalents	<u>\$ 28,581,324</u>	<u>\$ 11,831,859</u>	<u>\$ 40,413,183</u>	<u>\$ 34,336,224</u>

The accompanying notes are an integral part of this statement.

ATLANTIC COUNTY UTILITIES AUTHORITY
Statements of Cash Flows
For the years ended December 31, 2013 and 2012

	2013			2012
	Wastewater Division	Solid Waste Division	Total	
Reconciliation of operating income to net cash flows from operating activities:				
Operating income	\$ 3,716,567	\$ 3,988,259	\$ 7,704,826	\$ 6,327,808
Items which did not use/(provide) cash:				
Depreciation expense	5,377,299	5,446,691	10,823,990	10,876,863
Amortization of bond issuance costs	17,074	-	17,074	17,074
Bad debt expense	-	100,000	100,000	-
Working capital changes which provided/(used) cash:				
Accounts receivable	(537,940)	809,425	271,485	(1,115,233)
Accrued landfill post-closure costs	-	(3,079,375)	(3,079,375)	(611,083)
Accounts and other payables	(1,734,542)	(646,852)	(2,381,394)	(2,444,379)
Unearned revenues	(179,510)	-	(179,510)	(162,980)
Customer deposits	-	982	982	19,550
Amounts held by the State	-	(4,085,917)	(4,085,917)	(285,162)
Net cash flows from operating activities	<u>\$ 6,658,948</u>	<u>\$ 2,533,213</u>	<u>\$ 9,192,161</u>	<u>\$ 12,622,458</u>

The accompanying notes are an integral part of this statement.

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements
For the years ended December 31, 2013 and 2012

NOTE 1: AUTHORITY DESCRIPTION AND GENERAL INFORMATION

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

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

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

The Solid Waste Division commenced operations in August of 1990 with the opening of a transfer station for waste disposal. The Solid Waste Division’s recycling activities were still considered to be in a construction state as of December 31, 1991. Recycling operations commenced January 1, 1992, the date when recycling activities were initially included in rates charged to customers.

In the opinion of management, revenues of the Solid Waste Division are adequate to cover all operating expenses and current capital costs.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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:

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

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

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

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

B. 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 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.

The Authority has implemented all GASB Statements through No. 65, *Items Previously Reported as Assets and Liabilities*.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented in the financial statements for the year ended December 31, 2013.

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

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 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. Unearned 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.

C. Wastewater Service Contract

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

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

D. 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."

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Wastewater Bond Resolutions (continued)

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

Restricted Funds:

Construction Fund – All costs pertaining to the acquisition or construction of a designated project shall be paid from this Fund and capitalized herein. The proceeds from the sale of bonds and certain receipts are deposited herein to pay for all such construction costs. Interest earned on investments in this fund is credited to project costs. At December 31, 2013 and 2012, the Construction Fund and Wastewater Trust Fund cash equivalents amounted to \$363,323 and \$1,314,424, 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, 2013 and 2012, the Rebate Fund amounted to \$92,463.

Debt Service Fund – The Debt Service Fund is to accumulate a balance sufficient to pay the interest and principal to become due at or before the January 15th next ensuing, plus any unpaid principal and interest then due. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. In addition, a sinking fund is included which shall equal the aggregate amount of all sinking fund installments required to redeem bonds on the next January 15th for the Sewer Revenue Refunding Bonds. At December 31, 2013 and 2012, the Debt Service Fund cash amounted to \$3,719,855 and \$6,751,095, respectively.

Debt Service Reserve Fund (1995, 1997, 2001, 2004, 2009 and 2013 Series) – The balance in this Reserve Fund shall be maintained equal to the maximum amount of principal and interest payable in any one year on the Wastewater Revenue Bonds (1995, 1997, 2001, 2004, 2009 and 2013 Series) less any surety. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. At December 31, 2013 and 2012, the market value of the Debt Service Reserve Fund cash and investments amounted to \$2,617,056 and \$2,811,459, respectively. The balance of the Debt Service Reserve Requirement is funded by a surety issued by Ambac Assurance Corporation.

Renewal and Replacement Fund – The balance in this fund shall be maintained equal to 3% of gross revenues or such larger amount as determined by the Consulting Engineer. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. With approval of the Consulting Engineer, this fund may be used to meet reasonable and necessary expenses for major repairs, renewals, replacements or maintenance items of a type not recurring annually. At December 31, 2013 and 2012, the Renewal and Replacement Fund cash totaled \$5,543,004. The System Reserve Fund, a component of the Renewal and Replacement Fund, cash requirement at December 31, 2013 and 2012 was \$5,800,000 and \$4,800,000, respectively.

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Investments

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

Investments are obligations of the United State Government and are stated at market value. The Authority considers investments with maturities of three months or less to be cash equivalents for purposes of the Statement of Cash Flows.

F. Capital Assets

Capital assets are 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 capital assets. Depreciation is provided over the following estimated useful lives:

Sewer mains and interceptors	50 years
Buildings and improvements	40 years
Incinerator facility	40 years
Pump stations	35 years
Machinery and equipment	5 to 10 years
Vehicles	5 years

Landfill cells are depreciated on the basis of capacity utilized.

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

G. Unamortized Debt Issuance Costs

Unamortized debt issuance costs include only prepaid insurance costs on the related debt. These costs are reported on the Statement of Net Position and are being amortized over the life of the respective issues.

H. Wastewater Revenues

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

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

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Allocation of Common Costs

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

J. Restricted Assets

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

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of net position, and reported amounts of revenues and expenses during the reporting period. These estimates and assumptions include depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results may differ from those estimates.

L. Risk of Loss

The Authority purchases commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers compensation, flood damage and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductibles associated with policies and an event, which may exceed policy coverage limits.

M. Subsequent Events

The Authority has evaluated subsequent events occurring through May 13, 2014, which is the date the financial statements were available to be issued.

NOTE 3: CASH AND CASH EQUIVALENTS

Cash and cash equivalents include 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.

The Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2013 and 2012 are reported at fair value are shown on the following page.

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 3: CASH AND CASH EQUIVALENTS (continued)

	<u>2013</u>	<u>2012</u>
Deposits:		
Demand deposits	\$ <u>40,413,183</u>	\$ <u>34,336,224</u>
Total deposits	\$ <u>40,413,183</u>	\$ <u>34,336,224</u>
Reconciliation to Statements of Net Position:		
Current unrestricted assets:		
Cash and cash equivalent	\$ 29,389,337	23,269,150
Current restricted assets:		
Cash and cash equivalent	<u>11,023,846</u>	<u>11,067,074</u>
Total	\$ <u>40,413,183</u>	\$ <u>34,336,224</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2013 and 2012, the Authority's bank balances of \$28,139,779 and \$36,616,089, respectively, were insured or collateralized as follows:

	<u>2013</u>	<u>2012</u>
Insured	\$ 1,000,000	\$ 1,000,000
Collateralized in the Authority's name		
Under GUDPA	<u>27,139,779</u>	<u>35,616,089</u>
Total	\$ <u>28,139,779</u>	\$ <u>36,616,089</u>

NOTE 4: INVESTMENTS

A. Custodial Credit Risk

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

B. Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Authority has adopted a cash management plan that limits investment maturities in accordance with N.J.S. 40A:5-15 as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments held at December 31, 2013 and 2012 are provided in the schedule on the following page.

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 4: INVESTMENTS (continued)

C. Investment Credit Risk

The Authority is limited in its investment choices by state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Authority or bonds or other obligations of the local unit or units within which the Authority is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Authority;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

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

As of December 31, 2013 and 2012, the Authority had the following investments:

	<u>2013</u>		<u>2012</u>	
	<u>Face Value</u>	<u>Market</u>	<u>Face Value</u>	<u>Market</u>
Wastewater:				
US Treasury Strips	\$ 70,568	\$ 367,194	\$ 70,568	\$ 365,700
US Treasury Bonds	1,149,682	965,892	1,149,682	1,058,874
New Jersey ARM	6,649,538	6,649,538	11,095,520	11,095,520
Solid Waste:				
New Jersey ARM	<u>12,520,916</u>	<u>12,520,916</u>	<u>12,905,837</u>	<u>12,905,837</u>
Total	<u>\$ 20,390,704</u>	<u>\$ 20,503,540</u>	<u>\$ 25,221,607</u>	<u>\$ 25,425,931</u>

Reconciliation to Statements of Net Position:

	<u>2013</u>	<u>2012</u>
Current unrestricted assets:		
Investments	\$ 10,064,100	\$ 15,212,525
Current restricted assets:		
Investments	<u>10,439,440</u>	<u>10,213,406</u>
Total	<u>\$ 20,503,540</u>	<u>\$ 25,425,931</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 4: INVESTMENTS (continued)

D. Fair Value of Investments

Investments are shown at fair value on the statement of net position. Fair value and face value of investments at December 31, 2013 and 2012 are summarized above.

NOTE 5: CAPITAL ASSETS

Capital assets consisted of the following at December 31, 2013 and 2012:

Wastewater Division:	<u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>2013</u>
Land and improvements	\$ 12,691,336		\$	\$ 12,691,336
Sewer mains and interceptors	76,537,340			76,537,340
Buildings and improvements	51,071,634	\$ 78,806		51,150,440
Machinery and equipment	40,398,043			40,398,043
Incinerator facility	16,353,524			16,353,524
Atlantic Coastal Alternative	<u>26,629,575</u>			<u>26,629,575</u>
Capital assets, gross	223,681,452	78,806		223,760,258
Less: accumulated depreciation	<u>(145,480,638)</u>	<u>(5,377,299)</u>		<u>(150,857,937)</u>
Capital assets, net	<u>\$ 78,200,814</u>	<u>\$ (5,298,493)</u>	<u>\$</u>	<u>\$ 72,902,321</u>

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

Solid Waste Division:	<u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>2013</u>
Land and improvements	\$ 14,758,845		\$	\$ 14,758,845
Buildings and improvements	33,324,443	\$ 348,217	(1,699,900)	31,972,760
Equipment and vehicles	26,470,967	809,236	(2,828,570)	24,451,633
Landfill design and implementation	53,327,353	509,909		53,837,262
Planning and designs	<u>3,375,832</u>			<u>3,375,832</u>
Capital assets, gross	131,257,440	1,667,362	(4,528,470)	128,396,332
Less: accumulated depreciation	<u>(85,835,448)</u>	<u>(5,446,691)</u>	<u>3,763,515</u>	<u>(87,518,624)</u>
Capital assets, net	<u>\$ 45,421,992</u>	<u>\$ (3,779,329)</u>	<u>\$ (764,955)</u>	<u>\$ 40,877,708</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 6: BONDS PAYABLE

Wastewater Revenue and Revenue Refunding Bonds at December 31, 2013 and 2012 consist of the following:

	<u>2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>2013</u>
NJ Environmental Infrastructure Trust – 1995	\$ 1,542,872		\$ 496,902	\$ 1,045,970
NJ Environmental Infrastructure Trust – 1997	3,314,221		624,213	2,690,008
NJ Environmental Infrastructure Trust – 2001	1,037,448		100,932	936,516
Sewer Revenue Refunding Bonds – 2003	7,975,000		7,975,000	-0-
NJ Environmental Infrastructure Trust – 2004	3,222,652		254,476	2,968,176
NJ Environmental Infrastructure Trust – 2006	1,775,135		129,224	1,645,911
NJ Environmental Infrastructure Trust – 2007	2,380,607		141,242	2,239,365
Sewer Revenue Refunding Bonds – 2009	5,800,000		4,505,000	1,295,000
NJ Environmental Infrastructure Trust - 2010A	3,670,938		180,938	3,490,000
NJ Environmental Infrastructure Trust - 2010B	1,649,286		76,072	1,573,214
NJ Environmental Infrastructure Trust – 2012	2,065,563		70,913	1,994,650
Sewer Revenue Refunding Bonds – 2013	<u>-0-</u>	<u>\$ 6,650,000</u>	<u>-0-</u>	<u>6,650,000</u>
Long-term debt	34,433,722	6,650,000	14,554,912	26,528,810
Unamortized bond premium	<u>560,212</u>		<u>126,804</u>	<u>433,408</u>
Total	<u>\$ 34,993,934</u>	<u>\$ 6,650,000</u>	<u>\$ 14,681,716</u>	<u>\$ 26,962,218</u>

The following schedule combines the total debt for the two divisions:

	<u>2013</u>	<u>2012</u>
Bonds payable:		
Wastewater Division	\$ 26,528,810	\$ 34,433,722
Total bonds payable	<u>\$ 26,528,810</u>	<u>\$ 34,433,722</u>
Current portion of long-term debt:		
Wastewater Division	\$ 5,304,641	\$ 7,079,903
Non-current portion of long-term debt:		
Wastewater Division	<u>21,224,169</u>	<u>27,353,819</u>
Total bonds payable	<u>\$ 26,528,810</u>	<u>\$ 34,433,722</u>

A. Description of Bonds Payable

At December 31, 2013, bonds payable consisted of the following issues:

Wastewater Division

\$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, 2013 is \$1,045,970.

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 6: BONDS PAYABLE (continued)

A. Description of Bonds Payable (continued)

\$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, 2013 is \$2,690,008.

\$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, 2013 is \$936,516.

\$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, 2013 is \$2,968,176.

\$2,551,272 New Jersey Environmental Infrastructure Trust Fund Loan dated 2006, due in semiannual installments for principal and interest through August 1, 2026, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2013 is \$1,645,911.

\$3,008,252 New Jersey Environmental Infrastructure Trust Fund Loan dated 2007, due in semiannual installments for principal and interest through August 1, 2027, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2013 is \$2,239,365.

\$15,170,000 Sewer Refunding Bonds dated September 10, 2009, due in annual installments for principal through January 15, 2015, bearing interest at various rates from 4.00% to 5.00% per annum. The balance remaining as of December 31, 2013 is \$1,295,000.

\$3,987,500 New Jersey Environmental Infrastructure Trust Fund Loan Series 2010A, dated February 2010, due in semiannual installments for principal and interest through August 1, 2029, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2013 is \$3,490,000.

\$1,710,000 New Jersey Environmental Infrastructure Trust Fund Loan Series 2010B, dated December 2010, due in semiannual installments for principal and interest through September 1, 2030, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2013 is \$1,573,214.

\$2,065,563 New Jersey Environmental Infrastructure Trust Fund Loan Series 2012, dated January 2012, due in semiannual installments for principal and interest through August 1, 2031, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2013 is \$1,994,650.

\$6,650,000 Series 2013 Revenue Refunding Bonds, dated March 2013, due in semiannual installments for principal and interest through January 1, 2015, bearing interest at 0.68% per annum. The balance remaining as of December 31, 2013 is \$6,650,000.

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 6: BONDS PAYABLE (continued)

A. Description of Bonds Payable (continued)

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

B. Debt Service Requirements

Debt service requirements on serial bonds and loans payable at December 31, 2013 are as follows:

<u>Year</u>	<u>Wastewater Division</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2014	\$ 5,304,641	\$ 435,503	\$ 5,740,144
2015	7,011,022	354,605	7,365,627
2016	1,703,770	263,783	1,967,553
2017	1,752,306	227,433	1,979,739
2018	1,057,999	188,783	1,246,782
2019-2023	5,319,900	762,525	6,082,425
2024-2028	3,544,483	334,544	3,879,027
2029-2031	834,689	47,998	882,687
Total	<u>\$ 26,528,810</u>	<u>\$ 2,615,174</u>	<u>\$ 29,143,984</u>

On December 31, 2012, the Authority refunded all of the debt associated with the Solid Waste Division.

NOTE 7: PENSION PLANS

A. Description of Plan

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

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

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 7: PENSION PLANS (continued)

B. Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

C. 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 6.50% of employees' annual compensation through June 30, 2012, 6.64% of employees' annual compensation through June 30, 2013 and 6.78% of employees' annual compensation through June 30, 2014. PERS will continue to increase employee contributions 1/7th of 1% each July until July 2019 where the employee contribution rate will be 7.5%. 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.

Three Year Trend Information for PERS

<u>Year</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/13	\$1,369,918	100%	-0-
12/31/12	\$1,363,626	100%	-0-
12/31/11	\$1,307,343	100%	-0-

NOTE 8: POST-RETIREMENT BENEFITS

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

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

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 8: POST-RETIREMENT BENEFITS (continued)

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

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

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

2013 -	\$4,988,590
2012 -	\$4,690,654
2011 -	\$3,972,229

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. The estimated liability as of December 31, 2013 and 2012 totaled \$30,459,764 and \$34,629,707, respectively.

NOTE 11: AMOUNTS HELD BY THE STATE OF NEW JERSEY

The State of New Jersey holds the Landfill Closure Escrow Account in the name of the Atlantic County Utilities Authority. These cash and investments consisted of the following at December 31, 2013:

United States Treasury	\$ 29,904,776
Cash	<u>1,425,970</u>
 Total	 <u>\$ 31,330,746</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2013 and 2012

NOTE 12: DEFERRED COMPENSATION

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

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights have been removed from the books and accounts of the Authority as they are not the property or rights of the Authority.

NOTE 13: PINELANDS PARK LANDFILL

In November 2012, the Authority entered an asset purchase agreement with Newco Waste Systems of New Jersey, Inc. (“Newco”). Under the agreement, the Atlantic County Utilities Authority acquired the Pinelands Park Landfill (the “Landfill”) and the related land and equipment from Newco for \$1.

The Landfill was closed as of July 31, 1992 consistent with regulations set forth by the New Jersey Department of Environmental Protection (“NJDEP”). The Landfill has been and remains subject to post-closure care requirements under applicable NJDEP regulations, which shall continue until 2022, or such other date as determined by the NJDEP.

Through the agreement, the Authority assumed the two escrow accounts established by Newco in accordance with State law to address all reasonably anticipated post-closure care activities at the Landfill. The Authority also assumed all closure and post-closure liabilities as well as future monitoring and remediation liabilities.

The Authority has recognized a gain on the acquisition of Pinelands Park Landfill of \$21,000,000 in the statement of revenues, expenses and changes in net position for the year ended December 31, 2012, calculated as follows:

Value assigned to land	\$	1
Amounts held in Trustee account		45,651,746
Post-closure liability assumed		<u>(24,651,746)</u>
Subtotal		21,000,001
Less: purchase price		<u>(1)</u>
Gain on acquisition of Pinelands Park Landfill		<u>\$ 21,000,000</u>

The Authority utilized the proceeds from the acquisition of Pinelands Park Landfill in addition to Authority funds to redeem all of the debt associated with the Solid Waste Division. On November 30, 2012, the Authority placed funds into escrow and notified bond holders of the Authority’s intent to redeem the outstanding bonds. The bonds were then redeemed on December 31, 2012.

NOTE 14: PRIOR PERIOD ADJUSTMENT

The Authority has implemented GASB Statement No. 65 in the financial statements for the years ended December 31, 2013 and 2012. In accordance with this Statement, the Authority removed unamortized issuance costs of \$1,117,151 from the Statement of Net Position in 2012 and recorded a prior period adjustment for the same amount.

ATLANTIC COUNTY UTILITIES AUTHORITY
Wastewater Division
Statements of Net Position
Modified Accrual Basis
December 31, 2013 and 2012

	2013	2012
ASSETS		
Unrestricted current assets:		
Cash and cash equivalents	\$ 17,557,478	\$ 13,348,267
Investments	5,365,578	7,060,607
Accrued interest receivable	39,889	47,750
Accounts receivable	1,121,607	583,667
Total unrestricted current assets	24,084,552	21,040,291
Restricted noncurrent assets:		
Cash and cash equivalents	11,023,846	11,052,957
Investments	2,617,046	5,459,487
Loans receivable	-	1,733,988
Total restricted noncurrent assets	13,640,892	18,246,432
Capital assets, gross	223,760,258	223,681,452
Accumulated depreciation	(150,857,937)	(145,480,638)
Capital assets, net	72,902,321	78,200,814
TOTAL ASSETS	110,627,765	117,487,537
DEFERRED OUTFLOW OF RESOURCES		
Unamortized bond issuance costs	17,785	34,859
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	110,645,550	117,522,396

ATLANTIC COUNTY UTILITIES AUTHORITY

**Schedule I
(continued)**

**Wastewater Division
Statements of Net Position
Modified Accrual Basis
December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
LIABILITIES		
Current liabilities payable from current assets:		
Accounts payable and accrued expenses	2,906,476	3,096,058
Unearned revenue, current	179,510	162,980
Due to Solid Waste Division	<u>1,114,431</u>	<u>932,851</u>
Total current liabilities payable from current assets	<u>4,200,417</u>	<u>4,191,889</u>
Current liabilities payable from restricted assets:		
Construction contracts payable	7,553	1,690,722
Current portion of long-term debt	5,304,641	7,079,912
Accrued interest	<u>202,077</u>	<u>465,405</u>
Total current liabilities payable from restricted assets	<u>5,514,271</u>	<u>9,236,039</u>
Noncurrent liabilities:		
Accrued compensated absences	600,004	600,004
Post retirement benefits payable	535,019	535,019
Unearned revenue, non-current	290,681	486,721
Long-term portion of bonds payable (net of unamortized bond premium and discount of \$433,408 and \$560,212 in 2013 and 2012, respectively)	<u>21,657,577</u>	<u>27,914,022</u>
Total noncurrent liabilities	<u>23,083,281</u>	<u>29,535,766</u>
TOTAL LIABILITIES	<u>32,797,969</u>	<u>42,963,694</u>
NET POSITION		
Investment in capital assets, net of related debt	45,957,888	43,241,739
Restricted for:		
Renewal and replacement	5,800,000	4,800,000
Debt service fund	3,719,855	6,751,095
Debt service reserve fund	6,533,829	7,240,455
Unrestricted	<u>15,836,009</u>	<u>12,525,413</u>
TOTAL NET POSITION	<u>\$ 77,847,581</u>	<u>\$ 74,558,702</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Wastewater Division
Statements of Revenues, Expenses and Changes in Net Position
Modified Accrual Basis
For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
User service agreements:		
Operating	\$ 18,807,231	\$ 15,960,267
General	5,743,083	8,033,785
Sludge	1,666,106	1,795,961
Septage and leachate	550,465	529,202
Other	1,693,258	1,183,163
	<u>28,460,143</u>	<u>27,502,378</u>
Operating expenses:		
Salaries	5,670,362	5,695,737
Employee benefits	3,375,175	3,229,580
Power and utilities	2,751,171	2,463,410
Chemicals	969,392	927,580
Fuel	1,173,627	1,115,831
Supplies and miscellaneous maintenance	2,514,020	2,195,651
Contractual services	674,832	496,648
Indirect operating expenses	561,790	495,269
Administrative	1,351,020	1,321,509
Licenses and permits	169,605	159,249
Depreciation	5,377,299	5,330,678
Amortization of bond issue costs	17,074	17,074
	<u>24,605,367</u>	<u>23,448,216</u>
Operating income	<u>3,854,776</u>	<u>4,054,162</u>
Non-operating revenues / (expenses):		
Interest income	108,812	154,631
Interest expense	(594,826)	(1,065,008)
Debt issuance costs	(79,883)	-
	<u>(565,897)</u>	<u>(910,377)</u>
Net income	3,288,879	3,143,785
Net position, January 1, (unadjusted)	74,558,702	72,532,068
Prior period adjustment	-	(1,117,151)
	<u>74,558,702</u>	<u>71,414,917</u>
Net position, January 1, (adjusted)	74,558,702	71,414,917
Net position, December 31,	<u>\$ 77,847,581</u>	<u>\$ 74,558,702</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Wastewater Division
Operating Revenues and Costs Funded by Operating Revenues Compared to Budget
Rate Basis
For the year ended December 31, 2013

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
Revenues:				
User service agreements	\$ 24,549,813	\$ 24,549,813	\$ 24,550,314	\$ 501
Sludge and septage	1,895,000	1,895,000	2,037,061	142,061
Interest on investments and deposits	220,000	220,000	108,812	(111,188)
Miscellaneous	863,667	863,667	1,693,258	829,591
Fund balance anticipated	500,000	500,000	-	(500,000)
	<u>28,028,480</u>	<u>28,028,480</u>	<u>28,389,445</u>	<u>360,965</u>
Expenses:				
Salaries	5,908,519	5,908,519	5,670,362	238,157
Employee benefits	3,638,272	3,638,272	3,375,175	263,097
Power and utilities	2,704,965	2,704,965	2,751,171	(46,206)
Chemicals	1,107,000	1,107,000	969,392	137,608
Fuel	1,086,500	1,086,500	1,173,627	(87,127)
Supplies and miscellaneous maintenance	1,359,600	1,359,600	1,288,772	70,828
Contractual services	686,500	686,500	710,187	(23,687)
Indirect operating expenses	782,200	782,200	731,395	50,805
Administrative	1,639,600	1,639,600	1,364,864	274,736
Maintenance program expense	1,047,480	1,047,480	1,200,308	(152,828)
Cancelled purchase orders	-	-	(24,259)	24,259
	<u>19,960,636</u>	<u>19,960,636</u>	<u>19,210,994</u>	<u>749,642</u>
Debt service	<u>8,067,844</u>	<u>8,067,844</u>	<u>6,943,083</u>	<u>1,124,761</u>
Total expenses	<u>28,028,480</u>	<u>28,028,480</u>	<u>26,154,077</u>	<u>1,874,403</u>
Net income from operations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,235,368</u>	<u>\$ 2,235,368</u>

**Reconciliation to Statements of Revenues, Expenses
and Changes in Net Position - Modified Accrual Basis:**

Net income - rate basis	\$ 2,235,368
Principal and interest payments	6,348,257
Depreciation expense	(5,377,299)
Amortization of bond issuance costs	(17,074)
Debt issuance costs	(79,883)
Leachate revenue	179,510
Net income - modified accrual basis	<u>\$ 3,288,879</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Wastewater Division
Schedule of Cash and Cash Equivalents and Investments
December 31, 2013

Description	Face Amount	Interest Rate	Due Date	Fair Value December 31, 2013
Unrestricted accounts:				
Cash	\$ 3,034,309			\$ 3,034,309
First American Treasury Money Market	4,743,767	0.00%		4,743,767
NJ ARM	5,070,626	0.02%		5,070,626
NJ ARM - NJ Term	8,776	0.02%		8,776
NJ ARM - NJ Term	3,056,471	0.12%	06/27/14	3,056,471
NJ ARM - NJ Term	191,805	0.11%	06/27/14	191,805
NJ ARM	2,117,302	0.10%	07/30/14	2,117,302
	<u>18,223,056</u>			<u>18,223,056</u>
Operating reserve:				
First American Treasury Money Market	4,700,000	0.00%		4,700,000
	<u>4,700,000</u>			<u>4,700,000</u>
Total unrestricted accounts	<u>22,923,056</u>			<u>22,923,056</u>
Restricted accounts:				
Wastewater Trust Fund:				
First American Treasury Money Market:				
1981 Water Supply	61	0.00%		61
Wastewater Trust - 2012	363,262	0.00%		363,262
	<u>363,323</u>			<u>363,323</u>
Rebate Account:				
First American Treasury Money Market	92,463			92,463
2013 Investment Settlement:				
First American Treasury Money Market	12,933			12,933
Debt Service Fund:				
First American Treasury Money Market	3,719,855			3,719,855
Debt Service Reserve Fund:				
NJ ARM	11	0.02%		11
NJ ARM - NJ Term	1,283,960	0.12%	06/27/14	1,283,960
United States Treasury Bonds	1,149,682	11.25%	02/15/15	965,892
United States Treasury Bonds	70,568		02/15/15	367,194
	<u>2,504,221</u>			<u>2,617,057</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Wastewater Division
Schedule of Cash and Cash Equivalents and Investments
December 31, 2013

Schedule IV
(continued)

Description	Face Amount	Interest Rate	Due Date	Fair Value December 31, 2013
Restricted accounts (continued):				
Renewal and Replacement Fund:				
First American Treasury Money Market	4,149,362	0.00%		4,149,362
NJ ARM	2,685,899	0.02%		2,685,899
	<u>6,835,261</u>			<u>6,835,261</u>
Total restricted accounts	<u>13,528,056</u>			<u>13,640,892</u>
Total	<u>\$ 36,451,112</u>			<u>\$ 36,563,948</u>
Unrestricted:				
Cash and cash equivalents	\$ 17,557,478			\$ 17,557,478
Investments	5,365,578			5,365,578
Restricted:				
Cash and cash equivalents	11,023,846			11,023,846
Investments	2,504,210			2,617,046
Total	<u>\$ 36,451,112</u>			<u>\$ 36,563,948</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Wastewater Division
Schedule of Property, Plant and Equipment
Modified GAAP Basis

For the years ended December 31, 2013, 2012, 2011, 2010 and 2009

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Property, plant and equipment:					
Property, plant and equipment, gross - January 1,	\$ 223,681,452	\$ 221,975,821	\$ 218,894,456	\$ 218,636,970	\$ 210,277,846
Additions:					
Sewer mains and interceptors	-	-	-	719,659	252
Buildings and improvements	78,806	4,265,331	521,665	6,684,436	4,070
Construction in progress	-	(2,559,700)	2,559,700	(7,146,609)	7,146,609
Equipment and vehicles	-	-	-	-	1,208,193
Total additions	78,806	1,705,631	3,081,365	257,486	8,359,124
Property, plant and equipment, gross - December 31,	223,760,258	223,681,452	221,975,821	218,894,456	218,636,970
Less:					
Accumulated depreciation and amortization	(150,857,937)	(145,480,638)	(140,149,960)	(134,812,727)	(129,524,105)
Property, plant and equipment, net - December 31,	<u>\$ 72,902,321</u>	<u>\$ 78,200,814</u>	<u>\$ 81,825,861</u>	<u>\$ 84,081,729</u>	<u>\$ 89,112,865</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Wastewater Division
Schedule of Debt Issuance Costs
Modified GAAP Basis

For the years ended December 31, 2013, 2012, 2011, 2010 and 2009

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Unamortized debt issuance costs, gross - January 1,	\$ 89,637	\$ 89,637	\$ 89,637	\$ 89,637	\$ -
Net effect of refunding bond issue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,637</u>
Unamortized debt issuance costs, gross - December 31,	89,637	89,637	89,637	89,637	89,637
Less:					
Accumulated amortization	<u>(71,852)</u>	<u>(54,778)</u>	<u>(37,704)</u>	<u>(20,630)</u>	<u>(3,556)</u>
Unamortized debt issuance costs, net - December 31,	<u>\$ 17,785</u>	<u>\$ 34,859</u>	<u>\$ 51,933</u>	<u>\$ 69,007</u>	<u>\$ 86,081</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Solid Waste Division
Statements of Net Position
Modified GAAP Basis
December 31, 2013 and 2012

	2013	2012
ASSETS		
Unrestricted current assets:		
Cash and cash equivalents	\$ 11,831,859	\$ 9,920,883
Investments	4,698,522	8,151,918
Accrued interest receivable	25,246	8,893
Accounts receivable (net of allowance of \$639,767 and \$550,474 in 2013 and 2012, respectively)	2,258,414	3,067,839
Due from Wastewater Division	1,114,431	932,851
Total unrestricted current assets	19,928,472	22,082,384
Restricted noncurrent assets:		
Cash and cash equivalents	-	14,117
Investments	7,822,394	4,753,919
Amounts held by State of New Jersey	31,330,746	2,593,083
Due from State of New Jersey / Newco Trustee	-	24,651,746
Accrued interest receivable	171,841	3,397
Total restricted noncurrent assets	39,324,981	32,016,262
Capital assets, gross	128,396,333	131,257,440
Accumulated depreciation	(87,518,625)	(85,835,448)
Capital assets, net	40,877,708	45,421,992
TOTAL ASSETS	100,131,161	99,520,638

ATLANTIC COUNTY UTILITIES AUTHORITY
Solid Waste Division
Statements of Net Position
Modified GAAP Basis
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
LIABILITIES		
Current liabilities payable from current assets:		
Accounts payable and accrued expenses	3,890,474	3,326,711
Customer deposits	<u>135,189</u>	<u>134,207</u>
Total current liabilities payable from current assets	<u>4,025,663</u>	<u>3,460,918</u>
Current liabilities payable from restricted assets:		
Construction contracts payable	<u>2,733,333</u>	<u>3,562,647</u>
Total current liabilities payable from restricted assets	<u>2,733,333</u>	<u>3,562,647</u>
Noncurrent liabilities payable from restricted assets:		
Accrued landfill closure and post-closure care cost	<u>30,459,764</u>	<u>34,629,707</u>
Noncurrent liabilities:		
Accrued compensated absences	701,785	670,419
Post retirement benefits payable	<u>800,000</u>	<u>800,000</u>
Total noncurrent liabilities	<u>1,501,785</u>	<u>1,470,419</u>
TOTAL LIABILITIES	<u>38,720,545</u>	<u>43,123,691</u>
NET POSITION		
Investment in capital assets, net of related debt	40,877,708	45,421,992
Unrestricted	<u>20,532,908</u>	<u>10,974,955</u>
TOTAL NET POSITION	<u>\$ 61,410,616</u>	<u>\$ 56,396,947</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Solid Waste Division
Statements of Revenues, Expenses and Changes in Net Position
Modified GAAP Basis
For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Tipping fees	\$ 23,617,717	\$ 20,844,357
Collections and recycling income	7,999,914	8,567,969
Grant income	93,741	173,486
Composting income	1,226,345	1,281,162
Other	1,634,254	1,743,715
	<u>34,571,971</u>	<u>32,610,689</u>
Operating expenses:		
Salaries	8,301,648	8,491,973
Employee benefits	5,226,935	5,232,512
Power and utilities	676,814	612,536
Fuel	1,274,941	1,358,832
Supplies and miscellaneous maintenance	2,478,560	2,143,339
Indirect operating expenses	2,892,596	2,201,969
Accrued landfill closure costs	-	131,035
Administrative	991,608	1,171,396
Community benefit	2,471,419	2,164,195
Recycling and other taxes	1,135,167	1,008,613
Bad debt expense	100,000	-
Depreciation	5,446,691	5,546,185
	<u>30,996,379</u>	<u>30,062,585</u>
Operating income	<u>3,575,592</u>	<u>2,548,104</u>
Non-operating revenues / (expenses):		
Interest income	612,700	22,625
Interest expense	-	(2,066,903)
Gain on acquisition of Pinelands Park Landfill	-	21,000,000
Loss on sale of fixed assets	(265,191)	-
Loss on extinguishment of debt	-	(448,777)
Adjustment to landfill closure and post-closure care cost	1,090,568	-
	<u>1,438,077</u>	<u>18,506,945</u>
Total non-operating revenues / (expenses)	<u>1,438,077</u>	<u>18,506,945</u>
Net income	5,013,669	21,055,049
Net position, January 1,	<u>56,396,947</u>	<u>35,341,898</u>
Net position, December 31,	<u>\$ 61,410,616</u>	<u>\$ 56,396,947</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Solid Waste Division
Operating Revenues and Costs Funded by Operating Revenues Compared to Budget
Rate Basis
For the year ended December 31, 2013

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
Operating revenues:				
Tipping fees	\$ 22,543,728	\$ 22,543,728	\$ 23,617,717	\$ 1,073,989
Collections and recycling income	8,149,708	8,149,708	7,915,964	(233,744)
Composting income	1,125,456	1,125,456	1,226,345	100,889
Interest on investments and deposits	25,000	25,000	57,692	32,692
Miscellaneous	1,334,016	1,334,016	1,811,945	477,929
Total operating revenues	<u>33,177,908</u>	<u>33,177,908</u>	<u>34,629,663</u>	<u>1,451,755</u>
Operating expenses:				
Administration	3,087,958	3,087,958	2,764,249	323,709
Solid Waste Administration	1,199,489	1,199,489	1,349,837	(150,348)
Transfer Station Operations	1,245,043	1,245,043	1,106,088	138,955
Composting	694,594	694,594	599,010	95,584
Landfill Operations	7,407,355	7,407,355	7,692,318	(284,963)
Recycling Center Processing	204,802	204,802	234,552	(29,750)
Collections	6,817,828	6,817,828	6,639,235	178,593
Maintenance Center	6,524,724	6,524,724	5,529,304	995,420
Cancelled purchase orders	-	-	(40,572)	40,572
Total operating expenses	<u>27,181,793</u>	<u>27,181,793</u>	<u>25,874,021</u>	<u>1,307,772</u>
Net income from operating activities	5,996,115	5,996,115	8,755,642	2,759,527
Non-operating expenses:				
Renewal and replacement fund CIP	(5,132,699)	(5,132,699)	(5,252,106)	(119,407)
Prior year fund deficit	(863,416)	(863,416)	(863,416)	-
Total non-operating expenses	<u>(5,996,115)</u>	<u>(5,996,115)</u>	<u>(6,115,522)</u>	<u>(119,407)</u>
Net income / (loss) from operations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,640,120</u>	<u>\$ 2,640,120</u>

**Reconciliation to Statements of Revenues, Expenses
and Changes in Net Position - Modified Accrual Basis:**

Net income - rate basis	\$ 2,640,120
Transfers to Cell Replacement & Capital Improvement Fund	5,252,106
Prior-year fund deficit	863,416
Contributions to landfill escrows	324,333
Depreciation expense	(5,446,691)
Pinelands Park Landfill interest income	555,008
Loss on sale of fixed assets	(265,191)
Adjustment to landfill closure and post-closure care cost	<u>1,090,568</u>
Net income - modified accrual basis	<u>\$ 5,013,669</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Solid Waste Division
Schedule of Cash and Cash Equivalents and Investments
December 31, 2013

Description	Face Amount	Interest Rate	Due Date	Fair Value December 31, 2013
Unrestricted accounts:				
Operations:				
Cash	\$ 814,665			\$ 814,665
Revenue Fund:				
Goldman Sachs US Treasury Obligation Fund 470	10,875,163	0.02%		10,875,163
NJ ARM	140,133	0.02%		140,133
NJ ARM - NJ Term	1,897	0.02%	06/26/14	1,897
NJ ARM - NJ Term	4,072,631	0.12%	06/27/14	4,072,631
NJ ARM	625,892	0.11%		625,892
	<u>15,715,716</u>			<u>15,715,716</u>
Total unrestricted accounts	<u>16,530,381</u>			<u>16,530,381</u>
Restricted accounts:				
Renewal and Replacement Fund:				
NJ ARM	2,662,459	0.02%		2,662,459
NJ ARM	5,159,935	0.02%		5,159,935
	<u>7,822,394</u>			<u>7,822,394</u>
Escrow Funds:				
ACUA Standard Escrow	2,931,735	Various		3,983,488
ACUA Alternative Escrow	6,675,539	Various		6,695,051
Pinelands Park Standard Escrow	10,135,246	Various		10,029,365
Pinelands Park Alternative Escrow	11,588,226	Various		12,136,760
	<u>31,330,746</u>			<u>32,844,664</u>
Total restricted accounts	<u>39,153,140</u>			<u>40,667,058</u>
Total	<u>\$ 55,683,521</u>			<u>\$ 57,197,439</u>
Unrestricted:				
Cash and cash equivalents	\$ 11,831,859			\$ 11,831,859
Investments	4,698,522			4,698,522
Restricted:				
Investments	7,822,394			7,822,394
Cash and investments held by the State of New Jersey	31,330,746			32,844,664
Total	<u>\$ 55,683,521</u>			<u>\$ 57,197,439</u>

ATLANTIC COUNTY UTILITIES AUTHORITY

Solid Waste Division

Schedule of Property, Plant and Equipment

Modified GAAP Basis

For the years ended December 31, 2013, 2012, 2011, 2010 and 2009

	2013	2012	2011	2010	2009
Waste Disposal:					
Property, plant and equipment:					
Property, plant and equipment, gross - January 1,	\$ 101,793,902	\$ 100,567,777	\$ 94,861,910	\$ 87,273,497	\$ 86,702,221
Additions:					
Buildings and improvements	335,305	-	-	5,974,289	10,207
Construction in progress	-	-	540,982	1,614,124	78,006
Equipment and vehicles	755,979	536,110	5,164,885	-	483,063
Landfill design and implementation	509,909	690,015	-	-	-
Total additions	1,601,193	1,226,125	5,705,867	7,588,413	571,276
Disposals:					
Buildings and improvements	(2,828,570)	-	-	-	-
Total disposals	(2,828,570)	-	-	-	-
Property, plant and equipment, gross - December 31,	100,566,525	101,793,902	100,567,777	94,861,910	87,273,497
Less:					
Accumulated depreciation and amortization	(68,217,829)	(67,589,631)	(64,053,990)	(60,557,543)	(56,770,789)
Property, plant and equipment, net - December 31,	32,348,696	34,204,271	36,513,787	34,304,367	30,502,708

ATLANTIC COUNTY UTILITIES AUTHORITY

Solid Waste Division

Schedule of Property, Plant and Equipment

Modified GAAP Basis

For the years ended December 31, 2013, 2012, 2011, 2010 and 2009

	2013	2012	2011	2010	2009
Waste Recycling:					
Property, plant and equipment:					
Property, plant and equipment, gross - January 1,	\$ 39,323,038	\$ 39,108,415	\$ 38,774,516	\$ 37,029,427	\$ 36,804,293
Additions:					
Land	-	-	-	1,639,659	-
Buildings and improvements	12,912	214,623	146,107	-	-
Equipment and vehicles	53,256	-	187,792	105,430	225,134
Total additions	66,168	214,623	333,899	1,745,089	225,134
Disposals:					
Buildings and improvements	(1,699,900)	-	-	-	-
Total disposals	(1,699,900)	-	-	-	-
Property, plant and equipment, gross - December 31,	37,689,306	39,323,038	39,108,415	38,774,516	37,029,427
Less:					
Accumulated depreciation and amortization	(29,160,294)	(28,105,317)	(26,094,772)	(24,250,922)	(22,689,343)
Property, plant and equipment, net - December 31,	8,529,012	11,217,721	13,013,643	14,523,594	14,340,084
Grand total	\$ 40,877,708	\$ 45,421,992	\$ 49,527,430	\$ 48,827,961	\$ 44,842,792

ATLANTIC COUNTY UTILITIES AUTHORITY
Wastewater Division
Special-Purpose Statement of Revenues and Expenses to Comply
With Bond Resolutions
For the year ended December 31, 2013

	2013
Operating revenues:	
User service agreements:	
Operating	\$ 18,807,231
General	5,743,083
Sludge	1,666,106
Septage and leachate	550,465
Other	1,693,258
Total operating revenues	28,460,143
Operating expenses:	
Salaries	5,670,362
Employee benefits	3,375,175
Power and utilities	2,751,171
Chemicals	969,392
Fuel	1,173,627
Supplies and miscellaneous maintenance	2,514,020
Contractual services	674,832
Indirect operating expenses	561,790
Administrative	1,351,020
Licenses and permits	169,605
Amortization of bond issue costs	17,074
Total operating expenses	19,228,068
Operating income	9,232,075
Non-operating revenues / (expenses):	
Interest income	108,812
Interest expense	(594,826)
Total non-operating revenues / (expenses)	(486,014)
Net income	\$ 8,746,061

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

To the Board Members of the
Atlantic County Utilities Authority

We have audited, in accordance with the 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, the financial statements of the Atlantic County Utilities Authority (herein referred to as "the Authority"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 13, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority 's financial statements are free from 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* or audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

May 13, 2014
Toms River, New Jersey



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS
REQUIRED BY NEW JERSEY OMB CIRCULAR 04-04**

To the Board Members of the
Atlantic County Utilities Authority
Pleasantville, New Jersey 08234

Report on Compliance for Each Major State Program

We have audited the Atlantic County Utilities Authority's compliance with the types of compliance requirements described in the State of New Jersey State *Grant Compliance Supplement* that could have a direct and material effect on each of its major state programs for the year ended December 31, 2013. Atlantic County Utilities Authority's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Atlantic County Utilities Authority's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards and New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Atlantic County Utilities Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Atlantic County Utilities Authority's compliance.

Opinion on Each Major State Program

In our opinion, Atlantic County Utilities Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with New Jersey's OMB's Circular 04-04.

Report on Internal Control Over Compliance

Management of Atlantic County Utilities Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Atlantic County Utilities Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Atlantic County Utilities Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey State OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

May 13, 2014
Toms River, New Jersey

ATLANTIC COUNTY UTILITIES AUTHORITY
Schedule of Expenditures of State Financial Assistance
For the year ended December 31, 2013

State Funding Agency/ Program Title	State Account Number	Grant Period		Program Receipts	Program Expenditures	Total Expenditures
		From	To			
N.J. Department of Environmental Protection:						
Trust Loan - Series 2010B	4860-510-4860	Open	Open	\$ 176,258	\$ 176,258	\$ 860,000
Fund Loan - Series 2010B	S340809-10	Open	Open	230,349	176,258	860,000
Trust Loan - Series 2012	4860-510-4860	Open	Open	337,309	337,309	521,854
Fund Loan - Series 2012	S340809-18	Open	Open	1,011,926	1,011,926	1,565,563
Total state financial assistance				<u>\$ 1,755,842</u>	<u>\$ 1,701,751</u>	<u>\$ 3,807,417</u>

The accompanying notes to the schedule of expenditures of state assistance are an integral part of this statement.

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Schedules of Expenditures of State Financial Assistance
For the year ended December 31, 2013

NOTE 1. GENERAL

The accompanying schedule of expenditures of state financial assistance includes state award activity of the Atlantic County Utilities Authority. The Atlantic County Utilities Authority is defined in Note 1 to the Authority's basic financial statements. All state awards received directly from state agencies, as well as state awards passed through other government agencies, are included on the schedule of expenditures of state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of state financial assistance is presented on the modified accrual basis of accounting. This basis of accounting is described in Note 1 to the Authority's basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Authority's general-purpose financial statements.

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related state financial reports.

ATLANTIC COUNTY UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the year ended December 31, 2013

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditors' report issued	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	None Noted
Significant deficiencies identified that are not considered to be material weaknesses?	None Noted
Noncompliance material to the financial statements?	None Noted

State Awards:

Dollar threshold used to determine Type A Programs	\$300,000
Auditee qualified as low-risk Auditee?	Yes
Type of auditors' report on compliance for major programs	Unmodified
Internal Control over compliance: Material weakness(es) identified?	None Noted
Significant deficiencies identified that are not considered to be material weaknesses?	None Noted
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510(a))?	None Noted

Identification of major programs:

G.M.I.S. Number	Name of State Program
4860-510-4860	Fund Loans
4860-510-4860	Trust Loans

ATLANTIC COUNTY UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs (continued)
For the year ended December 31, 2013

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5 of *Government Auditing Standards*.

No Current Year Findings

Section III – State Awards Finding & Questioned Costs

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major state programs, as required by New Jersey OMB's Circular Letter 04-04.

No Current Year Findings

ATLANTIC COUNTY UTILITIES AUTHORITY
Summary Schedule of Prior Findings and Questioned Costs
For the year ended December 31, 2013

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, New Jersey OMB's Circular 04-04.

No Prior Findings



To the Board Members of the
Atlantic County Utilities Authority
Pleasantville, New Jersey 08232

We have audited the financial accounts and transactions of the Atlantic County Utilities Authority, a component unit of the County of Atlantic, State of New Jersey for the year ended December 31, 2013. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments and Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised by (N.J.S.A.40A:11-4)

N.J.S.A.40A:11-4 reads that “Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500 except by contract or agreement.” However, the Authority has a qualified purchasing agent on staff and therefore may award contracts up to \$36,000 without competitive bids.

It is pointed out that the Members of the Authority have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

We reviewed disbursements to determine whether any clear-cut violations of the bid and quote thresholds discussed above existed. The results of our examination did not disclose any discrepancies.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

A review of these contracts did not disclose any violations per *N.J.S.A.40A:11-5*.

Contracts and Agreements Requiring Solicitation of Quotations

We conducted an examination of expenditures to identify individual payments, contracts or agreements in excess of \$5,400 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of *N.J.S.A.40A:11-6.1*. The results of our examination did not disclose any discrepancies.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the Authority employees and ascertained that the accumulated withholdings were disbursed to the proper agencies.

Follow-up on Prior Years' Findings

In accordance with *Government Auditing Standards* we have included a review of all prior year findings. There were no findings in the prior year.

Acknowledgment

We received the complete cooperation of all the Authority officials and employees and we greatly appreciate the courtesies extended to the members of the audit team.

Should you have any questions concerning our comments or recommendations please call us.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

May 13, 2014
Toms River, New Jersey