

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY
YEARS ENDED DECEMBER 31, 2006 AND 2005

FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

with

INDEPENDENT AUDITOR'S REPORTS

and

COMMENTS AND RECOMMENDATIONS

ATLANTIC COUNTY UTILITIES AUTHORITY
ATLANTIC COUNTY

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ATLANTIC COUNTY

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INTRODUCTORY SECTION



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April 16, 2007

Chairman Gallagher, Authority Board Members and President Dovey:

Presented to you are the audited financial statements for the 2006-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 2006-year are presented as required.

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

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

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

The Management Discussion and Analysis report consists of management's representations concerning the finances of the Wastewater Division and the Solid

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.



Waste Division. Management assumes full responsibility for the completeness and reliability of all the information presented in the MD&A.

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

The staff of the Finance Department prepared the basic financial statements and the supplemental financial statements and schedules discussed above. Hutchins, Farrell, Meyer & Allison, P.A., a firm of licensed certified public accountants, has audited and opined on the Authority's financial statements. The goal of an independent audit is to provide reasonable assurance as to the validity of the financial statements. This involves examining on test basis evidence supporting the amounts and disclosures in the financial statements, assessing any estimates and calculations utilized, assessing supplemental information provided or gathered by the auditors, and assessing the overall financial statement presentation. The auditors have opined that the basic financial statements which were prepared in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards present fairly, in all material respects, the financial position of the Atlantic County Utilities Authority at December 31, 2006 and 2005. There were no recommendations noted.

Sincerely,

Maria Mento

Maria Mento

Executive Vice President & Chief Financial Officer

FINANCIAL SECTION

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

Certified Public Accountants • Business & Financial Advisors

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the Atlantic County Utilities Authority ("Authority"), a component unit of the County of Atlantic, as of and for the year ended December 31, 2006, as listed in the accompanying Table of Contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The financial statements of the Authority as of and for the year ended December 31, 2005, were audited by other auditors whose report dated March 28, 2006, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2006, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with Government Auditing Standards, we have also issued our report dated April 16, 2007 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying financial information listed as Other Supplementary Information is not a required part of the basic financial statements, but is presented as additional analytical data. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole. Additionally, the Schedules of Federal Financial Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and are not a required part of the basic financial statements.

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

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

April 16, 2007

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Atlantic County Utilities Authority's (the Authority or the ACUA) annual financial report, the management of the Authority provides narrative discussion and analysis of the financial activities of the Authority for the audit year ending December 31, 2006.

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 basis, 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, and the Statement of Cash Flows. They are prepared on an accrual basis and on a "Modified GAAP Basis".

are reported as Accounts Payable or Construction Contracts Payable, and as Property, Plant and Equipment. On the "GAAP Basis" statements, only those encumbrances that have been received as of 12/31/2006 are reported as Accounts Payable or Construction Contracts Payable, and as Property, Plant and Equipment. The difference between the two statements and methodologies presents itself in Net Assets- Unrestricted.

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

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

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

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

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

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

Wastewater Division

Comparative Statement of Net Assets

The Wastewater Division's Total Assets increased \$3,734,892. Non Restricted and Restricted Cash, Cash Equivalents and Investments increased by more than \$3.4 million. Net Capital Assets increased by almost \$600,000. Loans Receivable decreased by \$1.5 million.

Total liabilities decreased \$1,497,479. Bonds Payable went from \$63,931,310 in 2005 to \$61,348,581 in 2006, thereby accounting for the decrease. The Authority did a New Jersey Environmental Infrastructure Trust (NJEIT) borrowing in 2006 in the amount of \$2,551,242. No new debt was added in 2005. Existing debt was paid down in accordance with existing debt service schedules.

Liability increases included \$539,938 for current liabilities payable from restricted assets, such as accounts payable, and an increase for liabilities paid from restricted assets, mostly being related to construction contracts payable.

Assets exceed liabilities by \$61,181,140. This compares to 2005 where the division's assets exceeded its liabilities by \$55,948,769. The net change is an increase in assets over liabilities of \$5,232,371.

The Division's Net Assets of \$61,181,140 is comprised of the following:

- (1) Capital Assets, Net of Related Debt of \$34,462,829 include property plant and equipment, net of accumulated depreciation, and net of long-term debt and short-term debt related to the purchase or construction of capital assets. Calculated as: (Net Capital Assets-Long-Term Portion of Bonds Payable –Current Maturities of Long-Term Debt = Investment in Capital Assets, Net of Related Debt).
- (2) Net Assets of \$4,800,000 restricted for the purpose of Renewal and Replacement of "the System" and restricted as the "System Improvement Requirement", which is determined each year by an independent consulting engineer.
- (3) Net Assets of \$5,815,031 restricted for the purpose of forthcoming debt service payments.
- (4) Net Assets of \$7,753,979 restricted for the purpose of providing a Debt Service Reserve Fund, in accordance with the Authority's debt covenants, and of which part is in the form of a Surety Bond. This number last increased in 2004 due to the 2004 NJEIT Financing.
- (5) Unrestricted Net Assets of \$8,349,301 represent 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 \$3,234,263 in 2006 as follows: Investments in Capital Assets Net of Related Debt increased \$3,165,233, and the Reserve for Debt Service Fund and Debt Service Reserve Fund increased \$69,030. The Renewal and Replacement Fund did not change from 2005.

Unrestricted Net Assets increased \$1,998,108, provided by Net Income in Operations, over an above any increase to Restricted Assets.

Total Fund Equity increased 9% or \$5,232,371, the reported Net Income for the 2006-year. It is comprised of Operating Income in the amount of \$6,662,296 and Non-Operating Expenses of \$1,429,925.

	2005	2006	Change
Total Current Assets	9,484,360	13,034,100	3,549,740
Total Non Current Assets	17,324,205	17,221,043	(103,162)
Net Capital Assets	95,228,906	95,811,410	582,504
Deferred Costs	2,941,913	2,647,723	(294,190)
Total Assets	<u>124,979,384</u>	<u>128,714,276</u>	<u>3,734,892</u>
Total Current Liabilities			
Payable from Current Assets	1,426,219	1,966,157	539,938
Total Current Liabilities			
Payable from Restricted Assets	6,209,555	7,011,540	801,985
Deferred Revenue	1,484,327	1,398,075	(86,252)
Accrued Compensated Absences And Post Retirement Benefits	1,018,033	1,087,636	69,603
Long-Term Obligations	<u>58,892,481</u>	<u>56,069,728</u>	<u>(2,822,753)</u>
Total Liabilities	<u>69,030,615</u>	<u>67,533,136</u>	<u>(1,497,479)</u>
Net Assets	<u>55,948,769</u>	<u>61,181,140</u>	<u>5,232,371</u>

Cash and Cash Equivalents increased \$2,080,968, receivables increased \$796,376 and the intercompany owed for shared services is \$672,396.

Non Current Assets such as Restricted Assets decreased \$103,162 mostly due to a decrease in Loans Receivable offset by a greater increase in Cash, Cash Equivalents, and Investments. As funds are drawn on the loan, the receivable is reduced.

There was a \$5.6 million or 2.8% increase to Property, Plant and Equipment for 2006. Depreciation Expense for the year was \$5,038,798, an increase of \$108,431 over last year, hence the increase in Net Capital Assets of 1%.

Total Current Liabilities Payable from Current Assets increased by \$539,938 due to the presentation of intercompany funds payable netted against current assets.

Total Current Liabilities Payable From Restricted Assets increased 13% in 2006 primarily due to an increase in Construction Contracts Payable, of which there were none in 2005, and a 4.8% increase in Current Portion of Long-Term Debt.

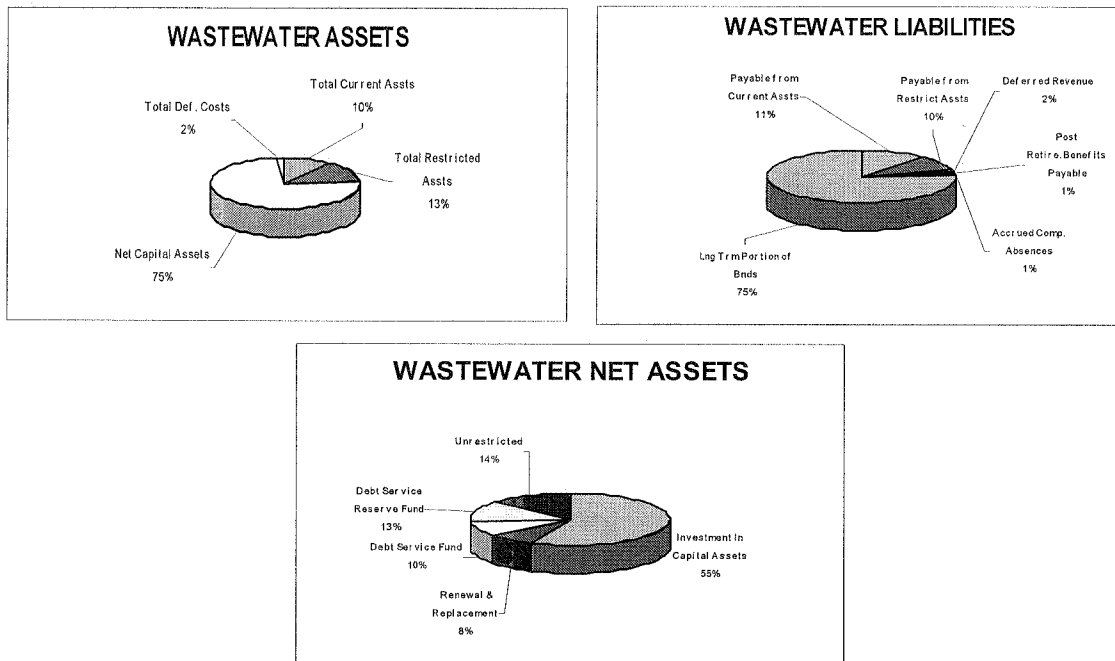
Deferred Revenue dropped 6% due to services provided in 2006 for pre-paid leachate disposal.

Accrued Compensated Absences were increased 14% to meet required balances. The Authority does not pay employees for their unused sick time hours at retirement.

In 2003, the Authority began to fund a potential and expected future liability for Other Post Retirement Benefits and began to estimate for the liability in anticipation of the implementation of GASB 45 and GASB 43. In 2004 this was increased by \$231,856 for a total of \$535,019. There were no changes made in 2005 or 2006.

Long-Term Obligations decreased by 5% or \$2.8 million. This was in accordance with the existing debt service schedules.

Total Net Assets or Total Fund Equity increased as a result of the reported gain for the 2006-year.



Comparative Statement of Revenues, Expenses and Changes in Net Assets

There was a combined 25% increase to Operating Revenues & Interest Income..

The Authority received a \$2.8million rebate from the Board of Public Utilities for cost incurred in 2005 for building and installing solar panels to generate electricity. The

The Authority received a \$2.8million rebate from the Board of Public Utilities for cost incurred in 2005 for building and installing solar panels to generate electricity. The rebate, is reported as Other Income, and represents a 344% increase when compared to 2005.

The user fee charged to the fourteen participants increased by 12% which was a combination of a 4% increase in the anticipated flow, and the balance as an increase to the rate. Sludge income increased 8%. Income from Septage and Leachate disposal increased 4%. Sludge, Septage and Leachate disposal services is considered “outside income”, and as such is utilized to reduce or stabilize the user fee charged to the Authority’s fourteen direct participants. The user fee is the primary revenue source of the Authority and supports the expenses as follows: \$15,076,813 for operating expenses, and \$7,693,701 for annual debt service.

Operating Expenses increased 1.7% from the prior year, a \$363,356 increase. A 22% & 11% decrease in Gas and Electricity contributed significantly to lowering total expenses. For example, in 2005, Electricity and Gas costs 28% or \$1.5 million more than in 2004. In 2004, Electricity and Gas cost 61% or \$2.2 million more than in 2003. In 2006 savings from gas came from improvements done at the wastewater plant, and electricity savings came from a full year of getting electricity generated by wind and solar.

Chemicals increased 14% in 2006, just a little more than the increase seen in 2005. Supplies & Maintenance and Capital funded by the operating budget increased 77% in 2006, a \$583,612 increase. In 2005 this planned expense had been reduced 78% or \$591,450 from prior year. Benefits increased 10% and salaries increased 1%. Administrative & Insurance cost increased 16% and Indirect Operating decreased 16%. Contractual Services was up 22% and Licensing and Permit costs were up 5%.

Depreciation Expense increased 2% mostly due to improvements made during the latter part of 2005 and early part of 2006. Amortization of Bond Issue Costs remained the same.

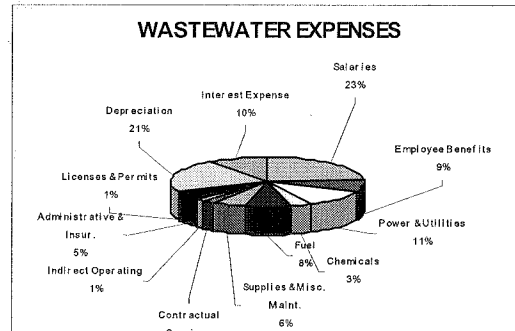
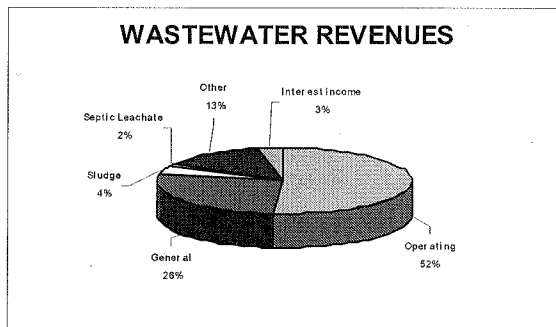
Total Operating Revenues exceeded Total Operating Expenses by \$6,662,296. This is a 334% increase to Operating Income when compared to the 2005-year.

Non Operating Revenues/Expenses, which is comprised of Interest Income and Interest Expense, dropped \$514,191 in total. This is comprised of a 54% increase Interest Income and a 6% decrease in Interest Expense.

Total 2006 Revenues exceeded Total Expenses by \$5,232,371.

Total Net Assets increased to \$61,181,140.

	<u>2005</u>	<u>2006</u>	<u>Change</u>
Total Operating Revenues	<u>22,807,912</u>	<u>28,299,202</u>	<u>5,491,290</u>
Operating Expenses including Depreciation	<u>21,273,550</u>	<u>21,636,906</u>	<u>363,356</u>
Operating Income	1,534,362	6,662,296	5,127,934
Non-Operating Revenues/(Expenses)			
Interest Expense	(2,588,562)	(2,423,222)	165,340
Interest Income	644,446	993,297	348,851
Total Non-Operating Expense	<u>(1,944,116)</u>	<u>(1,429,925)</u>	<u>534,902</u>
Net Income/(Loss)	(409,754)	5,232,371	5,642,125
Net Assets, January 1	<u>56,358,523</u>	<u>55,948,769</u>	<u>(409,754)</u>
Net Assets, December 31	<u>55,948,769</u>	<u>61,181,140</u>	<u>5,232,371</u>



Statement of Cash Flows

Net Cash Provided by Operating Activities increased 54%, an increase of \$3.9 million. Payments to suppliers increased \$646,246 or by about 6.3% and payments to employees only rose 2.2% or \$117,987. Receipts from the participants of the system (Users) and other Customers increased 20.7% or by \$4.7 million.

Cash used for Capital and Related Financing Activities dropped 2.7% when compared to 2005. Proceeds from the Wastewater Trust financing and other Loan Proceeds totaled \$4.1 million in 2006, compared to \$1.8 million in 2005. Debt Service paid was up 8% and capital expenditures were up 40%. The Authority has five NJEIT Financings outstanding to date. The proceeds related to the improvements from the 1995 NJEIT Financing is 100% complete. The 1997 financing is 90% complete; The 2001 NJEIT Financing is 98% complete. The 2004 NJEIT financing is 97% complete. The 2006 NJEIT Financing was completed in November, and not yet drawn on in 2006.

Net Cash Provided By Investment Activities saw a 69.5% jump for an increase of \$405,858 when compared to last year.

Net Increase in Cash and Cash Equivalents is \$3,511,467.

Balance at the Beginning of the Year was \$20,064,772. Balance at the End of the Year was \$23,576,239, a 17.5% increase.

	2005	2006	Change
Net Cash Provided by Operating Activities	<u>7,316,561</u>	<u>11,290,298</u>	<u>3,973,737</u>
Net Cash Provided by Non-capital Financing	<u>21,101</u>	<u>(185,695)</u>	<u>(206,796)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(8,821,961)</u>	<u>(8,582,905)</u>	<u>239,056</u>
Net Cash Provided by Investing Activities	<u>583,911</u>	<u>989,769</u>	<u>405,858</u>
Net (Decrease)/Increase In Cash and Cash Equivalents	<u>(900,388)</u>	<u>3,511,467</u>	<u>4,411,855</u>
Balance – Beginning of the Year	<u>20,965,150</u>	<u>20,064,772</u>	<u>(900,388)</u>
Balance – End of Year	<u>20,064,772</u>	<u>23,576,239</u>	<u>3,511,467</u>

Solid Waste Division

Comparative Statement of Net Assets

The Solid Waste Division reports Total Assets of \$97,688,472, an increase of \$5,759,684 from 2005.

The Division's Net Assets of \$22,822,035 are comprised of the following:

- (1) Capital Assets, Net of Related Debt of (\$1,003,023), include Property, Plant and Equipment, net of Accumulated Depreciation, and net of Long-Term Debt and Short-Term Debt related to the purchase or construction of Capital Assets. In 2005 the ACUA had negative Capital Assets of \$6,680,103.

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

- (2) Net Assets of \$8,053,769 restricted for the purpose of Debt Service Reserve Fund, in accordance with the Authority's debt covenants.
- (3) Unrestricted Net Assets of \$16,771,289 represents the portion available to maintain the Authority's continuing obligations to the Authority's service area, certain creditors, and current liabilities.

Unrestricted Net Assets grew 24%, or \$3.2 million during 2006.

Restricted- Debt Service Reserve Fund Net Assets remains the same at \$8,053,769, in accordance with the 1992 Solid Waste Bond Resolution and the defined "Debt Service

Reserve Requirement". In 1992 the Authority made a draw from the Debt Service Reserve Fund for \$5,422,236.33 for the payment of the March 1, 2002 debt service. (See Notes to Financial Statements). The balance of cash in this fund since 12/31/02 has been unchanged at \$2,631,532.

Investment in Capital Assets, Net of Related Debt, of a negative \$1,003,023, improved by \$5,677,080, or 85%.

Total Net Assets grew by \$8,894,379 or 60%, and is comprised of Operating Income of \$6,415,361 and Non- Operating Revenues in the amount of \$2,479,018.

	2005	2006	Change
Total Current Assets	21,729,275	21,285,591	(443,684)
Total Restricted Assets	14,636,638	21,442,210	6,805,572
Net Capital Assets	54,449,753	54,281,780	(167,973)
Deferred Costs	<u>1,113,122</u>	<u>678,891</u>	<u>(434,231)</u>
Total Assets	91,928,788	97,688,472	5,759,684
Total Current Liabilities			
Payable from Current Assets	1,843,096	1,635,771	(207,325)
Total Current Liabilities Payable			
From Restricted Assets	5,628,376	5,538,914	(89,462)
Accrued Landfill Closure and Post Closure Care Cost	10,850,705	12,062,231	1,211,526
Accrued Compensated Absences and Post Retirement Benefit	1,374,099	1,374,099	-0-
Long and Short-Term Obligations	<u>57,304,856</u>	<u>53,255,422</u>	<u>(4,049,434)</u>
Total Liabilities	<u>77,001,132</u>	<u>73,866,437</u>	<u>(3,134,695)</u>
Net Assets	<u>14,927,656</u>	<u>23,822,035</u>	<u>8,894,379</u>

Cash and Cash Equivalents and Investments decreased 4.3% and Receivables grew 25%. The Inter-company due is \$672,396.

Restricted Assets increased \$6,805,572 or 46%. This is for funds being escrowed to the Renewal and Replacement Fund for future Capital Improvements, particularly construction of the next landfill cell, and for estimated Landfill Closure costs over and above what is required by the State of NJ to be set aside.

The Authority raises funds for capital improvements from the operating budget and from the tip fee revenue that supports the operating budget. These funds are then deposited to the Renewal and Replacement Fund.

Net Capital Assets from Property Plant and Equipment decreased by less than a percent in 2006. Capital Improvements to PP&E grew 4.76% and Accumulated Depreciation grew 10.7%, for a net decrease to Net Capital Assets of \$167,973.

Of the improvements made, 10% was for equipment, 2% was improvements to building structures, and 4% was for the landfill.

Most of the added depreciation expense is connected to depreciation on individual landfill cells, which has a depreciation schedule of about seven years, the estimated total average life of each landfill cell constructed by the ACUA.

Total Current Liabilities Payable From Current Assets dropped 11% from \$1,843,096 to \$1,635,771. Accounts Payable was down 12.3%

Total Current Liabilities Payable from Restricted Assets dropped 2% or \$89,462. Although the Current Portion of Long-Term Debt, which represents the March 1, 2007 payment due, increased \$275,000. Construction Contracts Payable dropped 79% and Accrued Interest payable dropped about 6%.

Construction Contracts Payable decreased by \$275,212, Accrued Interest payable decreased \$89,250 and Bonds Payable increased \$275,000. Both Bonds Payable and Accrued Interest Payable have changed in accordance with the existing debt service schedule for the 1992 Solid Waste Revenue Bonds.

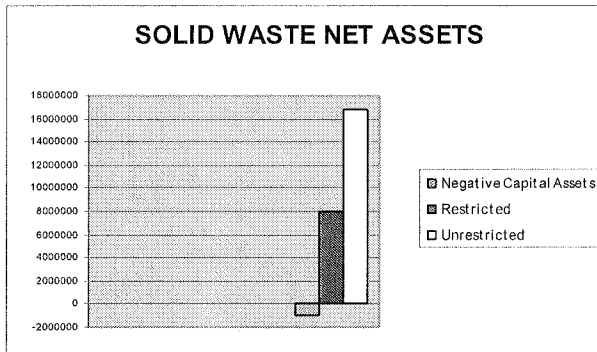
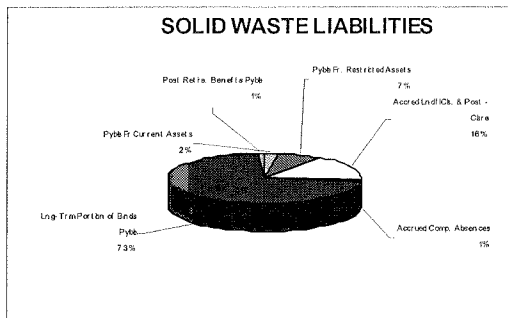
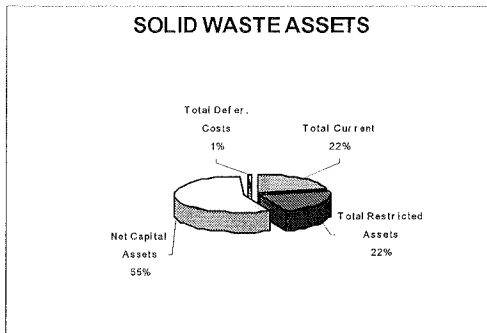
Non-Current Liabilities Payable From Restricted Assets increased 11%. Accrued Landfill Closure & Post Closure grew \$1.2 million. The increase to Accrued Landfill cost is in accordance with the consulting Engineer's findings as reported. Total anticipated closure cost as of 12/31/06 is \$12,062,231. The percent of cumulative landfill capacity utilized as of 12/31/06 is calculated at 66.1%. Indications are that this liability will decrease as changes to operations and available technology allow for greater capacity at the ACUA landfill, thereby potentially reducing the percent of usage by a significant amount. 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.

Non-Current Liabilities Payable decreased 7% because Bonds Payable was reduced by \$4 million as a result of 2006 payments to bond holders. There were no changes to Accrued Compensated Absences of Post Retirement Benefits Payable.

Other Non-Current Liabilities include an accrual for expected future Post Retirement Benefit costs in the amount of \$800,000 and Accrued Compensated Absences of \$574,099.

Total Liabilities decreased \$3,134,695 or 4%.

Total Net Assets or Total Fund Equity has increased 60%, or \$8,894,379, the reported Net Income for the 2006 year, and for the reasons described above and further described below.



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

There was an 8.6% increase to Solid Waste Operating Revenues in 2006. Tipping Fee revenue increased \$2 million, a 9% increase when compared to 2005, and partly due a tip fee increase, but mostly due to an increase in waste received. Tonnage received was up 7.34%. Collections and Recycling Income grew 7% from 2005. Composting Income, which is income from the disposal of grass and leaves, and the income from the sale of eco products, like mulch and soil, grew 17%. Grant Income was received for \$424,629. Other Income decreased 24%. In 2005 Other Income was reported in the amount of \$594,000 for green energy initiatives, specifically having to do with implementation of methane gas to electricity project completed that same year.

Other Income is usually comprised of fees related to the rental of non-utilized ACUA property, miscellaneous revenues, and any late payment fines.

Total Operating Expenses dropped less than one percent. In 2005 there was Landfill Closure cost of about \$3.4 million. In 2006 that number is \$1.2 million. Indirect Operating Expense climbed again, by 18% in 2006. This is due to shipping more waste to other sites as a means to handle peak summer inflow, and a decision to ship non-putrescible type waste out for the purpose of preserving ACUA landfill capacity.

There was a 30% increase to Fuel costs in 2006 for purchase of Diesel Fuel, which followed 33% increase to Fuel costs in 2005. Supplies and Miscellaneous Maintenance

increased 14% for vehicle maintenance, building maintenance, tire recycling, and for the purchase of. Power and Utilities dropped 4% because the Authority is able to generate quite a bit of its electricity needs for a full year as a result of the landfill methane to energy project discussed earlier. Savings in 2005 was about \$80,000. In 2006 the savings increased by about \$19,000.

Salaries reported a 10% increase over 2005. Salaries had only gone up 2% in 2005. The Solid Waste Division operations are represented by one union. There were vacancies in 2005 that were realized in full in the 2006 year. Also Salaries increased in accordance with the union contract and cost of living non-union increases. Salaries also increased due to overtime.

Depreciation Expense increased \$192,650, a 4% increase when compared to 2005. Most of this increase is for depreciation on landfill design and cell development. Depreciation was up 7% in 2005 and 20% in 2004.

Host Community Benefit costs increased 4%. Host Community Benefit is paid to the host community, Egg Harbor Township, for every ton that comes into the facility. Tonnages were up in 2006 and the HCB has a CPI adjustment each year.

Administrative costs dropped 22%. In 2005 there were costs experienced for professional services for engineering and Information Technology upgrades which were not experienced in 2006.

Total Operating Revenues exceeded Total Operating Expenses by \$6,415,361, a 96% increase when compared to 2005.

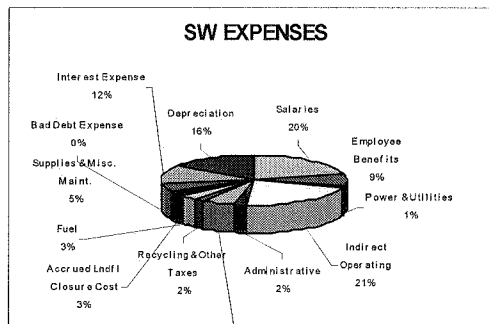
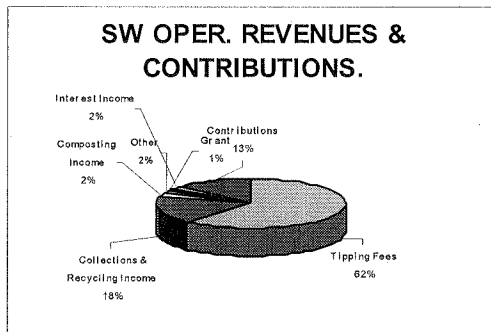
In 2005 the Authority again received \$5,630,747 from the State of New Jersey, in the form of a subsidy for the payment of most of its March 1, 2006 debt service.

Interest Income increased 87% in 2006, compared to a 73% growth in income in 2005.

Total Non-Operating Revenues were \$2,479,018, compared to \$1,754,539 in 2005. In 2004 Non-Operating Revenues were \$1,089,308 and in 2003 that number was \$720,221.

Total Net Income for the 2006 year is \$8,894,379, and was \$5,024,252 in 2005.

	2005	2006	Change
Total Operating Revenues	<u>34,048,475</u>	<u>36,991,621</u>	<u>2,943,146</u>
Operating Expenses	<u>25,533,689</u>	<u>25,138,536</u>	<u>(395,153)</u>
Depreciation and Amortization	<u>5,245,073</u>	<u>5,437,724</u>	<u>192,651</u>
Total Operating Expenses	<u>30,778,762</u>	<u>30,576,260</u>	<u>(202,502)</u>
Operating Income	3,269,713	6,415,361	3,145,648
Non-Operating Revenues/(Expenses)			
Contributions-State Subsidy	5,630,747	5,630,747	-0-
Interest Expense	(4,403,785)	(4,139,069)	(264,716)
Interest Income	<u>527,577</u>	<u>987,340</u>	<u>459,763</u>
Total Non-Operating Revenue	<u>1,754,539</u>	<u>2,479,018</u>	<u>724,479</u>
Net Income	5,024,252	8,894,379	3,870,127
Net Assets, January 1	<u>9,903,404</u>	<u>14,927,656</u>	<u>5,024,252</u>
Net Assets, December 31	<u>14,927,656</u>	<u>23,822,035</u>	<u>8,894,379</u>



Statement of Cash Flows

Net Cash Provided by Operating Activities increased 29%, a little more than \$2.7 million. Receipts from Customers and Users grew 6% for an increase of \$2,079,672. Payments to Employees increased 9.8% for an additional \$628,051. Payments to Suppliers decreased 6.9% or \$1.2 million.

Net Cash Used By Capital and Related Financing Activities increased 28% or \$1,651,965. Within this area, Purchases of Capital Assets increased \$1.5 million or 42% and Principal and Interest Paid increased 1.9% in accordance with the debt service schedule for the 1992 Solid Waste Revenue Bonds.

State Contribution remained the same in 2006 at \$5,630,747. See “Comparative Statement of Revenues Expenses, and Changes in Net Assets”.

Net Cash Provided By Investment Activities is \$4,266,101. This is comprised of a reported transfer from Investments of \$3,411,006 and interest income of \$855,095. In 2005 Net Cash Provided by Investment Activities was a Negative \$4,483,645.

Net Increase in Cash and Cash Equivalents is \$8,983,512 in 2006 and mostly attributed to the increase in Net Cash Provided by Operating Activities.

Cash and Cash Equivalents at the beginning of the Year were \$23,554,936 and \$32,538,448 at the end of the year, a 38% increase when compared to 2005..

	2005	2006	Change
Net Cash Provided by Operating Activities	9,291,682	12,014,452	2,722,770
Net Cash Provided From Noncapital Activities	(21,101)	185,695	206,796
Net Cash Provided/(Used) By Capital and Related Financing Activities	(5,830,771)	(7,482,736)	(1,651,965)
Net Cash Provided by Investing Activities	<u>(4,483,645)</u>	<u>4,266,101</u>	<u>8,749,746</u>
Net Increase In Cash and Cash Equivalents	(1,043,835)	8,983,512	10,027,347
Balance – Beginning of the Year	<u>24,598,771</u>	<u>23,554,936</u>	<u>(1,043,835)</u>
Balance – End of Year	<u>23,554,936</u>	<u>32,538,448</u>	<u>8,983,512</u>

Core Competencies

Wastewater Division

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

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

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

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

The User Fee, charged to the 14 municipalities and 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 service on a contractual basis for a local municipal utility and other governmental agencies.

The year 2006 marked the twenty-eighth anniversary of the Wastewater system.

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 and Bulky Waste Recycling Center
- Landfill
- Recycling Center
- Composting Facility
- Maintenance Center

The Transfer Station processes all municipal waste delivered to the system. It is permitted to operate at a maximum of 1,950 tons of solid waste per day. Received waste goes through the Transfer Station before being transported to the Landfill for disposal.

Most waste is disposed at the Authority’s Landfill. This includes municipal, commercial, construction, and industrial waste. In 2006, over 400,000 tons of waste, including landfill amendment (soils) was brought into the ACUA Solid Waste facilities. Tipping Fees charged and paid for every ton of waste that comes into the solid waste facility is the primary source of revenue for the Solid Waste Division.

Recyclable material is processed at the Solid Waste Division’s 58,500 square foot Recycling Center. Collection is provided to about twenty Atlantic County municipalities on a bi-weekly basis and many commercial entities have weekly service. All the recyclables received are processed and marketed. In 2006, the Solid Waste Division collected over 36,000 tons of recyclable material.

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.

Income realized from collection services is the second highest revenue source for the Solid Waste Division and is followed by the revenue realized from the marketing and sale of recyclable material.

The Authority's compost operation processes leaves, grass clippings, tree branches, clean wood, and brush and Christmas trees. Over 20,000 tons of yard waste was processed in 2006. The branches, brush, and trees are processed into mulch and sold to the public, providing additional income to support the Solid Waste system.

In addition the ACUA accepts and recycles metal, tires, and wood electronics.

The 17,000 square foot Maintenance Center maintains and services a fleet of over 70 vehicles and 30 pieces of specialized heavy equipment. In addition, the Solid Waste Division also provides maintenance to other governmental agencies on a contractual basis. This provides additional income to the solid waste system and optimizes the existing facility and staff.

Accountability

The Atlantic County Utilities Authority mission statement is:

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

The Authority's accountability, first and foremost, is to protect the environment. The goal is to provide a cost effective and reliable service, and at the same time to protect the environment. This in turn means the Authority is accountable to its customers, the agencies and people served using the same principals: cost effective, efficient, reliable, and protective. This is what the employees of the Authority strive for each and every day. And each and every day, the Authority is accountable to its employees.

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

As an environmental utility, the Authority is accountable to the U.S Environmental Protection Agency.

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 certain government officials.

Governing Body

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

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

The Authority Board Members are:

Matthew Gallagher, Chairman
Chris C. Seher, Vice Chairman
Marvin E. Embry, Treasurer
Michele Verno, Assistant Treasurer
Vince Leonetti, Member
Andrew Berenato Sr., Member
Michael C. Epps, Member

Management of the Authority

The President of the Atlantic County Utilities Authority, Richard S. Dovey, manages the daily operations of the Authority. He oversees a staff of about 250, an annual operating budget of \$62 million, and a capital budget averaging \$6 million yearly. Senior staff is charged with the management of the operations and financial affairs of the Authority.

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

Richard S. Dovey, President. Mr. Dovey was appointed President of the Atlantic County Utilities Authority in June 1990. Prior to assuming his present responsibilities, he was Department Head for the Department of Regional Planning and Development with Atlantic County Government for eight years where he directed the Divisions of Planning, Economic Development, Engineering and Human Services. Prior to that he was Manager of the Rutland County, Vermont, Solid Waste District for two years. He has also held various environmental positions within Atlantic and Cape May Counties. A leader in the

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

Maria K. Mento, Executive Vice President & 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.

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

Brian Lefke, Authority Board Secretary. Mr. Lefke was hired by the Atlantic County Utilities Authority in 1988 and has served in various capacities. In 1991 he was promoted to Director of Solid Waste Operations and in December 2003 was re-assigned to Acting Authority Board Secretary. In 2004 he was appointed Authority Board Secretary. He is currently responsible for Human Resources and Personnel Management, Health Benefits and Insurance and serves as the Director of that Department. Prior to coming to the Authority, Mr. Lefke was with Atlantic County Government for ten years. When he left the county, he was Deputy Department Head for the Department of Planning and Engineering. He holds a Bachelor of Science degree in Environmental Science from Stockton State College and a Masters of Administrative Science from Fairleigh Dickinson University. Mr. Lefke served on the Somers Point Planning Board for ten years, five as Board Chair, the New Jersey Pinelands Commission for nine years, and was also a Director on the Board of the New Jersey Association of Recyclers.

Currently, Mr. Lefke is Chairman of the Atlantic Cape Community College Board of Trustees.

Thomas J., Lauletta, PE, CME, Vice President – Wastewater Division. The Authority hired Mr. Lauletta in 2004 after having served as Vice President of Perks Reutter Associates and the Authority's independent consulting engineer for 15 years. Mr. Lauletta has a degree in Civil Engineering from Drexel University and is a Professional Engineer in New Jersey and Pennsylvania, a licensed Wastewater Treatment Operator in Pennsylvania and New Jersey, and a Certified Municipal Engineer in New Jersey. Prior to Mr. Lauletta's career as a consulting engineer he served as Plant Manager for Philadelphia's Wastewater Treatment Plants.

James M. Rutala, Vice President – Solid Waste Division. Mr. Rutala joined the Atlantic County Utilities Authority in 1988 to lead the development of the solid waste system. Prior to joining the Atlantic County Utilities Authority, Mr. Rutala was the Planning Director for the County of Atlantic. Mr. Rutala received his undergraduate degree from Seton Hall University, his Masters degree in City and Regional Planning from The Ohio State University, and his Masters of Business Administration from Rutgers University. He is a licensed Professional Planner in the State of New Jersey and is a member of the American Institute of Certified Planners. Mr. Rutala is active in numerous community organizations and currently serves on several Boards. Mr. Rutala resigned in November 2006 for another position.

Eugene L. Petitt, PE, PP Chief Engineer. The Atlantic County Utilities Authority hired Mr. Petitt in September 1990. Prior to joining the Authority, he was appointed as Atlantic County Engineer and held that position for six years. Earlier career experiences included Assistant Atlantic County Engineer, and Chief Design Engineer and Office Manager for a private consulting engineering firm. Mr. Petitt holds an Associates Degree in Mathematics from Cumberland County College and a Bachelors Degree in Civil Engineering from Drexel University. He is licensed to practice Engineering and Planning in the State of New Jersey. Tom Ganard is ACUA's Deputy Chief Engineer.

Funding of Infrastructure and Debt Management

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

- Borrowings from the New Jersey Environmental Infrastructure Trust
- Short-Term Loan Agreements (usually averaging 1 to 3 years)
- Lease With Option To Purchase Financing (usually averaging 3 to 5 years)
- Funding incrementally or annually from Operating Budget

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

Auditors

The Authority has a policy of changing Auditors every 3 to 5 years to encourage any new or fresh reviews of the Atlantic County Utilities Authority financial operations and reporting of financial status, and to eliminate any perceived or potential conflicts of interest that may develop due to long-term relationships.

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

FINANCIAL STATEMENTS

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

COMPARATIVE BALANCE SHEET

December 31, 2006 and 2005

	2006		2005	
	Wastewater Division	Solid Waste Division	Total	
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 9,955,605	\$ 14,827,033	\$ 24,782,638	\$ 21,698,153
Investments		3,076,000	3,076,000	4,891,234
Accrued Interest Receivable	121,588	225,149	346,737	200,288
Accounts Receivable (Net of Allowance \$1,100,415 and \$1,045,074 in 2006 and 2005 respectively)	2,956,907	2,299,385	5,256,292	4,051,933
Other Accounts Receivable		371,323	371,323	372,027
Internal Accounts		486,701	486,701	
Total Current Assets	13,034,100	21,295,591	34,319,691	31,213,635
Non-Current Assets:				
Restricted Assets:				
Cash and Cash Equivalents	13,620,634	17,711,415	31,332,049	21,921,555
Investments	1,487,244	127,000	1,614,244	3,262,640
Accounts Held By State of New Jersey	3,150	3,517,127	3,517,127	3,136,376
Accrued Interest Receivable	73,498	86,668	89,818	47,870
Loans Receivable	2,036,517		2,036,517	3,592,402
Total Non-Current Assets	17,221,043	21,442,210	38,663,253	31,960,843
Capital Assets:				
Property, Plant and Equipment (Note 4)	208,629,173	106,209,122	314,838,295	304,381,473
Less: Accumulated Depreciation	(112,817,763)	(51,927,342)	(164,745,105)	(154,702,814)
Net Capital Assets	95,811,410	54,281,780	150,093,190	149,678,659
Deferred Costs:				
Preoperating Costs (Net of Accumulated Depreciation of \$9,859,501 and \$9,484,199 in 2006 and 2005 respectively)	2,647,723	678,891	3,326,614	375,302
Unamortized Bond Issue Costs	2,647,723	678,891	3,326,614	3,679,733
Total Deferred Costs	5,295,446	1,357,782	6,653,228	4,055,035
Total Assets	\$ 128,714,276	\$ 97,688,472	\$ 226,402,748	\$ 216,908,172
Liabilities and Net Assets				
Current Liabilities Payable From Current Assets:				
Accounts Payable	\$ 1,363,176	\$ 1,482,292	\$ 2,865,468	\$ 3,010,028
Due To Solid Waste Division	486,701		486,701	
Customer Deposits		153,479	153,479	152,979
Deferred Revenue	96,280		96,280	106,308
Total Current Liabilities Payable From Current Assets	1,966,157	1,635,771	3,601,928	3,269,315
Current Liabilities Payable From Restricted Assets:				
Construction Contracts Payable	653,867	74,099	727,966	349,311
Current Portion of Long-Term Debt	5,278,853	4,100,000	9,378,853	8,863,829
Accrued Interest	1,078,820	1,364,815	2,443,635	2,624,791
Total Current Liabilities Payable From Restricted Assets	7,011,540	5,538,914	12,550,454	11,837,931
Non-Current Liabilities Payable From Restricted Assets:				
Accrued Landfill Closure and Post-Closure Care Cost		12,062,231	12,062,231	10,850,705
Total Non-Current Liabilities Payable From Restricted Assets				
Non-Current Liabilities:				
Deferred Revenue	1,398,075		1,398,075	1,484,327
Accrued Compensated Absences	552,617	574,099	1,126,716	1,057,113
Post Retirement Benefits Payable	535,019	800,000	1,335,019	1,335,019
Long-Term Portion of Bonds Payable (Note 5)	56,089,728	53,255,422	109,345,150	
Net of Unamortized Bond Premium and Discount of \$856,541 and \$951,713 for Wastewater Bonds and \$259,578 for Solid Waste Bonds in 2006 and 2005, respectively)				116,197,337
Total Non-Current Liabilities	58,555,439	66,691,752	125,247,191	130,924,501
Total Liabilities	\$ 67,533,136	\$ 73,866,437	\$ 141,399,573	\$ 146,031,747
Net Assets:				
Invested in Capital Assets, Net of Related Debt Restricted for:	\$ 34,462,829	\$ (1,003,023)	\$ 33,459,806	\$ 24,617,493
Solid Waste:				
Debt Service Reserve		8,053,769	8,053,769	8,053,769
Wastewater:				
Renewal and Replacement	4,800,000		4,800,000	4,800,000
Debt Service Fund	5,815,031		5,815,031	5,745,237
Debt Service Reserve Fund	7,753,979		7,753,979	7,754,743
Unrestricted	8,349,301	16,771,289	25,120,590	19,905,183
Total Net Assets	61,181,140	23,822,035	85,003,175	70,876,425
Total Liabilities and Net Assets	\$ 128,714,276	\$ 97,688,472	\$ 226,402,748	\$ 216,908,172

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years ended December 31, 2006 and 2005

	2006			2005
	Wastewater Division	Solid Waste Division	Total	
Operating Revenues:				
Wastewater:				
User Service Agreements:				
Operating	\$ 15,076,813		\$ 15,076,813	\$ 12,875,842
General	7,693,701		7,693,701	7,411,072
Sludge	1,301,382		1,301,382	1,202,565
Septic and Leachate	496,938		496,938	478,368
Other	3,730,368		3,730,368	840,065
Solid Waste:				
Tipping Fees		\$ 26,930,192	26,930,192	24,799,678
Collections and Recycling Income		7,869,186	7,869,186	7,354,372
Grant Income		424,629	424,629	
Composting Income		941,532	941,532	804,525
Other		826,082	826,082	1,089,900
Total Operating Revenues	28,299,202	36,991,621	65,290,823	56,856,387
Operating Expenses:				
Salaries	5,465,359	7,030,545	12,495,904	11,833,180
Employee Benefits	2,039,407	3,021,410	5,060,817	4,484,349
Power and Utilities	2,690,050	429,554	3,119,604	3,457,907
Chemicals	775,989		775,989	681,710
Fuel	1,847,592	993,564	2,841,156	3,140,772
Supplies and Miscellaneous Maintenance	1,342,038	1,714,584	3,056,622	2,265,925
Contractual Services	482,868		482,868	395,350
Indirect Operating Expenses	288,248	7,246,148	7,534,396	6,510,218
Accrued Landfill Closure Costs		1,211,526	1,211,526	3,474,694
Administrative	1,221,616	800,563	2,022,179	2,075,842
Community Benefit		2,000,251	2,000,251	1,931,636
Recycling and Other Taxes		633,554	633,554	644,294
Licenses and Permits	150,751		150,751	143,226
Bad Debt Expense		56,837	56,837	543,580
Depreciation	5,038,798	5,378,795	10,417,593	10,116,512
Amortization of Bond Issue Costs	294,190	58,929	353,119	353,117
Total Operating Expenses	21,636,906	30,576,260	52,213,166	52,052,312
Operating Income	6,662,296	6,415,361	13,077,657	4,804,075
Non-Operating Revenues/(Expenses):				
Interest Income	993,297	987,340	1,980,637	1,172,023
Interest Expense	(2,423,222)	(4,139,069)	(6,562,291)	(6,992,347)
Contributions - State Subsidy		5,630,747	5,630,747	5,630,747
Total Non-Operating Revenues/(Expenses)	(1,429,925)	2,479,018	1,049,093	(189,577)
Net Income	5,232,371	8,894,379	14,126,750	4,614,498
Total Net Assets - Beginning	55,948,769	14,927,656	70,876,425	66,261,927
Total Net Assets - Ending	\$ 61,181,140	\$ 23,822,035	\$ 85,003,175	\$ 70,876,425

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

COMPARATIVE STATEMENTS OF CASH FLOWS

Years ended December 31, 2006 and 2005

	2006			2005
	Wastewater Division	Solid Waste Division	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts From Customers and Users	\$ 27,557,628	\$ 36,092,452	\$ 63,650,080	\$ 56,832,738
Payments To Employees	(5,465,359)	(7,030,545)	(12,495,904)	(11,750,166)
Payments To Suppliers	(10,801,971)	(17,047,455)	(27,849,426)	(28,474,329)
Net Cash Provided By Operating Activities	11,290,298	12,014,452	23,304,750	16,608,243
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Subsidies and Transfers To Other Funds	(185,695)	185,695		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases of Capital Assets	(4,967,435)	(5,110,732)	(10,078,167)	(7,156,308)
Principal Paid on Capital Debt	(5,038,829)	(3,825,000)	(8,863,829)	(7,796,029)
Interest Paid on Capital Debt	(2,610,300)	(4,177,751)	(6,788,051)	(7,136,178)
State Contribution	(73,498)	5,630,747	5,557,249	5,630,747
Loan Proceeds	1,555,885		1,555,885	
Proceeds From Wastewater Trust	2,551,272		2,551,272	1,805,036
Net Cash Provided/(Used) By Capital and Related Financing Activities	(8,582,905)	(7,482,736)	(16,065,641)	(14,652,732)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Income	937,145	855,095	1,792,240	991,500
Transferred From Investments	52,624	3,411,006	3,463,630	(4,891,234)
Net Cash Provided/(Used) By Investing Activities	989,769	4,266,101	5,255,870	(3,899,734)
Net Increase/(Decrease) in Cash and Cash Equivalents	3,511,467	8,983,512	12,494,979	(1,944,223)
Cash and Cash Equivalents, January 1	20,064,772	23,554,936	43,619,708	45,563,931
Cash and Cash Equivalents, December 31	\$ 23,576,239	\$ 32,538,448	\$ 56,114,687	\$ 43,619,708
Reconciliation of Operating Income To Net Cash Provided By Operating Activities:				
Operating Income	\$ 6,662,296	\$ 6,415,359	\$ 13,077,655	\$ 4,804,075
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:				
Depreciation Expense	5,038,798	5,378,795	10,417,593	10,116,512
Amortization of Bond Issuance Costs	294,190	58,929	353,119	353,117
Bad Debt Expense		55,341	55,341	543,580
(Increase)/Decrease in Accounts Receivable	(741,574)	(517,422)	(1,258,996)	763,920
Increase/(Decrease) in Accrued Landfill Closure and Post-Closure		1,211,526	1,211,526	
Increase/(Decrease) in Accounts and Other Payables	132,868	(207,825)	(74,957)	283,136
Increase/(Decrease) in Deferred Revenue	(96,280)		(96,280)	106,308
Increase/(Decrease) in Customer Deposits		500	500	6,850
Increase/(Decrease) in Amounts Held by the State		(380,751)	(380,751)	(369,255)
	\$ 11,290,298	\$ 12,014,452	\$ 23,304,750	\$ 16,608,243
Unrestricted Cash and Cash Equivalents	\$ 9,955,605	\$ 14,827,033	\$ 24,782,638	\$ 21,698,153
Restricted Cash and Cash Equivalents	13,620,634	17,711,415	31,332,049	21,921,555

NOTES TO FINANCIAL STATEMENTS

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2006 and 2005

NOTE 1. - AUTHORITY DESCRIPTION AND GENERAL INFORMATION

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

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

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

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

In the opinion of management, revenues of the Solid Waste Division are adequate to cover all operating expenses, current capital costs, and a portion of the debt service on bonds issued by the Authority in 1992 for the Solid Waste Division's capital facilities ("1992 bonds"). The State of New Jersey has followed a policy to provide subsidies to fund any debt service shortfall for pre-deregulation Solid Waste debt, including the 1992 bonds.

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2006 and 2005

NOTE 2 - BASIS OF PRESENTATION

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

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

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

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation and Basis of Accounting

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

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

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2006 and 2005

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation and Basis of Accounting (continued)

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

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

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

Wastewater Service Contract

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

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

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2006 and 2005

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Wastewater Bond Resolutions

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

Construction Fund - All costs pertaining to the acquisition or construction of a designated project shall be paid from this Fund and capitalized herein. The proceeds from the sale of bonds and certain receipts are deposited herein to pay for all such construction costs. Interest earned on investments in this Fund is credited to project costs. At December 31, 2006 and 2005, the Construction Fund and Wastewater Trust Fund cash equivalents amounted to \$789,997 and \$841,528, 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, 2006 and 2005, the Rebate Fund amounted to \$87,117 and \$83,591, respectively.

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

Debt Service Fund - The Debt Service Fund is to accumulate a balance sufficient to pay the interest and principal to become due at or before the January 15th next ensuing, plus any unpaid principal and interest then due. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. In addition, a sinking fund is included which shall equal the aggregate amount of all sinking fund installments required to redeem bonds on the next January 15th beginning in 2005 for the Sewer Revenue Refunding Bonds (See Note 5). At December 31, 2006 and 2005, the Debt Service Fund cash amounted to \$5,815,030 and \$5,745,237, 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, 2006 and 2005, the Debt Service Reserve Fund cash and investments amounted to \$2,878,283 and \$2,931,596, respectively. The balance of the Debt Service Reserve Requirement is funded by a surety issued by Ambac Assurance Corporation.

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2006 and 2005

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Wastewater Bond Resolutions (continued)

Renewal and Replacement Fund - The balance in this Fund shall be maintained equal to 3% of gross revenues or such larger amount as determined by the Consulting Engineer. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. With approval of the Consulting Engineer, this Fund may be used to meet reasonable and necessary expenses for major repairs, renewals, replacements or maintenance items of a type not recurring annually. At December 31, 2006 and 2005, the Renewal and Replacement Fund cash amounted to \$5,621,501 and \$4,208,699, respectively. The System Reserve Fund, a component of the Renewal and Replacement Fund, cash requirement was \$4,800,000 at December 31, 2006 and 2005.

Solid Waste Bond Resolutions

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

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

Construction Fund - All costs pertaining to the acquisition or construction of a designated project shall be paid from this Fund and capitalized herein. The proceeds from the sale of bonds and certain receipts are deposited herein to pay for all such construction costs. At December 31, 2006 and 2005, 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, 2006 and 2005, the Rebate Fund amounted to \$0.

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

Debt Service Fund - The Debt Service Fund shall be maintained in an amount sufficient to pay the interest and principal currently due on the 1992 Bonds. At December 31, 2006 and 2005, the Debt Service Fund cash amounted to \$344,317 and \$250,233, respectively.

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2006 and 2005

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Solid Waste Bond Resolutions (continued)

Debt Service Reserve Fund - The balance in this Reserve Fund shall be maintained in an amount equal to the lesser of (a) 10% of the principal amount of Bonds which are outstanding from time to time, (b) maximum amount of principal and interest which is payable during the current or any subsequent fiscal year with respect to all Series of Bonds, including the 1992 Bonds, or (c) 125% of the average annual principal and interest which is payable with respect to all Series of Bonds, including the 1992 Bonds. The Debt Service Reserve Fund must be marked to market not less than annually. At December 31, 2006 and 2005, the Debt Service Fund cash amounted to \$2,631,532 and \$2,631,533 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.

Renewal and Replacement Fund - The balance in this Fund shall be maintained in an amount equal to the System Improvement Requirement (the "Requirement"). The Requirement is equal to that amount, as certified by the independent Consulting Engineer, which is reasonably necessary to be held as a Reserve for Expenses with respect to the System for (a) nonrecurring major repairs, renewals, replacements or maintenance items, or (b) expenses relating to the closure and post-closure of any System component, or (c) repairs, renewals, replacements resulting from the occurrence of uncontrollable events or circumstances which are not covered by the proceeds of an insurance policy. At December 31, 2006 and 2005, the Renewal and Replacement Fund cash and investments amounted to \$14,862,565 and \$6,447,656, respectively.

Investments

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

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

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2006 and 2005

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment and Other Capitalized Costs

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

Depreciation is determined on a straight-line basis for all Plant and Equipment. Depreciation is provided over the following estimated lives:

Sewer Mains and Interceptors	50 years
Buildings and Improvements	40 years
Incinerator Facility	40 years
Pump Stations	35 years
Machinery and Equipment	5-10 years
Vehicles	5 years

Landfill cells are depreciated on the basis of capacity utilized. Deferred solid waste pre-operating costs are amortized over 25 years, the term of the debt which funded such costs.

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

Unamortized Debt Issue Costs

Debt Issue Costs are being amortized over the life of the issues.

Wastewater Revenues

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

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

Allocation of Common Costs

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

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2006 and 2005

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

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

Inter-District Agreements

The Solid Waste Division is a party to one agreement which provides for minimum delivery requirements of municipal waste from the Authority.

NOTE 4 - INTERFUND BALANCES AND ACTIVITY

Balance due to/from other Division at December 31, 2006 is as follows:

Due to the Solid Waste Division from the
Wastewater Division representing a cash advance \$ 486,701

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment consisted of the following at December 31, 2006 and 2005:

Wastewater Division

	<u>2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>2006</u>
Land	\$ 12,691,336			\$ 12,691,336
Sewers Mains and Interceptors	73,279,554		\$ 54,422	73,225,132
Buildings and Improvements	35,193,511	\$ 5,140,009		40,333,520
Machinery and Equipment	38,860,371	535,715		39,396,086
Incinerator Facility	16,353,524			16,353,524
Atlantic Coastal Alternative	<u>26,629,575</u>			<u>26,629,575</u>
	203,007,871	5,675,724	54,422	208,629,173
Less: Accumulated Depreciation	<u>(107,778,965)</u>	<u>(5,038,798)</u>		<u>(112,817,763)</u>
Total	<u>\$ 95,228,906</u>	<u>\$ 636,926</u>	<u>\$ 54,422</u>	<u>\$ 95,811,410</u>

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

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2006 and 2005

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (continued)

Property, Plant and Equipment consisted of the following at December 31, 2006 and 2005:

Solid Waste Division

	<u>2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>2006</u>
Land and Improvements	\$ 13,102,772	\$ 16,413		\$ 13,119,185
Buildings	23,018,561	490,240		23,508,801
Equipment and Vehicles	17,725,416	3,512,967		21,238,383
Landfill Design & Implementation	43,097,397	1,869,524		44,966,921
Planning and Design	<u>4,429,456</u>	<u> </u>	\$ 1,053,624	<u>3,375,832</u>
	101,373,602	5,889,144	1,053,624	106,209,122
Less: Accumulated Depreciation	<u>(46,923,849)</u>	<u>(5,003,493)</u>	<u> </u>	<u>(51,927,342)</u>
Total	<u>\$ 54,449,753</u>	<u>\$ 885,651</u>	<u>\$ 1,053,624</u>	<u>\$ 54,281,780</u>

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

\$9,859,501 pre-operating costs dating back to 1987 has been fully amortized as of December 31, 2006; \$2,631,532 Debt Service Reserve; \$4,010,000 Transfer to Operating Reserve; \$2,951,898 capitalized interest; \$2,235,211 underwriters discount and \$434,695 cost of bond issuance. The applicable amount for 2006 and 2005 was \$375,302.

Authority Grand Total

	<u>2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>2006</u>
Land and Improvements	\$ 25,794,108	\$ 16,413		\$ 25,810,521
Buildings and Improvements	58,212,072	5,630,249		63,842,321
Sewers Mains and Interceptors	73,279,554		\$ 54,422	73,225,132
Machinery and Equipment	38,860,371	535,715		39,396,086
Equipment and Vehicles	17,725,416	3,512,967		21,238,383
Incinerator Facility	16,353,524			16,353,524
Landfill Design & Implementation	43,097,397	1,869,524		44,966,921
Planning and Design	4,429,456		1,053,624	3,375,832
Atlantic Coastal Alternative	<u>26,629,575</u>	<u> </u>	<u> </u>	<u>26,629,575</u>
	304,381,473	11,564,868	1,108,046	314,838,295
Less: Accumulated Depreciation	<u>(154,702,814)</u>	<u>(10,042,291)</u>	<u> </u>	<u>(164,745,105)</u>
Total	<u>\$ 149,678,659</u>	<u>\$ 1,522,577</u>	<u>\$ 1,108,046</u>	<u>\$ 150,093,190</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2006 and 2005

NOTE 6 - BONDS PAYABLE

Wastewater Revenue and Revenue Refunding Bonds at December 31, 2006 and 2005 consist of the following:

	<u>2005</u>	<u>Increases/ (Decreases)</u>	<u>2006</u>
Wastewater Revenue Bonds, 1991 Series	\$ 1,309,906	\$ (219,049)	\$ 1,090,857
Wastewater Treatment Trust - 1995	4,671,185	(412,035)	4,259,150
Wastewater Treatment Trust - 1997	7,275,793	(525,257)	6,750,536
Wastewater Treatment Trust - 2001	1,688,311	(86,306)	1,602,005
Environmental Infrastructure Trust - 2004	4,919,402	(241,182)	4,678,220
Wastewater Revenue Bonds, 1998 Series	32,510,000	(3,250,000)	29,260,000
Sewer Revenue Refunding Bonds, 2003 Series	10,605,000	(305,000)	10,300,000
Wastewater Treatment Trust - 2006	<u> </u>	<u>2,551,272</u>	<u>2,551,272</u>
	62,979,597	(2,487,557)	60,492,040
Unamortized Bond Premium	<u>951,713</u>	<u>(95,172)</u>	<u>856,541</u>
Total	<u>\$ 63,931,310</u>	<u>\$ (2,582,729)</u>	<u>\$ 61,348,581</u>

Solid Waste Revenue Bonds and Loans at December 31, 2006 and 2005 consist of the following:

	<u>2005</u>	<u>Increases/ (Decreases)</u>	<u>2006</u>
Solid Waste System Revenue Bonds	\$ 61,440,000	\$ (3,825,000)	\$ 57,615,000
Unamortized Bond Discount	<u>(310,144)</u>	<u>50,566</u>	<u>(259,578)</u>
Total	<u>\$ 61,129,856</u>	<u>\$ (3,774,434)</u>	<u>\$ 57,355,422</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2006 and 2005

NOTE 6 - BONDS PAYABLE (continued)

The following schedule combines the Total Debt, net of unamortized premiums and discounts, for the two Divisions:

Total Net Debt:	
Wastewater Division	\$ 61,348,581
Solid Waste Division	<u>57,355,422</u>
Total Net Debt of the Authority	<u>\$ 118,704,003</u>
Current Portion of Long-Term Debt:	
Wastewater Division	\$ 5,278,853
Solid Waste Division	<u>4,100,000</u>
	<u>9,378,853</u>
Noncurrent Portion of Long-Term Debt:	
Wastewater Division	56,069,728
Solid Waste Division	<u>53,255,422</u>
	<u>109,325,150</u>
Total Net Debt of the Authority	<u>\$ 118,704,003</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2006 and 2005

NOTE 6 - BONDS PAYABLE (continued)

Description of Bonds Payable

At December 31, 2006, Bonds Payable consisted of the following issues:

Wastewater Division

\$3,691,756 New Jersey Pinelands Infrastructure Trust Fund Loan, dated 1991, due in semiannual installments for principal and interest through January 1, 2011, bearing interest at 3.68% per annum. The balance remaining as of December 31, 2006 is \$1,090,857.

\$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, 2006 is \$4,259,150.

\$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, 2006 is \$6,750,536.

\$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, 2006 is \$1,602,005.

\$51,405,000 Sewer Refunding Bonds, dated January 15, 1998, due in annual installments for principal through January 15, 2015, bearing interest at various rates from 3.75% to 5.25% per annum. The balance remaining as of December 31, 2006 is \$29,260,000.

\$10,725,000 Sewer Refunding Bonds, dated October 15, 2003, due in annual installments for principal beginning January 15, 2006 through January 15, 2015, bearing interest at various rates from 2.00% to 5.75% per annum. The balance remaining as of December 31, 2006 is \$10,300,000.

\$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, 2006 is \$4,678,220.

\$2,551,242 New Jersey Environmental Infrastructure Trust Fund Loan, dated 2006, due in semiannual installments for principal and interest through August 1, 2026, bearing interest at various rates from 4.00% to 5.00% per annum. The balance remaining as of December 31, 2006 is \$2,551,272.

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

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2006 and 2005

NOTE 6 - BONDS PAYABLE (continued)

Description of Bonds Payable (continued)

Solid Waste Division

\$87,650,000 Solid Waste System Revenue Bonds, dated April 15, 1992, due in annual installments for principal through September 1, 2016, bearing interest at various rates from 5.200% to 7.125% per annum. The balance remaining as of December 31, 2006 is \$57,615,000.

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

Debt service requirements on serial bonds and loans payable at December 31, 2006 are:

	<u>Wastewater Division</u>		<u>Solid Waste Division</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 5,278,853	\$ 2,319,270	\$ 4,100,000	\$ 3,950,944
2008	5,564,794	2,106,313	4,400,000	3,653,444
2009	5,800,433	1,873,112	4,720,000	3,331,294
2010	6,132,025	1,624,922	5,070,000	2,982,525
2011	6,271,188	1,348,851	5,445,000	2,607,927
2012-2016	26,541,762	2,789,718	33,880,000	6,378,300
2017-2021	3,333,908	270,494		
2022-2024	<u>1,569,077</u>	<u>56,394</u>		
	<u>\$ 60,492,040</u>	<u>\$ 12,389,074</u>	<u>\$ 57,615,000</u>	<u>\$ 22,904,434</u>
		<u>Authority Grand Total</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2007	\$ 9,378,853	\$ 6,270,214	\$ 15,649,067	
2008	9,964,794	5,759,757	15,724,551	
2009	10,520,433	5,204,406	15,724,839	
2010	11,202,025	4,607,447	15,809,472	
2011	11,716,188	3,956,778	15,672,966	
2012-2016	60,421,762	9,168,018	69,589,780	
2017-2021	3,333,908	270,494	3,604,402	
2022-2024	<u>1,569,078</u>	<u>56,394</u>	<u>1,625,472</u>	
	<u>\$ 118,107,041</u>	<u>\$ 35,293,508</u>	<u>\$ 153,400,549</u>	

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2006 and 2005

NOTE 7 - PENSION PLANS

Description of Plans - All required employees of the Authority employees are covered by the Public Employees' Retirement System ("System") which has been established by state statute and is administered by the New Jersey Division of Pensions and Benefits ("Division"). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly-available financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System. This report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

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

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, beneficiaries are entitled to full interest credited to the members' accounts.

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially-determined rate for the PERS. The actuarially-determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2006 and 2005

NOTE 7 - PENSION PLANS (continued)

Three-Year Trend Information for PERS

<u>Year Funding December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2006	\$ 198,702.00	100%	\$ 0.00
2005	72,663.00	100%	0.00
2004	0.00	100%	0.00

NOTE 8 - POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required PERS to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2005, there were 67,930 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L.1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994, with an additional contribution beginning in fiscal year 1996 to maintain a medical reserve by one half of one percent of the active State payroll.

NOTE 9 - COMPENSATED ABSENCES

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

NOTE 10 - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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

As of December 31, 2005, the Authority changed its estimate for calculating the accrued post closure liability, resulting in an additional charge of \$3,474,694.

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2006 and 2005

NOTE 11 - RISK MANAGEMENT

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

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

NOTE 12 - AMOUNTS HELD BY THE STATE OF NEW JERSEY

The State of New Jersey holds the Landfill Closure Escrow Account in the name of the Atlantic County Utilities Authority. These Cash and Investments consisted of the following at December 31, 2006:

United States Treasury Notes	\$ 2,685,830
Cash	<u>831,297</u>
	<u>\$ 3,517,127</u>

NOTE 13 - DEFERRED COMPENSATION

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

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights, have been removed from the books and accounts of the Authority as they are no longer the property or rights of the Authority.

NOTE 14 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2006 and 2005

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

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

GASB Statement No. 3, amended by Statement No. 40, requires disclosures of the level of custodial credit risk assumed by the Authority in its Cash, Cash Equivalents and Investments.

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

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

At December 31, 2006, the carrying amount of the Authority's deposits (cash and cash equivalents) was \$23,576,239 and the bank balance was \$61,158,055.

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

As of December 31, 2006, the Authority's bank balance was exposed to custodial credit risk as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Insured	\$ 448,307	
Collateralized with securities held by the pledging financial institution	<u>59,362,499</u>	<u>\$ 1,347,249</u>
	<u>\$ 59,810,806</u>	<u>\$ 1,347,249</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2006 and 2005

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

Investments

As of December 31, 2006 and 2005, the Authority had the following investments:

	<u>2006</u> <u>Fair Value</u>	<u>2006</u> <u>Book Value</u>	<u>2005</u> <u>Fair Value</u>	<u>2005</u> <u>Book Value</u>
Solid Waste:				
New Jersey ARM Term	\$ 3,299,524	\$ 3,299,524	\$ 0	\$ 0
Wastewater:				
US Treasury Strips	1,235,510	1,235,510	0	0
US Treasury Bonds	251,734	251,734	0	0

Interest Rate Risk

Interest Rate Risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. The Authority minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet the cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Credit Rate Risk

State law limits the types of investments the Authority may purchase.

The Fair Value of the above listed investments was based on quoted market prices. During the year, the Authority had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of the year, no such investments were held by the Authority.

OTHER SUPPLEMENTARY INFORMATION

WASTEWATER DIVISION

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

December 31, 2006 and 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>	<u>Liabilities and Net Assets</u>	<u>2006</u>	<u>2005</u>
Current Assets:			Current Liabilities Payable From Current Assets:		
Cash and Cash Equivalents	\$ 9,955,605	\$ 7,874,637	Accounts Payable	\$ 2,529,508	\$ 2,301,302
Accrued Interest Receivable	121,588	66,786	Deferred Revenue	96,280	106,308
Accounts Receivable	<u>2,956,907</u>	<u>2,215,333</u>	Due To Solid Waste Division	<u>486,701</u>	<u>672,396</u>
Total Current Assets	<u>13,034,100</u>	<u>10,156,756</u>	Total Current Liabilities Payable From Current Assets	<u>3,112,489</u>	<u>3,080,006</u>
Non-Current Assets:			Current Liabilities Payable From		
Restricted Assets:			Restricted Assets:		
Cash and Cash Equivalents	15,107,878	12,190,135	Construction Contracts Payable	653,867	2,625,709
Accrued Interest Receivable	3,150	1,800	Current Portion of Long-Term Debt	5,278,853	5,038,829
Grants Receivable	73,498		Accrued Interest	<u>1,078,820</u>	<u>1,170,726</u>
Loans Receivable	<u>2,036,517</u>	<u>3,592,402</u>	Total Current Liabilities Payable From Restricted Assets	<u>7,011,540</u>	<u>8,835,264</u>
Total Non-Current Assets	<u>17,221,043</u>	<u>17,324,205</u>	Non-Current Liabilities:		
Capital Assets:			Deferred Revenue	1,398,075	1,484,327
Property, Plant and Equipment	208,422,936	205,437,084	Post Retirement Benefits Payable	535,019	535,019
Less: Accumulated Depreciation	<u>(112,817,763)</u>	<u>(107,778,965)</u>	Accrued Compensated Absences	552,617	483,014
Net Capital Assets	<u>95,605,173</u>	<u>97,658,119</u>	Long-Term Portion of Bonds Payable (Note 5) (Net of Unamortized Bond Premium and Discount of \$856,541 and \$951,713 in 2006 and 2005, respectively)	<u>56,069,728</u>	<u>58,892,481</u>
Unamortized Bond Issue Costs	<u>2,647,723</u>	<u>2,941,913</u>	Total Non-Current Liabilities	<u>58,555,439</u>	<u>61,394,841</u>
Total Assets	<u>\$ 128,508,039</u>	<u>\$ 128,080,993</u>	Total Liabilities	<u>\$ 68,679,468</u>	<u>\$ 73,310,111</u>
			Net Assets:		
			Invested in Capital Assets, Net of Related Debt	\$ 34,256,592	\$ 33,726,809
			Restricted for:		
			Renewal and Replacement	4,800,000	4,800,000
			Debt Service Fund	5,815,031	5,745,237
			Debt Service Reserve Fund	7,753,979	7,754,743
			Unrestricted	<u>7,202,969</u>	<u>2,744,093</u>
			Total Net Assets	<u>59,828,571</u>	<u>54,770,882</u>
			Total Liabilities and Net Assets	<u>\$ 128,508,039</u>	<u>\$ 128,080,993</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

WASTEWATER DIVISION
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
MODIFIED GAAP BASIS

Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating Revenues:		
User Service Agreements:		
Operating	\$ 15,076,813	\$ 12,875,842
General	7,693,701	7,411,072
Sludge	1,301,382	1,202,565
Septic and Leachate	496,938	478,368
Other	<u>3,730,368</u>	<u>840,065</u>
Total Operating Revenues	<u>28,299,202</u>	<u>22,807,912</u>
Operating Expenses:		
Salaries	5,465,359	5,430,686
Employee Benefits	2,046,280	1,859,781
Power and Utilities	2,661,038	2,997,829
Chemicals	819,955	697,039
Fuel	1,793,164	2,229,116
Supplies and Miscellaneous Maintenance	1,398,188	1,063,748
Contractual Services	554,752	374,391
Indirect Operating Expenses	346,602	321,013
Administrative	1,242,150	1,086,519
Licenses and Permits	151,112	143,226
Depreciation	5,038,798	4,930,367
Amortization of Bond Issue Costs	<u>294,190</u>	<u>294,189</u>
Total Operating Expenses	<u>21,811,588</u>	<u>21,427,904</u>
Operating Income	<u>6,487,614</u>	<u>1,380,008</u>
Non-Operating Revenues/(Expenses):		
Interest Income	993,297	644,446
Interest Expense	<u>(2,423,222)</u>	<u>(2,588,562)</u>
Total Non-Operating Revenues/(Expenses)	<u>(1,429,925)</u>	<u>(1,944,116)</u>
Net Income/(Loss)	5,057,689	(564,108)
Total Net Assets - Beginning	<u>54,770,882</u>	<u>55,334,990</u>
Total Net Assets - Ending	<u>\$ 59,828,571</u>	<u>\$ 54,770,882</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

WASTEWATER DIVISION
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES
COMPARED TO BUDGET - RATE BASIS

Years ended December 31, 2006 and 2005

	<u>2006</u> <u>Budget</u>	<u>2006</u> <u>Actual</u>
Revenues:		
User Service Agreements:		
Operating and General Charge	\$ 22,770,509	\$ 22,770,514
Sludge, Septic and Leachate	1,619,834	1,702,040
Interest on Investments and Deposits	550,000	993,297
Miscellaneous	678,016	836,339
Fund Balance	<u>343,085</u>	<u> </u>
Total Revenues	<u>25,961,444</u>	<u>26,302,190</u>
Expenses:		
Salaries	5,749,571	5,465,359
Employee Benefits	2,203,494	2,046,280
Power and Utilities	2,959,182	2,661,038
Chemicals	857,040	819,955
Fuel	2,732,448	1,793,164
Supplies and Miscellaneous Maintenance	749,300	836,488
Contractual Services	564,100	554,752
Indirect Operating Expenses	516,000	528,298
Administrative	1,347,608	1,272,734
Maintenance Program Expenditures	589,000	561,701
Cancelled Purchase Orders	<u> </u>	<u>(61,168)</u>
	<u>18,267,743</u>	<u>16,478,601</u>
Debt Service	<u>7,693,701</u>	<u>7,693,701</u>
Total Expenses	<u>25,961,444</u>	<u>24,172,302</u>
Net Income From Operations	<u>\$ 0</u>	<u>\$ 2,129,888</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTICWASTEWATER DIVISION
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS

Year ended December 31, 2006

<u>Description</u>	<u>Face Amount</u>	<u>Interest Rate</u>	<u>Cost December 31 2006</u>
Unrestricted Accounts:			
Cash	\$ 727,972		\$ 727,972
Evergreen Treasury Money Market	2,792,176	4.67%	2,792,176
NJ ARM - Term	2,850,000	5.11%/5.18%	2,850,000
NJ ARM Pooled Investment	<u>3,585,457</u>	5.26%	<u>3,585,457</u>
Total Unrestricted Accounts	<u>9,955,605</u>		<u>9,955,605</u>
Restricted Accounts:			
Wastewater Trust Fund:			
Grant Water Supply	236	4.67%	236
First American Treasury Money Market	140,323	4.67%	140,323
First American Treasury Money Market	125	4.67%	125
First American Treasury Money Market	<u>562,196</u>	4.67%	<u>562,196</u>
	<u>702,880</u>		<u>702,880</u>
Rebate Account:			
Evergreen Treasury Money Market	<u>87,117</u>	4.67%	<u>87,117</u>
2003 Investment Settlement Account:			
Evergreen Treasury Money Market	<u>3,067</u>	4.67%	<u>3,067</u>
Debt Service Fund:			
Evergreen Treasury Money Market	5,183,953	4.67%	5,183,953
NJ ARM Pooled Investment	<u>631,077</u>	5.26%	<u>631,077</u>
	<u>5,815,030</u>		<u>5,815,030</u>
Debt Service Fund:			
NJ ARM Pooled Investment	5,039	5.26%	5,039
NJ ARM Term	1,386,000	5.13%	1,386,000
United States Treasury Strips	1,149,682	11.25%	1,235,510
United States Treasury Bonds	<u>70,568</u>	11.25%	<u>251,734</u>
	<u>2,611,289</u>		<u>2,878,283</u>
Renewal and Replacement Fund:			
First American Treasury	3,193,844	4.67%	3,193,844
NJ ARM Pooled Investment	<u>2,427,657</u>	5.26%	<u>2,427,657</u>
	<u>5,621,501</u>		<u>5,621,501</u>
Total	<u>\$ 24,796,489</u>		<u>\$ 25,063,483</u>
Unrestricted:			
Cash and Cash Equivalents	\$ 9,955,605		\$ 9,955,605
Restricted:			
Cash and Cash Equivalents	13,620,634		13,620,634
Investments	<u>1,220,250</u>		<u>1,487,244</u>
	<u>\$ 24,796,489</u>		<u>\$ 25,063,483</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

WASTEWATER DIVISION
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT AND OTHER CAPITALIZED COSTS
MODIFIED GAAP BASIS

For the years ended December 31, 2006, 2005, 2004, 2003, 2002, and 2001

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Additions During the Year:						
Property, Plant and Equipment:						
Sewer Mains and Interceptors	\$ 2,694,768	\$ (11,978)		\$ 13,459	\$ 890,500	\$ 2,471,094
Buildings and Improvements	291,084	5,589,611	\$ 61,966	11,581	99,558	368,793
Equipment and Vehicles			42,386	54,201		35,361
Total Additions	<u>2,985,852</u>	<u>5,577,633</u>	<u>104,352</u>	<u>79,241</u>	<u>990,058</u>	<u>2,875,248</u>
Costs Capitalized at the Beginning of the Year	<u>205,437,084</u>	<u>199,859,451</u>	<u>199,755,099</u>	<u>199,675,858</u>	<u>198,685,800</u>	<u>195,810,552</u>
	208,422,936	205,437,084	199,859,451	199,755,099	199,675,858	198,685,800
Less:						
Accumulated Depreciation	<u>(112,817,763)</u>	<u>(107,778,965)</u>	<u>(102,848,598)</u>	<u>(97,952,789)</u>	<u>(93,073,201)</u>	<u>(88,178,797)</u>
Total Property, Plant and Equipment, End of Year	<u>\$ 95,605,173</u>	<u>\$ 97,658,119</u>	<u>\$ 97,010,853</u>	<u>\$ 101,802,310</u>	<u>\$ 106,602,657</u>	<u>\$ 110,507,003</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC
WASTEWATER DIVISION
SCHEDULE OF DEBT ISSUE COSTS
MODIFIED GAAP BASIS

For the years ended December 31, 2006, 2005, 2004, 2003, 2002, and 2001

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Costs Capitalized at the Beginning of the Year	\$ 5,206,878	\$ 5,206,878	\$ 5,206,878	\$ 4,744,100	\$ 4,744,100	\$ 4,744,100
Net Effect of Refunding Bond Issue				462,778		
	<u>5,206,878</u>	<u>5,206,878</u>	<u>5,206,878</u>	<u>5,206,878</u>	<u>4,744,100</u>	<u>4,744,100</u>
Less:						
Accumulated Amortization	<u>(2,559,155)</u>	<u>(2,264,965)</u>	<u>(1,970,776)</u>	<u>(1,676,586)</u>	<u>(1,437,267)</u>	<u>(1,182,897)</u>
Unamortized Debt Issue Costs	<u>\$ 2,647,723</u>	<u>\$ 2,941,913</u>	<u>\$ 3,236,102</u>	<u>\$ 3,530,292</u>	<u>\$ 3,306,833</u>	<u>\$ 3,561,203</u>

SOLID WASTE DIVISION

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

SOLID WASTE DIVISION
COMPARATIVE STATEMENT OF NET ASSETS
MODIFIED GAAP BASIS

December 31, 2006 and 2005

Assets	2006	2005	Liabilities and Net Assets	2006	2005
Current Assets:			Current Liabilities Payable From Current Assets:		
Cash and Cash Equivalents	\$ 14,827,033	\$ 13,823,516	Accounts Payable	\$ 2,989,999	\$ 2,892,085
Investments	3,076,000	4,891,234	Customer Deposits	153,479	152,979
Accrued Interest Receivable	225,149	133,502			
Accounts Receivable (Net of Allowance \$1,100,415 and \$1,045,074 in 2006 and 2005 respectively)	2,299,385	1,836,600	Total Current Liabilities Payable From Current Assets	3,143,478	3,045,064
Other Accounts Receivable	371,323	372,027	Current Liabilities Payable From Restricted Assets:		
Due From Wastewater Division	486,701	672,396	Construction Contracts Payable	2,145,782	2,916,671
			Current Portion of Long-Term Debt	4,100,000	3,825,000
Total Current Assets	21,285,591	21,729,275	Accrued Interest	1,364,815	1,454,065
Non-Current Assets:			Total Current Liabilities Payable From Restricted Assets	7,610,597	8,195,736
Restricted Assets:					
Cash and Cash Equivalents	17,711,415	9,731,420	Non-Current Liabilities Payable From Restricted Assets:		
Investments	127,000	1,722,772	Accrued Landfill Closure and Post-Closure Care Cost	12,062,231	10,850,705
Amounts Held By State of New Jersey	3,517,127	3,136,376			
Accrued Interest Receivable	86,668	46,070			
Total Non-Current Assets	21,442,210	14,636,638	Non-Current Liabilities:		
			Accrued Compensated Absences	574,099	574,099
			Post Retirement Benefits Payable	800,000	800,000
			Long-Term Portion of Bonds Payable (Note 5) (Net of Unamortized Bond Premium and Discount of \$259,578 and \$310,144 in 2006 and 2005, respectively)	53,255,422	57,304,856
Capital Assets:			Total Non-Current Liabilities	66,691,752	69,529,660
Property, Plant and Equipment	106,773,863	102,435,085			
Less: Accumulated Depreciation	(51,927,342)	(46,923,849)	Total Liabilities	\$ 77,445,827	\$ 80,770,460
Net Capital Assets	54,846,521	55,511,236	Net Assets:		
			Invested in Capital Assets, Net of Related Debt Restricted for:	\$ (2,508,900)	\$ (5,618,620)
			Debt Service Reserve Fund	8,053,769	8,053,769
			Unrestricted	15,262,517	9,784,662
			Total Net Assets (Deficit)	\$ 20,807,386	\$ 12,219,811
			Total Liabilities and Net Assets	\$ 98,253,213	\$ 92,990,271
Deferred Costs:					
Preoperating Costs (Net of Accumulated Depreciation of \$9,859,501 and \$9,484,199 in 2006 and 2005 respectively)		375,302			
Unamortized Bond Discount and Issue Costs	678,891	737,820			
Total Assets	\$ 98,253,213	\$ 92,990,271			

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

SOLID WASTE DIVISION
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
MODIFIED GAAP BASIS

Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating Revenues:		
Tipping Fees	\$ 26,930,192	\$ 24,799,678
Collections and Recycling Income	7,869,186	7,354,372
Grant Income	424,629	
Composting Income	941,532	804,525
Other	<u>826,082</u>	<u>1,089,900</u>
Total Operating Revenues	<u>36,991,621</u>	<u>34,048,475</u>
Operating Expenses:		
Salaries	7,009,310	6,422,913
Employee Benefits	3,032,903	2,630,185
Power and Utilities	490,722	423,867
Fuel	1,010,001	742,484
Supplies and Miscellaneous Maintenance	1,574,308	1,530,213
Indirect Operating Expenses	7,395,438	6,283,079
Accrued Landfill Closure Costs	1,211,526	3,474,694
Administrative	853,800	892,000
Community Benefit	2,143,739	1,931,636
Recycling and Other Taxes	666,756	591,991
Bad Debt Expense	56,837	543,580
Depreciation	5,378,795	5,186,145
Amortization of Bond Issue Costs	<u>58,929</u>	<u>58,928</u>
Total Operating Expenses	<u>30,883,064</u>	<u>30,711,715</u>
Operating Income	<u>6,108,557</u>	<u>3,336,760</u>
Non-Operating Revenues/(Expenses):		
Interest Income	987,340	527,577
Interest Expense	(4,139,069)	(4,403,785)
Contributions - State Subsidy	<u>5,630,747</u>	<u>5,630,747</u>
Total Non-Operating Revenues/(Expenses)	<u>2,479,018</u>	<u>1,754,539</u>
Net Income	8,587,575	5,091,299
Total Net Assets - Beginning	<u>12,219,811</u>	<u>7,128,512</u>
Total Net Assets - Ending	<u>\$ 20,807,386</u>	<u>\$ 12,219,811</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

SOLID WASTE DIVISION
SCHEDULE OF REVENUES AND COSTS FUNDED BY OPERATING REVENUES
COMPARED TO BUDGET - RATE BASIS

Years ended December 31, 2006 and 2005

	<u>2006</u> <u>Budget</u>	<u>2006</u> <u>Actual</u>
Long Term Debt Related Revenues:		
State Subsidy	\$ 5,630,747	\$ 5,630,747
Less:		
Long Term Debt Related Expense:		
Principal and Interest	<u>8,193,235</u>	<u>8,193,235</u>
Net Loss on Debt Related Activities	<u>(2,562,488)</u>	<u>(2,562,488)</u>
Operating Revenues:		
Tipping Fees	26,968,023	26,930,192
Collections and Recycling Income	7,766,933	7,712,915
Composting Income	885,587	941,532
Other	525,907	1,406,982
Interest Income	<u>791,512</u>	<u>987,340</u>
Total Revenues	<u>36,937,962</u>	<u>37,978,961</u>
Operating Expenses:		
Administration	2,117,647	2,030,150
Solid Waste Administration	889,660	825,444
Transfer Station Operations	6,083,407	5,979,145
Composting Operations	364,606	329,934
Landfill Operations	6,483,474	6,956,995
Recycling Center Operations	1,747,904	1,731,266
Collections	4,268,392	4,219,248
Maintenance Center	3,299,618	3,333,962
Lease Purchase	495,591	495,191
Cancelled Purchase Orders		<u>(130,748)</u>
Total Operating Expenses	<u>25,750,299</u>	<u>25,770,587</u>
Net Income From Operating Activities	11,187,663	12,208,374
Renewal and Replacement Fund CIP	<u>(5,766,063)</u>	<u>(6,569,653)</u>
Net Income, Before Adjustment	<u>5,421,600</u>	<u>5,638,721</u>
Landfill Closure Adjustment	<u>(2,859,112)</u>	<u>(2,859,112)</u>
Net Income	<u>\$ 0</u>	<u>\$ 217,121</u>
Original Budget	\$ 38,073,427	
Amendment	<u>4,495,282</u>	
Amended Budget	<u>\$ 42,568,709</u>	

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

SOLID WASTE DIVISION
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS

Year ended December 31, 2006

<u>Description</u>	<u>Face Amount</u>	<u>Interest Rate</u>	<u>Cost December 31, 2006</u>
Unrestricted Accounts:			
Operations:			
Cash	\$ 678,282		\$ 678,282
Revenue Fund:			
Cash	121,664		121,664
NJ ARM - Term	20,069	5.26%	20,069
NJ ARM Pooled Investment	7,276,000	5.23%/5.18%	7,276,000
US Treasury Fund	<u>5,201,012</u>	4.40%	<u>5,201,012</u>
	<u>12,618,745</u>		<u>12,618,745</u>
E.I.C.:			
US Treasury Fund	<u>286,632</u>		<u>286,632</u>
Operating Reserve:			
US Treasury Fund	2,332,850	4.40%	2,332,850
NJ ARM - Term	1,973,000	5.23%	1,973,000
NJ ARM Pooled Investment	<u>13,525</u>	5.26%	<u>13,525</u>
	<u>4,319,375</u>		<u>4,319,375</u>
Restricted Accounts:			
Renewal and Replacement Fund:			
US Treasury Fund	1,018,913	4.40%	1,018,913
NJ ARM - Term	8,305,000	5.11%/5.24%	8,305,000
NJ ARM Pooled Investment	<u>5,538,652</u>	5.26%	<u>5,538,652</u>
	<u>14,862,565</u>		<u>14,862,565</u>
Debt Service Account:			
US Treasury Fund	<u>344,317</u>	4.40%	<u>344,317</u>
Debt Service Reserve Fund:			
US Treasury Fund	<u>2,631,532</u>	4.40%	<u>2,631,532</u>
Total	<u>\$ 35,741,448</u>		<u>\$ 35,741,448</u>
Unrestricted:			
Cash and Cash Equivalents	\$ 14,827,033		\$ 14,827,033
Investments	3,076,000		3,076,000
Restricted:			
Cash and Cash Equivalents	17,711,415		17,711,415
Investments	127,000		127,000
Cash and Investments Held By State of New Jersey	<u>3,517,127</u>		<u>3,517,127</u>
	<u>\$ 39,258,575</u>		<u>\$ 39,258,575</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

SOLID WASTE DIVISION
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT AND OTHER PREOPERATING COSTS
MODIFIED GAAP BASIS

For the years ended December 31, 2006, 2005, 2004, 2003, 2002, and 2001

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Waste Disposal:						
Additions/(Deletions) During the Year:						
Property, Plant and Equipment:						
Land and Improvements	\$ 461,586	\$ (1,874)	\$ 93,700			
Buildings and Improvements	282,995	168,504	41,654	\$ 63,422		\$ 196,007
Equipment and Vehicles	1,830,145	613,064	2,217,967	599,925		856,785
Landfill Design and Implementation		1,017,183	4,443,223	5,954,124		1,061,143
Planning and Designs					\$ 3,790,005	
Total Additions	<u>2,574,726</u>	<u>1,796,877</u>	<u>6,796,544</u>	<u>6,617,471</u>	<u>3,790,005</u>	<u>2,113,935</u>
Costs Capitalized at the Beginning of the Year	<u>78,765,791</u>	<u>76,968,914</u>	<u>70,172,370</u>	<u>63,554,899</u>	<u>59,764,894</u>	<u>57,650,959</u>
Less:						
Accumulated Depreciation	<u>(43,270,901)</u>	<u>(39,093,397)</u>	<u>(35,677,378)</u>	<u>(31,858,268)</u>	<u>(28,835,667)</u>	<u>(25,478,169)</u>
Total Property, Plant and Equipment, End of Year	<u>\$ 38,069,616</u>	<u>\$ 39,672,394</u>	<u>\$ 41,291,536</u>	<u>\$ 38,314,102</u>	<u>\$ 34,719,232</u>	<u>\$ 34,286,725</u>
Waste Recycling:						
Additions/(Deletions) During the Year:						
Property, Plant and Equipment:						
Land and Improvements			\$ 33,000	\$ 22,123	\$ 38,898	\$ 325,516
Buildings and Improvements	\$ 61,075			33,327		64,808
Equipment and Vehicles	1,702,894	\$ 943,574	1,845,226	421,608	100,986	37,548
Planning and Designs			61,107	2,676		
Total Additions	<u>1,763,969</u>	<u>943,574</u>	<u>1,939,333</u>	<u>479,734</u>	<u>139,884</u>	<u>427,872</u>
Costs Capitalized at the Beginning of the Year	<u>33,528,878</u>	<u>32,585,304</u>	<u>30,645,971</u>	<u>30,166,237</u>	<u>30,026,353</u>	<u>29,598,481</u>
Less:						
Accumulated Depreciation	<u>(18,515,942)</u>	<u>(17,314,734)</u>	<u>(16,207,124)</u>	<u>(15,208,559)</u>	<u>(14,219,788)</u>	<u>(13,332,930)</u>
Total Property, Plant and Equipment, End of Year	<u>\$ 16,776,905</u>	<u>\$ 16,214,144</u>	<u>\$ 16,378,180</u>	<u>\$ 15,437,412</u>	<u>\$ 15,946,449</u>	<u>\$ 16,693,423</u>
Grand Total	<u>\$ 54,846,521</u>	<u>\$ 55,886,538</u>	<u>\$ 57,669,716</u>	<u>\$ 53,751,514</u>	<u>\$ 50,665,681</u>	<u>\$ 50,980,148</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
 COUNTY OF ATLANTIC
 SOLID WASTE DIVISION
 SCHEDULE OF DEBT ISSUE COSTS
 MODIFIED GAAP BASIS

For the years ended December 31, 2006, 2005, 2004, 2003, 2002, and 2001

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Costs Capitalized at the Beginning of the Year	\$ 2,182,779	\$ 2,182,779	\$ 2,182,779	\$ 2,182,779	\$ 2,182,779	\$ 2,182,779
Less:						
Accumulated Amortization	<u>(1,503,888)</u>	<u>(1,444,959)</u>	<u>(1,386,031)</u>	<u>(1,327,103)</u>	<u>(1,268,174)</u>	<u>(1,209,246)</u>
Unamortized Debt Issue Costs	<u>\$ 678,891</u>	<u>\$ 737,820</u>	<u>\$ 796,748</u>	<u>\$ 855,676</u>	<u>\$ 914,605</u>	<u>\$ 973,533</u>

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

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

Certified Public Accountants • Business & Financial Advisors

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying Special-Purpose Statements of Revenues and Expenses of the Atlantic County Utilities Authority ("Authority") Wastewater and Solid Waste Divisions for the year ended December 31, 2006. These special-purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

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

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

In our opinion, because the Authority has prepared these special-purpose financial statements on the prescribed basis of accounting discussed in the preceding paragraph, the special-purpose financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Authority, as of December 31, 2006.

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

However, in our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the revenues and expenses of the Wastewater and Solid Waste Divisions of the Authority for the year ended December 31, 2006 on the basis of accounting described in Note 1.

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

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

April 16, 2007

WASTEWATER DIVISION

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

WASTEWATER DIVISION
SPECIAL PURPOSE STATEMENT OF REVENUES AND EXPENSES
TO COMPLY WITH BOND RESOLUTIONS

For the year ended December 31, 2006

Operating Revenues:	
Wastewater	
User Service Agreements:	
Operating	\$ 15,076,813
General	7,693,701
Sludge	1,301,382
Septage and Leachate	496,938
Other	<u>3,730,368</u>
Total Operating Revenues	<u>28,299,202</u>
Operating Expenses:	
Salaries	5,465,359
Employee Benefits	2,039,407
Power and Utilities	2,690,050
Chemicals	775,989
Fuel	1,847,592
Supplies and Miscellaneous Maintenance	1,342,038
Contractual Services	482,868
Indirect Operating Expenses	288,248
Administrative	1,221,616
License and Permits	150,751
Amortization of Bond Issue Costs	<u>294,190</u>
Total Operating Expenses	<u>16,598,108</u>
Excess of Revenues Over Expenses from Operations	<u>11,701,094</u>
Non - Operating Revenues/(Expenses):	
Interest Income	993,297
Interest Expense	<u>(2,379,749)</u>
Total Non - Operating Revenue/(Expenses)	<u>(1,386,452)</u>
Excess of Revenues Over Expenses	<u><u>\$ 10,314,642</u></u>

The accompanying Note to Special-Purpose Financial Statements is an integral part of this statement.

SOLID WASTE DIVISION

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

SOLID WASTE DIVISION
SPECIAL PURPOSE STATEMENT OF REVENUES AND EXPENSES
TO COMPLY WITH BOND RESOLUTIONS

For the year ended December 31, 2006

Operating Revenues:	
Solid Waste	
Tipping Fees	\$ 26,930,192
Collections and Recycling Income	7,869,186
Grant Income	424,629
Composting Income	941,532
Other	<u>826,082</u>
Total Operating Revenues	<u>36,991,621</u>
Operating Expenses:	
Salaries	7,030,545
Employee Benefits	3,021,410
Power and Utilities	429,554
Fuel	993,564
Supplies and Miscellaneous Maintenance	1,714,584
Indirect Operating Expenses	7,246,148
Administrative	800,563
Community Benefit	2,000,251
Recycling and Other Taxes	633,554
Bad Debt Expense	56,837
Amortization of Bond Issue Costs	58,929
Accrued Landfill Closure Costs	<u>1,211,526</u>
Total Operating Expenses	<u>25,197,465</u>
Excess of Revenues Over Expenses from Operations	<u>11,794,156</u>
Non - Operating Revenues/(Expenses):	
Interest Income	987,340
Interest Expense	(4,139,069)
Contributions - State Subsidy	<u>5,630,747</u>
Total Non - Operating Revenue/(Expenses)	<u>2,479,018</u>
Excess of Revenues Over Expenses	<u><u>\$ 14,273,174</u></u>

The accompanying Note to Special-Purpose Financial Statements is an integral part of this statement.

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTE TO SPECIAL - PURPOSE FINANCIAL STATEMENTS

Year ended December 31, 2006

NOTE 1 - BASIS OF PRESENTATION

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

DEBT SERVICE REQUIREMENT

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INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Atlantic County Utilities Authority ("Authority"), as of and for the year ended December 31, 2006, and have issued our report thereon dated April 16, 2007.

In connection with our audit, nothing came to our attention that caused us to believe that, as of December 31, 2006, the Authority was not in compliance with the accounting requirements of Section 6.10(b)(ii) of the Authority's Resolution Authorizing Solid Waste System Revenue Bonds, adopted January 23, 1992, as supplemented and Restated March 5 and April 6, 1992. However, it should be noted that our examination was not directed primarily toward obtaining knowledge of such non-compliance with such accounting requirements.

This report is intended solely for the information and use of the Board of Directors and management of the Authority, and is not intended to be, and should not be, used by anyone other than these parties.

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

April 16, 2007

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

SOLID WASTE DIVISION
DEBT SERVICE REQUIREMENT

For the year ended December 31, 2006

Debt Service Requirement:	
Interest Payable During 2006	\$ 4,139,069
Principal Payable During 2006	<u>3,825,000</u>
Subtotal	<u>7,964,069</u>
Plus: Coverage Requirement	<u>110%</u>
Debt Service Requirement	<u>\$ 8,760,476</u>
Net Revenues Provided:	
Gross Revenue	\$ 38,784,337
Operating Expenses	<u>(24,233,814)</u>
Net Revenues Provided	<u>\$ 14,550,523</u>

GENERAL COMMENTS AND RECOMMENDATIONS

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

Certified Public Accountants • Business & Financial Advisors

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

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

We have audited the basic financial statements of the Atlantic County Utilities Authority ("Authority") as of and for the year ended December 31, 2006, and have issued our report thereon dated April 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended for the information of the management of the Authority, the Division of Local Government Services, Department of Community Affairs, State of New Jersey as well as other federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

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

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

April 16, 2007

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

COMMENTS AND RECOMMENDATIONS

Year ended December 31, 2006

None noted.

SINGLE AUDIT SECTION

ATLANTIC COUNTY UTILITIES AUTHORITY
 COUNTY OF ATLANTIC
 SCHEDULE OF FEDERAL FINANCIAL AWARDS

For the year ended December 31, 2006

<u>State Funding Agency</u>	<u>Program</u>	<u>CFDA</u>	<u>State Account Number</u>	<u>Grant Period</u>		<u>Program Receipts</u>	<u>Program Expenditures</u>
				<u>From</u>	<u>To</u>		
New Jersey Department of Environmental Protection	Trust 04 Loan	66.458	4860-510-4860-032	Open	Open	\$ 1,984,806	\$ 1,192,552
	Trust 06 Loan	66.458	4860-510-4860-032	Open	Open	1,109,130	1,026,719
	Americorps	94.006	4810-100-4810-479	09/18/06	08/31/07	750	750
Treasury	Fuel Conversions	81.041	2014-784-2010-009	Open	Open	56,520	56,520
						<u>\$ 3,151,206</u>	<u>\$ 2,276,541</u>

The accompanying Notes to Schedules of Federal Financial Awards and State Financial Assistance are an integral part of this Schedule.

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

SCHEDULE OF STATE ASSISTANCE

For the year ended December 31, 2006

State Funding Agency	Program	State Account Number	Grant Period		Program Receipts	Program Expenditures
			From	To		
New Jersey Department of Environmental Protection	Trust 04 Loan	4860-510-4860-032	Open	Open	\$ 661,602	\$ 397,517
	Trust 06 Loan	4860-510-4860-032	Open	Open	369,710	342,240
	Watershed Management - County Pass-Through	4850-100-042-4850-099	01/02/05	12/30/05	82,630	4,692
	Wastewater Management	4840-527-042-4840-030	01/01/06	12/31/10	678,107	200,474
	Clean Communities - County Pass-Through	4900-765-042-4900-005	01/01/06	06/30/07	57,092	57,092
Recycling Tonnage Grant		4900-752-042-4900-001	01/01/06	06/30/07	44,017	44,017
					<u>\$ 1,893,158</u>	<u>\$ 1,046,032</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
COUNTY OF ATLANTIC

NOTES TO SCHEDULES OF FEDERAL FINANCIAL AWARDS
AND STATE FINANCIAL ASSISTANCE

For the year ended December 31, 2006

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedules of Federal Financial Awards and State Financial Assistance are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP").

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the Authority on a GAAP basis. The Schedules of Federal Financial Awards and State Financial Assistance are in agreement with the basic 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.

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

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND STATE OMB CIRCULAR 04-04

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

Compliance

We have audited the compliance of the Atlantic County Utilities Authority, County of Atlantic, New Jersey ("Authority") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement and the New Jersey Compliance Manual State Grants Compliance Supplement that are applicable to each of its major federal and state programs for the year ended December 31, 2006. The Authority's major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended December 31, 2006.

Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State OMB Circular 04-04.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition/(significant deficiency) in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal or state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the Authority, the Division of Local Government Services, Department of Community Affairs, State of New Jersey as well as other federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

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

April 16, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ATLANTIC COUNTY UTILITIES AUTHORITY
 COUNTY OF ATLANTIC, NEW JERSEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2006

Part 1 - Summary of Auditor's Results

Financial Statement Section

- A) Type of auditor's report issued: Unqualified
- B) Internal control over financial reporting:
- 1) Material weakness(es) identified? Yes X No
- 2) Reportable conditions/(significant deficiencies) identified that are not considered to be material weaknesses? Yes X No
- C) Noncompliance material to financial statements noted? Yes X No

Federal Awards Section

- D) Internal control over compliance:
- 1) Material weakness(es) identified? Yes X No
- 2) Reportable conditions/(significant deficiencies) identified that are not considered to be material weaknesses? Yes X No
- E) Type of auditor's report issued on compliance for major programs? Unqualified
- F) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510(a))? Yes X No
- G) Identification of major programs:
- | <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| <u>66.458</u> | <u>NJ DEP Trust Loan 2004</u> |
| <u>66.458</u> | <u>NJ DEP Trust Loan 2006</u> |
- H) Dollar threshold used to distinguish between Type A and Type B programs? \$300,000.00
- I) Auditee qualified as low-risk auditee? X Yes No

ATLANTIC COUNTY UTILITIES AUTHORITY
 COUNTY OF ATLANTIC, NEW JERSEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2006

Part 1 - Summary of Auditor's Results

State Awards Section

J) Internal control over compliance:

1) Material weakness(es) identified? Yes No

2) Reportable conditions/(significant deficiencies) identified that are not considered to be material weaknesses? Yes No

K) Type of auditor's report issued on compliance for major programs? Unqualified

L) Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 04-04? Yes No

M) Identification of major programs:

GMIS Number(s)

Name of State Program

4860-510-4860-032
4860-510-4860-032

NJ DEP Trust Loan 2004
NJ DEP Trust Loan 2006

N) Dollar threshold used to distinguish between Type A and Type B programs? \$300,000.00

O) Auditee qualified as low-risk auditee? Yes No

ATLANTIC COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(continued)

Section II - Financial Statement Findings

This section identifies the reportable conditions/(significant deficiencies), material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of Government Auditing Standards.

None reported.

ATLANTIC COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(continued)

Section III – Federal Awards and State Financial Assistance Findings and Questioned Costs

This section identifies audit findings required to be reported by section .510(a) of Circular A-133 and NJOMB Circular 04-04.

None reported.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT

ATLANTIC COUNTY UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED DECEMBER 31, 2006

This section identifies the status of prior-year findings related to the general-purpose financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of Government Auditing Standards, and NJOMB Circular A-133 (section .315 (a)(b)) and NJOMB Circular 04-04.

STATUS OF PRIOR-YEAR FINDINGS

Not applicable.