

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

**Financial Statements and Supplementary Information**

**For the years ended December 31, 2012 and 2011**

**(With Independent Auditors' Report thereon)**

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**(A Component Unit of the County of Atlantic, New Jersey)**  
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**For the years ended December 31, 2012 and 2011**

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**(A Component Unit of the County of Atlantic, New Jersey)**  
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**INTRODUCTORY SECTION**



## Atlantic County Utilities Authority

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

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

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

April 12, 2013

Chairman Embry, Authority Board Members and President Dovey:

Presented to you are the audited financial statements for the 2012-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 2012-year are presented as required.

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

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

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

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

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

The staff of the Finance Department prepared the basic financial statements and the supplemental financial statements and schedules discussed above. Holman Frenia Allison, PC, a firm of licensed certified public accountants, has audited and opined on the Authority's financial statements. The goal of an independent audit is to provide reasonable assurance as to the validity of the financial statements. This involves examining a 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, 2012 and 2011. There are no recommendations noted.

Sincerely,

*Maria Mento*

Maria Mento

Executive Vice President & Chief Finance Officer

*Katherine Vesey*

Katherine Vesey

Deputy Chief Finance Officer & Director of Research & Development

**FINANCIAL SECTION**



HOLMAN | FRENIA  
ALLISON, P.C.  
*Certified Public Accountants & Consultants*

10 Allen Street, Suite 2B, Toms River, NJ 08753 • Tel: 732.797.1333  
818 Stokes Road, Medford, NJ 08055 • Tel: 609.853.0612  
912 Highway 33, Suite 2, Freehold, NJ 07728 • Tel: 732.409.0800  
795 Canton Street, Troy, PA 16947 • Tel: 570.297.5090  
926 Main Street, Suite 103, Rome, PA 18837 • Tel: 570.297.51190  
[www.hfacpas.com](http://www.hfacpas.com)

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of the  
Atlantic County Utilities Authority

### **Report on the Financial Statements**

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

## ***Opinions***

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

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-30 and 58 and 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Atlantic County Utilities Authority's basic financial statements. The accompanying introductory section and supplementary information contained in schedules 1 and 2, 4 through 8, and 10 through 13 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by the 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* respectively, and is also not a required part of the above financial statements.

The supplementary information contained in schedules 1 and 2, 4 through 8, and 10 through 13 and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information contained in schedules 1 and 2, 4 through 8, and 10 through 13 and the schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2013 on our consideration of the Atlantic County Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Atlantic County Utilities Authority's internal control over financial reporting and compliance.

**Other Matter**

The financial statements of Atlantic County Utilities Authority as of December 31, 2011, were audited by other auditors whose report dated April 6, 2012, expressed an unmodified opinion on those statements.

HOLMAN FRENIA ALLISON, PC  
HOLMAN FRENIA ALLISON, P.C.  
*Certified Public Accountants*

April 12, 2013  
Toms River, New Jersey

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Atlantic County Utilities Authority's (the Authority or the ACUA) annual financial report, the management of the Authority provides narrative discussion and analysis of the financial activities of the Authority for the audit year ending December 31, 2012.

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

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

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

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

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

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

The primary difference between the statements is the recording and reporting of accounts payable. On the "Modified GAAP Basis" statements, all encumbrances as of December 31, 2012 are reported as Accounts Payable or Construction Contracts Payable, and as Property, Plant and Equipment. On the "GAAP Basis" statements, only those encumbrances where goods or services have been received as of December 31, 2012 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, if applicable. This statement essentially includes the same revenues and same expenses as reported on the “GAAP Basis” statements, with the exception of Depreciation and Amortization of Bond Issue Costs. Neither is included on the statement which complies with the Wastewater Bond Resolution.

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

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

### **Wastewater Division**

#### **Comparative Balance Sheet**

The Wastewater Division’s Total Assets decreased \$3.7 million and 3%. Current Assets were up by \$917,000 which is a function of timing of cash receipts and payments. Noncurrent Assets decreased by \$631,000 or 3%. Loans Receivable decreased by \$447,000 and is the net result of New Jersey Environmental Infrastructure Trust (NJEIT)

loan activity. The Division closed on a new loan for \$2.1 million to build a vehicle wash facility. There were drawdowns of \$2.5 million on the 2012, 2010 and 2007 NJEIT loans during 2012. The drawdowns provided funding for pump station improvements, collection system improvements and vehicle wash facility construction. Noncurrent cash and investments are down \$184,000 due to timing of receipts and payments on capital projects. Capital Assets increased by \$1.7 million and Accumulated Depreciation increased by about \$5.3 million resulting in a net decrease in Net Capital Assets of \$3.6 million. Capital additions include plant and pump station upgrades and construction of a vehicle wash facility. Depreciation is calculated straight line over the life of the asset with a half year of depreciation taken in the first and last years of the asset's life.

Total liabilities decreased by \$6.6 million and 14%. The decrease is comprised of a \$4.9 million reduction in bonds and interest payable in accordance with debt service schedules coupled with about \$1.6 million in decreases in accounts payable and construction contracts payable. Deferred revenue also decreased by \$163,000 due to 2012 revenue recognition for processing the sludge that is related to the Authority's deferred revenue.

Current and Long-Term Bonds Payable went from \$39.8 million in 2011 to \$35.0 million in 2012 due to principal payments in accordance with debt service schedules. There was one new bond issue in 2012 as mentioned previously.

Assets exceed liabilities by \$76.3 million. This compares to 2011 where the division's assets exceeded its liabilities by \$73.4 million. The net change represents income for the 2012-year of \$2.9 million. In 2011, revenue increased Net Assets by \$848,000.

The Division's Net Assets of \$76,300,888 is comprised of the following:

- (1) Capital Assets, Net of Related Debt of \$43,206,880, 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 \$6,751,095 restricted for the purpose of forthcoming debt service payments.
- (4) Net Assets of \$7,240,455 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 \$14,302,458 represents the portion available to maintain the Authority's continuing obligations to the contractual customers of its service area, its creditors and current liabilities.

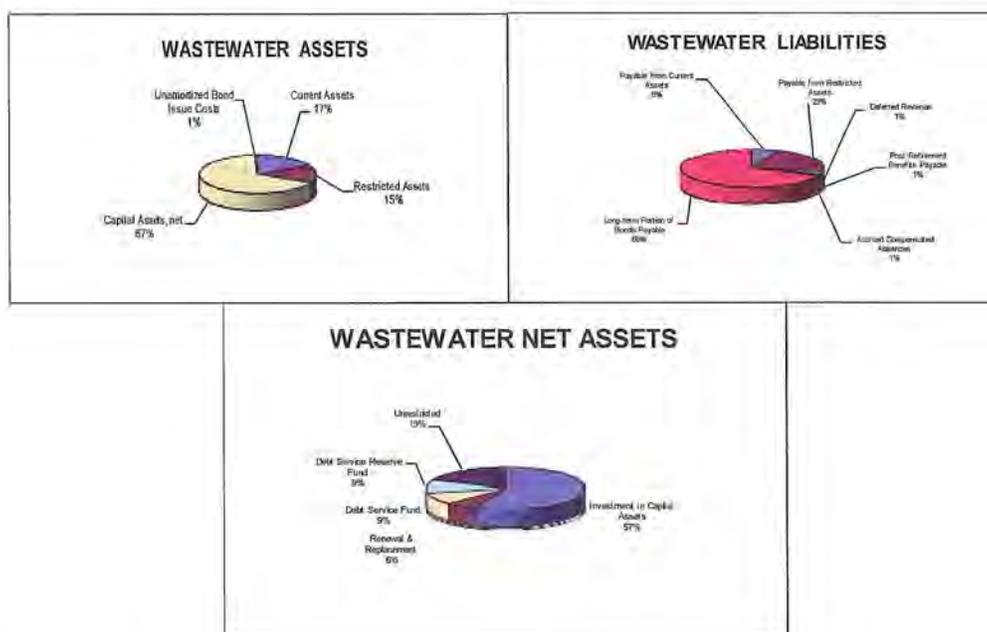
Restricted Net Assets increased \$1.1 million in 2012 as follows: Investments in Capital Assets Net of Related Debt increased \$1.1 million; the Debt Service Fund increased \$136,000; and the Debt Service Reserve Fund decreased \$175,000. The Renewal and Replacement Fund did not change from 2011.

Unrestricted Net Assets increased \$1 million which is comprised of the Net Income from Operations for 2012 and an increase in Restricted Net Assets as described above.

Total Net Assets increased 4% or \$2,931,264, the reported Net Income for the 2012-year. It is comprised of Operating Income in the amount of \$3.8 million and Non-Operating Expenses of \$910,000.

Below is a synopsis of the Wastewater Division's 2012 Balance Sheet with a comparison to last year:

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>% Change</u>
Total Current Assets	\$ 20,107,440	\$ 19,190,630	\$ 916,810	5%
Total Noncurrent Assets	18,246,432	18,877,840	(631,408)	-3%
Net PP&E	78,200,814	81,825,861	(3,625,047)	-4%
Unamortized Bond Issue Costs	801,280	1,169,084	(367,804)	-31%
<b>TOTAL ASSETS</b>	<b>\$117,355,966</b>	<b>121,063,415</b>	<b>(3,707,449)</b>	<b>-3%</b>
Total Current Payable from Current	2,283,273	2,819,119	(535,846)	-19%
Total Current Payable from Restricted	9,236,039	10,031,003	(794,964)	-8%
Total Noncurrent Liabilities	29,535,766	34,843,669	(5,307,903)	-15%
<b>TOTAL LIABILITIES</b>	<b>41,055,078</b>	<b>47,693,791</b>	<b>(6,638,713)</b>	<b>-14%</b>
Invested in Capital Assets, Net Debt	43,206,880	42,063,798	1,143,082	3%
Total Restricted	18,791,550	18,830,049	(38,499)	0%
Unrestricted	14,302,458	12,475,777	1,826,681	15%
<b>TOTAL NET ASSETS</b>	<b>\$ 76,300,888</b>	<b>\$ 73,369,624</b>	<b>\$ 2,931,264</b>	<b>4%</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$117,355,966</b>	<b>\$ 121,063,415</b>	<b>\$ (3,707,449)</b>	<b>-3%</b>



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

Operating Income increased \$1.9 million or 94%. The increase is primarily due to a \$1.7 million reduction in operating expenses coupled with an increase in revenues of \$198,000.

The user fee charged to the fourteen participants increased in 2012 for the first time since 2007. The increase was \$355,000 and 1%. Sludge income increased \$186,000 and 12% due to more sludge coming in from outside parties. Income from Septage and Leachate disposal decreased by \$13,000 and 2%. Other income decreased \$329,000 and 22% due to reduced market prices for solar renewable energy credits, reduced Federal Emergency Management Assistance (FEMA) for storm-related reimbursements and fewer permit applications.

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 \$2.3 million in 2012, up from \$2.1 million in 2011. One of the ACUA’s largest sludge customers installed a sludge dryer and is marketing their dried product as fuel instead of bringing that material to ACUA. In 2012 the dryers experienced technical problems and the customer sent more sludge to ACUA than in 2011. The user fee is the primary revenue source of the Authority and supports the expenses as follows: \$15,960,267 for operating expenses, and \$8,033,785 for annual debt service. Interest income decreased more than \$37,000 and 19% as a result of the minimal interest rates paid on deposits.

Operating expenses decreased 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 modest decreases in Salaries, Administrative, License & Permits, and Depreciation expenses while seeing a modest increase in Indirect

Operating Expenses. Amortization of Bond Issue Costs remained the same, in accordance with established amortization schedules.

A more significant increase was seen in Employee Benefits which increased \$244,000 and 8% due to an increase in rates charged by the New Jersey State Health Benefits Plan.

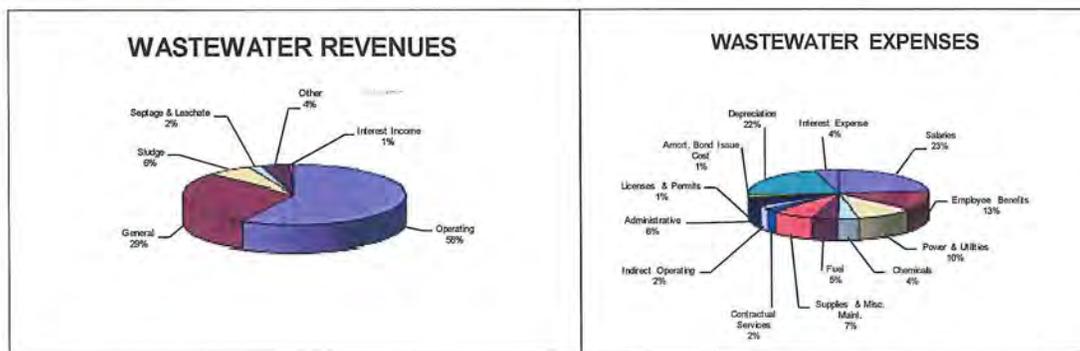
Significant decreases were achieved in Power & Utilities, Chemicals, Fuel, Supplies & Miscellaneous Maintenance and Contractual Services. Power & Utilities decreased \$562,000 and 18% due to overall price decreases in the energy markets. In addition the ACUA bid commodity electricity for the pump stations which stabilized and lowered the electricity costs for the regional stations. Chemicals expense decreased \$318,000 and 25% primarily due to less chemical use in 2012. Operational efficiencies allowed for the reduction of poly-electrolyte and sodium hypochlorite usage as compared to 2011. Fuel costs decreased \$183,000 and 14% primarily due to a combination of lower natural gas pricing and reduced fuel oil purchases. The ACUA discontinued participation in the natural gas curtailment program which means the utility can no longer require ACUA to curtail natural gas usage and purchase fuel oil to continue operations. The low cost of natural gas made this change economically beneficial to ACUA. Supplies and Miscellaneous maintenance decreased \$662,000 and 25% due to fewer storm-related repairs and maintenance expenses as compared to 2011. Contractual Services decreased \$127,000 and 20% due to required stack testing done in 2011 that was not required to be done in 2012.

Total Operating Revenues exceeded Total Operating Expenses by \$3,841,646.

Non Operating Expenses, which is comprised of Interest Income and Interest Expense, decreased \$223,000. Interest income decreased \$37,000 due to minimal interest being paid on deposits. Interest expense decreased \$260,000 in accordance with debt service schedules.

Total 2012 Revenues exceeded Total Expenses by \$2,931,269. Total Net Assets increased to \$76,300,888.

<b>WW Revenue</b>	<b>2012</b>	<b>2011</b>	<b>\$ Change</b>	<b>% Change</b>
User Fee	\$ 23,994,052	\$ 23,639,461	\$ 354,591	1%
Sludge	1,795,961	1,609,893	186,068	12%
Septage & Lechate	529,202	542,318	(13,116)	-2%
Other	1,183,163	1,512,319	(329,156)	-22%
<b>Total Revenue</b>	<b>27,502,378</b>	<b>27,303,991</b>	<b>198,387</b>	<b>1%</b>
<b>WW Operating Expenses</b>				
Salaries	5,695,737	5,697,983	(2,246)	0%
Employee Benefits	3,279,892	3,035,480	244,412	8%
Power & Utilities	2,517,191	3,079,509	(562,318)	-18%
Chemicals	937,202	1,255,351	(318,149)	-25%
Fuel	1,115,831	1,299,251	(183,420)	-14%
Supplies & Miscellaneous Maintenance	1,852,286	2,514,620	(662,334)	-26%
Contractual Services	496,648	623,840	(127,192)	-20%
Indirect Operating Expenses	537,736	498,260	39,476	8%
Administrative	1,370,478	1,425,174	(54,696)	-4%
Licenses & Permits	159,249	188,855	(29,606)	-16%
Depreciation	5,330,678	5,337,233	(6,555)	0%
Amortization of Bond Issue Costs	367,804	367,804	-	0%
<b>Total Operating Expenses</b>	<b>23,660,732</b>	<b>25,323,360</b>	<b>(1,662,628)</b>	<b>-7%</b>
<b>WW Non-Operating Revenue/(Expenses)</b>				
Interest Income	154,631	191,802	(37,171)	-19%
Interest Expense	(1,065,008)	(1,324,763)	259,755	-20%
	<b>(910,377)</b>	<b>(1,132,961)</b>	<b>222,584</b>	<b>-20%</b>
<b>NET INCOME</b>	<b>\$ 2,931,269</b>	<b>\$ 847,670</b>	<b>\$ 2,083,599</b>	<b>246%</b>



### Statement of Cash Flows

Net Cash Provided by Operating Activities decreased 15%, a decrease of \$1.4 million. Receipts from Customers and Users and Payments to Employees remained flat. Payments to Suppliers increased \$1.4 million and 12% and is largely due to construction contracts paid in 2012.

Net Cash Used by Capital and Related Financing Activities decreased by \$579,000. Principal Paid on Capital Debt increased \$169,000 and Interest Paid decreased by \$479,000, both in accordance with debt services schedules. The Authority has nine

NJEIT Financings outstanding to date. The 1995, 1997, 2001, 2004, 2006, 2007 and 2010A NJEIT Loans are 100% complete and there will be no additional Loan Proceeds from these Loans. The 1997 Loan was completed in 2012. The 2010B and 2012 Loans and related capital improvements remain open. There were draws of \$689,000, \$1,085,000 and \$738,000 on the 1997, 2010B and 2012 NJEIT Financings in 2012, respectively.

Net Cash Provided by Investment Activities was \$230,000 in 2012 as compared to \$4.9 million Used by Investment Activities in 2011, representing a cash flow increase of \$5.1 million and 105%. The increase is a result of fewer investments in Capital Assets in 2012 as compared to 2011.

Net Increase in Cash and Cash Equivalents for the 2012 year is \$1,038,368. The Cash and Cash Equivalents Balance at the Beginning of the Year was \$23,362,856 and the Balance at the End of the Year was \$24,401,224.

	<u>2012</u>	<u>2011</u>	<u>Cash Flow</u> <u>Incr/(Decr)</u>	<u>% Change</u>
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 27,448,293	\$ 27,415,662	\$ 32,631	0%
Payments to Employees	(5,695,737)	(5,697,983)	2,246	0%
Payments to Suppliers	(13,848,694)	(12,375,387)	(1,473,307)	12%
Net Cash Provided by Operating Activities	7,903,862	9,342,292	(1,438,430)	-15%
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers to Other Funds	121,446	66,457	54,989	83%
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of Capital Assets	(1,832,434)	(4,610,428)	2,777,994	-60%
Principal Paid on Capital Debt	(6,706,889)	(6,537,758)	(169,131)	3%
Interest Paid on Capital Debt	(1,190,436)	(1,669,790)	479,354	-29%
Proceeds from Wastewater Trust	2,512,495	5,021,967	(2,509,472)	-50%
Net Cash Used by Capital and Financing	(7,217,264)	(7,796,009)	578,745	-7%
<b>Cash Flows from Investing Activities</b>				
Interest Income	152,058	198,802	(46,744)	-24%
Transferred to Investments	78,266	(5,140,951)	5,219,217	-102%
Net Cash Provided/(Used) by Investing Activities	230,324	(4,942,149)	5,172,473	-105%
<b>Net Increase in Cash and Cash Equivalents</b>	1,038,368	(3,329,409)	4,367,777	-131%
<b>Cash and Cash Equivalents, January 1</b>	23,362,856	26,692,265	(3,329,409)	-12%
<b>Cash and Cash Equivalents, December 31</b>	\$ 24,401,224	\$ 23,362,856	\$ 1,038,368	4%

### Solid Waste Division

There were three events in 2012 that significantly impacted the financial position of the Solid Waste Division. The events are listed below and the financial impacts will be described more fully in the discussion that follows.

- The Atlantic County District Solid Waste Management Plan was amended August 10, 2012 to close a loophole that allowed waste generated in Atlantic County to

be disposed of out of state. As a result, in 2011, one of the ACUA's largest customers took waste to its landfill out of state for disposal. On August 10, 2012 the Management Plan was amended to require all waste generated in Atlantic County be disposed of in Atlantic County at the Atlantic County Utilities Authority. Tonnages accepted at the ACUA increased substantially as of this date.

- Hurricane Sandy was the deadliest and most destructive hurricane of the 2012 season, and the largest hurricane to hit the Atlantic Ocean. Sandy hit the ACUA region on October 29, 2012 as a post-tropical cyclone with hurricane force winds. This storm caused significant damage to Atlantic County and as a result waste accepted by the ACUA increased significantly in the months following the storm.
- The ACUA acquired Pinelands Park Landfill (PPL) on November 26, 2012. PPL is a closed landfill located in Egg Harbor Township and is in its twentieth year of closure, out of an anticipated thirty year closure period. The transaction included the acquisition of the PPL assets and liabilities as well as a distribution from the PPL post-closure fund of \$21 million to the ACUA to partially fund the redemption of its outstanding 1992 Solid Waste Revenue Bonds.

#### Comparative Balance Sheet

The Solid Waste Division reports Total Assets of \$99,520,638, an increase of \$9,220,269 from 2011.

Current Assets increased \$2.6 million and 13% primarily due to more cash on hand and an increase to accounts receivable in 2012 as compared to 2011. 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 of 2011. As mentioned above, the amendment to the waste flow control plan and the significant waste created by Hurricane Sandy created more revenue that directly increased the Current Assets of the ACUA.

Noncurrent Assets increased \$11.1 million and 53% primarily due to the Pinelands Park Landfill (PPL) transaction described above. The ACUA assumed the Post Closure Assets of the PPL which were \$24.7 million on December 31, 2012. The \$7.1 million March 1<sup>st</sup> Debt Service Payment was fully funded by ACUA. It was anticipated that the State of New Jersey would provide assistance towards this payment as had been agreed to in the past. No subsidy was received in 2012 so ACUA Assets were used to satisfy the Debt Service Payment. Finally, the ACUA redeemed \$28,035,000 in outstanding debt plus \$665,831 in accrued interest in 2012. Of this, \$21 million was obtained from the PPL transaction and the balance was paid from ACUA Noncurrent Cash and Investments on hand. The net of these three items explains the majority of the increase in Noncurrent Assets. Capital Assets decreased \$4.1 million and 8%. The decrease is a combination of additions of \$1.4 million and depreciation expense of \$5.5 million. Additions include the completion of the construction of a new landfill cell, gas collection upgrades, vehicle maintenance center upgrades to allow for compressed natural gas truck maintenance and significant repairs to capital equipment and vehicles. In addition, the PPL was acquired for a nominal purchase price of \$1. 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 were written off with the redemption of the bonds.

Total Liabilities decreased \$11.4 million and 21%. Current Liabilities Payable from Unrestricted Assets increased by \$568,000 and 21% due to increased Accounts Payable and Customer Deposits. Both increased due to increased tonnages accepted in the fourth quarter. Current Liabilities Payable from Restricted Assets decreased \$8.1 million and 69%. The decrease is primarily due to the Current Portion of Long-Term Debt and Accrued Interest decrease from \$6.6 million to \$ due to the redemption of the Solid Waste Debt. Construction Contracts Payable decreased \$1.4 million primarily due to payments made for vehicles and equipment in 2012.

Accrued Landfill Closure costs increased \$24 million and 227%. The ACUA now owns two landfills, the active ACUA landfill and the closed Pinelands Park Landfill that was acquired in 2012. The ACUA closure liability is calculated by the Authority's consulting engineer and includes total costs for closure and post-closure care of \$10.6 million, an increase of \$46,000 from 2011. The increase includes charges of \$131,000 less \$85,000 closure costs spent in 2012.

The amount escrowed for ACUA's landfill is in accordance with the consulting Engineer's findings as reported. Total anticipated closure cost as of December 31, 2012 is \$10,635,079. The percent of cumulative landfill capacity utilized as of December 31, 2012 according to the consulting engineer report is 52.2%, up from 49.2% in 2011. This increase is the result of 292,666 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.

The Pinelands Park Landfill Post-Closure Costs assumed are \$24 million and are fully funded as shown in the Noncurrent Assets of the Authority. The Post-Closure Cost report is currently being updated by Golder and Associates.

Noncurrent Liabilities remained unchanged except for the Long-Term Portion of Bonds Payable which decreased \$27,970,473 due to the redemption of the debt in 2012. 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 \$56,573,406 are comprised of the following:

- (1) Capital Assets, Net of Related Debt of \$45,421,992, 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, which is \$0 as of December 31, 2012. In 2011, Capital Assets had related

Debt of \$33.8 million. The recent history of Capital Asset balances as of December 31 is as follows:

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

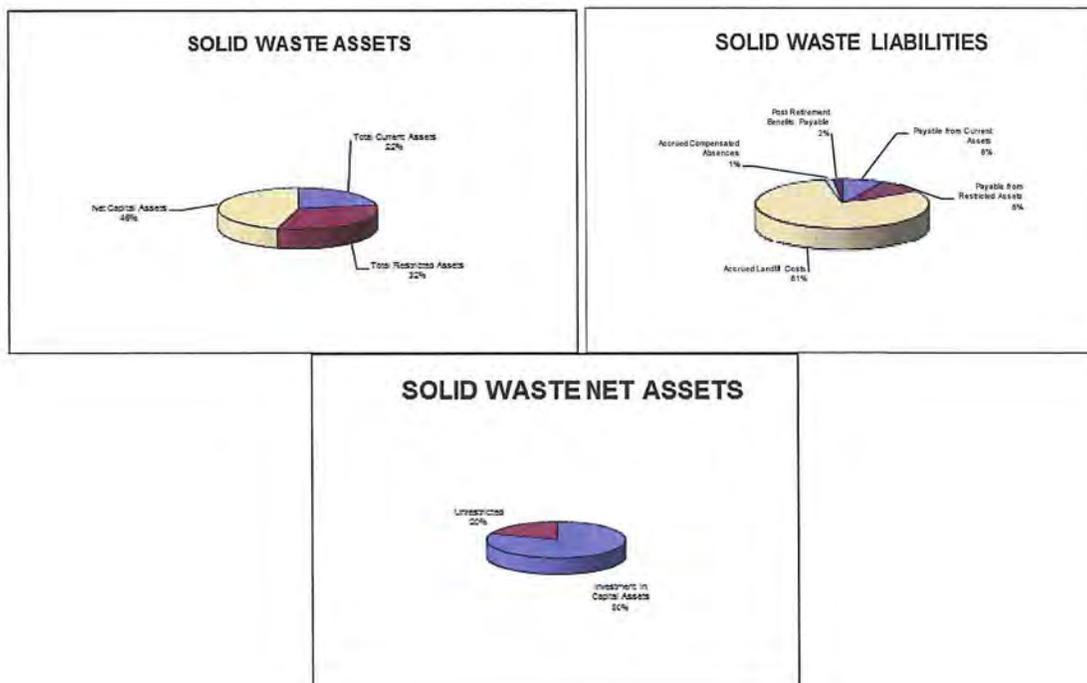
Calculated as: (Net Capital Assets-Long-Term Portion of Bonds Payable – Current Maturities of Long-Term Debt = Investment in Capital Assets, Net of Related Debt).

- (2) Net Assets of \$0 restricted for the purpose of Debt Service Reserve Fund, in accordance with the Authority's debt covenants, versus 2011 which required \$8,053,769 be restricted.
- (3) Unrestricted Net Assets of \$45,421,992 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 \$1 million, or 8% in 2012, and is primarily a function of the redemption of Solid Waste Debt.

Total Net Assets increased by \$20,642,382 and is comprised of Operating Income of \$2,135,437 and net Non- Operating Income in the amount of \$18,506,945. Included in Non-Operating Income are impacts of the Pinelands Park Landfill and Debt redemption transactions.

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>% Change</u>
Total Current Assets	\$ 22,082,384	\$ 19,518,627	\$ 2,563,757	13%
Total Noncurrent Assets	32,016,262	20,870,062	11,146,200	53%
Net PP&E	45,421,992	49,527,430	(4,105,438)	-8%
Unamortized Bond Issue Costs	-	384,250	(384,250)	-100%
<b>TOTAL ASSETS</b>	<b>99,520,638</b>	<b>90,300,369</b>	<b>9,220,269</b>	<b>10%</b>
Total Current Payable from Current	3,284,459	2,716,606	567,853	21%
Total Current Payable from Restricted	3,562,647	11,622,803	(8,060,156)	-69%
Accrued Landfill Closure and Post-Closure Costs	34,629,707	10,589,044	24,040,663	227%
Total Noncurrent Liabilities	36,100,126	40,029,936	(3,929,810)	-10%
<b>TOTAL LIABILITIES</b>	<b>42,947,232</b>	<b>54,369,345</b>	<b>(11,422,113)</b>	<b>-21%</b>
Invested in Capital Assets, Net Debt	45,421,992	15,711,957	29,710,035	189%
Debt Service Reserve - Restricted	-	8,053,769	(8,053,769)	-100%
Unrestricted	11,151,414	12,165,298	(1,013,884)	-8%
<b>TOTAL NET ASSETS</b>	<b>\$ 56,573,406</b>	<b>\$ 35,931,024</b>	<b>\$20,642,382</b>	<b>57%</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 99,520,638</b>	<b>\$ 90,300,369</b>	<b>\$ 9,220,269</b>	<b>10%</b>



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

Solid Waste Operating Revenues increased \$2 million from 2011. Tip Fees were up 9% and \$1.7 million due to a combination of increased revenue from tonnages from the amendment to waste flow in the latter part of 2012 plus waste received from Hurricane Sandy in the fourth quarter. Waste flow control that passed in 2010 required that waste generated in Atlantic County be disposed of at the ACUA landfill or out of state. Disposal to other New Jersey county landfills was prohibited. In October 2011 ACUA's largest customer started shipping its waste to Pennsylvania creating a financial strain on the solid waste infrastructure designed to handle all waste generated in Atlantic County. In March 2011 the Atlantic County Board of Freeholders approved a resolution that requires all waste generated in Atlantic County to come to the ACUA for disposal to close the loophole created by the resolution passed in 2010. The NJ State Department of Environmental Protection took 150 days to approve this change, certifying it on August 10, 2012. It is anticipated that this Solid Waste Plan amendment will stabilize revenue from tip fees in the future.

Recycling Market Revenue and Revenue from Collection Contracts decreased 2% and \$213,000. The decrease is primarily due to a decrease in recycling grants of \$197,000 from the state of New Jersey in 2012. In August 2011 ReCommunity (formerly Hudson Baylor) began their single stream operations at ACUA's recycling center as part of a deal to lease out the recycling center and deliver all of ACUA's single-stream recyclables to ReCommunity 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 in 2008.

Grant Income decreased \$351,000 mostly because in 2011 the Authority received \$425,000 towards the purchase of ten new CNG refuse collection trucks. Compost and Eco-Products were up \$160,000 and 14% due to increased demand. Other Income increased \$727,000 and 72% due to several factors. ACUA's revenue share agreement with its partner in the landfill gas to electricity facility was amended in 2011 to allow for both parties to make necessary capital improvements. The amendment decreased ACUA's share in 2011 and increased its share 2012. The increase in revenue from 2011 to 2012 for this agreement was \$320,000. The CNG tax rebate received in 2012 for gallons dispensed from the station in 2010 and 2011 was \$237,000 versus \$0 received in 2011. Finally increases were also seen in insurance refunds and utility income from ReCommunity at the single-stream facility. ACUA pays all utilities directly and bills ReCommunity for its usage. Fuel revenue decreased \$155,000 due to Jitney Association building its own station that opened in April 2012. Prior to this station opening the ACUA provided CNG to all 190 Jitneys.

Operating Expenses remained relatively flat, down \$72,000, which is the net result of increases and decreases among significant operating items. The Division experienced a modest increase in Salaries. More significant increases and decreases are explained below.

There was a \$437,000 and 9% increase in Employee Benefits which was due to an increase in rates charged by the New Jersey State Health Benefits Plan. Power and Utilities increased \$117,000 and 19% as a result of ReCommunity being fully operational in 2012. This increase is offset by revenues charged to ReCommunity. Administrative Expenses increased \$403,000 and 44% due to professional and special counsel services retained to acquire Pinelands Park Landfill and redeem the outstanding 1992 Solid Waste Revenue Bonds. The Host Community Benefit paid to Egg Harbor Township increased \$350,000 and 19% and Recycling and Other Taxes increased \$62,000 and 7%. Both are a function of tonnages received and are due to additional waste received as a result of added waste flow control and Hurricane Sandy. Depreciation increased \$206,000 and 4% in accordance with depreciation schedules.

Fuel decreased \$175,000 and 11% as a result of fifteen compressed natural gas (CNG) trucks on the road in 2012. CNG is less expensive and cleaner than diesel fuel. Supplies & Miscellaneous Maintenance decreased \$532,000 and 19% due to efficiencies in type and number of tires used and because 2011 expenses were higher than normal. Indirect Operating Expenses decreased \$510,000 and 19% due to tire recycling expense being down because a new cell was opened in 2012 and tires were used to line the cell, engineers were hired in 2011 to assist with the Pinelands Park Landfill valuation and canceled purchase orders in 2012 lowered expenses. Accrued Landfill Closure expense decreased \$380,000 and 74% and is the direct result of the consulting engineer's report described above. Finally, Amortization of Bond Issue Costs decreased to \$0 as a result of the redemption of the 1992 Solid Waste Revenue Bonds in 2012.

Total Operating Revenues exceeded Total Operating Expenses resulting in net income of \$2.1 million for 2012 versus \$17,000 in 2011.

From 2008 through 2010, the Authority received debt service assistance in the amount of \$5,130,747 from the State of New Jersey, in the form of a subsidy for the payment of most of the March 1<sup>st</sup> debt service payment. This was down \$500,000 from the amount previously agreed to with the State of New Jersey. In 2011 the Authority received \$1,700,000 in assistance. In 2012 the ACUA received \$0 debt service assistance from the State of New Jersey. As mentioned previously, the ACUA redeemed its Debt with proceeds received from the acquisition of Pinelands Park Landfill (PPL) of \$21 million plus cash on hand. The New Jersey Department of Environmental Protection issued an Administrative Consent Order that authorized the transactions necessary to redeem the 1992 Solid Waste Revenue Bonds and transfer the assets and liabilities of the PPL to ACUA on November 8, 2012.

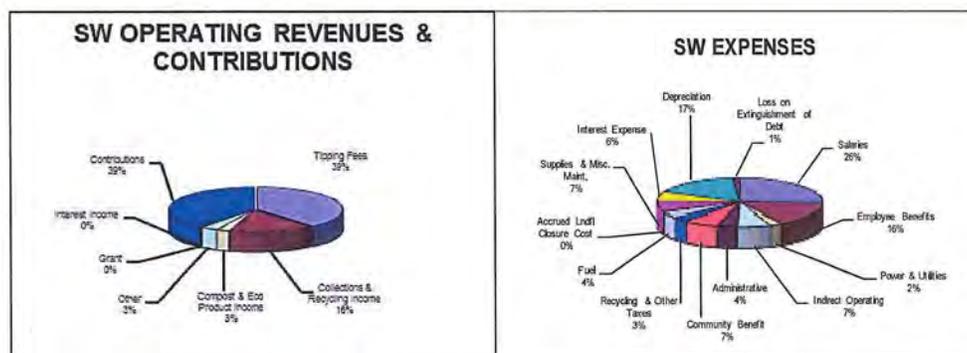
Interest Income decreased \$2,000 and 10% in 2012 which is attributable to lower interest rates being paid on deposits. Interest Expense decreased 18% and \$442,000 because there was less outstanding debt due to current year payments. Interest Expense was recognized through December 31, 2012, the date the 1992 Solid Waste Revenue Bonds were officially redeemed.

Total Non-Operating Income was \$18.5 million compared to Non-Operating Expenses of \$784,000 in 2011, an increase of \$19.3 million. The increase is attributed to a combination of events. The ACUA recognized a Gain on Acquisition of Pinelands Park Landfill of \$21 million and Interest Expense was \$442,000 less in 2012 as compared to 2011. There was a \$1.7 million reduction in state assistance in 2012, a Loss on the Extinguishment of Debt of \$449,000 and a reduction in Interest Income of \$2,000.

Net Income for the 2012 year is \$20,642,382 compared to Net Loss of \$783,795 in 2011.  
Net Income for recent years was:

2010	\$	3,084,973
2009		89,345
2008		2,713,591
2007		3,975,842
2006		8,894,379
2005		5,024,252

SW Revenue	2012	2011	\$ Change	% Change
Tipping Fee	\$20,844,357	\$ 19,120,975	\$ 1,723,382	9%
Collections & Recycling	8,567,969	8,781,220	(213,251)	-2%
Grant Income	173,486	524,907	(351,421)	-67%
Composting & Eco Product Income	1,281,162	1,121,215	159,947	14%
Other	1,743,715	1,016,351	727,364	72%
<b>Total Revenue</b>	<b>32,610,689</b>	<b>30,564,668</b>	<b>2,046,021</b>	<b>7%</b>
<b>SW Operating Expenses</b>				
Salaries	8,491,973	8,484,883	7,090	0%
Employee Benefits	5,233,437	4,796,347	437,090	9%
Power & Utilities	746,881	629,521	117,360	19%
Fuel	1,358,832	1,534,055	(175,223)	-11%
Supplies & Miscellaneous Maintenance	2,266,647	2,798,233	(531,586)	-19%
Indirect Operating Expenses	2,201,969	2,711,838	(509,869)	-19%
Accrued Landfill Closure	131,035	511,090	(380,055)	-74%
Administrative	1,325,485	922,172	403,313	44%
Community Benefit	2,164,195	1,813,988	350,207	19%
Recycling & Other Taxes	1,008,613	946,167	62,446	7%
Depreciation	5,546,185	5,340,297	205,888	4%
Amortization of Bond Issue Costs	-	58,928	(58,928)	-100%
<b>Total Operating Expenses</b>	<b>30,475,252</b>	<b>30,547,519</b>	<b>(72,267)</b>	<b>0%</b>
<b>SW Non-Operating Revenue/(Expenses)</b>				
Interest Income	22,625	25,095	(2,470)	-10%
Interest Expense	(2,066,903)	(2,508,890)	441,987	-18%
Gain on Acquisition of Pinelands Park Landf	21,000,000	-	21,000,000	100%
Loss on Extinguishment of Debt	(448,777)	-	(448,777)	100%
Contributions - State Subsidy	-	1,700,000	(1,700,000)	-100%
	<b>18,506,945</b>	<b>(783,795)</b>	<b>19,290,740</b>	<b>-2461%</b>
<b>NET INCOME/ (Loss)</b>	<b>\$20,642,382</b>	<b>\$ (766,646)</b>	<b>\$ 21,409,028</b>	<b>-2793%</b>



Statement of Cash Flows

Net Cash Provided by Operating Activities decreased 33% and \$2.3 million. Receipts from Customers and Users increased 3%, payments to Employees were flat and Payments to Suppliers increased 21%.

Net Cash Used by Capital and Related Financing Activities increased 28% or \$3.8 million. Principal and Interest Paid on 1992 Solid Waste Revenue Bonds increased \$28.7 million due to the redemption of Bonds that occurred in December 2012. Also included within this area is State Contribution which decreased \$1.7 million from 2011. The Pinelands Park Landfill acquisition provided \$21 million towards the redemption of the Bonds. Finally, \$5.6 million less was spent on Capital Assets in 2012 as compared to 2011. Of this \$5.1 is attributable to the construction of a new cell in 2011.

Net Cash Provided by Investment Activities increased by \$16 million to an inflow of \$9.2 million compared to 2011 when Net Cash Used by Investment Activities was an outflow of \$6.8 million. There were inflows and outflows of Cash and Investments related to the Pinelands Park Landfill and Debt transactions, in addition to transfers done in the normal course of business.

Total Net Decrease in Cash and Cash Equivalents for 2012 is \$3.4 million. In 2011, 2010 and 2009 there were Net Decreases of \$13,272,000, \$444,000 and \$2,297,000, respectively.

Cash and Cash Equivalents at the Beginning of the Year were \$13,341,641 and \$9,935,000 at the End of Year, a 26% reduction.

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$31,406,110	\$ 30,590,568	\$ 815,542	3%
Payments to Employees	(8,491,973)	(8,484,883)	(7,090)	0%
Payments to Suppliers	(18,195,541)	(15,095,285)	(3,100,256)	21%
Net Cash Provided by Operating Activities	4,718,596	7,010,400	(2,291,804)	-33%
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers to Other Funds	(121,446)	(66,457)	(54,989)	83%
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of Capital Assets	(1,440,747)	(7,045,247)	5,604,500	-80%
Principal Paid on Capital Debt	(33,880,000)	(5,445,000)	(28,435,000)	522%
Interest Paid on Capital Debt	(2,871,553)	(2,607,928)	(263,625)	10%
Gain on Acquisition of Pinelands Park Landf	21,000,000	-	21,000,000	100%
State Contribution	-	1,700,000	(1,700,000)	-100%
Net Cash Used by Capital and Financing	(17,192,300)	(13,398,175)	(3,794,125)	28%
<b>Cash Flows from Investing Activities</b>				
Interest Income	30,689	28,024	(2,665)	-10%
Transferred to Investments	9,157,820	(6,846,080)	16,003,900	-234%
Net Cash Provided (Used) by Investing Activities	9,188,509	(6,818,056)	16,006,565	-235%
<b>Net Increase (decrease) in Cash and Cash Equivalents</b>				
	(3,406,641)	(13,272,288)	9,865,647	-74%
<b>Cash and Cash Equivalents, January 1</b>				
	13,341,641	26,613,929	(13,272,288)	-50%
<b>Cash and Cash Equivalents, December 31</b>				
	\$ 9,935,000	\$ 13,341,641	\$ (3,406,641)	-26%

### Core Competencies

#### Wastewater Division

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

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

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

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

The User Fee, charged to the fourteen municipalities and Municipal Utilities Authorities within Atlantic County and the one State-regulated public utility that services Atlantic

City, is the main source of revenue for the Wastewater Division. This is shown on the Comparative Statement of Revenues, Expenses and Changes in Net Assets as “User Service Agreements: Operating and General” and reported as Operating Revenues.

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

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

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

**Solid Waste Division**

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

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

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

The Transfer Station processes all municipal waste delivered to the system. It is permitted to operate at a maximum of 1,950 tons of solid waste per day. Waste received goes through the Transfer Station before being taken to the landfill for disposal. Cell 11 was constructed in 2011 and 2012 for a total cost of approximately \$4.6 million. This cell began to accept waste in the second quarter of 2012, and is expected to reach capacity in approximately three years based on historical tonnages received. Cell 9 is the next, and last, cell to be built under the original landfill footprint. After Cell 9 is built construction of the mechanically stabilized earth (MSE) wall as approved under the landfill expansion permit will begin and will allow for additional capacity. Capacity at the landfill is expected to be available through 2028. The ACUA is seriously researching and collaborating on other innovative and emerging technologies for the disposal of solid waste.

In addition to cell construction, the existing gas collection system to service the new cell was expanded. Materials were purchased and the expansion was done in-house for a combined costs of approximately \$50,000. Another gas collection system improvement during 2012 was the installation of eighteen vertical gas wells were to increase the amount

of gas collected. The cost for the eighteen wells was approximately \$160,000. The wells help to reduce odors from the landfill and increase the amount of gas collected to be used by the Landfill Gas to Electricity (LFG) facility. The electricity for the entire solid waste facility is provided by the LFG facility which is a renewable energy source.

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

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

Recycling collection is provided to about twenty Atlantic County municipalities, generally on a bi-weekly basis. Many commercial entities have weekly service. All the recyclables received are processed and marketed by ReCommunity. Revenue from recyclables declined sharply in late 2008 due to the global economic crisis. The markets have been rebounding as the global economies begin to recover. In 2012 approximately 33,000 tons were collected, which is consistent with recent years.

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

The Authority's compost operation processes leaves, grass clippings, tree branches, clean wood, brush and Christmas trees. In 2012 about 29,000 tons of yard waste was processed, up about 6,000 tons over tons processed in 2011 and 2010. In June 2012 a destructive derecho hit Atlantic County resulting in significant tree, brush and wood debris that was disposed of at the ACUA. The branches, brush, and trees are processed into EcoSoil and sold to the public, providing additional income to support the Solid Waste system.

#### **Centralized Maintenance**

The ACUA has a 17,000 square foot Maintenance Center where a fleet of over 70 vehicles and 30 pieces of specialized heavy equipment is maintained and serviced. In 2010 the Authority completed construction of its compressed natural gas (CNG) fueling station and now has fifteen CNG refuse collection trucks in its fleet. In order to service these vehicles safely, approximately \$195,000 of improvements to the Maintenance Center were necessary and were completed in 2011 and 2012. The ACUA received \$75,000 in grant funding towards these costs in 2012. Maintenance to other governmental

agencies is provided on an as need basis. This provides additional income to the solid waste system and optimizes the existing facility and staff.

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

### Accountability

The Atlantic County Utilities Authority mission statement is:

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

The Authority’s accountability, first and foremost, is to protect the environment. The goal is to provide a cost effective and reliable service, and at the same time to protect the environment. Equally important to the Authority is the ACUA’s bondholders, 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. The Authority is financially accountable to the Department of Community Affairs, Division of Local Government Services.

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

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

### Governing Body

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

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  
John L. Carman, Jr (Appointed 2013)

#### **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 and the Rowan School of Accounting Advisory Board. Ms. Mento is on the Board of Directors for the United Way and St. Joseph High School, as well as on the Board of Trustees of the Atlantic Cape Community College. Ms. Mento was named the 2013 United Way of Greater Philadelphia and Southern New Jersey's "George F. Lynn Volunteer of the Year."

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

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

Brian Lefke, Vice President – Solid Waste Division and Authority Board Secretary. Mr. Lefke has served as Board Secretary since December 2003, and is responsible for the administration of the Authority Board of Directors business and activity. In July of 2009, Mr. Lefke was appointed to the position of Vice President of Solid Waste. Mr. Lefke is responsible for the management oversight of all operations within the Solid Waste Division which includes: Solid Waste Administration, Recycling Center Operations, Recycling Center Collections, Transfer Station, Landfill, Compost and EcoProduct

Marketing. Prior to assuming his current responsibilities, Mr. Lefke served as the Director of Solid Waste Operations at the Authority for 17 years. He was employed at the Atlantic County Planning Department in various management titles and also served as the acting Executive Director of the Atlantic County Transportation Authority for one year. Mr. Lefke graduated from Richard Stockton College of New Jersey with a Bachelor of Science in Environmental Science and Farleigh Dickinson University with a Master of Science in Administrative Science. He has served on the Atlantic Cape Community College Board of Trustees since 1995 and was the Board Chairman from 2005-2007. Mr. Lefke has been a member of the Association of New Jersey Recyclers and has served on the executive committee of this group. He has previously been a member of the New Jersey Pinelands Commission and Somers Point Planning Board.

E. Christopher Harris, Director of Wastewater Operations – Mr. Harris is responsible for the day-to-day administration, operation and maintenance of the Authority's wind and solar powered wastewater treatment plant and collection system. The 40 million gallon per day (MGD) plant and regional system serves 14 municipalities, surrounding and including Atlantic City, New Jersey. Mr. Harris serves as the licensed operator and holds a New Jersey S4 Wastewater Treatment license. Prior to joining the ACUA, Mr. Harris was with the Philadelphia Water Department (PWD) from 1994 to 2006. The most recent position Mr. Harris held at the PWD was Plant Manager at the Southwest Water Pollution Control Plant, a 200 MGD facility. Some of Mr. Harris' professional accomplishments include implementing process and asset management efficiencies, leading the implementation of a Biosolids Best Management Practices program, participation in studies, trials and regulatory negotiations. Mr. Harris has worked closely with ACUA's public relations group in educating various groups and individuals through on-site wastewater and energy tours.

Mr. Harris holds a degree in Chemical Engineering from Widener University in Chester, Pennsylvania and is an wastewater continuing education instructor at Atlantic Cape Community College teaching. Mr. Harris is a member of the New Jersey Association of Environmental Authorities, the New Jersey Water Environment Association, and the Water Environment Federation. Mr. Harris has also served on the board of the local chapter of the American Red Cross.

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 \$123 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 holds an architects 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. Petitt 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 years to encourage any new or fresh reviews of the Atlantic County Utilities Authority financial operations and reporting of financial status, and to eliminate any perceived or potential conflicts of interest that may develop due to long-term relationships.

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

**BASIC FINANCIAL STATEMENTS**

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Statements of Net Position**  
**December 31, 2012 and 2011**

	2012		Total	2011
	Wastewater Division	Solid Waste Division		
<b>ASSETS</b>				
Unrestricted current assets:				
Cash and cash equivalents	\$ 13,348,267	\$ 9,920,883	\$ 23,269,150	\$ 19,469,109
Investments	7,060,607	8,151,918	15,212,525	16,647,034
Accrued interest receivable	47,750	8,893	56,643	56,841
Accounts receivable (net of allowance \$550,474 and \$550,474 in 2012 and 2011, respectively)	583,667	3,067,839	3,651,506	2,536,273
Internal accounts	(932,851)	932,851	-	-
Total unrestricted current assets	<u>20,107,440</u>	<u>22,082,384</u>	<u>42,189,824</u>	<u>38,709,257</u>
Restricted noncurrent assets:				
Cash and cash equivalents	11,052,957	14,117	11,067,074	17,235,388
Investments	5,459,487	4,753,919	10,213,406	18,014,983
Amounts held by State of New Jersey	-	2,593,083	2,593,083	2,307,921
Due from State of New Jersey / Newco Trustee	-	24,651,746	24,651,746	-
Accrued interest receivable	-	3,397	3,397	8,690
Loans receivable	1,733,988	-	1,733,988	2,180,920
Total restricted noncurrent assets	<u>18,246,432</u>	<u>32,016,262</u>	<u>50,262,694</u>	<u>39,747,902</u>
Capital assets, gross	223,681,452	131,257,440	354,938,892	351,792,514
Accumulated depreciation	(145,480,638)	(85,835,448)	(231,316,086)	(220,439,223)
Capital assets, net	<u>78,200,814</u>	<u>45,421,992</u>	<u>123,622,806</u>	<u>131,353,291</u>
Deferred costs:				
Unamortized bond issuance costs	801,280	-	801,280	1,553,334
TOTAL ASSETS	<u>117,355,966</u>	<u>99,520,638</u>	<u>216,876,604</u>	<u>211,363,784</u>

The accompanying notes are an integral part of this statement.

ATLANTIC COUNTY UTILITIES AUTHORITY  
Statements of Net Position  
December 31, 2012 and 2011

	2012			2011
	Wastewater Division	Solid Waste Division	Total	
<b>LIABILITIES</b>				
Current liabilities payable from current assets:				
Accounts payable and accrued expenses	2,120,293	3,150,252	5,270,545	5,261,858
Customer deposits	-	134,207	134,207	114,657
Deferred revenue, current	162,980	-	162,980	159,210
Total current liabilities payable from current assets	<u>2,283,273</u>	<u>3,284,459</u>	<u>5,567,732</u>	<u>5,535,725</u>
Current liabilities payable from restricted assets:				
Construction contracts payable	1,690,722	3,562,647	5,253,369	7,706,435
Current portion of long-term debt	7,079,912	-	7,079,912	12,551,888
Accrued interest	465,405	-	465,405	1,395,483
Total current liabilities payable from restricted assets	<u>9,236,039</u>	<u>3,562,647</u>	<u>12,798,686</u>	<u>21,653,806</u>
Noncurrent liabilities payable from restricted assets:				
Accrued landfill closure and post-closure care cost	-	34,629,707	34,629,707	10,589,044
Noncurrent liabilities:				
Deferred revenue, non-current	486,721	-	486,721	653,471
Accrued compensated absences	600,004	670,419	1,270,423	1,270,423
Post retirement benefits payable	535,019	800,000	1,335,019	1,335,019
Long-term portion of bonds payable (net of unamortized bond premium of \$560,212 and \$687,015 for Wastewater bonds and bond and discount of \$-0- and \$64,527 for Solid Waste bonds in 2012 and 2011, respectively)	27,914,022	-	27,914,022	61,025,648
Total noncurrent liabilities	<u>29,535,766</u>	<u>1,470,419</u>	<u>31,006,185</u>	<u>64,284,561</u>
<b>TOTAL LIABILITIES</b>	<u>41,055,078</u>	<u>42,947,232</u>	<u>84,002,310</u>	<u>102,063,136</u>

The accompanying notes are an integral part of this statement.

ATLANTIC COUNTY UTILITIES AUTHORITY  
Statements of Net Position  
December 31, 2012 and 2011

NET POSITION	2012		Total	2011
	Wastewater Division	Solid Waste Division		
Investment in capital assets, net of related debt	43,206,880	45,421,992	88,628,872	57,775,755
Restricted for:				
Wastewater:				
Renewal and replacement	4,800,000	-	4,800,000	4,800,000
Debt service fund	6,751,095	-	6,751,095	6,614,634
Debt service reserve fund	7,240,455	-	7,240,455	7,415,415
Solid Waste:				
Debt service reserve	-	-	-	8,053,769
Unrestricted	14,302,458	11,151,414	25,453,872	24,641,075
<b>TOTAL NET POSITION</b>	<b>\$ 76,300,888</b>	<b>\$ 56,573,406</b>	<b>\$ 132,874,294</b>	<b>\$ 109,300,648</b>

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The accompanying notes are an integral part of this statement.

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the years ended December 31, 2012 and 2011**

	2012			2011
	Wastewater Division	Solid Waste Division	Total	
Operating revenues:				
Wastewater:				
User service agreements:				
Operating	\$ 15,960,267	\$ -	\$ 15,960,267	\$ 15,561,319
General	8,033,785	-	8,033,785	8,078,142
Sludge	1,795,961	-	1,795,961	1,609,893
Septage and leachate	529,202	-	529,202	542,318
Other	1,183,163	-	1,183,163	1,512,319
Solid Waste:				
Tipping fees	-	20,844,357	20,844,357	19,120,975
Collections and recycling income	-	8,567,969	8,567,969	8,781,220
Grant income	-	173,486	173,486	524,907
Composting income	-	1,281,162	1,281,162	1,121,215
Other	-	1,743,715	1,743,715	1,016,351
Total operating revenues	<u>27,502,378</u>	<u>32,610,689</u>	<u>60,113,067</u>	<u>57,868,659</u>
Operating expenses:				
Salaries	5,695,737	8,491,973	14,187,710	14,182,866
Employee benefits	3,231,921	5,233,437	8,465,358	7,831,827
Power and utilities	2,517,191	746,881	3,264,072	3,709,030
Chemicals	937,207	-	937,207	1,255,351
Fuel	1,115,831	1,358,832	2,474,663	2,833,306
Supplies and miscellaneous maintenance	1,852,286	2,266,647	4,118,933	5,312,853
Contractual services	496,648	-	496,648	623,840
Indirect operating expenses	537,736	2,201,969	2,739,705	3,210,098
Accrued landfill closure costs	-	131,035	131,035	511,090
Administrative	1,418,449	1,325,485	2,743,934	2,347,346
Community benefit	-	2,164,195	2,164,195	1,813,988
Recycling and other taxes	-	1,008,613	1,008,613	946,167
Licenses and permits	159,249	-	159,249	188,855
Depreciation	5,330,678	5,546,185	10,876,863	10,677,530
Amortization of bond issue costs	367,804	-	367,804	426,732
Total operating expenses	<u>23,660,737</u>	<u>30,475,252</u>	<u>54,135,989</u>	<u>55,870,879</u>
Operating income	<u>3,841,641</u>	<u>2,135,437</u>	<u>5,977,078</u>	<u>1,997,780</u>
Non-operating revenues / (expenses):				
Interest income	154,631	22,625	177,256	216,897
Interest expense	(1,065,008)	(2,066,903)	(3,131,911)	(3,833,653)
Gain on acquisition of Pinelands Park Landfill	-	21,000,000	21,000,000	-
Loss on extinguishment of debt	-	(448,777)	(448,777)	-
Contributions - state subsidy	-	-	-	1,700,000
Total non-operating revenues / (expenses)	<u>(910,377)</u>	<u>18,506,945</u>	<u>17,596,568</u>	<u>(1,916,756)</u>
Net income / (loss)	2,931,264	20,642,382	23,573,646	81,024
Net position, January 1,	<u>73,369,624</u>	<u>35,931,024</u>	<u>109,300,648</u>	<u>109,219,624</u>
Net position, December 31,	<u>\$ 76,300,888</u>	<u>\$ 56,573,406</u>	<u>\$ 132,874,294</u>	<u>\$ 109,300,648</u>

The accompanying notes are an integral part of this statement.

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Statements of Cash Flows**  
**For the years ended December 31, 2012 and 2011**

	2012			2011
	Wastewater Division	Solid Waste Division	Total	
Cash flows from operating activities:				
Receipts from customers and users	\$ 27,448,293	\$ 31,406,111	\$ 58,854,404	\$ 58,006,230
Payments to employees	(5,695,737)	(8,491,973)	(14,187,710)	(14,182,866)
Payments to suppliers	(13,848,694)	(18,195,542)	(32,044,236)	(27,470,672)
Net cash flows from operating activities	<u>7,903,862</u>	<u>4,718,596</u>	<u>12,622,458</u>	<u>16,352,692</u>
Cash flows from non-capital financing activities:				
Operating subsidiaries and transfers to other funds	<u>121,446</u>	<u>(121,446)</u>	<u>-</u>	<u>-</u>
Net cash flows from non-capital financing activities	<u>121,446</u>	<u>(121,446)</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(1,832,434)	(1,440,747)	(3,273,181)	(11,655,675)
Principal paid on debt	(6,706,889)	(33,880,000)	(40,586,889)	(11,982,758)
Interest paid on debt	(1,190,436)	(2,871,553)	(4,061,989)	(4,277,718)
State contribution	-	-	-	1,700,000
Gain on acquisition of Pinelands Park Landfill	-	21,000,000	21,000,000	-
Proceeds from Wastewater Trust	<u>2,512,495</u>	<u>-</u>	<u>2,512,495</u>	<u>5,021,967</u>
Net cash flows from capital and related financing activities	<u>(7,217,264)</u>	<u>(17,192,300)</u>	<u>(24,409,564)</u>	<u>(21,194,184)</u>
Cash flows from investing activities:				
Interest income	152,058	30,689	182,747	226,826
Transferred from/(to) investments	<u>78,266</u>	<u>9,157,820</u>	<u>9,236,086</u>	<u>(11,987,031)</u>
Net cash flows from investing activities	<u>230,324</u>	<u>9,188,509</u>	<u>9,418,833</u>	<u>(11,760,205)</u>
Net change in cash and cash equivalents	1,038,368	(3,406,641)	(2,368,273)	(16,601,697)
Cash and cash equivalents, January 1	<u>23,362,856</u>	<u>13,341,641</u>	<u>36,704,497</u>	<u>53,306,194</u>
Cash and cash equivalents, December 31,	<u>\$ 24,401,224</u>	<u>\$ 9,935,000</u>	<u>\$ 34,336,224</u>	<u>\$ 36,704,497</u>
Reconciliation of Statements of Net Positions:				
Unrestricted cash and cash equivalents	\$ 13,348,267	\$ 9,920,883	\$ 23,269,150	\$ 19,469,109
Restricted cash and cash equivalents	<u>11,052,957</u>	<u>14,117</u>	<u>11,067,074</u>	<u>17,235,388</u>
Total cash and cash equivalents	<u>\$ 24,401,224</u>	<u>\$ 9,935,000</u>	<u>\$ 34,336,224</u>	<u>\$ 36,704,497</u>

The accompanying notes are an integral part of this statement.

ATLANTIC COUNTY UTILITIES AUTHORITY  
 Statements of Cash Flows  
 For the years ended December 31, 2012 and 2011

EXHIBIT C  
 (continued)

	2012			2011
	Wastewater Division	Solid Waste Division	Total	
<b>Reconciliation of operating income to net cash flows from operating activities:</b>				
Operating income	\$ 3,841,641	\$ 2,135,437	\$ 5,977,078	\$ 1,997,780
Items which did not use/(provide) cash:				
Depreciation expense	5,330,678	5,546,185	10,876,863	10,677,530
Amortization of bond issuance costs	367,804	-	367,804	426,732
Working capital changes which provided/(used) cash:				
Accounts receivable	108,895	(1,224,128)	(1,115,233)	325,238
Accrued landfill post-closure costs	-	(611,083)	(611,083)	512,404
Accounts and other payables	(1,582,176)	(862,203)	(2,444,379)	2,600,675
Deferred revenues	(162,980)	-	(162,980)	(159,211)
Customer deposits	-	19,550	19,550	(28,456)
Amounts held by the State	-	(285,162)	(285,162)	-
Net cash flows from operating activities	<u>\$ 7,903,862</u>	<u>\$ 4,718,596</u>	<u>\$ 12,622,458</u>	<u>\$ 16,352,692</u>

The accompanying notes are an integral part of this statement.

**NOTES TO FINANCIAL STATEMENTS**

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements**  
**For the years ended December 31, 2012 and 2011**

**NOTE 1: AUTHORITY DESCRIPTION AND GENERAL INFORMATION**

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

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

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

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

In the opinion of management, revenues of the Solid Waste Division are adequate to cover all operating expenses and current capital costs. 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: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2012 and 2011**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Reporting Entity (continued)**

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

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

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

**B. Basis of Presentation**

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

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

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved *Basic Financial Statements and Management's 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*.

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2012 and 2011**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation (continued)**

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets was renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Whereas the provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011, the Authority has implemented this Statement for the year ended December 31, 2012.

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.

**C. Wastewater Service Contract**

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

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

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2012 and 2011**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Wastewater Bond Resolutions**

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

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, 2012 and 2011, the Construction Fund and Wastewater Trust Fund cash equivalents amounted to \$1,314,424 and \$1,550,121, 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, 2012 and 2011, 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 15<sup>th</sup> next ensuing, plus any unpaid principal and interest then due. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. In addition, a sinking fund is included which shall equal the aggregate amount of all sinking fund installments required to redeem bonds on the next January 15<sup>th</sup> for the Sewer Revenue Refunding Bonds. At December 31, 2012 and 2011, the Debt Service Fund cash amounted to \$6,751,095 and \$6,614,634, 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, 2012 and 2011, the market value of the Debt Service Reserve Fund cash and investments amounted to \$2,811,459 and \$2,896,698, 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, 2012 and 2011, the Renewal and Replacement Fund cash totaled \$5,543,004. The System Reserve Fund, a component of the Renewal and Replacement Fund, cash requirement at December 31, 2012 and 2011 was \$4,800,000.

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2012 and 2011**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. 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 was 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, 2012 and 2011, 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, 2012 and 2011, 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, 2012 and 2011, the Debt Service Fund cash amounted to \$0 and \$2,701,317, 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, 2012 and 2011, the Debt Service Reserve Fund cash amounted to \$0 and \$2,631,532, respectively.

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.

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2012 and 2011**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. 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, 2012 and 2011, the Renewal and Replacement Fund cash amounted to \$4,623,780 and \$3,245,980, respectively.

The Authority redeemed these bonds on December 31, 2012 and closed these funds in accordance with the redemption. These funds were however in place through the date of the redemption.

**F. 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. The Authority considers investments with maturities of three months or less to be cash equivalents for purposes of the Statement of Cash Flows.

**G. Capital Assets**

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

Depreciation is determined on a straight-line basis for all capital assets. Depreciation is provided over the following estimated useful lives:

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

Landfill cells are depreciated on the basis of capacity utilized.

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

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2012 and 2011**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Unamortized Debt Issue Costs**

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

**I. Wastewater Revenues**

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

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

**J. 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.

**K. Restricted Assets**

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

**L. Use of Estimates**

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

**M. Risk of Loss**

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

**N. Subsequent Events**

The Authority has evaluated subsequent events occurring after the Statement of Net Position date through April 12, 2013, which is the date the financial statements were available to be issued.

See Note 15 for disclosure of subsequent events that have occurred after the Statement of Net Position date but prior to the issuance of this report.

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2012 and 2011**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**O. Impact of Recently Issued Accounting Principles**

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

**NOTE 3: CASH AND CASH EQUIVALENTS**

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

The Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2012 and 2011, and reported at fair value are shown below.

	<u>2012</u>	<u>2011</u>
<b>Deposits:</b>		
Demand deposits	\$ 34,336,224	\$ 36,704,497
Total deposits	<u>\$ 34,336,224</u>	<u>\$ 36,704,497</u>
<b>Reconciliation to Statements of Net Position:</b>		
Current unrestricted assets:		
Cash	\$ 23,269,150	19,469,109
Current restricted assets:		
Cash	<u>11,067,074</u>	<u>17,235,388</u>
Total	<u>\$ 34,336,224</u>	<u>\$ 36,704,497</u>

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2012 and 2011, the Authority's bank balances of \$36,616,089 and \$37,508,987, respectively, were insured or collateralized as follows:

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2012 and 2011**

**NOTE 3: CASH AND CASH EQUIVALENTS (continued)**

	<u>2012</u>	<u>2011</u>
Insured	\$ 1,000,000	\$ 750,000
Collateralized in the Authority's name Under GUDPA (See Note 5)	<u>35,616,089</u>	<u>36,758,987</u>
Total	<u>\$ 36,616,089</u>	<u>\$ 37,508,987</u>

**NOTE 4: INVESTMENTS**

**A. Custodial Credit Risk**

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

**B. Investment Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Authority has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments held at December 31, 2012 and 2011, are provided in the schedule on the following page.

**C. Investment Credit Risk**

The Authority has no investment policy that limits its investment choices other than the limitation of state law as follows:

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

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2012 and 2011**

**NOTE 4: INVESTMENTS (continued)**

**C. Investment Credit Risk (continued)**

As of December 31, 2012 and 2011, the Authority had the following investments:

	<u>2012</u>		<u>2011</u>	
	<u>Book Value</u>	<u>Market</u>	<u>Book Value</u>	<u>Market</u>
Wastewater:				
US Treasury Strips	\$ 365,700	\$ 365,700	\$ 362,248	\$ 362,248
US Treasury Bonds	1,058,874	1,058,874	1,147,566	1,147,566
New Jersey ARM	11,095,520	11,095,520	11,088,546	11,088,546
Solid Waste:				
New Jersey ARM	<u>12,905,837</u>	<u>12,905,837</u>	<u>22,063,657</u>	<u>22,063,657</u>
Total	<u>\$ 25,425,931</u>	<u>\$ 25,425,931</u>	<u>\$ 34,662,017</u>	<u>\$ 34,662,017</u>

**Reconciliation to Statements of Net Position:**

	<u>2012</u>	<u>2011</u>
Current unrestricted assets:		
Investments	\$ 15,212,525	\$ 16,647,034
Current restricted assets:		
Investments	<u>10,213,406</u>	<u>18,014,983</u>
Total	<u>\$ 25,425,931</u>	<u>\$ 34,662,017</u>

**D. Fair Value of Investments**

Investments are shown at fair value on the balance sheet with accrued interest shown under a separate caption. Investments at December 31, 2012 and 2011 are summarized above.

**NOTE 5: GOVERNMENTAL UNIT DEPOSIT PROTECTION ACT (GUDPA)**

The Authority had deposited cash in 2012 and 2011 with an approved public fund depository qualified under the provisions of the Governmental Unit Deposit Protection Act. In addition to savings and checking accounts, the Board invests monies in certificates of deposits.

The Governmental Unit Deposit Protection Act P.L. 1970, Chapter 236 was passed to afford protection against bankruptcy or default by a depository. C.17:9-42 provides that no governmental unit shall deposit funds in a public depository unless such funds are secured in accordance with this act. C.17:9-42 provides that every public depository having public funds on deposit shall, as security for such deposits, maintain eligible collateral having a market value at least equal to either (1) 5% of the average daily balance of collected public funds on deposit during the six month period ending on the next preceding valuation date (June 30 or December 31) or (2) at the election of the depository, at least equal to 5% of the average balance of collected public funds on deposit on the first, eighth, fifteenth, and twenty-second days of each month in the six month period ending on the next preceding valuation date (June 30 or December 31). No public depository shall be required to maintain any eligible collateral pursuant to this act as security for any deposit or deposits of any governmental unit to the extent such deposits are insured by the FDIC or any other U.S. agency which insures public depository funds.

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2012 and 2011**

**NOTE 5: GOVERNMENTAL UNIT DEPOSIT PROTECTION ACT (GUDPA) (continued)**

No public depository shall at any time receive and hold on deposit for any period in excess of 15 days public funds of a governmental unit(s) which, in aggregate, exceed 75% of the capital funds of the depository, unless such depository shall, in addition to the security required to be maintained under the paragraph above, secure such excess by eligible collateral with a market value at least equal to 100% of such excess.

In the event of a default, the Commissioner of Banking within 20 days after default occurrence shall ascertain the amount of public funds on deposit in the defaulting depository and the amounts covered by federal deposit insurance and certify the amounts to each affected governmental unit. Within 10 days after receipt of this certification, each unit shall furnish to the Commissioner verified statements of its public deposits. The Commissioner shall ascertain the amount derived or to be derived from the liquidation of the collateral maintained by the defaulting depository and shall distribute such proceeds pro rata among the governmental units to satisfy the net deposit liabilities to such units.

If the proceeds of the sale of the collateral are insufficient to pay in full the liability to all affected governmental units, the Commissioner shall assess the deficiency against all other public depositories having public funds on deposit determined by a formula determined by law. All sums collected by the Commissioner shall be paid to the governmental units having deposits in the defaulting depository in the proportion that the net deposit liability to each governmental unit bears to the aggregate of the net deposit liabilities to all such governmental units.

All public depositories are required to furnish information and reports dealing with public funds on deposit every six months (June 30 and December 31) with the Commissioner of Banking. Any public depository which refuses or neglects to give any such information so requested may be excluded from the right to receive public funds for deposit until such time as the Commissioner shall acknowledge that such depository has furnished the information requested.

Upon review and approval of the Certification Statement that the public depository complies with statutory requirements, the Commissioner issues forms approving the bank as a municipal depository. The municipality should request copies of these approval forms semiannually to assure that all depositories are complying with requirements.

**NOTE 6: CAPITAL ASSETS**

Capital assets consisted of the following at December 31, 2012 and 2011:

Wastewater Division:

	<u>2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>2012</u>
Land and improvements	\$ 12,691,336		\$	\$ 12,691,336
Sewer mains and interceptors	76,537,340			76,537,340
Buildings and improvements	49,366,003	\$ 1,705,631		51,071,634
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
Capital assets, gross	221,975,821	1,705,631		223,681,452
Less: accumulated depreciation	(140,149,960)	(5,330,678)		(145,480,638)
Capital assets, net	<u>\$ 81,825,861</u>	<u>\$ (3,625,047)</u>	<u>\$</u>	<u>\$ 78,200,814</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2012 and 2011**

**NOTE 6: CAPITAL ASSETS (continued)**

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

Solid Waste Division:	<u>2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>2012</u>
Land and improvements	\$ 14,758,844	\$ 1	\$	\$ 14,758,845
Buildings and improvements	33,109,820	214,623		33,324,443
Equipment and vehicles	25,934,858	536,109		26,470,967
Landfill design and implementation	52,637,339	690,014		53,327,353
Planning and designs	<u>3,375,832</u>			<u>3,375,832</u>
Capital assets, gross	129,816,693	1,440,747		131,257,440
Less: accumulated depreciation	<u>(80,289,263)</u>	<u>(5,546,185)</u>		<u>(85,835,448)</u>
Capital assets, net	<u>\$ 49,527,430</u>	<u>\$ (4,105,438)</u>	<u>\$</u>	<u>\$ 45,421,992</u>

**NOTE 7: BONDS PAYABLE**

Wastewater Revenue and Revenue Refunding Bonds at December 31, 2012 and 2011 consist of the following:

	<u>2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>2012</u>
NJ Environmental Infrastructure Trust – 1995	\$ 2,024,432		\$ 481,560	\$ 1,542,872
NJ Environmental Infrastructure Trust - 1997	3,924,498		610,277	3,314,221
NJ Environmental Infrastructure Trust - 2001	1,140,167		102,719	1,037,448
NJ Environmental Infrastructure Trust - 2006	1,892,463		117,328	1,775,135
NJ Environmental Infrastructure Trust - 2007	2,523,753		143,146	2,380,607
Environmental Infrastructure Trust - 2004	3,467,860		245,208	3,222,652
Sewer Revenue Refunding Bonds - 2003	8,455,000		480,000	7,975,000
Sewer Revenue Refunding Bonds - 2009	10,090,000		4,290,000	5,800,000
NJ Environmental Infrastructure Trust - 2010A	3,846,875		175,937	3,670,938
NJ Environmental Infrastructure Trust - 2010B	1,710,000		60,714	1,649,286
NJ Environmental Infrastructure Trust -2012	<u>-0-</u>	<u>\$ 2,065,563</u>	<u>-0-</u>	<u>2,065,563</u>
Long-term debt	39,075,048	2,065,563	6,706,889	34,433,722
Unamortized bond premium	<u>687,015</u>		<u>126,803</u>	<u>560,212</u>
Total	<u>\$ 39,762,063</u>	<u>\$ 2,065,563</u>	<u>\$ 6,833,692</u>	<u>\$ 34,993,934</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2012 and 2011**

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

Solid Waste Revenue Bonds at December 31, 2012 and 2011 consist of the following:

	<u>2011</u>	<u>Decreases</u>	<u>2012</u>
Solid Waste System Revenue Bonds	\$ 33,880,000	\$ 33,880,000	\$ -0-
Unamortized bond discount	<u>(64,527)</u>	<u>64,527</u>	<u>-0-</u>
Total	<u>\$ 33,815,473</u>	<u>\$ 33,815,473</u>	<u>\$ -0-</u>

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

	<u>2012</u>	<u>2011</u>
Bonds payable:		
Wastewater Division	\$ 34,433,722	\$ 39,075,048
Solid Waste Division	<u>-0-</u>	<u>33,880,000</u>
Total bonds payable	<u>\$ 34,433,722</u>	<u>\$ 72,955,048</u>
Current portion of long-term debt:		
Wastewater Division	\$ 7,079,903	\$ 6,706,888
Solid Waste Division	-0-	5,845,000
Non-current portion of long-term debt:		
Wastewater Division	27,353,819	32,368,160
Solid Waste Division	<u>-0-</u>	<u>28,035,000</u>
Total bonds payable	<u>\$ 34,433,722</u>	<u>\$ 72,955,048</u>

**A. 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, 2012 is \$1,542,872.

\$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, 2012 is \$3,314,221.

\$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, 2012 is \$1,037,448.

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2012 and 2011**

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

**A. Description of Bonds Payable (continued)**

\$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, 2012 is \$7,975,000.

\$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, 2012 is \$3,222,652.

\$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, 2012 is \$1,775,135.

\$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, 2012 is \$2,380,607.

\$15,170,000 Sewer Refunding Bonds dated September 10, 2009, due in annual installments for principal through January 15, 2015, bearing interest at various rates from 4.00% to 5.00% per annum. The balance remaining as of December 31, 2012 is \$5,800,000.

\$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, 2012 is \$3,670,938.

\$1,710,000 New Jersey Environmental Infrastructure Trust Fund Loan Series 2010B, dated December 2010, due in semiannual installments for principal and interest through September 1, 2030, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2012 is \$1,649,286.

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

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

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2012 and 2011**

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

**B. Refunding Bonds Issued**

Debt service requirements on serial bonds and loans payable at December 31, 2012 are as follows:

<u>Year</u>	<u>Wastewater Division</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2013	\$ 7,079,912	\$ 948,905	\$ 8,028,817
2014	6,114,641	697,430	6,812,071
2015	7,026,022	441,064	7,467,086
2016	1,703,770	263,783	1,967,553
2017	1,752,306	227,433	1,979,739
2018-2022	5,347,584	762,525	6,110,109
2023-2027	4,103,920	334,544	4,438,464
2028-2031	<u>1,305,567</u>	<u>47,998</u>	<u>1,353,565</u>
Total	<u>\$ 34,433,722</u>	<u>\$ 3,723,682</u>	<u>\$ 38,157,404</u>

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

**NOTE 8: PENSION PLANS**

**A. Description of Plan**

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

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

**B. Vesting and Benefit Provisions**

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2012 and 2011**

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

**B. Vesting and Benefit Provisions (continued)**

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.

**C. Contribution Requirements**

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 6.5% 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.

**Three Year Trend Information for PERS**

<u>Year</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/12	\$1,363,626	100%	-0-
12/31/11	\$1,307,343	100%	-0-
12/31/10	\$1,038,996	100%	-0-

**NOTE 9: POST-RETIREMENT BENEFITS**

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

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

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.

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2012 and 2011**

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

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:

2012 -	\$4,690,654
2011 -	\$3,972,229
2010 -	\$2,930,415

**NOTE 10: COMPENSATED ABSENCES**

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

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

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

**NOTE 12: 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, 2012:

United State Treasury	\$ 1,863,512
Cash	<u>729,571</u>
 Total	 <u>\$ 2,593,083</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2012 and 2011**

**NOTE 13: DEFERRED COMPENSATION**

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

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

**NOTE 14: PINELANDS PARK LANDFILL**

On November 26, 2012, the Authority entered an asset purchase agreement with Newco Waste Systems of New Jersey, Inc. ("Newco"). Under this agreement, the Atlantic County Utilities Authority acquired the Pinelands Park Landfill (the "Landfill") and the related land and equipment from Newco for \$1.

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

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

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

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

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

**NOTE 15: SUBSEQUENT EVENTS**

On March 21, 2013, the Authority issued revenue refunding bonds in the aggregate principal amount of \$6,650,000. The proceeds from the Series 2013 Revenue Refunding Bonds were used to refund the Series 2003 Revenue Bonds of the Wastewater Division.

**SUPPLEMENTARY INFORMATION**

**WASTEWATER DIVISION**

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Wastewater Division**  
**Statements of Net Position**  
*Modified Accrual Basis*  
**December 31, 2012 and 2011**

<b>ASSETS</b>	<u>2012</u>	<u>2011</u>
Unrestricted current assets:		
Cash and cash equivalents	\$ 13,348,267	\$ 12,208,990
Investments	7,060,607	7,055,306
Accrued interest receivable	47,750	45,177
Accounts receivable	<u>583,667</u>	<u>692,562</u>
Total unrestricted current assets	<u>21,040,291</u>	<u>20,002,035</u>
Restricted noncurrent assets:		
Cash and cash equivalents	11,052,957	11,153,866
Investments	5,459,487	5,543,054
Loans receivable	<u>1,733,988</u>	<u>2,180,920</u>
Total restricted noncurrent assets	<u>18,246,432</u>	<u>18,877,840</u>
Capital assets, gross	223,681,452	221,975,821
Accumulated depreciation	<u>(145,480,638)</u>	<u>(140,149,960)</u>
Capital assets, net	<u>78,200,814</u>	<u>81,825,861</u>
Deferred costs:		
Unamortized bond issuance costs	<u>801,280</u>	<u>1,169,084</u>
<b>TOTAL ASSETS</b>	<u>118,288,817</u>	<u>121,874,820</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Wastewater Division**  
**Statements of Net Position**  
*Modified Accrual Basis*  
**December 31, 2012 and 2011**

Schedule I  
(continued)

	2012	2011
<b>LIABILITIES</b>		
Current liabilities payable from current assets:		
Accounts payable and accrued expenses	3,096,058	3,497,465
Deferred revenue, current	162,980	159,210
Due to Solid Waste Division	932,851	811,405
Total current liabilities payable from current assets	4,191,889	4,468,080
Current liabilities payable from restricted assets:		
Construction contracts payable	1,690,722	2,733,282
Current portion of long-term debt	7,079,912	6,706,888
Accrued interest	465,405	590,833
Total current liabilities payable from restricted assets	9,236,039	10,031,003
Noncurrent liabilities:		
Accrued compensated absences	600,004	600,004
Post retirement benefits payable	535,019	535,019
Deferred revenue, non-current	486,721	653,471
Long-term portion of bonds payable (net of unamortized bond premium and discount of \$560,212 and \$687,015 in 2012 and 2011, respectively)	27,914,022	33,055,175
Total noncurrent liabilities	29,535,766	34,843,669
<b>TOTAL LIABILITIES</b>	<b>42,963,694</b>	<b>49,342,752</b>
<b>NET POSITION</b>		
Investment in capital assets, net of related debt	43,206,880	42,063,798
Restricted for:		
Renewal and replacement	4,800,000	4,800,000
Debt service fund	6,751,095	6,614,634
Debt service reserve fund	7,240,455	7,415,415
Unrestricted	13,326,693	11,638,221
<b>TOTAL NET POSITION</b>	<b>\$ 75,325,123</b>	<b>\$ 72,532,068</b>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Wastewater Division**  
**Statements of Revenues, Expenses and Changes in Net Position**  
*Modified Accrual Basis*  
**For the years ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Operating revenues:		
User service agreements:		
Operating	\$ 15,960,267	\$ 15,561,319
General	8,033,785	8,078,142
Sludge	1,795,961	1,609,893
Septage and leachate	529,202	542,318
Other	1,183,163	1,512,319
	<u>27,502,378</u>	<u>27,303,991</u>
Operating expenses:		
Salaries	5,695,737	5,697,983
Employee benefits	3,229,580	3,037,821
Power and utilities	2,463,410	2,768,681
Chemicals	927,580	1,117,777
Fuel	1,115,831	1,148,062
Supplies and miscellaneous maintenance	2,195,651	2,427,313
Contractual services	496,648	551,246
Indirect operating expenses	495,269	477,805
Administrative	1,321,509	1,344,991
Licenses and permits	159,249	167,746
Depreciation	5,330,678	5,337,233
Amortization of bond issue costs	367,804	367,804
	<u>23,798,946</u>	<u>24,444,462</u>
Operating income	<u>3,703,432</u>	<u>2,859,529</u>
Non-operating revenues / (expenses):		
Interest income	154,631	191,802
Interest expense	(1,065,008)	(1,324,763)
	<u>(910,377)</u>	<u>(1,132,961)</u>
Net income	2,793,055	1,726,568
Net position, January 1,	<u>72,532,068</u>	<u>70,805,500</u>
Net position, December 31,	<u>\$ 75,325,123</u>	<u>\$ 72,532,068</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Wastewater Division**  
**Operating Revenues and Costs Funded by Operating Revenues Compared to Budget**  
*Rate Basis*  
**For the year ended December 31, 2012**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
Revenues:				
User service agreements	\$ 23,994,052	\$ 23,994,052	\$ 23,994,052	\$ -
Sludge and septage	1,739,000	1,739,000	2,162,183	423,183
Interest on investments and deposits	220,000	220,000	154,631	(65,369)
Miscellaneous	976,548	976,548	1,183,163	206,615
Fund balance anticipated	500,000	500,000	-	(500,000)
	<u>27,429,600</u>	<u>27,429,600</u>	<u>27,494,029</u>	<u>64,429</u>
Total revenues				
Expenses:				
Salaries	5,834,017	5,834,017	5,695,737	138,280
Employee benefits	3,449,392	3,449,392	3,230,394	218,998
Power and utilities	2,680,000	2,680,000	2,466,133	213,867
Chemicals	1,132,000	1,132,000	932,082	199,918
Fuel	1,048,500	1,048,500	1,115,960	(67,460)
Supplies and miscellaneous maintenance	1,321,400	1,321,400	1,378,101	(56,701)
Contractual services	688,500	688,500	578,749	109,751
Indirect operating expenses	777,200	777,200	671,269	105,931
Administrative	1,646,807	1,646,807	1,358,027	288,780
Licenses and permits	818,000	818,000	818,200	(200)
Cancelled purchase orders	-	-	(144,189)	
	<u>19,395,816</u>	<u>19,395,816</u>	<u>18,100,463</u>	<u>1,151,164</u>
Total operating expenses				
Debt service	<u>8,033,784</u>	<u>8,033,784</u>	<u>8,033,784</u>	<u>-</u>
Total expenses	<u>27,429,600</u>	<u>27,429,600</u>	<u>26,134,247</u>	<u>1,151,164</u>
Net income / (loss) from operations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,359,782</u>	<u>\$ 1,359,782</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Wastewater Division**  
**Schedule of Cash and Cash Equivalents and Investments**  
**December 31, 2012**

Description	Face Amount	Interest Rate	Due Date	Fair Value December 31, 2012
Unrestricted accounts:				
Cash	\$ 959,472			\$ 959,472
First American Treasury Money Market	7,640,705			7,640,705
NJ ARM	46,497	0.03%		46,497
NJ ARM - NJ Term	1,680,458	0.21%		1,680,458
NJ ARM - NJ Term	1,684,917	0.14%		1,684,917
NJ ARM - NJ Term	1,650,332	0.16%		1,650,332
NJ ARM	1,593	0.03%		1,593
NJ ARM - NJ Term	2,044,900	0.14%		2,044,900
	<u>15,708,874</u>			<u>15,708,874</u>
Operating reserve:				
First American Treasury Money Market	4,700,000			4,700,000
	<u>4,700,000</u>			<u>4,700,000</u>
Total unrestricted accounts	<u>20,408,874</u>			<u>20,408,874</u>
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	98,386			98,386
Wastewater Trust - 2010A	701,032			701,032
Wastewater Trust - 2010B	228,070			228,070
Wastewater Trust - 2012	153,298			153,298
	<u>1,314,424</u>			<u>1,314,424</u>
Rebate Account:				
First American Treasury Money Market	92,463			92,463
Debt Service Fund:				
First American Treasury Money Market	6,751,095			6,751,095
Debt Service Reserve Fund:				
First American Treasury Money Market	24,094			24,094
NJ ARM	7,747	0.03%		7,747
NJ ARM - NJ Term	670,077	0.09%		670,077
NJ ARM - NJ Term	684,966	0.14%		684,966
United States Treasury Bonds	1,149,682	0.11%	02/15/15	1,058,874
United States Treasury Bonds	70,568		02/15/15	365,700
	<u>2,607,134</u>			<u>2,811,458</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Wastewater Division**  
**Schedule of Cash and Cash Equivalents and Investments**  
**December 31, 2012**

**Schedule IV**  
**(continued)**

<u>Description</u>	<u>Face Amount</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Fair Value December 31, 2012</u>
Restricted accounts (continued):				
Renewal and Replacement Fund:				
First American Treasury Money Market	2,861,144			2,861,144
NJ ARM	1,991	0.03%		1,991
NJ ARM - NJ Term	2,679,869	0.14%		2,679,869
	<u>5,543,004</u>			<u>5,543,004</u>
Total restricted accounts	<u>16,308,120</u>			<u>16,512,444</u>
Total	<u>\$ 36,716,994</u>			<u>\$ 36,921,318</u>
Unrestricted:				
Cash and cash equivalents	\$ 13,348,267			\$ 13,348,267
Investments	7,060,607			7,060,607
Restricted:				
Cash and cash equivalents	11,052,957			11,052,957
Investments	5,255,163			5,459,487
Total	<u>\$ 36,716,994</u>			<u>\$ 36,921,318</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Wastewater Division**  
**Schedule of Property, Plant and Equipment**  
*Modified GAAP Basis*  
**For the years ended December 31, 2012, 2011, 2010, 2009 and 2008**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Property, plant and equipment:					
Property, plant and equipment, gross - January 1,	\$ 221,975,821	\$ 218,894,456	\$ 218,636,970	\$ 210,277,846	\$ 208,629,047
Additions:					
Land	-	-	-	-	-
Sewer mains and interceptors	-	-	719,659	252	-
Buildings and improvements	4,265,331	521,665	6,684,436	4,070	1,648,799
Construction in progress	(2,559,700)	2,559,700	(7,146,609)	7,146,609	-
Equipment and vehicles	-	-	-	1,208,193	-
Total additions	1,705,631	3,081,365	257,486	8,359,124	1,648,799
Property, plant and equipment, gross - December 31,	223,681,452	221,975,821	218,894,456	218,636,970	210,277,846
Less:					
Accumulated depreciation and amortization	(145,480,638)	(140,149,960)	(134,812,727)	(129,524,105)	(124,376,698)
Property, plant and equipment, net - December 31,	<u>\$ 78,200,814</u>	<u>\$ 81,825,861</u>	<u>\$ 84,081,729</u>	<u>\$ 89,112,865</u>	<u>\$ 85,901,148</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Wastewater Division**  
**Schedule of Debt Issuance Costs**  
*Modified GAAP Basis*  
**For the years ended December 31, 2012, 2011, 2010, 2009 and 2008**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Unamortized debt issuance costs, gross - January 1,	\$ 5,420,030	\$ 5,420,030	\$ 5,420,030	\$ 5,206,878	\$ 5,206,878
Net effect of refunding bond issue	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,152</u>	<u>-</u>
Unamortized debt issuance costs, gross - December 31,	5,420,030	5,420,030	5,420,030	5,420,030	5,206,878
Less:					
Accumulated amortization	<u>(4,618,750)</u>	<u>(4,250,946)</u>	<u>(3,883,142)</u>	<u>(3,515,338)</u>	<u>(3,147,534)</u>
Unamortized debt issuance costs, net - December 31,	<u>\$ 801,280</u>	<u>\$ 1,169,084</u>	<u>\$ 1,536,888</u>	<u>\$ 1,904,692</u>	<u>\$ 2,059,344</u>

**SOLID WASTE DIVISION**

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Solid Waste Division**  
**Statements of Net Position**  
*Modified GAAP Basis*  
**December 31, 2012 and 2011**

	2012	2011
<b>ASSETS</b>		
Unrestricted current assets:		
Cash and cash equivalents	\$ 9,920,883	\$ 7,260,119
Investments	8,151,918	9,591,728
Accrued interest receivable	8,893	11,664
Accounts receivable (net of allowance of \$550,474 and \$550,474 in 2012 and 2011, respectively)	3,067,839	1,843,711
Due from Wastewater Division	932,851	811,405
Total unrestricted current assets	22,082,384	19,518,627
Restricted noncurrent assets:		
Cash and cash equivalents	14,117	6,081,522
Investments	4,753,919	12,471,929
Amounts held by State of New Jersey	2,593,083	2,307,921
Due from State of New Jersey / Newco Trustee	24,651,746	-
Accrued interest receivable	3,397	8,690
Total restricted noncurrent assets	32,016,262	20,870,062
Capital assets, gross	131,257,440	129,816,693
Accumulated depreciation	(85,835,448)	(80,289,263)
Capital assets, net	45,421,992	49,527,430
Deferred costs:		
Unamortized bond issuance costs	-	384,250
<b>TOTAL ASSETS</b>	<b>99,520,638</b>	<b>90,300,369</b>

ATLANTIC COUNTY UTILITIES AUTHORITY  
Solid Waste Division  
Statements of Net Position  
Modified GAAP Basis  
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>LIABILITIES</b>		
Current liabilities payable from current assets:		
Accounts payable and accrued expenses	3,326,711	3,191,075
Customer deposits	134,207	114,657
Total current liabilities payable from current assets	<u>3,460,918</u>	<u>3,305,732</u>
Current liabilities payable from restricted assets:		
Construction contracts payable	3,562,647	4,973,153
Current portion of long-term debt	-	5,845,000
Accrued interest	-	804,650
Total current liabilities payable from restricted assets	<u>3,562,647</u>	<u>11,622,803</u>
Noncurrent liabilities payable from restricted assets:		
Accrued landfill closure and post-closure care cost	34,629,707	10,589,044
Noncurrent liabilities:		
Accrued compensated absences	670,419	670,419
Post retirement benefits payable	800,000	800,000
Long-term portion of bonds payable (Net of unamortized bond premium and discount of \$-0- and \$64,527 in 2012 and 2011, respectively)	-	27,970,473
Total noncurrent liabilities	<u>1,470,419</u>	<u>29,440,892</u>
<b>TOTAL LIABILITIES</b>	<u>43,123,691</u>	<u>54,958,471</u>
<b>NET POSITION</b>		
Investment in capital assets, net of related debt	45,421,992	15,711,957
Restricted for:		
Debt service reserve fund	-	8,053,769
Unrestricted	10,974,955	11,576,172
<b>TOTAL NET POSITION</b>	<u>\$ 56,396,947</u>	<u>\$ 35,341,898</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Solid Waste Division**  
**Statements of Revenues, Expenses and Changes in Net Position**  
*Modified GAAP Basis*  
**For the years ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Tipping fees	\$ 20,844,357	\$ 19,120,975
Collections and recycling income	8,567,969	8,781,220
Grant income	173,486	524,907
Composting income	1,281,162	1,121,215
Other	1,743,715	1,016,351
	<u>32,610,689</u>	<u>30,564,668</u>
Operating expenses:		
Salaries	8,491,973	8,484,883
Employee benefits	5,232,512	4,797,272
Power and utilities	612,536	548,228
Fuel	1,358,832	1,465,040
Supplies and miscellaneous maintenance	2,143,339	2,054,272
Indirect operating expenses	2,201,969	2,275,901
Accrued landfill closure costs	131,035	511,090
Administrative	1,171,396	943,423
Community benefit	2,164,195	1,813,988
Recycling and other taxes	1,008,613	946,167
Depreciation	5,546,185	5,340,297
Amortization of bond issue costs	-	58,928
	<u>30,062,585</u>	<u>29,239,489</u>
Operating income	<u>2,548,104</u>	<u>1,325,179</u>
Non-operating revenues / (expenses):		
Interest income	22,625	25,095
Interest expense	(2,066,903)	(2,508,890)
Gain on acquisition of Pinelands Park Landfill	21,000,000	-
Loss on extinguishment of debt	(448,777)	-
Contributions - State Subsidy	-	1,700,000
	<u>18,506,945</u>	<u>(783,795)</u>
Net income	21,055,049	541,384
Net position, January 1,	<u>35,341,898</u>	<u>34,800,514</u>
Net position, December 31,	<u>\$ 56,396,947</u>	<u>\$ 35,341,898</u>

## ATLANTIC COUNTY UTILITIES AUTHORITY

## Solid Waste Division

## Operating Revenues and Costs Funded by Operating Revenues Compared to Budget

## Rate Basis

For the year ended December 31, 2012

	Original Budget	Modified Budget	Actual	Favorable/ (Unfavorable) Variance
Operating revenues:				
Tipping fees	\$ 19,745,910	\$ 20,909,116	\$ 20,844,357	\$ (64,759)
Collections and recycling income	9,596,620	9,596,620	8,509,578	(1,087,042)
Composting income	1,101,092	1,101,092	1,281,162	180,070
Interest on investments and deposits	40,000	40,000	22,625	(17,375)
Miscellaneous	1,158,453	1,158,453	1,975,591	817,138
Fund balance anticipated	-	10,970,463	-	(10,970,463)
	<u>31,642,075</u>	<u>43,775,744</u>	<u>32,633,313</u>	<u>(11,142,431)</u>
Total operating revenues				
Operating expenses:				
Administration	2,871,503	3,141,510	2,968,889	172,621
Solid Waste Administration	1,154,613	1,154,613	1,107,636	46,977
Transfer Station Operations	1,276,578	1,276,578	1,174,134	102,444
Composting	611,959	611,959	597,191	14,768
Landfill Operations	6,840,692	8,902,687	6,662,562	2,240,125
Recycling Center Processing	243,469	243,469	158,942	84,527
Collections	6,615,554	6,615,554	7,217,236	(601,682)
Maintenance Center	5,967,162	5,967,162	5,234,011	733,151
Cancelled purchase orders	-	-	(447,061)	447,061
	<u>25,581,530</u>	<u>27,913,532</u>	<u>24,673,540</u>	<u>3,239,992</u>
Total operating expenses				
Net income from operating activities	6,060,545	15,862,212	7,959,773	(7,902,439)
Long-term debt related revenues / (expenses):				
State subsidy	8,000,000	-	-	-
Gain on acquisition of Pinelands Park Landfill	-	21,000,000	21,000,000	-
Principal and interest	(8,274,403)	(31,076,070)	(31,076,070)	-
	<u>(274,403)</u>	<u>(10,076,070)</u>	<u>(10,076,070)</u>	<u>-</u>
Net loss on long-term debt related activities				
Non-operating expenses:				
Renewal and replacement fund CIP	(3,313,346)	(3,313,346)	(3,387,825)	(74,479)
Prior year fund deficit	(2,472,796)	(2,472,796)	(2,472,796)	-
	<u>(5,786,142)</u>	<u>(5,786,142)</u>	<u>(5,860,621)</u>	<u>(74,479)</u>
Total non-operating expenses				
Net income / (loss) from operations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,976,918)</u>	<u>\$ (7,976,918)</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Solid Waste Division**  
**Schedule of Cash and Cash Equivalents and Investments**  
**December 31, 2012**

Description	Face Amount	Interest Rate	Due Date	Fair Value December 31, 2012
Unrestricted accounts:				
Operations:				
Cash	\$ 825,963			\$ 825,963
Revenue Fund:				
Goldman Sachs US Treasury Obligation Fund 470	2,942,083	0.01%		2,942,083
NJ ARM	25,712	0.03%		25,712
NJ ARM - NJ Term	899,691	0.21%		899,691
NJ ARM - NJ Term	1,797,495	0.16%		1,797,495
NJ ARM	5,294	0.03%		5,294
NJ ARM - NJ Term	2,309,475	0.11%		2,309,475
NJ ARM - NJ Term	2,378,584	0.21%		2,378,584
	<u>10,358,334</u>			<u>10,358,334</u>
Operation Reserve:				
NJ ARM	<u>2,264,723</u>			<u>2,264,723</u>
Total unrestricted accounts	<u>13,449,020</u>			<u>13,449,020</u>
Restricted accounts:				
Renewal and Replacement Fund:				
Goldman Sachs US Treasury Obligation Fund 470	675,982			675,982
NJ ARM	14,117			14,117
NJ ARM - NJ Term	4,753,919			4,753,919
NJ ARM - NJ Term	567,375			567,375
NJ ARM - NJ Term	199,297			199,297
Goldman Sachs US Treasury Obligation Fund 470	1,558,769			1,558,769
NJ ARM	1,622,358			1,622,358
	<u>9,391,817</u>			<u>9,391,817</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Solid Waste Division**  
**Schedule of Cash and Cash Equivalents and Investments**  
**December 31, 2012**

Schedule X  
(continued)

Description	Face Amount	Interest Rate	Due Date	Fair Value December 31, 2012
Restricted accounts (continued):				
Standard Escrow Fund:				
US Treasury Notes	187,858	4.50%	02/15/16	187,858
US Treasury Notes	1,675,654	0.00%	11/15/16	1,675,654
US Treasury Fund	555,589	0.00%		555,589
US Treasury Fund	173,982	0.00%		173,982
	<u>2,593,083</u>			<u>2,593,083</u>
 Total restricted accounts	 <u>11,984,900</u>			 <u>11,984,900</u>
 Total	 <u>\$ 25,433,920</u>			 <u>\$ 25,433,920</u>
 Unrestricted:				
Cash and cash equivalents	\$ 9,920,883			\$ 9,920,883
Investments	8,151,918			8,151,918
Restricted:				
Cash and cash equivalents	14,117			14,117
Investments	4,753,919			4,753,919
Cash and investments held by the State of New Jersey	2,593,083			2,593,083
 Total	 <u>\$ 25,433,920</u>			 <u>\$ 25,433,920</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Solid Waste Division**  
**Schedule of Property, Plant and Equipment**  
*Modified GAAP Basis*  
**For the years ended December 31, 2012, 2011, 2010, 2009 and 2008**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Waste Disposal:					
Property, plant and equipment:					
Property, plant and equipment, gross - January 1,	\$ 100,567,777	\$ 94,861,910	\$ 87,273,497	\$ 86,702,221	\$ 85,916,091
Additions:					
Land	-	-	-	-	87,167
Buildings and improvements	-	-	5,974,289	10,207	143,531
Construction in progress	-	540,982	1,614,124	78,006	555,432
Equipment and vehicles	536,110	5,164,885	-	483,063	-
Landfill design and implementation	690,015	-	-	-	-
Planning and designs	-	-	-	-	-
Total additions	1,226,125	5,705,867	7,588,413	571,276	786,130
Property, plant and equipment, gross - December 31,	101,793,902	100,567,777	94,861,910	87,273,497	86,702,221
Less:					
Accumulated depreciation and amortization	<u>(67,589,631)</u>	<u>(64,053,990)</u>	<u>(60,557,543)</u>	<u>(56,770,789)</u>	<u>(52,423,509)</u>
Property, plant and equipment, net - December 31,	<u>34,204,271</u>	<u>36,513,787</u>	<u>34,304,367</u>	<u>30,502,708</u>	<u>34,278,712</u>

ATLANTIC COUNTY UTILITIES AUTHORITY  
Solid Waste Division  
Schedule of Property, Plant and Equipment  
Modified GAAP Basis  
For the years ended December 31, 2012, 2011, 2010, 2009 and 2008

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Waste Recycling:					
Property, plant and equipment:					
Property, plant and equipment, gross - January 1,	\$ 39,108,415	\$ 38,774,516	\$ 37,029,427	\$ 36,804,293	\$ 36,535,815
Additions:					
Land	-	-	1,639,659	-	-
Buildings and improvements	214,623	146,107	-	-	-
Equipment and vehicles	-	187,792	105,430	225,134	268,478
Planning and designs	-	-	-	-	-
Total additions	214,623	333,899	1,745,089	225,134	268,478
Property, plant and equipment, gross - December 31,	39,323,038	39,108,415	38,774,516	37,029,427	36,804,293
Less:					
Accumulated depreciation and amortization	(28,105,317)	(26,094,772)	(24,250,922)	(22,689,343)	(21,256,411)
Property, plant and equipment, net - December 31,	11,217,721	13,013,643	14,523,594	14,340,084	15,547,882
Grand total	<u>\$ 45,421,992</u>	<u>\$ 49,527,430</u>	<u>\$ 48,827,961</u>	<u>\$ 44,842,792</u>	<u>\$ 49,826,594</u>

## ATLANTIC COUNTY UTILITIES AUTHORITY

## Solid Waste Division

## Schedule of Debt Issuance Costs

## Modified GAAP Basis

For the years ended December 31, 2012, 2011, 2010, 2009 and 2008

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Unamortized debt issuance costs, gross - January 1,	\$ 2,182,778	\$ 2,182,778	\$ 2,182,778	\$ 2,182,778	\$ 2,182,778
Net effect of refunding	<u>(2,182,778)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unamortized debt issuance costs, gross - December 31,	-	2,182,778	2,182,778	2,182,778	2,182,778
Less:					
Accumulated amortization	<u>-</u>	<u>(1,798,528)</u>	<u>(1,739,600)</u>	<u>(1,680,672)</u>	<u>(1,621,744)</u>
Unamortized debt issuance costs, net - December 31,	<u>\$ -</u>	<u>\$ 384,250</u>	<u>\$ 443,178</u>	<u>\$ 502,106</u>	<u>\$ 561,034</u>

**SPECIAL PURPOSE STATEMENT OF REVENUES AND  
EXPENSES TO COMPLY WITH BOND REQUIREMENTS**

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Wastewater Division**  
**Special-Purpose Statement of Revenues and Expenses to Comply**  
**With Bond Resolutions**  
**For the year ended December 31, 2012**

	<b>2012</b>
Operating revenues:	
User service agreements:	
Operating	\$ 15,960,267
General	8,033,785
Sludge	1,795,961
Septage and leachate	529,202
Other	1,183,163
Total operating revenues	27,502,378
Operating expenses:	
Salaries	5,695,737
Employee benefits	3,229,580
Power and utilities	2,463,410
Chemicals	927,580
Fuel	1,115,831
Supplies and miscellaneous maintenance	2,195,651
Contractual services	496,648
Indirect operating expenses	495,269
Administrative	1,321,509
Licenses and permits	159,249
Amortization of bond issue costs	367,804
Total operating expenses	18,468,268
Operating income	9,034,110
Non-operating revenues / (expenses):	
Interest income	154,631
Interest expense	(1,065,008)
Total non-operating revenues / (expenses)	(910,377)
Net income / (loss)	\$ 8,123,733

**SINGLE AUDIT SECTION**



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

To the Board Members of the  
Atlantic County Utilities Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Atlantic County Utilities Authority (herein referred to as “the Authority”), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated April 12, 2013.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

HOLMAN FRENIA ALLISON, PC  
HOLMAN FRENIA ALLISON, P.C.  
*Certified Public Accountants*

April 12, 2013  
Toms River, New Jersey



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND  
STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND SCHEDULE OF STATE FINANCIAL ASSISTANCE REQUIRED BY OMB  
CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04**

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

**Report on Compliance for Each Major Federal and State Program**

We have audited the Atlantic County Utilities Authority's compliance 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, 2012. Atlantic County Utilities Authority's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Atlantic County Utilities Authority's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 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 Atlantic County Utilities Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal and State Program***

In our opinion, Atlantic County Utilities Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2012.

### ***Other Matters***

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 or New Jersey's OMB's Circular 04-04.

### **Report on Internal Control Over Compliance**

Management of Atlantic County Utilities Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Atlantic County Utilities Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Atlantic County Utilities Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the New Jersey State OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal and State Financial Assistance as Required by OMB Circular A-133 and New Jersey OMB Circular 04-04**

We have audited the financial statements of Atlantic County Utilities Authority as of and for the year ended December 31, 2012, and have issued our report thereon dated April 12, 2013, which contained a qualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by OMB Circular A-133 and New Jersey OMB Circular 04-04 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 schedules of expenditure of federal awards and state financial assistance are fairly stated in all material respects in relation to the financial statements as a whole.

*HOLMAN FRENIA ALLISON, PC*  
**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

April 12, 2013  
Toms River, New Jersey

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended December 31, 2012**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA #</u>	<u>Grant I.D. Number</u>	<u>Grant Period</u>		<u>Program Receipts</u>	<u>Program Expenditures</u>	<u>Total Expenditures</u>
			<u>From</u>	<u>To</u>			
U.S. Environmental Protection Agency: Passed through N.J. Department of Environmental Protection:							
Fund Loan - Series 2007	66.458	S340809-15/16	Open	Open	\$ 516,691	\$ 516,961	\$ 4,426,961
Fund Loan - Series 2010B	66.458	S340809-10	Open	Open	515,651	569,742	683,742
Fund Loan - Series 2012	66.458	S340809-18	Open	Open	553,637	553,637	553,637
Total federal awards					<u>\$ 1,585,979</u>	<u>\$ 1,640,340</u>	<u>\$ 5,664,340</u>

The accompanying notes to schedule of federal and state assistance are an integral part of this statement.

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Schedule of Expenditures of State Financial Assistance**  
**For the year ended December 31, 2012**

<u>State Funding Agency/ Program Title</u>	<u>State Account Number</u>	<u>Grant Period</u>		<u>Program Receipts</u>	<u>Program Expenditures</u>	<u>Total Expenditures</u>
		<u>From</u>	<u>To</u>			
N.J. Department of Environmental Protection:						
Trust Loan - Series 2007	4860-510-4860	Open	Open	\$ 172,229	\$ 172,229	\$ 947,229
Trust Loan - Series 2010B	4860-510-4860	Open	Open	569,742	569,742	683,742
Trust Loan - Series 2012	4860-510-4860	Open	Open	<u>184,545</u>	<u>184,545</u>	<u>184,545</u>
Total state financial assistance				<u>\$ 926,516</u>	<u>\$ 926,516</u>	<u>\$ 1,815,516</u>

The accompanying notes to schedule of federal and state assistance are an integral part of this statement.

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Schedules of Federal Awards and State Financial Assistance**  
**For the year ended December 31, 2012**

**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

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

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

**NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5. OTHER**

Requirements to have State and Federal Single Audits include loan programs. Participation by the Authority in the Environmental Infrastructure Trust Loan Program necessitates a Federal and State Single Audit.

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Schedule of Findings and Questioned Costs**  
**For the year ended December 31, 2012**

**Section I – Summary of Auditor’s Results**

**Financial Statements:**

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

**Federal Awards:**

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

Identification of major programs:

**C.F.DA Numbers**

66.458

**Name of Federal Program or Cluster**

ARRA – Fund Loans

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the year ended December 31, 2012**

**Section I – Summary of Auditor’s Results (continued)**

**State Awards:**

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

Identification of major programs:

<b>G.M.I.S. Number</b>	<b>Name of State Program</b>
4860-510-4860	Trust Loans

**Section II – Financial Statement Findings**

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

No Current Year Findings

**Section III – Federal and State Awards Finding & Questioned Costs**

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB’s Circular Letter 04-04.

No Current Year Findings

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Summary Schedule of Prior Findings and Questioned Costs**  
**For the year ended December 31, 2012**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (section .315 (a)(b)) and New Jersey OMB's Circular 04-04.

No Prior Findings

**GENERAL COMMENTS & RECOMMENDATIONS**



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

We have audited the financial accounts and transactions of the Atlantic County Utilities Authority, a component unit of the County of Atlantic, State of New Jersey for the year ended December 31, 2012. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments and Recommendations* for the year then ended.

### GENERAL COMMENTS AND RECOMMENDATIONS

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

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

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

The minutes indicate that bids were requested by public advertising for HVAC service and repair, mulch, roll-off truck, and the pump house roof replacement.

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

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

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

### **Contracts and Agreements Requiring Solicitation of Quotations**

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

### **Examination of Bills**

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

### **Payroll Account**

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

### **Follow-up on Prior Years' Findings**

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

### **Acknowledgment**

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

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

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

*HOLMAN FRENIA ALLISON, PC*  
**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

April 12, 2013  
Toms River, New Jersey