

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC,
STATE OF NEW JERSEY

FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION

With

INDEPENDENT AUDITOR'S REPORTS

And

COMMENTS AND RECOMMENDATIONS

FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1 - 2
FINANCIAL SECTION	
Independent Auditor's Report	3 - 4
Required Supplementary Information:	
Management's Discussion and Analysis	5 - 23
Financial Statements:	
Comparative Statement of Net Assets	24 - 26
Comparative Statement of Revenues, Expenses and Changes in Net Assets	27
Comparative Statement of Cash Flows	28
Notes to the Financial Statements	29 - 45
Other Supplementary Information:	
Wastewater Division:	
Comparative Statement of Net Assets - Modified GAAP Basis	46 - 47
Comparative Statement of Revenues, Expenses and Changes in Net Assets - Modified GAAP Basis	48
Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget - Rate Basis	49
Schedule of Cash, Cash Equivalents and Investments	50
Schedule of Property, Plant and Equipment and Other Capitalized Costs - Modified GAAP Basis	51
Schedule of Debt Issue Costs - Modified GAAP Basis	52
Solid Waste Division:	
Comparative Statement of Net Assets - Modified GAAP Basis	53 - 54
Comparative Statement of Revenues, Expenses and Changes in Net Assets - Modified GAAP Basis	55
Schedule of Revenues and Costs Funded by Operating Revenues Compared to Budget - Modified GAAP Basis	56
Schedule of Cash, Cash Equivalents and Investments	57
Schedule of Property, Plant and Equipment and Preoperating Costs - Modified GAAP Basis	58 - 59
Schedule of Debt Issue Costs - Modified GAAP Basis	60

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION - CONTINUED	
Special - Purpose Statements of Revenues and Expenses to Comply with Revenue Bond Resolution:	
Independent Auditor's Report	61 - 62
Wastewater Division:	
Special - Purpose Statement of Revenues and Expenses to Comply with Bond Resolutions	63
Solid Waste Division:	
Special - Purpose Statement of Revenues and Expenses to Comply with Bond Resolutions	64
Notes to Special - Purpose Financial Statements	65
Debt Service Requirement:	
Independent Auditor's Report	66
Solid Waste Division - Debt Service Requirement	67
GENERAL COMMENTS AND RECOMMENDATIONS	
Report on Compliance and on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	68 - 69
General Comments and Recommendations	70
SINGLE AUDIT SECTION	
State Financial Assistance Programs:	
Schedule of Federal Assistance	71
Schedule of State Assistance	72
Notes to Schedule of State Assistance	73
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04	74 - 75
Schedule of Findings and Questioned Costs	76 - 77
Summary Schedule of Prior Audit Findings And Questioned Costs	78

INTRODUCTORY SECTION



Atlantic County Utilities Authority

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April 6, 2012

Chairman Embry, Authority Board Members and President Dovey:

Presented to you are the audited financial statements for the 2011-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 2011-year are presented as required.

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

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

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

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

Regarding the reliability of the statements presented, a reasonable internal control framework and procedures exist to protect the Atlantic County Utility Authority's assets from loss, theft or misuse. This internal control framework provides a basis that allows staff to compile sufficient and reliable information for 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. Ford-Scott and Associates, LLC, a firm of licensed certified public accountants, has audited and opined on the Authority's financial statements. The goal of an independent audit is to provide reasonable assurance as to the validity of the financial statements. This involves examining on test basis evidence supporting the amounts and disclosures in the financial statements, assessing any estimates and calculations utilized, assessing supplemental information provided or gathered by the auditors, and assessing the overall financial statement presentation. The auditors have opined that the basic financial statements which were prepared in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards present fairly, in all material respects, the financial position of the Atlantic County Utilities Authority at December 31, 2011 and 2010. There are no recommendations noted.

Sincerely,

Maria Mento

Maria Mento
Executive Vice President & Chief Financial Officer

Katherine Vesey

Katherine Vesey
Comptroller & Director of Research & Development

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the Atlantic County Utilities Authority ("Authority"), a component unit of the County of Atlantic, as of and for the years ended December 31, 2011 and 2010, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2012 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying financial information listed as Other Supplementary Information is not a required part of the basic financial statements, but is presented as additional analytical data. The Other Supplementary Data is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Additionally, the schedules of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and is not a required part of the basic financial statements of the Authority. The schedules of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello
Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

April 6, 2012

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Atlantic County Utilities Authority's (the Authority or the ACUA) annual financial report, the management of the Authority provides narrative discussion and analysis of the financial activities of the Authority for the audit year ending December 31, 2011.

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

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

Discussion of Financial Statements Included in Annual Audit

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

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

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

The primary difference between the statements is the recording and reporting of accounts payable. On the "Modified GAAP Basis" statements, all encumbrances as of 12/31/2011 are reported as Accounts Payable or Construction Contracts Payable, and as Property, Plant and Equipment. On the "GAAP Basis" statements, only those encumbrances where goods or services have been received as of 12/31/2011 are reported as Accounts Payable or Construction Contracts Payable, and as Property, Plant and Equipment. The difference between the two statements and methodologies presents itself in Net Assets-Unrestricted.

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

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

statements, Depreciation Expense is included as an expense, and only the Interest Expense component of the Debt Service Expense is reported.

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

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

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

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

Wastewater Division

Comparative Balance Sheet

The Wastewater Division's Total Assets decreased \$2 million. Current Assets were up by \$1.2 million which is a function of timing of cash receipts and payments. Noncurrent Assets decreased by \$4.8 million or 20%. Loans Receivable decreased by \$5 million as a result of draw downs on New Jersey Environmental Infrastructure Trust loans. The major drawdown was for plant improvements that include concrete repair and epoxy coating of all primary and secondary clarifiers, new drive units on all primary and secondary clarifiers, odor control units and weir covers on the primary clarifiers, "cured-in-place" pipe lining on two 60 inch diameter reinforced concrete pipes. The rehabilitation of the pipelines should extend their anticipated useful lives by forty years. The project cost \$7.1 million dollars, of which \$3.9 million was forgiven through an ARRA Grant. Noncurrent cash and investments are up \$268,000 due to timing of receipts and payments on capital projects. PP&E increased by \$7.3 million and Accumulated Depreciation increased by about \$5.3 million resulting in a increase in Net Capital Assets of \$2 million. PP&E additions include plant and sewer maintenance upgrades. Depreciation is calculated straight line over the life of the asset with a half year of depreciation take in the first and last years of the asset's life.

Total liabilities decreased by \$2.8 million or 6%. The decrease is comprised of a \$6.9 million reduction in bonds and interest payable in accordance with debt service schedules coupled with about \$4.2 million increases in accounts payable and construction contracts payable. Deferred revenue also decreased by \$159,000 due to 2011 revenue recognition for processing the sludge that is related to the Authority's deferred revenue.

Current and Long-Term Bonds Payable went from \$46.5 million in 2010 to \$39.8 million in 2011 due to principal payments in accordance with debt service schedules. There were no new bond issues in 2011.

Assets exceed liabilities by \$73.4 million. This compares to 2010 where the division's assets exceeded its liabilities by \$72.5 million. The net change represents net income for the 2011-year of \$847,670. In 2010, revenue increased Net Assets by \$6,592,083.

The Division's Net Assets of \$73,369,624 is comprised of the following:

(1) Capital Assets, Net of Related Debt of \$42,063,798, include property, plant and equipment, net of accumulated depreciation, and net of long-term debt and short-term debt related to the purchase or construction of capital assets. Calculated as: (Net Capital Assets-Long-Term Portion of Bonds Payable –Current Maturities of Long-Term Debt = Investment in Capital Assets, Net of Related Debt).

(2) Net Assets of \$4,800,000 restricted for the purpose of Renewal and Replacement of "the System" and restricted as the "System Improvement Requirement", which is determined each year by an independent consulting engineer.

(3) Net Assets of \$6,614,634 restricted for the purpose of forthcoming debt service payments.

(4) Net Assets of \$7,415,415 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 Assets of \$12,475,777 represents the portion available to maintain the Authority's continuing obligations to the contractual customers of its service area, its creditors and current liabilities.

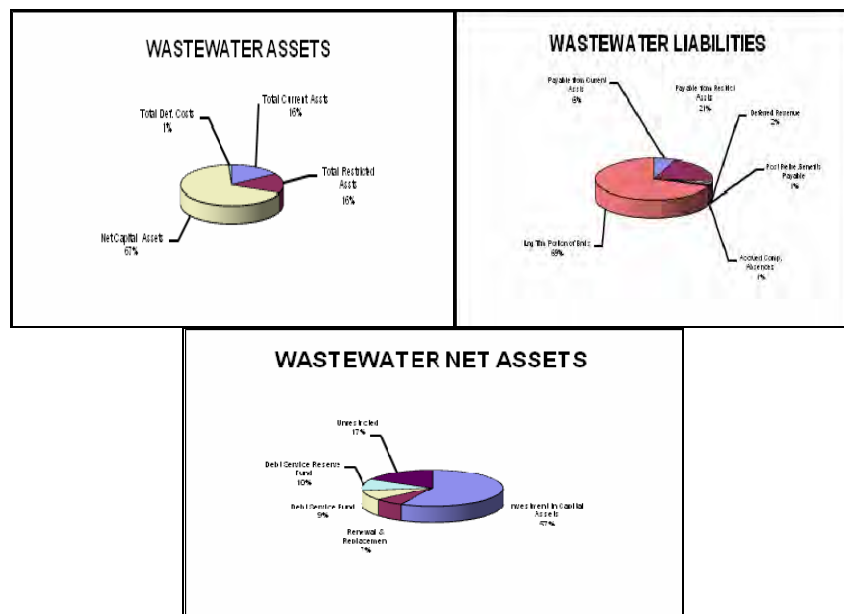
Restricted Net Assets increased \$8.9 million in 2011 as follows: Investments in Capital Assets Net of Related Debt increased \$8.7 million and the Debt Service Fund increased \$155,000. The Renewal and Replacement and Debt Service Reserve Funds did not change from 2010.

Unrestricted Net Assets decreased \$8 million, which is comprised of the Net Income from Operations for 2011 and an increase in Restricted Net Assets as described above.

Total Fund Equity increased 1% or \$847,670, the reported Net Income for the 2011-year. It is comprised of Operating Income in the amount of \$1,980,631 and Non-Operating Expenses of \$1,132,961.

Below is a synopsis of the Wastewater Division's 2011 Balance Sheet with a comparison to last year:

	<u>2011</u>	<u>2010</u>	<u>\$ Change</u>	<u>% Change</u>
Total Current Assets	\$ 19,190,630	\$ 17,990,979	\$ 1,199,651	7%
Total Noncurrent Assets	18,877,840	23,632,255	(4,754,415)	-20%
Net PP&E	81,825,861	79,890,637	1,935,224	2%
Unamortized Bond Issue Costs	1,169,084	1,536,888	(367,804)	-24%
TOTAL ASSETS	121,063,415	123,050,759	(1,987,344)	-2%
Total Current Payable from Current	2,819,119	1,274,630	1,544,489	121%
Total Current Payable from Restricted	10,031,003	7,292,741	2,738,262	38%
Total Noncurrent Liabilities	34,843,669	41,961,434	(7,117,765)	-17%
TOTAL LIABILITIES	47,693,791	50,528,805	(2,835,014)	-6%
Invested in Capital Assets, Net Debt	42,063,798	33,338,685	8,725,113	26%
Total Restricted	18,830,049	18,674,825	155,224	1%
Unrestricted	12,475,777	20,508,444	(8,032,667)	-39%
TOTAL NET ASSETS	\$ 73,369,624	\$ 72,521,954	\$ 847,670	1%



Comparative Statement of Revenues, Expenses and Changes in Net Assets

Operating Income decreased \$5.9 million or 75%. The decrease is primarily due to a \$3,955,000 Federal American Recovery and Reinvestment Act of 2009 (ARRA) Grant received in 2010 to offset the costs of the Plant Improvements more thoroughly described above. The other contributing factor to the decrease in Operating Income is an increase in Operating Expenses of \$1.7 million.

The user fee charged to the fourteen participants has remained the same since 2007. Sludge income decreased \$177,000 and 10% due to less sludge coming in from outside parties. Income from Septage and Leachate disposal decreased by \$20,000 and 4%.

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 2011, down from \$2.3 million in 2010. One of our largest sludge customers installed a sludge dryer and is marketing their dried product as fuel instead of bringing that material to ACUA. To make up for some of this loss the Authority has taken on two new customers and continues to market our excess capacity.

The user fee is the primary revenue source of the Authority and supports the expenses as follows: \$15,561,319 for operating expenses, and \$8,078,142 for annual debt service. Interest income decreased more than \$27,000 and 12% as a result of the minimal interest rates paid on deposits.

Operating expenses increased by more than \$1.7 million and 7% from the prior year. The increase was due to a combination of increases and decreases among significant operating items. The Division experienced a modest decrease in Salaries and a modest increase in Depreciation in accordance with established depreciation schedules. Amortization of Bond Issues Costs remained the same, also in accordance with established amortization schedules.

More significant increases were seen in Employee Benefits, Power & Utilities, Chemicals, Supplies & Miscellaneous Maintenance, Contractual Services, Indirect Operating Expenses, Administrative and Licenses & Permits.

Employee Benefits increased \$540,000 and 22% due to increased premium costs.. Power & Utilities increased approximately \$339,000 and 12% primarily due to increased flows from several severe storms in 2011, coupled with price increases. Chemicals increased \$288,000 and 30% mostly due to increased chlorine costs related to a bypass project at the plant in 2011. Supplies and Miscellaneous maintenance increased \$327,000 and 15% due to necessary maintenance and improvements to the plant and equipment. Contractual Services increased \$58,000 and 10% due to additional odor control and carbon unit replacements. Indirect Operating expenses increased \$91,000 and 22% primarily due to increased costs associated with third party contracts where there is a corresponding increase in revenue. Administrative costs increased \$210,000 and 17% due to increased trustee fees related to bond and investment activity and the timing of certain expenses. Finally, Licenses and Permit costs increased \$72,000 and 62% which is a function of the state billing formula which the Authority has no control over.

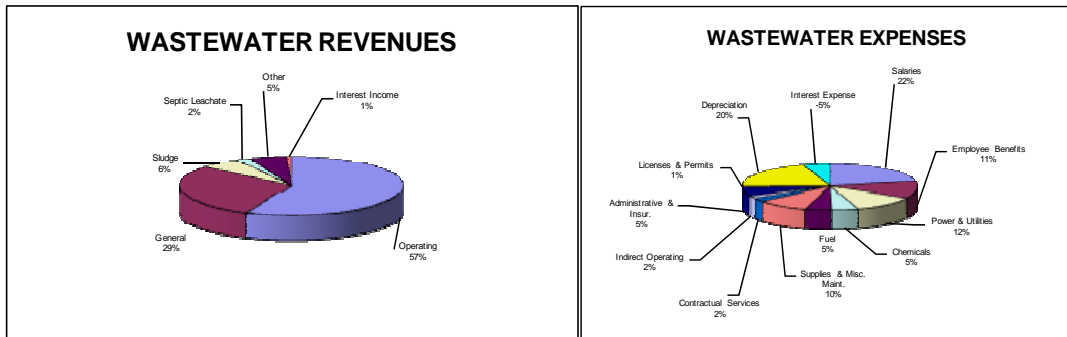
The only significant decrease in Operating Expenses was seen in Fuel costs. The price of natural gas was significantly lower than in 2010 and ACUA experienced minimal natural gas curtailment from South Jersey Gas which led to less fuel oil purchased than in 2010.

Total Operating Revenues exceeded Total Operating Expenses by \$1,980,631.

Non Operating Expenses, which is comprised of Interest Income and Interest Expense decreased \$128,000. Interest income decreased \$27,000 due to minimal interest being paid on deposits. Interest expense decreased \$155,000 in accordance with debt service schedules.

Total 2011 Revenues exceeded Total Expenses by \$847,670. Total Net Assets increased to \$73,369,624.

WW Revenue	2011	2010	\$ Change	% Change
User Fee	\$ 23,639,461	\$ 23,639,463	\$ (2)	0%
Sludge	1,609,893	1,786,943	(177,050)	-10%
Septage & Lechate	542,318	562,214	(19,896)	-4%
Other	1,512,319	5,468,213	(3,955,894)	-72%
Total Revenue	27,303,991	31,456,833	(4,152,842)	-13%
WW Operating Expenses				
Salaries	5,697,983	5,730,133	(32,150)	-1%
Employee Benefits	3,035,480	2,495,692	539,788	22%
Power & Utilities	3,079,509	2,740,551	338,958	12%
Chemicals	1,255,351	967,550	287,801	30%
Fuel	1,299,251	1,519,975	(220,724)	-15%
Supplies & Miscellaneous Maintenance	2,514,620	2,187,663	326,957	15%
Contractual Services	623,840	566,286	57,554	10%
Indirect Operating Expenses	498,260	406,846	91,414	22%
Administrative	1,425,174	1,215,575	209,599	17%
Licenses & Permits	188,855	116,831	72,024	62%
Depreciation	5,337,233	5,288,622	48,611	1%
Amortization of Bond Issue Costs	367,804	367,804	-	0%
Total Operating Expenses	25,323,360	23,603,528	1,719,832	7%
WW Non-Operating Revenue/(Expenses)				
Interest Income	191,802	219,073	(27,271)	-12%
Interest Expense	(1,324,763)	(1,480,295)	155,532	-11%
	(1,132,961)	(1,261,222)	128,261	-10%
NET INCOME	\$ 847,670	\$ 6,592,083	\$ (5,744,413)	-87%



Statement of Cash Flows

Net Cash Provided by Operating Activities decreased 28%, a decrease of \$3.7 million. Receipts from Customers and Users decreased \$3.9 million primarily from one-time ARRA Grant Proceeds of \$3,955,000 recognized in 2010 and not in 2011. Payments to employees decreased \$32,000 and 1% and payments to suppliers decreased \$190,000 and 2%. Both are nominal changes and reflect relatively consistent payments to both during 2010 and 2011.

Net Cash Used by Capital and Related Financing Activities decreased by less than \$20,000. Principal Paid increased \$3.3 million primarily due to a \$3.1 million increase in principal paid on the 2009 refunding. Interest Paid increased by \$339,000 in accordance with debt services schedules. The Authority has eight NJEIT Financings outstanding to date. The 1995, 1997, 2001, 2004, 2006 and 2010A NJEIT Loans are 100% complete and there will be no additional Loan Proceeds from these Loans. The 1997 and 2010B Loans and related capital improvements remain open.

There were draws of \$154,000, \$4,657,000 and \$228,000 on the 1997, 2010A and 2010B NJEIT Financings in 2011, respectively.

Net Cash Used by Investment Activities was \$3.9 million in 2010 as compared to \$4.9 million in 2011, representing a cash flow decrease of \$1.1 million and 28%.

Net Decrease in Cash and Cash Equivalents for the 2011 year is \$3,329,409. The Cash and Cash Equivalents Balance at the Beginning of the Year was \$26,692,265 and the Balance at the End of the Year was \$23,362,856.

	2011	2010	\$ Change	% Change
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 27,415,662	\$ 31,357,301	\$ (3,941,639)	-13%
Payments to Employees	(5,697,983)	(5,730,133)	32,150	-1%
Payments to Suppliers	(12,375,387)	(12,565,620)	190,233	-2%
Net Cash Provided by Operating Activities	<u>9,342,292</u>	<u>13,061,548</u>	<u>(3,719,256)</u>	<u>-28%</u>
Cash Flows from Noncapital Financing Activities				
Transfers to Other Funds	<u>66,457</u>	<u>(24,651)</u>	<u>91,108</u>	<u>-370%</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(4,610,428)	(3,883,575)	(726,853)	19%
Principal Paid on Capital Debt	(6,537,758)	(3,285,771)	(3,251,987)	99%
Interest Paid on Capital Debt	(1,669,790)	(1,331,044)	(338,746)	25%
Proceeds from Wastewater Trust	5,021,967	684,584	4,337,383	634%
Net Cash Used by Capital and Financing	<u>(7,796,009)</u>	<u>(7,815,806)</u>	<u>19,797</u>	<u>0%</u>
Cash Flows from Investing Activities				
Interest Income	198,802	218,737	(19,935)	-9%
Transferred to Investments	(5,140,951)	(4,075,167)	(1,065,784)	26%
Net Cash Provided by Investing Activities	<u>(4,942,149)</u>	<u>(3,856,430)</u>	<u>(1,085,719)</u>	<u>28%</u>
Net Increase in Cash and Cash Equivalents	(3,329,409)	1,364,661	(4,694,070)	-344%
Cash and Cash Equivalents, January 1	<u>26,692,265</u>	<u>25,327,604</u>	<u>1,364,661</u>	<u>5%</u>
Cash and Cash Equivalents, December 31	\$ 23,362,856	\$ 26,692,265	\$ (3,329,409)	-12%

Solid Waste Division

Comparative Balance Sheet

The Solid Waste Division reports Total Assets of \$90,300,369, an increase of \$188,505 from 2010.

Current Assets decreased \$5.2 million and 21% primarily due to less cash on hand and fewer receivables in 2011 than in 2010. The Authority's largest customer began shipping waste out of state in October 2011 which resulted in a loss of revenue in excess of \$1 million during the fourth quarter. Noncurrent Assets decreased \$1.2 million and 6% primarily due to the state reimbursing the Authority for a portion of the funds expended in 2010 to permanently cap some of the landfill. Capital Assets increased \$6.7 million and 16%. The increase is a combination of additions of \$12 million and depreciation expense of \$5.3 million. Additions include construction of a new cell, ten compressed natural gas refuse collection trucks, new equipment including a tractors and trailers, improvements to the recycling center to make the space suitable to our recycling processing partner and landfill infrastructure improvements. Depreciation is calculated straight line over the life of the asset with a half year of depreciation taken in the first and last years of the asset's life. Deferred Bond Issue Costs declined by the annual amortization expense charged in accordance with the amortization schedule.

Total Liabilities increased \$955,000 and 2%. Current Liabilities Payable from Unrestricted Assets increased by \$1 million and 61% due to a combination of increased Accounts Payable and a decrease in Customer Deposits. Current Liabilities Payable from Restricted Assets increased \$5.2 million and 82%. The increase is primarily due to Construction Contracts Payable of \$5 million related to Capital Asset additions described above. The Current Portion of Long-Term Debt increased \$400,000 which is in accordance with the debt service schedule. Accrued Interest Payable decreased \$129,000 due to less principal being outstanding in 2011 as compared to 2010.

Accrued Landfill Closure costs increased \$512,000 and 5%. This liability is calculated by the Authority's consulting engineer and includes total costs for post-closure care of \$14.1 million less the \$3.5 million paid to permanently cap portions of the landfill in 2010 for a net liability of \$10.6 million.

The amount escrowed is in accordance with the consulting Engineer's findings as reported. Total anticipated closure cost as of 12/31/11 is \$10,589,044. The percent of cumulative landfill capacity utilized as of 12/31/11 according to the consulting engineer report is 49.2%, up from 46.9% in 2010. This increase is the result of 272,275 current year tons of accepted waste plus associated cover material used and buried in the landfill. The Authority's independent consulting engineer performs the necessary calculation to determine the estimated liability in accordance with provisions of Statement No. 18 of the Government Accounting Standards Board, Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs.

Noncurrent Liabilities remained unchanged except for the Long-Term Portion of Bonds Payable which decreased \$5.8 million in accordance with the existing debt service schedule. 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 \$670,419. The Authority has set aside additional funds for Other Post Employment Benefits.

The Division's Net Assets of \$35,931,024 are comprised of the following:

- (1) Capital Assets, Net of Related Debt of \$15,711,957, 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. The recent history of Capital Asset balances as of December 31st is as follows:

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).

- (2) Net Assets of \$8,053,769 restricted for the purpose of Debt Service Reserve Fund, in accordance with the Authority's debt covenants.
- (3) Unrestricted Net Assets of \$12,165,298 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 Assets decreased approximately \$12.8 million, or 51% in 2011, and is primarily a function of the increase in Capital Assets.

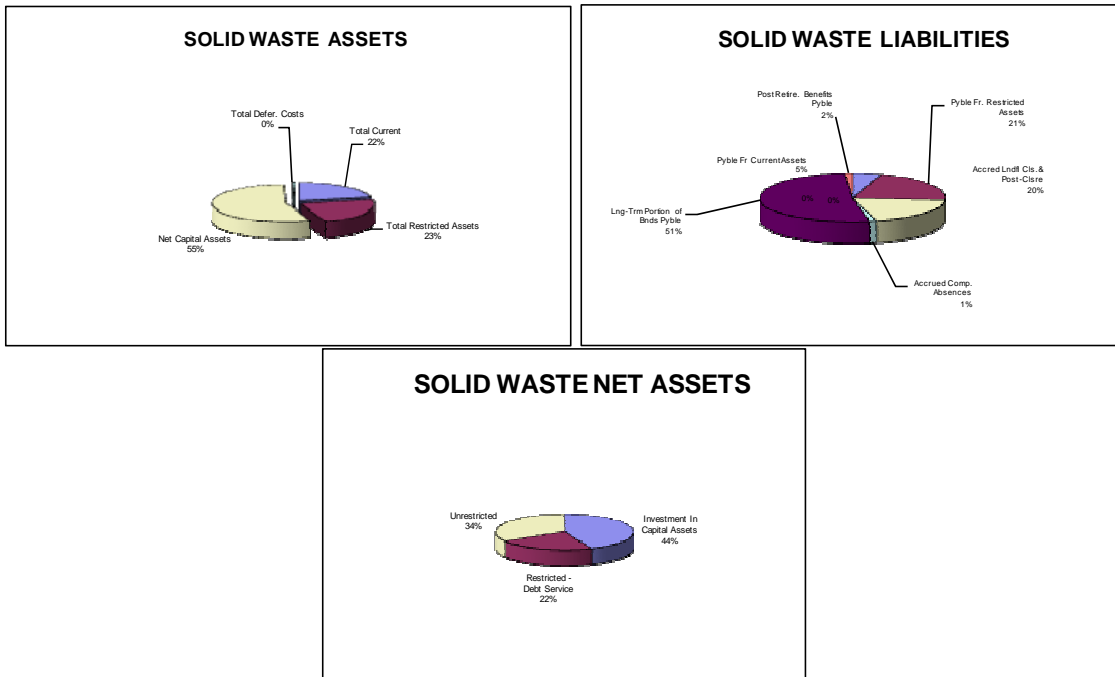
Restricted- Debt Service Reserve Fund Net Assets remains the same at \$8,053,769, in accordance with the 1992 Solid Waste Bond Resolution and the defined "Debt Service Reserve Requirement". In 1992 the Authority made a draw from the Debt Service Reserve Fund for \$5,422,236 for the

payment of the March 1, 2002 debt service (see Notes to Financial Statements). The balance of cash in this fund since 12/31/02 has been unchanged at \$2,631,532.

Investment in Capital Assets, Net of Related Debt, of \$15.7 million, increased by \$12.1 million. The increase is a function of Capital Assets and Debt. There were more capital asset additions in 2011 then there was debt service paid.

Total Net Assets decreased by \$767,000 and is comprised of Operating Income of \$17,000 and net Non- Operating Expenses in the amount of \$784,000.

	2011	2010	\$ Change	% Change
Total Current Assets	\$ 19,518,627	\$ 24,703,126	\$ (5,184,499)	-21%
Total Noncurrent Assets	20,870,062	22,102,599	(1,232,537)	-6%
Net PP&E	49,527,430	42,862,961	6,664,469	16%
Unamortized Bond Issue Costs	384,250	443,178	(58,928)	-13%
TOTAL ASSETS	90,300,369	90,111,864	188,505	0%
Total Current Payable from Current	2,716,606	1,689,340	1,027,266	61%
Total Current Payable from Restricted	11,622,803	6,392,603	5,230,200	82%
Accrued Landfill Closure and Post-Closure Costs	10,589,044	10,076,640	512,404	5%
Total Noncurrent Liabilities	40,029,936	45,332,251	(5,302,315)	-12%
TOTAL LIABILITIES	54,369,345	53,414,194	955,151	2%
Invested in Capital Assets, Net Debt	15,711,957	3,632,769	12,079,188	333%
Debt Service Reserve - Restricted	8,053,769	8,053,769	-	0%
Unrestricted	12,165,298	25,011,132	(12,845,834)	-51%
TOTAL NET ASSETS	\$ 35,931,024	\$ 36,697,670	\$ (766,646)	-2%
TOTAL LIABILITIES & NET ASSETS	\$ 90,300,369	\$ 90,111,864	\$ 188,505	0%



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

Solid Waste Operating Revenues decreased \$443,000 from 2010. Tip Fees were up 2% and \$439,000 due to a combination of increased tip fees from the reinstatement of waste flow in the latter part of 2010 and a decrease in tip fees for a significant amount a waste diverted from the Authority to Pennsylvania. 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 our largest customer started shipping all their 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 has 150 days to approve the change. It is anticipated that this new rule will increase tip fees by about \$7.1 million per year.

Recycling and Collection Contract Revenue increased 2% and \$137,000. In August 2011 Hudson Baylor began their single stream operations at our recycling center as part of our deal to lease out the recycling center and deliver all of our single-stream recyclables to them in exchange for rent and revenue share to the Authority. The operation has been successful to date and recycling marketing revenues have continued to rebound from the Great Recession.

Grant Income decreased \$1.1 million because in 2010 the Authority received \$1.3 million in grant funds to build the CNG station. In 2011 grant income was \$525,000 and consisted of \$425,000 towards the purchase of ten new CNG refuse collection trucks and \$100,000 from the Clean Communities Program.

Compost and Eco-Products were up 17% to due increased demand. Other Income decreased \$64,000 and 6% partly due to our revenue share agreement with our partner in the landfill gas to electricity facility. In order to allow both parties to make necessary capital improvements to the facility the revenue share percentage was decreased in 2011 and increased in 2012 and 2013 to make the Authority whole over the three year period. The CNG station generated revenue to the Authority to help offset some of the revenue share not anticipated until 2012 and 2013.

Operating Expenses increased 1% from the prior year, up \$357,000. The increase was due to a combination of increases and decreases among significant operating items. The Division experienced modest changes in Salaries, Community Benefit, Depreciation and Amortization of Bond Issue Costs. More significant increases and decreases are explained below.

There was a 6% increase in Employee Benefits which was due to an increase in rates charged by the New Jersey State Health Benefits Plan. Fuel increased \$335,000 and 28% due to rising diesel costs. The addition of fifteen compressed natural gas collection vehicles to the fleet will help curb diesel fuel increases going forward. Supplies and Miscellaneous Maintenance increased \$490,000 and 21% due to the timing of routine repairs and maintenance and building improvements. Indirect Operating Expenses increased \$770,000 and 40% due to increases in outside engineering costs, the purchase of additional composting material (which is then sold to the public) and increased costs and quantities of cover material. The timing of purchases also had an impact on the increase. Recycling and Other taxes increased \$95,000 and 11% and are a function of tonnages brought in to the Authority.

Power and Utilities decreased \$40,000 and 6% because Hudson Baylor took over the recycling operations in August 2011 and utilities related to their share of that facility became their responsibility. Accrued Landfill Closure costs decreased \$1.2 million and 70% which includes an increase for future liabilities for current year tonnages combined with a decrease to reflect the permanent cap construction completed and paid for on a portion of the landfill. Administrative costs decreased \$104,000 and 10% due to the impact of canceled purchase orders and one-time costs

incurred in 2010 not experienced in 2011. Finally, Bad Debt expense decreased from \$20,000 in 2010 to \$0 in 2011 because the allowance for doubtful accounts is deemed adequate at year end.

Total Operating Revenues exceeded Total Operating Expenses resulting in net income of \$17,000, an \$800,000 decrease when compared to a net operating income of \$817,000 in 2010.

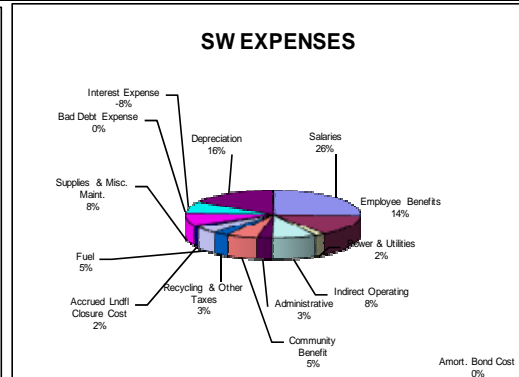
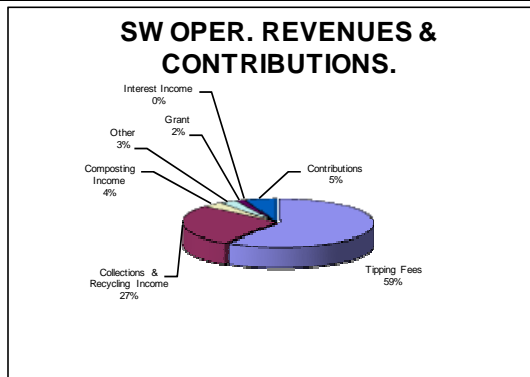
In 2008, 2009 and 2010 the Authority received \$5,130,747 from the State of New Jersey, in the form of a subsidy for the payment of most of its March 1st debt service payment. This is down \$500,000 from the amount previously agreed to with the State of New Jersey. In 2011 the Authority received \$1,700,000 in state subsidy and through the date of this report received \$0 assistance from the state towards the March 1, 2012 debt service payment. The ACUA anticipates that the revised waste flow ordinance discussed previously will help the Authority fund the semi-annual debt service payments through additional operating income expected to be generated. The Authority continues to pursue state assistance through various avenues.

Interest Income decreased \$10,000 and 27% in 2011 which is attributable to lower interest rates being paid on deposits. Interest Expense decreased 13% and \$388,000 because there is less outstanding debt due to current year payments.

Total Non-Operating Expenses were \$784,000 compared to Non-Operating Revenues of \$2.3 million in 2010. The decrease is attributed to reduced state subsidy and Interest Income combined with reduced Interest Expense.

Total Net Loss for the 2011 year is \$766,646 compared to Net Income of \$3,084,973 in 2010. Total Net Income 2009 was \$89,345, for 2008 was \$2,713,591, for 2007 was \$3,975,842, for 2006 was \$8,894,379, and \$5,024,252 in 2005.

SW Revenue	2011	2010	\$ Change	% Change
Tipping Fee	\$ 19,120,975	\$ 18,681,678	\$ 439,297	2%
Collections & Recycling	8,781,220	8,644,330	136,890	2%
Grant Income	524,907	1,639,478	(1,114,571)	-68%
Composting ncome	1,121,215	962,187	159,028	17%
Other	1,016,351	1,080,182	(63,831)	-6%
Total Revenue	30,564,668	31,007,855	(443,187)	-1%
WW Operating Expenses				
Salaries	8,484,883	8,796,388	(311,505)	-4%
Employee Benefits	4,796,347	4,522,675	273,672	6%
Power & Utilities	629,521	669,448	(39,927)	-6%
Fuel	1,534,055	1,198,932	335,123	28%
Supplies & Miscellaneous Maintenance	2,798,233	2,307,955	490,278	21%
Indirect Operating Expenses	2,711,838	1,942,303	769,535	40%
Accrued Landfill Closure	511,090	1,684,578	(1,173,488)	-70%
Administrative	922,172	1,026,059	(103,887)	-10%
Community Benefit	1,813,988	1,764,063	49,925	3%
Recycling & Other Taxes	946,167	851,174	94,993	11%
Bad Debt Expense	-	20,000	(20,000)	-100%
Depreciation	5,340,297	5,348,333	(8,036)	0%
Amortization of Bond Issue Costs	58,928	58,928	-	0%
Total Operating Expenses	30,547,519	30,190,836	356,683	1%
SW Non-Operating Revenue/(Expenses)				
Interest Income	25,095	34,285	(9,190)	-27%
Interest Expense	(2,508,890)	(2,897,078)	388,188	-13%
Contributions - State Subsidy	1,700,000	5,130,747	(3,430,747)	-67%
	(783,795)	2,267,954	(3,051,749)	-135%
NET INCOME/ (Loss)	\$ (766,646)	\$ 3,084,973	\$ (3,851,619)	-125%



Statement of Cash Flows

Net Cash Provided by Operating Activities decreased 9% and \$673,000. Receipts from Customers and Users decreased 1%, payments to Employees decreased 4% and Payments to Suppliers increased 5%.

Net Cash Used by Capital and Related Financing Activities decreased 38% or \$3.7 million. Included within this area is State Contribution which decreased \$3.4 million from 2010. Principal Paid on Debt also decreased \$375,000 in accordance with the debt service schedule.

Net Cash Provided by Investment Activities decreased by \$8.3 million to an outflow of \$6.8 million compared to 2010 when Net Cash Used by Investment Activities was an inflow of \$1.5 million. There were transfers from Cash to Investments of \$8.3 million in 2011.

Total Net Decrease in Cash and Cash Equivalents for 2011 is \$13.3 million. In 2010 there was a Net Decrease of \$444,000 and in 2009 there was a Net Decrease to of \$2,296,572.

Cash and Cash Equivalents at the Beginning of the Year were \$26,613,929 and \$13,341,641 at the End of Year, a 50% reduction.

	<u>2011</u>	<u>2010</u>	<u>\$ Change</u>	<u>% Change</u>
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$30,590,568	\$ 30,906,423	\$ (315,855)	-1%
Payments to Employees	(8,484,883)	(8,796,388)	311,505	-4%
Payments to Suppliers	(15,095,285)	(14,426,155)	(669,130)	5%
Net Cash Provided by Operating Activities	<u>7,010,400</u>	<u>7,683,880</u>	<u>(673,480)</u>	<u>-9%</u>
Cash Flows from Noncapital Financing Activities				
Transfers to Other Funds	<u>(66,457)</u>	<u>24,651</u>	<u>(91,108)</u>	<u>-370%</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(7,045,247)	(7,009,255)	(35,992)	1%
Principal Paid on Capital Debt	(5,445,000)	(5,070,000)	(375,000)	7%
Interest Paid on Capital Debt	(2,607,928)	(2,747,827)	139,899	-5%
State Contribution	1,700,000	5,130,747	(3,430,747)	-67%
Net Cash Used by Capital and Financing	<u>(13,398,175)</u>	<u>(9,696,335)</u>	<u>(3,701,840)</u>	<u>38%</u>
Cash Flows from Investing Activities				
Interest Income	28,024	47,335	(19,311)	-41%
Transferred to Investments	<u>(6,846,080)</u>	<u>1,496,170</u>	<u>(8,342,250)</u>	<u>-558%</u>
Net Cash Provided (Used) by Investing Activities	<u>(6,818,056)</u>	<u>1,543,505</u>	<u>(8,361,561)</u>	<u>-542%</u>
Net Increase (decrease) in Cash and Cash Equivalents	<u>(13,272,288)</u>	<u>(444,299)</u>	<u>(12,827,989)</u>	<u>2887%</u>
Cash and Cash Equivalents, January 1	<u>26,613,929</u>	<u>27,058,228</u>	<u>(444,299)</u>	<u>-2%</u>
Cash and Cash Equivalents, December 31	<u>\$13,341,641</u>	<u>\$ 26,613,929</u>	<u>\$ (13,272,288)</u>	<u>-50%</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 14 municipalities and MUA's within Atlantic County and the one State-regulated public utility that services Atlantic City, is the main source of revenue for the Wastewater Division. This is shown on the Comparative Statement of Revenues, Expenses and Changes in Net Assets as "User Service Agreements: Operating and General" and reported as Operating Revenues.

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

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

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

Solid Waste Division

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

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

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

The Transfer Station processes all municipal waste delivered to the system. It is permitted to operate at a maximum of 1,950 tons of solid waste per day. Received waste goes through the Transfer Station before being taken to the landfill for disposal. Cell 11 was constructed in 2011 for a total cost of approximately \$4.6 million. This cell will begin 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 last cell to be built under the original landfill footprint. After Cell 9 is built construction of the 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.

In addition to cell construction, vertical gas wells have been installed in the landfill to increase the amount of gas collected. In 2011 seven wells were installed to replace broken or non-functioning wells. In February 2012 an additional nineteen wells were installed in areas that had not had them previously. The cost for the twenty-six wells was approximately \$235,000. 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. The electricity for entire solid waste facility is provided by the LFG facility which is a renewable energy source.

Most waste is disposed at the Authority's Landfill. This includes municipal, commercial, construction, and industrial waste. In 2011 about 272,000 tons of waste came in, compared to about 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.

The Authority converted recyclable collections from dual stream (paper goods collected and processed separately from all other goods) to single stream (all recyclables are comingled from collection to processing) on January 1, 2009. At the same time the Authority stopped processing and marketing recyclables because the recycling processing facility was out dated and designed only to handle dual stream materials. Single stream materials collected were processed by outside parties at other single stream facilities until the third quarter of 2011.

In 2010 the Authority awarded a contract to Hudson Baylor Corporation 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 Hudson Baylor and shares in the revenues earned from their resale.

Recycling collection is provided to about twenty Atlantic County municipalities and one out of county municipality, generally on a bi-weekly basis. Many commercial entities have weekly service. All the recyclables received are processed and marketed. Revenue from recyclables declined sharply in late 2008 due to the global economic crisis. The markets have been steadily rebounding as the global economies begin to recover. In 2011 about 42,000 tons were collected, up from about 35,000 tons in prior two 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, and brush and Christmas trees. About 23,000 tons of yard waste was processed in 2011 and 2010. The branches, brush, and trees are processed into mulch and sold to the public, providing additional income to support the Solid Waste system.

The 17,000 square foot Maintenance Center maintains and services a fleet of over 70 vehicles and 30 pieces of specialized heavy equipment. In 2010 the Authority completed construction of its compressed natural gas fueling station and now has fifteen CNG refuse collection trucks in its fleet. In order to service these vehicles safely, improvements to the Maintenance Center were necessary and some were completed during 2011. Additional improvements are underway to make the ACUA maintenance center one of only a few in New Jersey that are capable of safely maintaining CNG vehicles indoors. In addition, the Solid Waste Division also provides maintenance to other governmental agencies on an as need basis. This provides additional income to the solid waste system and optimizes the existing facility and staff.

Accountability

The Atlantic County Utilities Authority mission statement is:

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

The Authority's accountability, first and foremost, is to protect the environment. The goal is to provide a cost effective and reliable service, and at the same time to protect the environment. Equally important to the Authority is the ACUA's bondholders, customers, the local governments,

agencies and people served, and the employees of the ACUA. Excellent customer service is a top priority. Excellent employee relations and striving to be “a best place to work” is another priority. Embracing technology and innovation is high on the ACUA’s list of objectives, as is community service, volunteering, and fund raising for community causes.

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

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

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. There is one vacancy on the board.

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

The Authority Board Members are:

Marvin E. Embry, Chairman
Michael C. Epps, Vice Chairman
Peter Sarkos, Treasurer
Fred Akers, Assistant Treasurer
Carla Garrison, Member
Andrew Berenato, III, Member (Appointed 2012)

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. A leader in the New Jersey environmental infrastructure and utility community, Mr. Dovey currently serves as the President of the N.J. Association of Environmental

Authorities. Previously, Mr. Dovey has served as chairman of the New Jersey Solid Waste Advisory Council and on the Board of Trustees of the N.J. Association of Environmental Authorities. While Mr. Dovey has served as president, ACUA wastewater and solid waste operations have been nationally recognized for excellence in innovation, efficiency, and environmental stewardship. Mr. Dovey is a graduate of Stockton State College with a Bachelor of Arts degree in Urban Studies.

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

Katherine O. Vesey, Comptroller 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 Comptroller and Director of Research and Development, Ms. Vesey is responsible for the daily operations of the finance department and works with her R&D team to explore energy and environmental initiatives for the ACUA. She has led the ACUA in becoming New Jersey's first organization to join the Chicago Climate Exchange (CCX), the world's first and North America's only legally binding rules-based greenhouse gas emissions allowance trading system. 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, Business Director, Michael Hayes, Purchasing Manager, Marylou Panico, Assistant Purchasing Manager, and Tim Kaye, IT & HR Director.

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

Brian Lefke, 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.

Thomas J., Lauletta, PE, CME, Vice President – Wastewater Division. Mr. Lauletta is responsible for the day-to-day administration, operation and maintenance of the Authority's wind and solar powered 40 MGD wastewater treatment plant and collection system for the 14 municipalities, surrounding and including Atlantic City, New Jersey. Mr. Lauletta has implemented an Asset/Maintenance Management program for the Authority, restructuring staffing to provide proficiency based performance levels for its Wastewater Treatment Plant Technicians and Internet based operation control and reporting functions. Prior to joining the Authority, Mr. Lauletta was Executive Vice President for Perks Reutter Associates from 1988 to 2004. He was responsible for the day to day operation and all environmental/civil/sanitary design, utility management, facilities assessment and construction management projects. Previously holding the position project and division manager, Mr. Lauletta was responsible for project development, design, cost estimating and funding, and client contact and contract administration. During that time he successfully managed many of the firm's largest projects. Prior to joining Perks Reutter, Mr. Lauletta was Plant Manager of the City of Philadelphia Water Department for 13 years, serving as the operations/construction coordinator during the \$200 million expansion of the 210 MGD advanced treatment Southwest Water Pollution Control Plant.

Mr. Lauletta holds the following licenses and certifications:

- Professional Engineer – Pennsylvania and New Jersey
- Certified Sewerage Treatment Operator – Pennsylvania
- Certified Wastewater Treatment Operator – New Jersey
- Certified Municipal Engineer – New Jersey

Mr. Lauletta is a member of the following associations:

- Chi Epsilon – Civil Engineering Honor Society
- American Society of Civil Engineers
- Water Environment Federation
- New Jersey Association of Environmental Authorities
- New Jersey Water Environment Federation

Mr. Lauletta holds a B.S. in Civil Engineering from Drexel University.

Integral to the Wastewater Division is Chris Harris, Director of Operations.

Eugene L. Petitt, PE, PP Chief Engineer. Mr. Petitt is the Chief Engineer for the Authority, a position he has held since 1990. Mr. Petitt 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. Petitt 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. Petitt has overseen over \$120 million worth of capital improvements since joining the Authority. Prior to joining the Authority, Mr. Petitt was the Atlantic County Engineer for eight years, and managed a consulting engineering company in Millville, NJ for six years. Mr. Petitt 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. Petitt is a licensed professional engineer, a professional planner and has recently earned his 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".

Integral to 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 to 5 years to encourage any new or fresh reviews of the Atlantic County Utilities Authority financial operations and reporting of financial status, and to eliminate any perceived or potential conflicts of interest that may develop due to long-term relationships.

Prior audits can be obtained by contacting the Atlantic County Utilities Authority or the ACUA web site at www.ACUA.com.

FINANCIAL STATEMENTS

**ATLANTIC COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF NET ASSETS
DECEMBER 31, 2011 AND 2010**

	2011		
	Wastewater Division	Solid Waste Division	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 12,208,990	\$ 7,260,119	\$ 19,469,109
Investments	7,055,306	9,591,728	16,647,034
Accrued Interest Receivable	45,177	11,664	56,841
Accounts Receivable (net of Allowance \$550,474 and \$583,965 in 2011 and 2010 respectively Internal Accounts	692,562 (811,405)	1,843,711 811,405	2,536,273 -
Total Current Assets	19,190,630	19,518,627	38,709,257
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents	11,153,866	6,081,522	17,235,388
Investments	5,543,054	12,471,929	18,014,983
Amounts Held by State of New Jersey	2,307,921	2,307,921	2,307,921
Accrued Interest Receivable	8,690	8,690	8,690
Loans Receivable	2,180,920	2,180,920	2,180,920
Total Noncurrent Assets	18,877,840	20,870,062	39,747,902
Capital Assets:			
Property, Plant and Equipment (Note 4)	221,975,821	129,816,693	351,792,514
Less: Accumulated Depreciation	(140,149,960)	(80,289,263)	(220,439,223)
Net Capital Assets	81,825,861	49,527,430	131,353,291
Deferred Costs:			
Unamortized Bond Issue Costs	1,169,084	384,250	1,553,334
Total Deferred Costs	1,169,084	384,250	1,553,334
TOTAL ASSETS	\$ 121,063,415	\$ 90,300,369	\$ 211,363,784
			\$ 213,162,623

**ATLANTIC COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF NET ASSETS
DECEMBER 31, 2011 AND 2010**

	2011		
	Wastewater Division	Solid Waste Division	Total
LIABILITIES			
Current Liabilities Payable from Current Assets:			
Accounts Payable	\$ 2,659,909	\$ 2,601,949	\$ 5,261,858
Customer Deposits		114,657	114,657
Deferred Revenue	159,210		159,210
Total Current Liabilities Payable from Current Assets	2,819,119	2,716,606	5,535,725
Current Liabilities Payable from Restricted Assets:			
Construction Contracts Payable	2,733,282	4,973,153	7,706,435
Current Portion of Long - Term Debt	6,706,888	5,845,000	12,551,888
Accrued Interest	590,833	804,650	1,395,483
Total Current Liabilities Payable from Restricted Assets:	10,031,003	11,622,803	21,653,806
Noncurrent Liabilities Payable from Restricted Assets:			
Restricted Assets:			
Accrued Landfill Closure and Post - Closure Care Cost		10,589,044	10,589,044
Noncurrent Liabilities:			
Deferred Revenue	653,471		653,471
Accrued Compensated Absences	600,004	670,419	1,270,423
Post Retirement Benefits Payable	535,019	800,000	1,335,019
Long - Term Portion of Bonds Payable (Note 5) (Net of Unamortized Bond Premium and Discount of \$687,015 and \$813,819 for Wastewater Bonds and \$64,527 and \$94,808 for Solid Waste Bonds in 2011 and 2010, respectively)	33,055,175	27,970,473	61,025,648
Total Noncurrent Liabilities	34,843,669	40,029,936	74,873,605
TOTAL LIABILITIES	\$ 47,693,791	\$ 54,369,345	\$ 102,063,136
			\$ 103,942,999

See Accompanying Notes to Financial Statements

**ATLANTIC COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF NET ASSETS
DECEMBER 31, 2011 AND 2010**

	2011			2010	
	Wastewater Division	Solid Waste Division		Total	Total
NET ASSETS					
Investment in Capital Assets, Net of Related Debt Restricted for:	\$ 42,063,798	\$ 15,711,957	\$ 57,775,755	\$ 36,971,454	
Solid Waste:					
Debt Service Reserve		8,053,769	8,053,769	8,053,769	
Wastewater:					
Renewal and Replacement	4,800,000		4,800,000	4,800,000	
Debt Service Fund	6,614,634		6,614,634	6,459,410	
Debt Service Reserve Fund	7,415,415		7,415,415	7,415,415	
Unrestricted	12,475,777	12,165,298	24,641,075	45,519,576	
TOTAL NET ASSETS	73,369,624	35,931,024	109,300,648	109,219,624	
TOTAL LIABILITIES AND NET ASSETS	\$ 121,063,415	\$ 90,300,369	\$ 211,363,784	\$ 213,162,623	

ATLANTIC COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011		Total	2010
	Wastewater Division	Solid Waste Division		
Operating Revenues:				
Wastewater				
User Service Agreements:				
Operating	\$ 15,561,319	\$	\$ 15,561,319	\$ 15,586,113
General	8,078,142		8,078,142	8,053,350
Sludge	1,609,893		1,609,893	1,786,943
Septage and Leachate	542,318		542,318	562,214
Other	1,512,319		1,512,319	5,468,213
Solid Waste				
Tipping Fees		19,120,975	19,120,975	18,681,678
Collections and Recycling Income		8,781,220	8,781,220	8,644,330
Grant Income		524,907	524,907	126,853
Composting Income		1,121,215	1,121,215	962,187
Other		1,016,351	1,016,351	2,592,807
Total Operating Revenues	27,303,991	30,564,668	57,868,659	62,464,688
Operating Expenses:				
Salaries	5,697,983	8,484,883	14,182,866	14,526,521
Employee Benefits	3,035,480	4,796,347	7,831,827	7,018,367
Power and Utilities	3,079,509	629,521	3,709,030	3,409,999
Chemicals	1,255,351		1,255,351	967,550
Fuel	1,299,251	1,534,055	2,833,306	2,718,907
Supplies and Miscellaneous Maintenance	2,514,620	2,798,233	5,312,853	4,495,618
Contractual Services	623,840		623,840	566,286
Indirect Operating Expenses	498,260	2,711,838	3,210,098	2,349,149
Accrued Landfill Closure Costs		511,090	511,090	1,684,578
Administrative	1,425,174	922,172	2,347,346	2,241,634
Community Benefit		1,813,988	1,813,988	1,764,063
Recycling and Other Taxes		946,167	946,167	851,174
Licenses and Permits	188,855		188,855	116,831
Bad Debt Expense		-	-	20,000
Depreciation	5,337,233	5,340,297	10,677,530	10,636,955
Amortization of Bond Issue Costs	367,804	58,928	426,732	426,732
Total Operating Expenses	25,323,360	30,547,519	55,870,879	53,794,364
Operating Income	1,980,631	17,149	1,997,780	8,670,324
Non - Operating Revenues / (Expenses):				
Interest Income	191,802	25,095	216,897	253,358
Interest Expense	(1,324,763)	(2,508,890)	(3,833,653)	(4,377,373)
Contributions - State Subsidy		1,700,000	1,700,000	5,130,747
Total Non - Operating Revenues / (Expenses)	(1,132,961)	(783,795)	(1,916,756)	1,006,732
Net Income / (Loss)	847,670	(766,646)	81,024	9,677,056
Net Assets (Deficit), January 1	72,521,954	36,697,670	109,219,624	99,542,568
Net Assets (Deficit), December 31	\$ 73,369,624	\$ 35,931,024	\$ 109,300,648	\$ 109,219,624

See Accompanying Notes to Financial Statements

ATLANTIC COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			2010
	Wastewater Division	Solid Waste Division	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers and Users	\$ 27,415,662	\$ 30,590,568	\$ 58,006,230	\$ 62,263,724
Payments to Employees	(5,697,983)	(8,484,883)	(14,182,866)	(14,526,521)
Payments to Suppliers	(12,375,387)	(15,095,285)	(27,470,672)	(26,991,775)
Net Cash Provided by Operating Activities	<u>9,342,292</u>	<u>7,010,400</u>	<u>16,352,692</u>	<u>20,745,428</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Subsidies and Transfers to Other Funds	66,457	(66,457)	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of Capital Assets	(4,610,428)	(7,045,247)	(11,655,675)	(10,892,830)
Principal Paid on Capital Debt	(6,537,758)	(5,445,000)	(11,982,758)	(8,355,771)
Interest Paid on Capital Debt	(1,669,790)	(2,607,928)	(4,277,718)	(4,078,871)
State Contribution		1,700,000	1,700,000	5,130,747
Proceeds from Wastewater Trust	5,021,967		5,021,967	684,584
Net Cash (Used) by Capital and Related Financing Activities	<u>(7,796,009)</u>	<u>(13,398,175)</u>	<u>(21,194,184)</u>	<u>(17,512,141)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Income	198,802	28,024	226,826	266,072
Transferred to Investments	(5,140,951)	(6,846,080)	(11,987,031)	(2,578,997)
Net Cash Provided (Used) by Investing Activities	<u>(4,942,149)</u>	<u>(6,818,056)</u>	<u>(11,760,205)</u>	<u>(2,312,925)</u>
Net Increase (decrease) in Cash and Cash Equivalents	(3,329,409)	(13,272,288)	(16,601,697)	920,362
Cash and Cash Equivalents, January 1	<u>26,692,265</u>	<u>26,613,929</u>	<u>53,306,194</u>	<u>52,385,832</u>
Cash and Cash Equivalents, December 31	<u>\$ 23,362,856</u>	<u>\$ 13,341,641</u>	<u>\$ 36,704,497</u>	<u>\$ 53,306,194</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating Income	\$ 1,980,631	\$ 17,149	\$ 1,997,780	\$ 8,670,324
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation Expense	5,337,233	5,340,297	10,677,530	10,636,955
Amortization of Bond Issuance Costs	367,804	58,928	426,732	426,732
Bad Debt Expense		-	-	20,000
(Increase) Decreases in Accounts Receivable	270,882	54,356	325,238	162,734
Increase (Decrease) in:				
Accrued Landfill Post Closure Costs		512,404	512,404	1,684,578
Accounts and Other Payables	1,544,953	1,055,722	2,600,675	(448,004)
Deferred Revenue	(159,211)		(159,211)	(159,673)
Customer Deposits		(28,456)	(28,456)	24,876
Amounts Held by the State			-	(273,094)
	<u>\$ 9,342,292</u>	<u>\$ 7,010,400</u>	<u>\$ 16,352,692</u>	<u>\$ 20,745,428</u>
Unrestricted Cash and Cash Equivalents	\$ 12,208,990	\$ 7,260,119	\$ 19,469,109	\$ 28,353,983
Restricted Cash and Cash Equivalents	11,153,866	6,081,522	17,235,388	24,952,211
	<u>\$ 23,362,856</u>	<u>\$ 13,341,641</u>	<u>\$ 36,704,497</u>	<u>\$ 53,306,194</u>

See Accompanying Notes to Financial Statements

**THE ATLANTIC COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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 and recycling related pre-operating costs were capitalized through December 31, 1991. Recycling operations and the amortization of recycling capitalized costs commenced January 1, 1992, the date when recycling activities were initially included in rates charged to customers.

In the opinion of management, revenues of the Solid Waste Division are adequate to cover all operating expenses, current capital costs, and a portion of the debt service on bonds issued by the Authority in 1992 for the Solid Waste Division’s capital facilities (“1992 bonds”). Through the year 2011, the State of New Jersey has followed a policy to provide subsidies to fund any debt service shortfall for pre-deregulation Solid Waste debt, including the 1992 bonds. In 2012 the Authority was informed that there would be no state subsidy provided for the March 2012 Debt Service Payment.

NOTE 2 – BASIS OF PRESENTATION

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

**THE ATLANTIC COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 and 2010
(CONTINUED)**

NOTE 2 – BASIS OF PRESENTATION - Continued

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

- the organization is legally separate (can sue or be sued in their own name);
- the primary government holds the corporate powers of the organization;
- the primary government appoints a voting majority of the 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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation and Basis of Accounting

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

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

**THE ATLANTIC COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 and 2010
(CONTINUED)**

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Statement Presentation and Basis of Accounting - Continued

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

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

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

Wastewater Service Contract

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

**THE ATLANTIC COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 and 2010
(CONTINUED)**

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Wastewater Bond Resolutions

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

Construction Fund – All costs pertaining to the acquisition or construction of a designated project shall be paid from this Fund and capitalized herein. The proceeds from the sale of bonds and certain receipts are deposited herein to pay for all such construction costs. Interest earned on investments in this Fund is credited to project costs. At December 31, 2011 and 2010, the Construction Fund and Wastewater Trust Fund cash equivalents amounted to \$1,550,121 and \$1,376,168 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, 2011 and 2010, the Rebate Fund amounted to \$92,463.

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.

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, 2011 and 2010, the Debt Service Fund cash amounted to \$6,614,634 and \$6,459,410, respectively.

Debt Service Reserve Fund (1991, 1994 and 1998 Series) – The balance in this Reserve Fund shall be maintained equal to the maximum amount of principal and interest payable in any one year on the Wastewater Revenue Bonds (1991, 1994 and 1998 Series) less any surety. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. At December 31, 2011 and 2010, the Debt Service Reserve Fund cash and investments amounted to \$2,896,698 and \$2,952,836, 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, 2011 and 2010, the Renewal and Replacement Fund cash amounted to \$5,543,004 and \$5,548,491, respectively. The System Reserve Fund, a component of the Renewal and Replacement Fund, cash requirement at both December 31, 2011 and 2010 was \$4,800,000.

**THE ATLANTIC COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 and 2010
(CONTINUED)**

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Solid Waste Bond Resolutions

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

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

Construction Fund – All costs pertaining to the acquisition or construction of a designated project shall be paid from this Fund and capitalized herein. The proceeds from the sale of bonds and certain receipts are deposited herein to pay for all such construction costs. At December 31, 2011 and 2010, Restricted Cash and Investments included in this Fund amounted to \$0.

Rebate Fund – The balance in this Fund shall be maintained in an amount sufficient to make payments to the United States Treasury for investment earnings above levels permitted by Section 148(f) of The Internal Revenue Code of 1986, as amended. At December 31, 2011 and 2010, the Rebate Fund amounted to \$0.

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

Debt Service Fund – The balance in the Debt Service Fund shall be maintained in an amount sufficient to pay the interest and principal currently due on the 1992 Bonds. At December 31, 2011 and 2010, the Debt Service Fund cash amounted to \$2,701,317 and \$810,138, respectively.

Debt Service Reserve Fund – The balance in this Reserve Fund shall be maintained in an amount equal to the lesser of (a) 10% of the principal amount of Bonds which are outstanding from time to time, (b) maximum amount of principal and interest which is payable during the current or any subsequent fiscal year with respect to all Series of Bonds, including the 1992 Bonds, or (c) 125% of the average annual principal and interest which is payable with respect to all Series of Bonds, including the 1992 Bonds. The Debt Service Reserve Fund must be marked to market not less than annually. At December 31, 2011 and 2010, the Debt Service Reserve Fund cash amounted to \$2,631,532.

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

**THE ATLANTIC COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 and 2010
(CONTINUED)**

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Solid Waste Bond Resolutions - Continued

Renewal and Replacement Fund – The balance in this fund shall be maintained in an amount equal to the System Improvement Requirement (the “Requirement”). The Requirement is equal to the amount, as certified by the independent consulting engineer, which is reasonably necessary to be held as a Reserve for Expenses with respect to the System for (a) nonrecurring major repairs, renewals, replacements or maintenance items, or (b) expenses relating to the closure and post closure of any System component, or (c) repairs, renewals, replacements resulting from the occurrence of uncontrollable events or circumstances which are not covered by the proceeds of an insurance policy. At December 31, 2011 and 2010, the Renewal and Replacement Fund cash amounted to \$3,245,980 and \$13,905,441, respectively.

Investments

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

Investments are obligations of the United State Government and are stated at cost, which approximates market. Investments are not considered cash equivalents for purposes of the Statement of Cash Flows.

Property, Plant and Equipment And Other Capitalized Costs

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

Depreciation is determined on a straight-line basis for all Plant and Equipment. Depreciation is provided over the following estimated 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. Deferred solid waste pre-operating costs are amortized over 25 years, the term of the debt which funded such costs.

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

**THE ATLANTIC COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 and 2010
(CONTINUED)**

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Unamortized Debt Issue Costs

Debt issue costs are being amortized over the life of the issues.

Wastewater Revenues

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

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

Allocation of Common Costs

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

Restricted Assets

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

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment consisted of the following at December 31, 2011 and 2010:

Wastewater Division:

	<u>2010</u>		<u>Increases</u>		<u>Decreases</u>		<u>2011</u>
Land	\$ 12,691,336	\$		\$		\$	12,691,336
Sewer Mains and Interceptors	73,977,640		2,559,700				76,537,340
Buildings and Improvements	44,653,246		4,712,757				49,366,003
Machinery and Equipment	40,398,043						40,398,043
Incinerator Facility	16,353,524						16,353,524
Atlantic Coastal Alternative	26,629,575						26,629,575
	<u>214,703,364</u>		<u>7,272,457</u>		<u>-</u>		<u>221,975,821</u>
Less: Accumulated Depreciation	(134,812,727)		(5,337,233)				(140,149,960)
	<u>\$ 79,890,637</u>	\$	<u>1,935,224</u>	\$	<u>-</u>	\$	<u>81,825,861</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.

**THE ATLANTIC COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 and 2010
(CONTINUED)**

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT - Continued

Property, Plant and Equipment consisted of the following at December 31, 2011 and 2010:

Solid Waste Division:

	<u>2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>2011</u>
Land and Improvements	\$ 14,758,844	\$	\$	\$ 14,758,844
Buildings	26,998,713	6,111,107		33,109,820
Equipment and Vehicles	25,206,084	728,774		25,934,858
Landfill Design and Implementation	47,472,454	5,164,885		52,637,339
Planning and Designs	3,375,832			3,375,832
	<u>117,811,927</u>	<u>12,004,766</u>	<u>-</u>	<u>129,816,693</u>
Less: Accumulated Depreciation	(74,948,966)	(5,340,298)		(80,289,263)
	<u>\$ 42,862,961</u>	<u>\$ 6,664,468</u>	<u>\$ -</u>	<u>\$ 49,527,430</u>

NOTE 5 – BONDS PAYABLE

Wastewater Revenue and Revenue Refunding Bonds at December 31, 2011 and 2010 consist of the following:

	<u>2010</u>	<u>Decreases</u>	<u>2011</u>
Wastewater Revenue Bonds, 1991 Series	\$ 130,232	\$ 130,232	\$ -
Wastewater Treatment Trust - 1995	2,498,383	473,951	2,024,432
Wastewater Treatment Trust - 1997	4,520,372	595,874	3,924,498
Wastewater Treatment Trust - 2001	1,236,246	96,079	1,140,167
Wastewater Treatment Trust - 2006	2,137,417	244,954	1,892,463
Wastewater Treatment Trust - 2007	2,669,699	145,946	2,523,753
Environmental Infrastructure Trust - 2004	3,718,284	250,424	3,467,860
Sewer Revenue Refunding Bonds, 2003 Series	8,915,000	460,000	8,455,000
Sewer Revenue Refunding Bonds, 2009 Series	14,215,000	4,125,000	10,090,000
NJ Environmental Infrastructure Trust Series 2010A	3,987,500	140,625	3,846,875
NJ Environmental Infrastructure Trust Series 2010B	1,710,000		1,710,000
	<u>45,738,133</u>	<u>6,663,085</u>	<u>39,075,048</u>
Unamortized Bond Premium	813,819	126,804	687,015
Total	<u>\$ 46,551,952</u>	<u>\$ 6,789,889</u>	<u>\$ 39,762,063</u>

**THE ATLANTIC COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 and 2010
(CONTINUED)**

NOTE 5 – BONDS PAYABLE - Continued

Solid Waste Revenue Bonds and Loans at December 31, 2011 and 2010 consist of the following:

	<u>2010</u>	<u>Decreases</u>	<u>2011</u>
Solid Waste System Revenue Bonds	\$ 39,325,000	\$ 5,445,000	\$ 33,880,000
Unamortized Bond Discount	(94,808)	(30,281)	(64,527)
Total	<u>\$ 39,230,192</u>	<u>\$ 5,414,719</u>	<u>\$ 33,815,473</u>

The following schedule combines the Total Debt for the two divisions:

Total Net Debt,	
Wastewater Division	\$ 39,075,048
Solid Waste Division	33,880,000
Total Net Debt of the Authority	<u>\$ 72,955,048</u>
Current Portion of Long Term Debt:	
Wastewater Division	\$ 6,706,888
Solid Waste Division	5,845,000
Noncurrent Portion of Debt:	
Wastewater Division	32,368,160
Solid Waste Division	28,035,000
Total Net Debt of the Authority	<u>\$ 72,955,048</u>

Description of Bonds Payable

At December 31, 2011, 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, 2011 is \$2,024,432.

\$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, 2011 is \$3,924,498.

**THE ATLANTIC COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 and 2010
(CONTINUED)**

NOTE 5 – BONDS PAYABLE - Continued

Description of Bonds Payable - Continued

Wastewater Division - Continued

\$1,972,543 New Jersey Wastewater Trust Fund Loan dated 2001, due in semiannual installments for principal and interest through August 1, 2021, bearing interest at various rates from 0.00% to 5.50% per annum. The balance remaining as of December 31, 2011 is \$1,140,167.

\$10,725,000 Sewer Refunding Bonds dated October 15, 2003, due in annual installments for principal beginning January 15, 2006 through January 15, 2015, bearing interest at various rates from 2.00% to 5.75% per annum. The balance remaining as of December 31, 2011 is \$8,455,000.

\$4,919,402 New Jersey Environmental Infrastructure Trust Fund Loan dated 2004, due in semiannual installments for principal and interest through August 1, 2024, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2011 is \$3,467,860.

\$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, 2011 is \$2,523,753.

\$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, 2011 is \$1,892,463.

\$15,170,000 Sewer Refunding Bonds dated September 10, 2010, 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, 2011 is \$10,090,000.

\$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, 2011 is \$3,846,875.

\$1,710,000 New Jersey Environmental Infrastructure Trust Fund Loan Series 2010B, dated December 2011, 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, 2011 is \$1,710,000.

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

Solid Waste Division

\$87,650,000 Solid Waste System Revenue Bonds, dated April 15, 1992, due in annual installments for principal through September 1, 2016, bearing interest at various rates from 5.200% to 7.125% per annum. The balance remaining as of December 31, 2011 is \$33,880,000.

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

**THE ATLANTIC COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 and 2010
(CONTINUED)**

NOTE 5 – BONDS PAYABLE - Continued

Refunding Bonds Issued

Debt service requirements on serial bonds and loans payable at December 31, 2011 are as follows:

Year Ended December 31,	Wastewater Division		Solid Waste Division	
	Principal	Interest	Principal	Interest
2012	\$ 6,706,888	\$ 1,190,436	\$ 5,845,000	\$ 2,205,722
2013	7,008,999	928,255	6,280,000	1,773,769
2014	6,010,772	677,079	6,740,000	1,309,931
2015	6,922,153	421,312	7,240,000	811,894
2016	1,599,901	244,831	7,775,000	276,984
2017 - 2021	5,577,471	794,991		
2022 - 2026	3,894,991	363,496		
2027 - 2030	1,353,873	68,900		
	<u>\$ 39,075,048</u>	<u>\$ 4,689,300</u>	<u>\$ 33,880,000</u>	<u>\$ 6,378,300</u>

Year Ended December 31,	Authority Grand Total		
	Principal	Interest	Total
2012	\$ 12,551,888	\$ 3,396,158	\$ 15,948,046
2013	13,288,999	2,702,024	15,991,023
2014	12,750,772	1,987,010	14,737,782
2015	14,162,153	1,233,206	15,395,359
2016	9,374,901	521,815	9,896,716
2017 - 2021	5,577,471	794,991	6,372,462
2022 - 2026	3,894,991	363,496	4,258,487
2027 - 2030	1,353,873	68,900	1,422,773
	<u>\$ 72,955,048</u>	<u>\$ 11,067,600</u>	<u>\$ 84,022,648</u>

THE ATLANTIC COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 and 2010
(CONTINUED)

NOTE 6 – PENSION PLANS

Description of Plans - 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.

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 eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate for the PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

**THE ATLANTIC COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 and 2010
(CONTINUED)**

NOTE 6 – PENSION PLANS - Continued

Three Year Trend Information for PERS				
Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
12/31/2011	\$ 1,307,343	100%	\$ -	-
12/31/2010	1,038,996	100%	-	-
12/31/2009	890,899	100%	-	-

NOTE 7 – POST-RETIREMENT BENEFITS

The Authority participates 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.

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:

2011 - \$3,972,229
2010 - \$2,930,415
2009 - \$2,525,146

**THE ATLANTIC COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 and 2010
(CONTINUED)**

NOTE 8 – 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 9 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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

NOTE 10 – RISK MANAGEMENT

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

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

NOTE 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, 2011:

United State Treasury Notes	\$	1,863,512
Cash		444,409
	\$	<u>2,307,921</u>

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 no longer the property or rights of the Authority.

**THE ATLANTIC COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 and 2010
(CONTINUED)**

NOTE 13 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash, Cash Equivalents and Investments

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

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

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

GASB Statement No. 3 amended by Statement No. 40 requires disclosure of the level of custodial credit risk assumed by the Authority in its cash, cash equivalents and investments.

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

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

At December 31, 2011, the carrying amount of the Authority's deposits (cash and cash equivalents) was \$36,704,497 and the bank balance was \$37,508,987.

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

**THE ATLANTIC COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 and 2010
(CONTINUED)**

NOTE 13 – CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

As of December 31, 2011, the Authority's bank balance was exposed to custodial credit risk as follows:

	Cash and Cash Equivalents	Investments
Insured	\$ 750,000	\$
Collateralized with securities held by the pledging financial Institution	36,758,987	36,969,938
	\$ 37,508,987	\$ 36,969,938

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the Authority's bank accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Authority would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2011, all of the Authority's deposits were covered by either FDIC or GUDPA and therefore not exposed to custodial credit risk. The Authority does not have a policy for custodial credit risk.

Investments

Pursuant to the Enabling Act, the funds of the Authority may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the Authority may approve. It invests pooled monies from various State and non-State agencies in primarily short-term investments.

As of December 31, the Authority held the following investments:

	2011 Fair Value	2011 Book Value	2010 Fair Value	2010 Book Value
Wastewater:				
US Treasury Strips	\$ 362,248	\$ 362,248	\$ 343,146	\$ 343,146
US Treasury Bonds	1,147,566	1,147,566	1,191,642	1,191,642
New Jersey ARM	11,088,546	11,088,546	5,922,621	5,922,621
Solid Waste:				
New Jersey ARM	22,063,657	22,063,657	12,776,830	12,776,830
Total	\$ 34,662,017	\$ 34,662,017	\$ 20,234,239	\$ 20,234,239
Unrestricted		\$ 16,647,034		\$ 11,409,971
Restricted		18,014,983		8,824,268
		\$ 34,662,017		\$ 20,234,239

**THE ATLANTIC COUNTY UTILITIES AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 and 2010
(CONTINUED)**

NOTE 14 – SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2011 through April 6, 2012 the date that the financial statements were issued for possible disclosure and recognition in the financial statements, the following item has come to the attention of the Authority that requires disclosure.

In October of 2011 the Authority's largest hauler Waste Management of NJ Inc., began hauling commercial waste to an out of state facility. Revenue derived from Waste Management of NJ Inc. accounted for an annual average of \$4.6 million worth of Solid Waste Division Tipping Fee income over the last two years. The Authority estimates this revenue source going forward should average about \$7.1 million worth of Solid Waste Division Tipping Fee income, as a result of Waste Management of NJ Inc.'s purchase of an Atlantic County transfer station and waste hauling business that was disposing of waste elsewhere prior to its purchase.

In 2010 the County of Atlantic adopted an Ordinance implementing limited solid waste flow control by requiring solid waste generated in Atlantic County to be disposed of at the ACUA Landfill in Egg Harbor Township. This Ordinance however, excluded waste that would be disposed of out of state.

On February 28, 2012 the County of Atlantic adopted Ordinance 6-2012 expanding the system of solid waste flow control for solid waste by requiring all solid waste generated in Atlantic County to be disposed of at the ACUA Landfill in Egg Harbor Township.

ACUA is anticipating that Ordinance 6-2012 will be approved by the NJ Department of Environmental Protection and become effective at that time.

OTHER SUPPLEMENTARY INFORMATION

WASTEWATER DIVISION

**ATLANTIC COUNTY UTILITIES AUTHORITY
WASTEWATER DIVISION
COMPARATIVE STATEMENT OF NET ASSETS
MODIFIED GAAP BASIS
DECEMBER 31, 2011 AND 2010**

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and Cash Equivalents	\$ 12,208,990	\$ 13,184,839
Investments	7,055,306	4,535,467
Accrued Interest Receivable	45,177	52,177
Accounts Receivable	692,562	963,444
	<hr/>	<hr/>
Total Current Assets	<u>20,002,035</u>	<u>18,735,927</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	11,153,866	13,507,426
Investments	5,543,054	2,921,942
Accrued Interest Receivable	-	-
Loans Receivable	2,180,920	7,202,887
	<hr/>	<hr/>
Total Noncurrent Assets	<u>18,877,840</u>	<u>23,632,255</u>
Capital Assets:		
Property, Plant and Equipment	221,975,821	218,894,456
Less: Accumulated Depreciation	(140,149,960)	(134,812,727)
	<hr/>	<hr/>
Net Capital Assets	<u>81,825,861</u>	<u>84,081,729</u>
Unamortized Bond Issue Costs	<u>1,169,084</u>	<u>1,536,888</u>
TOTAL ASSETS	\$ <u><u>121,874,820</u></u>	\$ <u><u>127,986,799</u></u>

**ATLANTIC COUNTY UTILITIES AUTHORITY
WASTEWATER DIVISION
COMPARATIVE STATEMENT OF NET ASSETS
MODIFIED GAAP BASIS
DECEMBER 31, 2011 AND 2010**

<u>LIABILITIES</u>	<u>2011</u>	<u>2010</u>
Current Liabilities Payable from Current Assets:		
Accounts Payable	\$ 3,497,465	\$ 2,831,410
Deferred Revenue	159,210	159,674
Due to Solid Waste Division	811,405	744,948
	<hr/>	<hr/>
Total Current Liabilities Payable from Current Assets	4,468,080	3,736,032
Current Liabilities Payable from Restricted Assets:		
Construction Contracts Payable	2,733,282	4,262,345
Current Portion of Long - Term Debt	6,706,888	6,537,759
Accrued Interest	590,833	683,729
	<hr/>	<hr/>
Total Current Liabilities Payable from Restricted Assets:	10,031,003	11,483,833
Noncurrent Liabilities:		
Deferred Revenue	653,471	812,218
Post Retirement Benefits Payable	535,019	535,019
Accrued Compensated Absences	600,004	600,004
Long - Term Portion of Bonds Payable (Note 5) (Net of Unamortized Bond Premium and Discount of \$687,015 and \$813,819 in 2011 and 2010, respectively)	33,055,175	40,014,193
	<hr/>	<hr/>
Total Noncurrent Liabilities	34,843,669	41,961,434
TOTAL LIABILITIES	\$ 49,342,752	\$ 57,181,299
<u>NET ASSETS</u>		
Investment in Capital Assets, Net of Related Debt	\$ 42,063,798	\$ 37,529,777
Restricted for:		
Renewal and Replacement	4,800,000	4,800,000
Debt Service Fund	6,614,634	6,459,410
Debt Service Reserve Fund	7,415,415	7,415,415
Unrestricted	11,638,221	14,600,898
	<hr/>	<hr/>
TOTAL NET ASSETS	\$ 72,532,068	\$ 70,805,500

**ATLANTIC COUNTY UTILITIES AUTHORITY
WASTEWATER DIVISION
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
MODIFIED GAAP BASIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Operating Revenues:		
User Service Agreements:		
Operating	\$ 15,561,319	\$ 15,586,113
General	8,078,142	8,053,350
Sludge	1,609,893	1,786,943
Septage and Leachate	542,318	562,214
Other	1,512,319	5,468,213
	<u>27,303,991</u>	<u>31,456,833</u>
Total Operating Revenues		
Operating Expenses:		
Salaries	5,697,983	5,724,636
Employee Benefits	3,037,821	3,054,946
Power and Utilities	2,768,681	2,656,315
Chemicals	1,117,777	1,051,758
Fuel	1,148,062	1,463,031
Supplies and Miscellaneous Maintenance	2,427,313	2,295,747
Contractual Services	551,246	545,522
Indirect Operating Expenses	477,805	485,062
Administrative	1,344,991	1,327,870
Licenses and Permits	167,746	153,742
Depreciation	5,337,233	5,288,622
Amortization of Bond Issue Costs	367,804	367,804
	<u>24,444,462</u>	<u>24,415,055</u>
Total Operating Expenses		
Operating Income	<u>2,859,529</u>	<u>7,041,778</u>
Non - Operating Revenues / (Expenses):		
Interest Income	191,802	219,073
Interest Expense	(1,324,763)	(1,480,295)
	<u>(1,132,961)</u>	<u>(1,261,222)</u>
Total Non - Operating Expenses		
Net Income / (Loss)	1,726,568	5,780,556
Net Assets, January 1	<u>70,805,500</u>	<u>65,024,944</u>
Net Assets, December 31	<u>\$ 72,532,068</u>	<u>\$ 70,805,500</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY
WASTEWATER DIVISION
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES COMPARED
TO BUDGET - RATE BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	2011 Budget	2011 Actual
Revenues:		
User Service Agreements:		
Operating and General Charge	\$ 23,639,460	\$ 23,639,461
Sludge, Septage, and Leachate	1,963,500	2,152,211
Interest on Investments and Deposits	201,000	191,802
Miscellaneous	1,822,615	1,512,319
Fund Balance Anticipated	460,000	
	<hr/>	<hr/>
Total Revenues	28,086,575	27,495,793
Expenses:		
Salaries	5,749,954	5,697,983
Employee Benefits	3,317,355	3,037,821
Power and Utilities	2,865,000	2,768,681
Chemicals	1,124,000	1,117,777
Fuel	1,329,000	1,151,077
Supplies and Miscellaneous Maintenance	1,287,500	1,233,686
Contractual Services	695,865	587,930
Indirect Operating Expenses	678,500	660,586
Administrative	1,611,260	1,371,832
Maintenance Program Expenditures	1,350,000	1,246,110
Canceled Purchase Orders		(134,057)
	<hr/>	<hr/>
Total Operating Expenses	20,008,434	18,739,426
Debt Service	8,078,141	8,078,142
Total Expenses	28,086,575	26,817,568
Net Income / (Loss) from Operations	\$ -	\$ 678,225

**ATLANTIC COUNTY UTILITIES AUTHORITY
WASTEWATER DIVISION
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Description	Face Amount	Interest Rate	Due Date	Fair Value December 31, 2011
Unrestricted Accounts:				
Cash	\$ 3,070,851			\$ 3,070,851
NJ ARM	43,970			43,970
NJ ARM - NJ Term	1,680,964	0.0570%	2/15/2012	1,680,964
NJ ARM - NJ Term	1,684,291	0.1170%	5/15/2012	1,684,291
NJ ARM - NJ Term	1,646,647	0.2330%	6/22/2012	1,646,647
NJ ARM - NJ Term	2,043,404	0.1170%	5/15/2012	2,043,404
NJ ARM	755			755
First American Treasury Money Market	9,093,414			9,093,414
Total Unrestricted	19,264,296			19,264,296
Restricted Accounts:				
Wastewater Trust Fund:				
First American Treasury Money Market:				
1981 Water Supply	61			61
Wastewater Trust - 1997	133,577			133,577
Wastewater Trust - 2007	423,512			423,512
Wastewater Trust - 2010 A	851,881			851,881
Wastewater Trust - 2010 B	141,090			141,090
	<u>1,550,121</u>			<u>1,550,121</u>
Rebate Account:				
First American Treasury Money Market	92,463			92,463
	<u>92,463</u>			<u>92,463</u>
Debt Service Fund:				
First American Treasury Money Market	6,614,634			6,614,634
	<u>6,614,634</u>			<u>6,614,634</u>
Debt Service Reserve Fund:				
NJ ARM	3,208	0.0300%		3,208
First American Treasury Money Market	26,082			26,082
NJ ARM - NJ Term	669,716	0.2000%	1/17/2012	669,716
NJ ARM - NJ Term	687,878	0.1700%	5/15/2012	687,878
United States Treasury Bonds	1,149,681	11.2500%	2/15/2015	1,147,566
United States Treasury Bonds	70,568		2/15/2015	362,248
	<u>2,607,133</u>			<u>2,896,698</u>
Renewal and Replacement Fund:				
First American Treasury Money Market	2,864,201			2,864,201
NJ ARM - NJ Term	2,675,646	0.1170%	5/15/2012	2,675,646
NJ ARM	3,157	0.0300%		3,157
	<u>5,543,004</u>			<u>5,543,004</u>
Total	\$ 35,671,651			\$ 35,961,216
Unrestricted				
Cash and Cash Equivalents	\$ 12,208,990			\$ 12,208,990
Investments	7,055,306			7,055,306
Restricted:				
Cash and Cash Equivalents	11,153,866			11,153,866
Investments	5,253,489			5,543,054
	<u>\$ 35,671,651</u>			<u>\$ 35,961,216</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
WASTEWATER DIVISION
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT AND OTHER CAPITALIZED COSTS
MODIFIED GAAP BASIS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, 2009, 2008 AND 2007

	2011	2010	2009	2008	2007
Additions During the Year:					
Property, Plant and Equipment:					
Land	\$	\$	\$	\$	\$
Sewer Mains and Interceptors		719,659	252		32,597
Buildings and Improvements	521,665	6,684,436	4,070	1,648,799	173,514
Construction in Progress	2,559,700	(7,146,609)	7,146,609		
Equipment and Vehicles			1,208,194		
Total Additions	3,081,365	257,486	8,359,124	1,648,799	206,111
Costs Capitalized at the Beginning of the Year	218,894,456	218,636,970	210,277,846	208,629,047	208,422,936
	221,975,821	218,894,456	218,636,970	210,277,846	208,629,047
Less:					
Accumulated Depreciation and Amortization	(140,149,960)	(134,812,727)	(129,524,105)	(124,376,698)	(119,300,191)
Total Property, Plant and Equipment, End of Year	\$ 81,825,861	\$ 84,081,729	\$ 89,112,865	\$ 85,901,148	\$ 89,328,856

ATLANTIC COUNTY UTILITIES AUTHORITY
WASTEWATER DIVISION
SCHEDULE OF DEBT ISSUE COSTS
MODIFIED GAAP BASIS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, 2009, 2008 AND 2007

	2011	2010	2009	2008	2007
Costs Capitalized at the Beginning of the Year	\$ 5,420,030	\$ 5,420,030	\$ 5,206,878	\$ 5,206,878	\$ 5,206,878
Net Effect of Refunding Bond Issue			213,152		
Less:					
Accumulated Amortization	(4,250,946)	(3,883,142)	(3,515,338)	(3,147,534)	(2,853,344)
Unamortized Debt Issue Costs	\$ 1,169,084	\$ 1,536,888	\$ 1,904,692	\$ 2,059,344	\$ 2,353,534

SOLID WASTE DIVISION

**ATLANTIC COUNTY UTILITIES AUTHORITY
SOLID WASTE DIVISION
COMPARATIVE STATEMENT OF NET ASSETS
MODIFIED GAAP BASIS
DECEMBER 31, 2011 AND 2010**

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and Cash Equivalents	\$ 7,260,119	\$ 15,169,144
Investments	9,591,728	6,874,504
Accrued Interest Receivable	11,664	16,463
Accounts Receivable (net of Allowance \$550,474 and \$583,965 in 2011 and 2010 respectively)	1,843,711	1,898,067
Due from Wastewater Division	<u>811,405</u>	<u>744,948</u>
Total Current Assets	<u>19,518,627</u>	<u>24,703,126</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	6,081,522	11,444,785
Investments	12,471,929	5,902,326
Amounts Held by State of New Jersey	2,307,921	4,748,668
Accrued Interest Receivable	<u>8,690</u>	<u>6,820</u>
Total Noncurrent Assets	<u>20,870,062</u>	<u>22,102,599</u>
Capital Assets:		
Property, Plant and Equipment	129,816,693	123,776,927
Less: Accumulated Depreciation	<u>(80,289,263)</u>	<u>(74,948,966)</u>
Net Capital Assets	<u>49,527,430</u>	<u>48,827,961</u>
Deferred Costs:		
Unamortized Bond Discount and Issue Costs	<u>384,250</u>	<u>443,178</u>
Total Deferred Costs	<u>384,250</u>	<u>443,178</u>
TOTAL ASSETS	\$ <u><u>90,300,369</u></u>	\$ <u><u>96,076,864</u></u>

**ATLANTIC COUNTY UTILITIES AUTHORITY
SOLID WASTE DIVISION
COMPARATIVE STATEMENT OF NET ASSETS
MODIFIED GAAP BASIS
DECEMBER 31, 2011 AND 2010**

<u>LIABILITIES</u>	<u>2011</u>	<u>2010</u>
Current Liabilities Payable from Current Assets:		
Accounts Payable	\$ 3,191,075	\$ 3,443,383
Customer Deposits	114,657	143,113
	<hr/>	<hr/>
Total Current Liabilities Payable from Current Assets	3,305,732	3,586,496
Current Liabilities Payable from Restricted Assets:		
Construction Contracts Payable	4,973,153	5,978,634
Current Portion of Long - Term Debt	5,845,000	5,445,000
Accrued Interest	804,650	933,969
	<hr/>	<hr/>
Total Current Liabilities Payable from Restricted Assets:	11,622,803	12,357,603
Noncurrent Liabilities Payable from Restricted Assets:		
Accrued Landfill Closure and Post - Closure Care Cost	10,589,044	10,076,640
	<hr/>	<hr/>
Noncurrent Liabilities:		
Accrued Compensated Absences	670,419	670,419
Post Retirement Benefits Payable	800,000	800,000
Long - Term Portion of Bonds Payable (Note 5) (Net of Unamortized Bond Premium and Discount of \$64,527 and \$94,808 in 2011 and 2010, respectively)	27,970,473	33,785,192
	<hr/>	<hr/>
Total Noncurrent Liabilities	40,029,936	45,332,251
TOTAL LIABILITIES	\$ 54,958,471	\$ 61,276,350
	<hr/> <hr/>	<hr/> <hr/>
<u>NET ASSETS</u>		
Investment in Capital Assets, Net of Related Debt Restricted for:	\$ 15,711,957	\$ 9,597,769
Debt Service Reserve Fund	8,053,769	8,053,769
Unrestricted	11,576,172	17,148,976
	<hr/>	<hr/>
TOTAL NET ASSETS (DEFICIT)	\$ 35,341,898	\$ 34,800,514
	<hr/> <hr/>	<hr/> <hr/>

**ATLANTIC COUNTY UTILITIES AUTHORITY
SOLID WASTE DIVISION
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
MODIFIED GAAP BASIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Operating Revenues:		
Tipping Fees	\$ 19,120,975	\$ 18,681,678
Collections and Recycling Income	8,781,220	8,644,330
Grant Income	524,907	126,853
Composting Income	1,121,215	962,187
Other	1,016,351	2,592,807
	<u>30,564,668</u>	<u>31,007,855</u>
Total Operating Revenues		
Operating Expenses:		
Salaries	8,484,883	8,796,388
Employee Benefits	4,797,272	4,811,812
Power and Utilities	548,228	681,461
Fuel	1,465,040	1,338,252
Supplies and Miscellaneous Maintenance	2,054,272	2,501,288
Indirect Operating Expenses	2,275,901	2,111,922
Accrued Landfill Closure Costs	511,090	1,684,578
Administrative	943,423	959,611
Community Benefit	1,813,988	1,760,122
Recycling and Other Taxes	946,167	922,902
Bad Debt Expense		20,000
Depreciation	5,340,297	5,348,333
Amortization of Bond Issue Costs	58,928	58,928
	<u>29,239,489</u>	<u>30,995,597</u>
Total Operating Expenses		
Operating Income	<u>1,325,179</u>	<u>12,258</u>
Non - Operating Revenues / (Expenses):		
Interest Income	25,095	34,285
Interest Expense	(2,508,890)	(2,897,078)
Contributions - State Subsidy	1,700,000	5,130,747
	<u>(783,795)</u>	<u>2,267,954</u>
Total Non - Operating Expenses		
Net Income / (Loss)	541,384	2,280,212
Net Assets (Deficit), January 1	34,800,514	32,520,302
Extraordinary Item - Reduction in Closure Costs		
Net Assets (Deficit), December 31	<u>\$ 35,341,898</u>	<u>\$ 34,800,514</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY
SOLID WASTE DIVISION
SCHEDULE OF REVENUES AND COSTS FUNDED BY OPERATING REVENUES COMPARED TO BUDGET - RATE
BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	2011 Budget	2011 Actual
Long Term Debt Related Revenues:		
State Subsidy	\$ 1,700,000	\$ 1,700,000
	1,700,000	1,700,000
Less:		
Long Term Debt Related Expense:		
Principal and Interest	8,256,943	8,256,943
	8,256,943	8,256,943
Net Loss on Debt Related Activities	(6,556,943)	(6,556,943)
Operating Revenues:		
Tipping Fees	22,707,379	19,120,975
Collections and Recycling Income	9,448,551	8,781,220
Composting Income	918,198	1,121,215
Other	1,595,559	1,541,258
Interest Income	40,000	25,095
Fund Balance Anticipated	1,594,379	
Total Operating Revenues	36,304,066	30,589,763
Operating Expenses:		
Administration	2,880,362	3,151,261
Solid Waste Administration	1,107,514	941,080
Transfer Station Operations	1,230,279	1,138,689
Composting Operations	565,598	543,282
Landfill Operations	7,373,898	6,303,787
Recycling Center Processing	520,736	364,916
Collections	6,512,678	6,548,818
Maintenance Center	5,904,521	5,700,004
Canceled Purchase Orders		(581,240)
Total Operating Expenses	26,095,586	24,110,597
Net Income from Operating Activities	10,208,480	6,479,166
Renewal and Replacement Fund CIP	(3,651,537)	(3,258,435)
Landfill Closure		
Net Income	\$ -	\$ (3,336,212)

**ATLANTIC COUNTY UTILITIES AUTHORITY
SOLID WASTE DIVISION
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Description	Face Amount	Interest Rate	Due Date	Fair Value December 31, 2011
Unrestricted Accounts:				
Operations:				
Cash	\$ 117,290			\$ 117,290
Revenue Fund:				
NJ ARM	19,236	0.0300%		19,236
NJ ARM - NJ Term	901,239	0.0570%	2/15/2012	901,239
NJ ARM - NJ Term	1,798,179	0.2230%	6/22/2012	1,798,179
Goldman Sachs US Treasury Obligation Fund 470	3,896,970	0.0100%		3,896,970
Goldman Sachs US Treasury Obligation Fund 470	839,555	0.0100%		839,555
NJ ARM - NJ Term	2,375,434	0.2000%	2/22/2012	2,375,434
NJ ARM - NJ Term	2,306,417	0.1170%	5/15/2012	2,306,417
NJ ARM	4,156	0.0300%		4,156
	<u>12,141,186</u>			<u>12,141,186</u>
E.I.C.:				
Goldman Sachs US Treasury Obligation Fund 470	699	0.0100%		699
	<u>699</u>			<u>699</u>
Operating Reserve:				
Goldman Sachs US Treasury Obligation Fund 470	2,332,850	0.0100%		2,332,850
NJ ARM	49,363	0.0300%		49,363
NJ ARM - NJ Term	2,210,459	0.2000%	2/22/2012	2,210,459
	<u>4,592,672</u>			<u>4,592,672</u>
Restricted Accounts:				
Renewal and Replacement Fund:				
Goldman Sachs US Treasury Obligation Fund 470	120,547	0.0100%		120,547
NJ ARM - NJ Term	699,634	0.1100%	2/17/2012	699,634
NJ ARM - NJ Term	1,596,599	0.0250%	3/23/2012	1,596,599
NJ ARM - NJ Term	202,062	0.1400%	8/10/2012	202,062
NJ ARM	627,138	0.0300%		627,138
	<u>3,245,980</u>			<u>3,245,980</u>
Landfill Closure Fund:				
NJ ARM - NJ Term	1,694,368	0.1320%	2/16/2012	1,694,368
NJ ARM - NJ Term	1,379,662	0.0700%	2/22/2012	1,379,662
NJ ARM - NJ Term	1,998,468	0.2140%	2/29/2012	1,998,468
NJ ARM - NJ Term	4,901,136	0.1700%	5/15/2012	4,901,136
NJ ARM	988			988
	<u>9,974,622</u>			<u>9,974,622</u>
Standard Escrow Fund:				
US Treasury Notes	187,858	4.5000%	2/15/2016	187,858
US Treasury Notes	1,675,654	0.0000%	11/15/2016	1,675,654
U.S. Treasury Fund	278,685	0.0200%		278,685
U.S. Treasury Fund	165,724	0.0100%		165,724
	<u>2,307,921</u>			<u>2,307,921</u>
Debt Service and Debt Service Reserve Funds:				
Goldman Sachs US Treasury Obligation Fund 470	2,631,532	0.0100%		2,631,532
Goldman Sachs US Treasury Obligation Fund 470	2,701,317	0.0100%		2,701,317
	<u>5,332,849</u>			<u>5,332,849</u>
Total	\$ 37,713,219			\$ 37,713,219
Unrestricted:				
Cash and Cash Equivalents	\$ 7,260,119			\$ 7,260,119
Investments	9,591,728			9,591,728
Restricted:				
Cash and Cash Equivalents	6,081,522			6,081,522
Investments	12,471,929			12,471,929
Cash and Investments held by the State of New Jersey	2,307,921			2,307,921
	<u>\$ 37,713,219</u>			<u>\$ 37,713,219</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY
SOLID WASTE DIVISION
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT AND OTHER PREOPERATING COSTS
MODIFIED GAAP BASIS**

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, 2009, 2008 AND 2007

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Waste Disposal:					
Additions (Deletions) During the Year:					
Property, Plant and Equipment:					
Land and Improvements	\$	\$	\$	\$	\$
Buildings and Improvements		5,974,289	10,207	87,167	66,030
Equipment and Vehicles	540,982	1,614,124	78,006	555,432	526,994
Landfill Design and Implementation	5,164,885		483,063		3,982,550
Planning and Designs					
Total Additions	<u>5,705,867</u>	<u>7,588,413</u>	<u>571,276</u>	<u>786,130</u>	<u>4,575,574</u>
Costs Capitalized at the Beginning of the Year	<u>94,861,910</u>	<u>87,273,497</u>	<u>86,702,221</u>	<u>85,916,091</u>	<u>81,340,517</u>
	100,567,777	94,861,910	87,273,497	86,702,221	85,916,091
Less:					
Accumulated Depreciation and Amortization	<u>(64,053,990)</u>	<u>(60,557,543)</u>	<u>(56,770,789)</u>	<u>(52,423,509)</u>	<u>(47,774,542)</u>
Total Property, Plant and Equipment, End of Year	<u>\$ 36,513,787</u>	<u>\$ 34,304,367</u>	<u>\$ 30,502,708</u>	<u>\$ 34,278,712</u>	<u>\$ 38,141,549</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY
SOLID WASTE DIVISION
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT AND OTHER PREOPERATING COSTS
MODIFIED GAAP BASIS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, 2009, 2008 AND 2007**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Waste Recycling:					
Additions (Deletions) During the Year:					
Property, Plant and Equipment:					
Land and Improvements	\$ 146,107	1,639,659	\$	\$	118,678
Buildings and Improvements	187,792	105,430	225,134	268,478	(14,662)
Equipment and Vehicles					1,138,952
Planning and Designs					
Total Additions	<u>333,899</u>	<u>1,745,089</u>	<u>225,134</u>	<u>268,478</u>	<u>1,242,968</u>
Costs Capitalized at the Beginning of the Year	<u>38,774,516</u>	<u>37,029,427</u>	<u>36,804,293</u>	<u>36,535,815</u>	<u>35,292,847</u>
	39,108,415	38,774,516	37,029,427	36,804,293	36,535,815
Less:					
Accumulated Depreciation and Amortization	<u>(26,094,772)</u>	<u>(24,250,922)</u>	<u>(22,689,343)</u>	<u>(21,256,411)</u>	<u>(19,852,148)</u>
Total Property, Plant and Equipment, End of Year	<u>\$ 13,013,643</u>	<u>\$ 14,523,594</u>	<u>\$ 14,340,084</u>	<u>\$ 15,547,882</u>	<u>\$ 16,683,667</u>
Grand Total	<u>\$ 49,527,430</u>	<u>\$ 48,827,961</u>	<u>\$ 44,842,792</u>	<u>\$ 49,826,594</u>	<u>\$ 54,825,216</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
 SOLID WASTE DIVISION
 SCHEDULE OF DEBT ISSUE COSTS
 MODIFIED GAAP BASIS
 FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, 2009, 2008 AND 2007

	2011	2010	2009	2008	2007
Costs Capitalized at the Beginning of the Year	\$ 2,182,779	\$ 2,182,779	\$ 2,182,779	\$ 2,182,779	\$ 2,182,779
Less:					
Accumulated Amortization	<u>(1,798,528)</u>	<u>(1,739,600)</u>	<u>(1,680,672)</u>	<u>(1,621,744)</u>	<u>(1,562,816)</u>
Unamortized Debt Issue Costs	<u>\$ 384,250</u>	<u>\$ 443,178</u>	<u>\$ 502,106</u>	<u>\$ 561,035</u>	<u>\$ 619,963</u>

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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying Special – Purpose Statements of Revenues and Expenses of the Atlantic County Utilities Authority (“Authority”) Wastewater and Solid Waste Divisions for the year ended December 31, 2011. These special – purpose financial statements are the responsibility of the Authority’s management. Our responsibility is to express an opinion on these special – purpose financial statements based on our audit.

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

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

In our opinion, because of the Authority has prepared these special – purpose financial statements on the prescribed basis of accounting discussed in the preceding paragraph, the special – purpose financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Authority, as of December 31, 2011.

However, in our opinion, the special – purpose financial statements referred to above present fairly, in all material respects, the revenues and expenses of the Wastewater and Solid Waste Divisions of the Authority for the year ended December 31, 2011 on the basis of accounting described in Note 1.

Ford, Scott, & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
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Leon P. Costello
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Registered Municipal Accountant
No. 393

April 6, 2012

**ATLANTIC COUNTY UTILITIES AUTHORITY
WASTEWATER DIVISION
SPECIAL - PURPOSE STATEMENT OF REVENUES AND EXPENSES TO COMPLY WITH BOND
RESOLUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Operating Revenues:		
Wastewater		
User Service Agreements:		
Operating	\$	15,561,319
General		8,078,142
Sludge		1,609,893
Septage and Leachate		542,318
Other		1,512,319
Total Operating Revenues		<u>27,303,991</u>
Operating Expenses:		
Salaries		5,697,983
Employee Benefits		3,037,821
Power and Utilities		2,768,681
Chemicals		1,117,777
Fuel		1,148,062
Supplies and Miscellaneous Maintenance		2,427,313
Contractual Services		551,246
Indirect Operating Expenses		477,805
Administrative		1,344,991
Licenses and Permits		167,746
Amortization of Bond Issue Costs		367,804
Total Operating Expenses		<u>19,107,229</u>
Excess of Revenues Over Expenses from Operations		<u>8,196,762</u>
Non - Operating Revenues / (Expenses):		
Interest Income		191,802
Gain on Refunding Bonds		
Interest Expense		(1,324,763)
Total Non - Operating Revenue / (Expenses)		<u>(1,132,961)</u>
Excess of Revenues Over Expenses	\$	<u>7,063,801</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY
SOLID WASTE DIVISION
SPECIAL - PURPOSE STATEMENT OF REVENUES AND EXPENSES TO COMPLY WITH BOND
RESOLUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Operating Revenues:		
Solid Waste		
Tipping Fees	\$	19,120,975
Collections and Recycling Income		8,781,220
Grant Income		524,907
Composting Income		1,121,215
Other		<u>1,016,351</u>
Total Operating Revenues		<u>30,564,668</u>
Operating Expenses:		
Salaries		8,484,883
Employee Benefits		4,797,272
Power and Utilities		548,228
Fuel		1,465,040
Supplies and Miscellaneous Maintenance		2,054,272
Indirect Operating Expenses		2,275,901
Accrued Landfill Closure Costs		511,090
Administrative		943,423
Community Benefit		1,813,988
Recycling and Other Taxes		946,167
Bad Debt Expense		-
Amortization of Bond Issue Costs		<u>58,928</u>
Total Operating Expenses		<u>23,899,192</u>
Excess of Revenues Over Expenses from Operations		<u>6,665,476</u>
Non - Operating Revenues / (Expenses):		
Interest Income		25,095
Interest Expense		(2,508,890)
Total Non - Operating Revenue / (Expenses)		<u>(2,483,795)</u>
Excess of Revenues Over Expenses	\$	<u><u>4,181,681</u></u>

**THE ATLANTIC COUNTY UTILITIES AUTHORITY
NOTE TO SPEICAL – PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1 – BASIS OF PRESENTATION

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

DEBT SERVICE REQUIREMENT

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INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Atlantic County Utilities Authority ("Authority"), as of and for the year ended December 31, 2011, and have issued our report thereon dated April 6, 2012.

In connection with our audit, nothing came to our attention that caused us to believe that, as of December 31, 2011, the Authority was not in compliance with the accounting requirements of Section 6.10(b)(ii) of the Authority's Resolution Authorizing Solid Waste System Revenue Bonds, adopted January 23, 1992, as supplemented and Restated March 5 and April 6, 1992. However, it should be noted that our examination was not directed primarily toward obtaining knowledge of such non – compliance with such accounting requirements.

This report is intended solely for the information and use of the governing body and Management of the Authority, is not intended, and should not be used by anyone other than these parties.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Registered Municipal Accountant
No. 393

April 6, 2012

**ATLANTIC COUNTY UTILITIES AUTHORITY
SOLID WASTE DIVISION
DEBT SERVICE REQUIREMENT
FOR THE YEAR ENDED DECEMBER 31, 2011**

Debt Service Requirement:		
Interest Payable During 2011	\$	2,508,890
Principal Payable During 2011		5,445,000
Subtotal		7,953,890
Plus: Coverage Requirement		110%
Debt Service Requirement	\$	8,749,279
Actual Debt Service Coverage		116.36%
Net Revenues Provided:		
Gross Revenue	\$	31,395,139
Contributions - State Subsidy		1,700,000
Operating Expenses		23,840,264
Net Revenues Provided	\$	9,254,875
Excess	\$	505,596

GENERAL COMMENTS AND RECOMMENDATIONS

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**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**

The Honorable Chairman
And Members of the Board
Of the Atlantic County Utilities Authority

We have audited the basic financial statements of the Atlantic County Utilities Authority (the "Authority"), as of and for the year ended December 31, 2011, and have issued our report thereon dated April 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

Internal Control Over Financial Reporting

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

A 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 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.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the governing body, others within the entity, and the Division as well as other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ford, Scott & Associates, L.L.C.
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No. 393

April 6, 2012

**ATLANTIC COUNTY UTILITIES AUTHORITY
GENERAL COMMENTS AND RECOMMENDATIONS
For the Year Ended December 31, 2011**

FINDINGS AND RECOMMENDATIONS

None Noted.

SINGLE AUDIT SECTION

ATLANTIC COUNTY UTILITIES AUTHORITY
 SCHEDULE OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant I.D. Number	State Account Number	Grant Period		Program Receipts	Program Expenditures	Total Expenditures
				From	To			
U.S. Environmental Protection Agency:								
Passed through NJ Department of Environmental Protection:								
ARRA - Wastewater Treatment Construction Programs								
ARRA - Fund Loan	66.458	S340809-17 ARRA	4860-510-016	Open	Open	\$ 76,831	\$ 76,831	\$ 76,831
ARRA - Fund Loan	66.458	S340809-17 ARRA	4860-711-001	Open	Open	2,630,305	2,630,305	2,630,305
U.S. Environmental Protection Agency - Total						<u>2,707,136</u>	<u>2,707,136</u>	<u>2,707,136</u>
Total Federal Awards						<u>\$ 2,707,136</u>	<u>\$ 2,707,136</u>	<u>\$ 2,707,136</u>

See Accompanying Notes to Schedules of Federal and State Assistance

ATLANTIC COUNTY UTILITIES AUTHORITY
SCHEDULE OF STATE ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2011

State Funding Agency	Program	State Account Number	Grant Period		Program Receipts	Program Expenditures	Total Expenditures
			From	To			
New Jersey Department of Environmental Protection	Wastewater Treatment:						
	1997 Trust Loan	4860-510-4860	Open	Open	\$ 76,831	\$ 76,831	\$ 3,910,000
	2007 Fund Loan	4860-510-4860	Open	Open	32,500	32,500	775,000
	2010 Fund Loan	4860-510-4860	Open	Open	1,977,500	1,977,500	1,977,500
	2010 Trust Loan B	4860-510-4860	Open	Open	114,000	114,000	114,000
	2010 Fund Loan B	4860-510-4860	Open	Open	114,000	114,000	114,000
Total State Assistance					\$ 2,314,831	\$ 2,314,831	\$ 6,890,500

See Accompanying Notes to Schedules of Federal and State Assistance

**ATLANTIC COUNTY UTILITIES AUTHORITY
NOTES TO THE SCHEDULE OF FEDERAL AND STATE AWARDS
DECEMBER 31, 2011**

NOTE 1. GENERAL

The accompanying schedules of Federal and State assistance presents the activity of all Federal and State financial assistance programs of the Atlantic County Utilities Authority, the ("Authority"). The Authority is defined in Note 1 to the Authority's basic financial statements. All assistance received directly from Federal and State agencies, as well as Federal financial assistance passed through other government agencies is included on the schedules of Federal and State financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of financial assistance are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP").

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the Authority on a GAAP basis. The schedules of Federal and State awards are in agreement with the basic financial statements.

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related Federal and State financial reports.

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

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

Compliance

We have audited the compliance of the Atlantic County Utilities Authority, State of New Jersey (the "Authority"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2011. The Authority's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's 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 federal or state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements

In our opinion, the Authority complied in all material respects with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2011.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's 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 federal or 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 a material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use management of the Authority, Division of Local Government Services, Department of Community Affairs, State of New Jersey (cognizant audit agency), other state awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

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April 6, 2012

**ATLANTIC COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING DECEMBER 31, 2011**

I. SUMMARY OF AUDITORS RESULTS

Financial Statements

Type of auditor's report issued: Unqualified Opinion issued on the Basic Financial Statements, dated April 6, 2012

Internal control over financial reporting:

- 1) Material weakness identified? No
- 2) Significant Deficiencies identified? None Reported

Noncompliance material to the basic financial Statements noted? No

Federal Awards

Dollar threshold used to distinguish between type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? Yes

Type of auditor's report issued on compliance for major programs: An Unqualified Opinion was issued on compliance for major programs, dated April 6, 2012

Internal Control over major programs:

- 1) Material weakness identified? No
- 2) Significant Deficiencies identified? None Reported

Any audit findings disclosed that are required to be reported In accordance with NJ OMB Circular A-133? No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
ARRA - Wastewater Treatment Construction Programs	
66.458	ARRA - Fund Loans

**ATLANTIC COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING DECEMBER 31, 2011
(CONTINUED)**

State Awards

Dollar threshold used to distinguish between type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? No

Type of auditor's report issued on compliance for major programs: An Unqualified Opinion was issued on compliance for major programs, dated April 6, 2012

Internal Control over major programs:

1) Material weakness identified? No

3) Significant Deficiencies identified? None Reported

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular A-133? No

Identification of major programs:

<u>Program Number</u>	<u>Name of State Program</u>
Wastewater Treatment Loans	
4860-510-4860	Trust Loans & Fund Loans

II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS

In accordance with Government Auditing Standards, our audit disclosed no findings relating to the financial statements that are required to be reported under this section.

III. FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

Federal:

Our audit disclosed no material Findings or Questioned Costs.

State:

Our audit disclosed no material Findings or Questioned Costs.

**ATLANTIC COUNTY UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011**

STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings.