

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

FINANCIAL STATEMENTS AND  
ADDITIONAL INFORMATION

With

INDEPENDENT AUDITOR'S REPORTS

And

COMMENTS AND RECOMMENDATIONS

FOR THE YEARS ENDED  
DECEMBER 31, 2009 AND 2008

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## **INTRODUCTORY SECTION**



# ACUA

## Atlantic County Utilities Authority

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

April 30, 2010

Chairman Gallagher, Authority Board Members and President Dovey:

Presented to you are the audited financial statements for the 2009-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 2009-year are presented as required.

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

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

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

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

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

The staff of the Finance Department prepared the basic financial statements and the supplemental financial statements and schedules discussed above. Ford-Scott and Associates, LLP, a firm of licensed certified public accountants, has audited and opined on the Authority's financial statements. The goal of an independent audit is to provide reasonable assurance as to the validity of the financial statements. This involves examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing any estimates and calculations utilized, assessing supplemental information provided or gathered by the auditors, and assessing the overall financial statement presentation. The auditors have opined that the basic financial statements which were prepared in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards present fairly, in all material respects, the financial position of the Atlantic County Utilities Authority at December 31, 2009 and 2008. There are no recommendations noted.

Sincerely,

*Maria Mento*

Maria Mento

Executive Vice President & Chief Financial Officer

*Katherine Vesey*

Katherine Vesey

Comptroller/Director of Research & Development

## **FINANCIAL SECTION**



# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2009, 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, 2008, were audited by other auditors whose report dated May 20, 2009, 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, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2010 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The management's discussion, analysis, and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and the 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 schedule of state financial assistance is 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

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



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

April 30, 2010

## **REQUIRED SUPPLEMENTARY INFORMATION**

## **FINANCIAL STATEMENTS**

## **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, 2009.

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

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

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

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

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

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

The primary difference between the statements is the recording and reporting of accounts payable. On the "Modified GAAP Basis" statements, all encumbrances as of 12/31/2009 are reported as Accounts Payable or Construction Contracts Payable, and as Property, Plant and Equipment. On the "GAAP Basis" statements, only those encumbrances where goods or services have been received as of 12/31/2009 are reported as Accounts Payable or Construction Contracts Payable, and as Property, Plant and Equipment. The difference between the two statements and methodologies presents itself in Net Assets-Unrestricted.

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

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

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

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

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

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

## **Wastewater Division**

### **Comparative Balance Sheet**

The Wastewater Division's Total Assets decreased \$8.3 million. Current Assets were down by \$74,000 which is a function of timing of cash receipts and payments. Noncurrent Assets decreased by \$5.6 million or 29%. Loans Receivable was down by \$1.7 million as a result of draw downs on New Jersey Environmental Infrastructure Trust loans and projects. The two major capital projects undertaken in 2009 were Northfield force main improvements and emergency repairs to the outfall pipe. Noncurrent cash and investments are also down \$3.9 million due to costs associated with the projects noted above. Accumulated Depreciation increased by about \$5.1 million and PP&E increased by \$2.6 million, resulting in a decrease in Net Capital Assets of \$2.5 million.

Total liabilities decreased by \$9.6 million and 16%. Bonds Payable and Accrued Interest accounts for \$9.4 million of the decrease. Current and Long-Term Bonds Payable went from \$53.3 million in 2008 to \$44.3 million in 2009. In 2009 the Authority's \$18.5 million outstanding debt on 1998 Sewer Revenue Refunding Bonds was refinanced to take advantage of lower interest rates. The refinancing will save the Authority over half a million dollars over the life of the loans.

Current Liabilities Payable from Current Assets increased \$62,122 and 4%. Accounts Payable accounted for \$22,392 of the increase and Deferred Revenue accounted for \$39,730.

Current Liabilities Payable from Restricted Assets decreased \$3.1 million. The Current Portion of Long Term Debt decreased by \$2.7 million and 45% and Accrued Interest Payable decreased \$371,115 and 41%. The decreases are due to the refunding of the 1998 Bonds described above and payments on existing debt service schedules. Construction Contracts Payable decreased by \$80,324 due to timing of payments to vendors.

Noncurrent Liabilities decreased 16%, or \$6.5 million. This decrease is mostly attributable to a \$6.4 million reduction in Long Term Bonds Payable.

Assets exceed liabilities by \$66 million. This compares to 2008 where the division's assets exceeded its liabilities by \$65 million. The net change represents revenue for the 2009-year of \$1,271,066. In 2008, the revenue increased Net Assets by 1,981,350.

The Division's Net Assets of \$65,929,871 is comprised of the following:

- (1) Capital Assets, Net of Related Debt of \$37,699,229, 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 \$3,023,874 restricted for the purpose of forthcoming debt service payments.
- (4) Net Assets of \$7,415,415 restricted for the purpose of providing a Debt Service Reserve Fund, in accordance with the Authority's debt covenants, and of which part is in the form of a Surety Bond. This Requirement decreased slightly in 2009.
- (5) Unrestricted Net Assets of \$12,991,353 represents the portion available to maintain the Authority's continuing obligations to the contractual customers of its service area, its creditors and current liabilities.

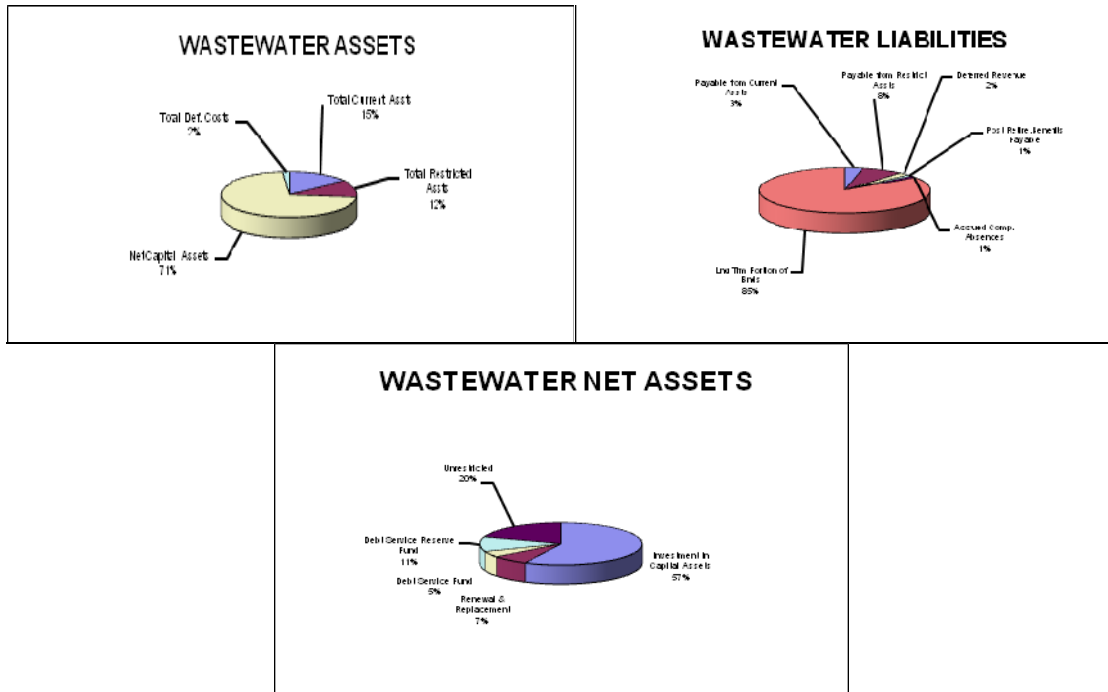
Restricted Net Assets increased \$3.2 million in 2009 as follows: Investments in Capital Assets Net of Related Debt increased \$6.5 million, and the combined Reserve for Debt Service Fund and Debt Service Reserve Fund decreased \$3.3 million. The Renewal and Replacement Fund did not change from 2008.

Unrestricted Net Assets decreased \$1.9 million, which is comprised of the Net Income from Operations for 2009 and an increase in Restricted Net Assets.

Total Fund Equity increased 2% or \$1, 271,066, the reported Net Income for the 2009-year. It is comprised of Operating Income in the amount of \$2,600,472 and Non-Operating Expenses of \$1, 329,406.

Below is a synopsis of the Wastewater Division's 2009 Balance Sheet with a comparison to last year:

	<u>2009</u>	<u>2008</u>	<u>\$ Change</u>	<u>% Change</u>
Total Current Assets	\$ 17,059,393	\$ 17,133,640	\$ (74,247)	0%
Total Noncurrent Assets	13,532,748	19,119,834	(5,587,086)	-29%
Net PP&E	81,966,256	84,465,577	(2,499,321)	-3%
Unamortized Bond Issue Costs	1,904,692	2,059,344	(154,652)	-8%
<b>TOTAL ASSETS</b>	<b>114,463,089</b>	<b>122,778,395</b>	<b>(8,315,306)</b>	<b>-7%</b>
Total Current Payable from Current	1,618,177	1,556,055	62,122	4%
Total Current Payable from Restricted	3,821,767	6,924,614	(3,102,847)	-45%
Total Noncurrent Liabilities	43,093,274	49,638,921	(6,545,647)	-13%
<b>TOTAL LIABILITIES</b>	<b>48,533,218</b>	<b>58,119,590</b>	<b>(9,586,372)</b>	<b>-16%</b>
Invested in Capital Assets, Net Debt	37,699,229	31,195,795	6,503,434	21%
Total Restricted	15,239,289	18,538,930	(3,299,641)	-18%
Unrestricted	12,991,353	14,924,080	(1,932,727)	-13%





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

Operating Income decreased \$707,218, more than 21%.

The user fee charged to the fourteen participants has remained the same since 2007. Sludge income increased \$211,085 and 13% due to the ability to accept sludge on more days than in 2008. There were fewer incinerator maintenance shut down days in 2009 as compared to 2008 when a major repair was needed causing an unexpected shutdown. Income from Septage and Leachate disposal decreased nominally by \$10,129 and 2%. Sludge, Septage and Leachate disposal services are considered “outside income”, and as such are utilized to reduce or stabilize the user fee charged to the Authority’s fourteen direct participants. The user fee is the primary revenue source of the Authority and supports the expenses as follows: \$15,612,293 for operating expenses, and \$8,027,171 for annual debt service. Interest income decreased more than \$153,000 and 38% as a result of the continuing economic recession and minimal interest rates paid on deposits.

Operating expenses increased 3% from the prior year, an \$830,000 increase. The increase was due to a combination of increases and decreases among significant operating items. The Division experienced modest increases in Salaries, Fuel, Depreciation and Amortization of Bond Issues Costs.

More significant increases were seen in Power & Utilities, Chemicals and Supplies and Miscellaneous Maintenance. Power and Utilities increased \$544,000 and 19% due to increased usage, fewer days shut down and rates. Chemicals increased approximately \$370,000 primarily due to Sodium Hypochlorite which is used for wastewater disinfection prior to discharge. There were excess flows in 2009 due to the wet, rainy winter and fall seasons which increased demand for Sodium Hypochlorite. There was also an increase in the use of Poly-Electrolyte which is used for sludge thickening. Finally, Supplies and Miscellaneous Maintenance increased \$254,000. This increase is due to the consolidation of maintenance departments from Wastewater and Solid Waste into a Centralized Maintenance department. The consolidation allows for utilization of additional skill sets and for more work to be done in house, therefore increasing the amount of supplies and materials purchased directly by the Authority.

The division experienced modest decreases in Employee Benefits and Licenses & Permits.

More significant decreases were seen in Contractual Services, Indirect Operating Expenses and Administrative expenses. Contractual Services decreased \$219,000 due to the creation of Centralized Maintenance. Fewer outside services were needed because additional work was done in house. Indirect Operating and Administrative decreased \$146,000 and \$155,000 respectively. The decreases in these two areas are mostly due to reductions in bank fees, professional services fees and management training and education.

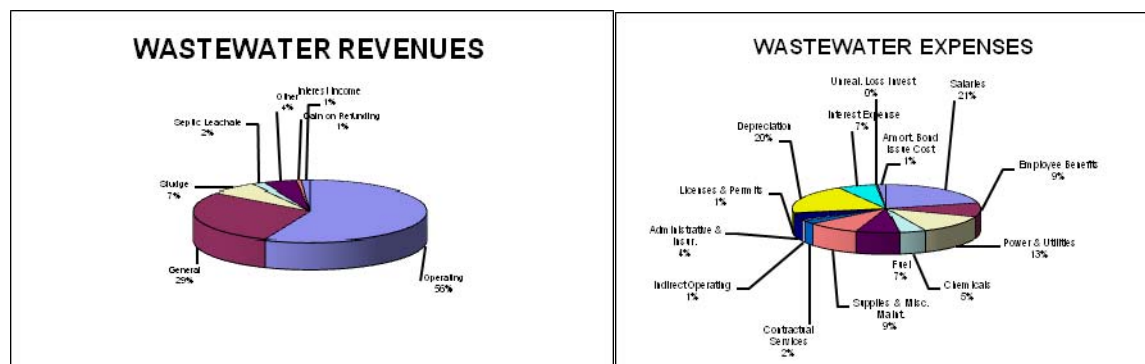
Total Operating Revenues exceeded Total Operating Expenses by \$2.6 million.

Non Operating Expenses, which is comprised of Interest Income, Interest Expense and Gain on Refunding, remained relatively unchanged with a decrease of \$3,000. Interest income decreased \$154,000 due to minimal interest being paid on deposits. Interest expense increased \$33,000 and the gain on bond refunding was \$184,000 which offsets the changes in interest income and expense.

Total 2009 Revenues exceeded Total Expenses by \$1, 271,066.

Total Net Assets increased to \$65,929,871.

<b>WW Revenue</b>	<b>2009</b>	<b>2008</b>	<b>\$ Change</b>	<b>% Change</b>
User Fee	\$ 23,639,464	\$ 23,639,459	\$ 5	0%
Sludge	1,825,506	1,614,421	211,085	13%
Septage & Lechate	500,814	490,685	10,129	2%
Other	1,258,586	1,357,377	(98,791)	-7%
<b>Total Revenue</b>	<b>27,224,370</b>	<b>27,101,942</b>	<b>122,428</b>	<b>0%</b>
<b>WW Operating Expenses</b>				
Salaries	5,623,513	5,550,895	72,618	1%
Employee Benefits	2,480,179	2,490,728	(10,549)	0%
Power & Utilities	3,356,280	2,812,027	544,253	19%
Chemicals	1,196,764	826,825	369,939	45%
Fuel	1,947,487	1,938,343	9,144	0%
Supplies & Miscellaneous Maintenance	2,381,355	2,127,488	253,867	12%
Contractual Services	627,594	846,761	(219,167)	-26%
Indirect Operating Expenses	239,454	385,112	(145,658)	-38%
Administrative	1,110,924	1,266,179	(155,255)	-12%
Licenses & Permits	145,137	179,197	(34,060)	-19%
Depreciation	5,147,407	5,076,507	70,900	1%
Amortization of Bond Issue Costs	367,804	294,190	73,614	25%
<b>Total Operating Expenses</b>	<b>24,623,898</b>	<b>23,794,252</b>	<b>829,646</b>	<b>3%</b>
<b>WW Non-Operating Revenue/(Expenses)</b>				
Interest Income	250,983	404,964	(153,981)	-38%
Interest Expense	(1,764,636)	(1,731,304)	(33,332)	2%
Gain on Refunding Bonds	184,247	-	184,247	100%
	<b>(1,329,406)</b>	<b>(1,326,340)</b>	<b>(3,066)</b>	<b>0%</b>
<b>NET INCOME</b>	<b>\$ 1,271,066</b>	<b>\$ 1,981,350</b>	<b>\$ (710,284)</b>	<b>-36%</b>



### Statement of Cash Flows

Net Cash Provided by Operating Activities decreased 15%, a decrease of \$1.3 million. Payments to suppliers and employees increased 6% and 2%, respectively. Receipts from the participants of the system (Users) and other Customers decreased 2%.

Net Cash Used by Capital and Related Financing Activities went from \$7.3 million in 2008 to \$9 million in 2009. The increase is primarily from investment in Capital Assets, Debt Service Payments and the 2009 Refunding of 1998 Sewer Revenue Bonds. Proceeds from Wastewater Trust went from \$903,295 in 2008 to \$1,514,857 in 2009. Principal Paid was down about 1% and Interest Paid was up 15%. The Authority has six NJEIT Financings outstanding to date. The 1995, 2001, and 2006 NJEIT Loans are 100% complete and there will be no additional Loan Proceeds from these Loans. The 2004 year loan is almost complete with \$12,857 drawn on it in 2009. The 1997 and 2007 Loans and related capital improvements remain open. There was \$1,502,000 drawn on the 2007 NJEIT Financing in 2009.

Net Cash Provided by Investment Activities was \$1.7 million as compared to Net Cash Used by Investment Activities of \$6 million in 2008, representing a cash flow increase of \$7643,355 and 128%.

Net Increase in Cash and Cash Equivalents for the 2009 year is \$368,083, a 110% change over last year. The Cash and Cash Equivalents Balance at the Beginning of the Year was \$24,959,521 and the Balance at the End of the Year was \$25,327,604.

	<u>2009</u>	<u>2008</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 26,800,512	\$ 27,296,751	\$ (496,239)	-2%
Payments to Employees	(5,623,513)	(5,525,966)	(97,547)	2%
Payments to Suppliers	(13,376,800)	(12,646,090)	(730,710)	6%
Net Cash Provided by Operating Activities	7,800,199	9,124,695	(1,324,496)	-15%
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers to Other Funds	(145,373)	333,104	(478,477)	-144%
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of Capital Assets	(2,728,410)	(668,715)	(2,059,695)	308%
Principal Paid on Capital Debt	(5,662,755)	(5,712,927)	50,172	-1%
Interest Paid on Capital Debt	(2,088,003)	(1,820,177)	(267,826)	15%
Proceeds from Wastewater Trust	1,514,857	903,295	611,562	68%
Net Cash Used by Capital and Financing	(8,964,311)	(7,298,524)	(1,665,787)	23%
<b>Cash Flows from Investing Activities</b>				
Interest Income	378,785	517,955	(139,170)	-27%
Transferred to Investments	1,298,783	(6,483,742)	7,782,525	-120%
Net Cash Provided by Investing Activities	1,677,568	(5,965,787)	7,643,355	-128%
<b>Net Increase in Cash and Cash Equivalents</b>	368,083	(3,806,512)	4,174,595	-110%
<b>Cash and Cash Equivalents, January 1</b>	24,959,521	28,766,033	(3,806,512)	-13%
<b>Cash and Cash Equivalents, December 31</b>	\$ 25,327,604	\$ 24,959,521	\$ 368,083	1%

## Solid Waste Division

### Comparative Balance Sheet

The Solid Waste Division reports Total Assets of \$90,728,068, a decrease of \$7,452,053 from 2008.

Current Assets increased \$674,000 and 3% primarily due to more cash on hand and fewer receivables in 2009 than in 2008. Noncurrent Assets remained relatively the same as in 2008 at \$25 million. Capital Assets declined significantly by \$8 million and 16%. The decrease is primarily due to depreciation expense which reduced Capital Assets by \$5.8 million. Deferred Bond Issue Costs declined by the annual amortization expense charged in accordance with the amortization schedule.

Total Liabilities decreased \$7.5 million and 12%. Current Liabilities Payable from Unrestricted Assets declined by \$376,000 and 18% due to reduced Accounts Payable and Customer Deposits. Current Liabilities Payable from Restricted Assets increased \$275,000 and 5%. The increase is a combination of increases in Construction Contracts Payable and Current Portion of Long-Term Debt in accordance with the debt service schedule. Accrued Interest Payable declined as a result of debt payments made in 2009.

Accrued Landfill Closure costs declined 22%. This decline is the result of the cost of permanently capping and closing two landfill cells. This \$3.6 million project started in 2009 which reduced the liability by the project costs. The engineer's estimate for other long-term Closure and Post-Closure Costs increased by \$1.2 million, therefore resulting in a \$2.4 million net decrease for the year.

The amount escrowed is in accordance with the consulting Engineer's findings as reported. Total anticipated closure cost as of 12/31/09 is \$10,916,481. Of this amount \$8,489,880 is escrowed and \$2,426,601 has been charged against the accrued closure costs to complete the process of capping and closing cells one and two. The percent of cumulative landfill capacity utilized as of 12/31/09 according to the consulting engineer report is 44.4%, up from 41.3% in 2008. This increase is the result of 251,013 current year tons of accepted waste plus associated cover material used and buried in the landfill. The Authority's independent consulting engineer performs the necessary calculation to determine the estimated liability in accordance with provisions of Statement No. 18 of the Government Accounting Standards Board, Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs.

Noncurrent Liabilities remained relatively unchanged except for the Long Term Portion of Bonds Payable which decreased \$5 million in accordance with the existing debt service schedule. Other Non-Current Liabilities include an accrual for expected future Post Retirement Benefit costs in the amount of \$800,000 and Accrued Compensated Absences of \$670,419. The Authority has set aside additional funds for Other Post Employment Benefits.

The Division's Net Assets of \$33,612,697 are comprised of the following:

- (1) Capital Assets, Net of Related Debt of negative \$2,603,357, 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, in 2006 negative capital assets of \$1,003,023, in 2007 negative Capital Assets of \$573,543 and in 2008 positive capital assets of \$717,001.

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 \$28,162,285 represents the portion available to maintain the Authority's continuing obligations to the Authority's service area, certain creditors, current liabilities and other post employment benefits.

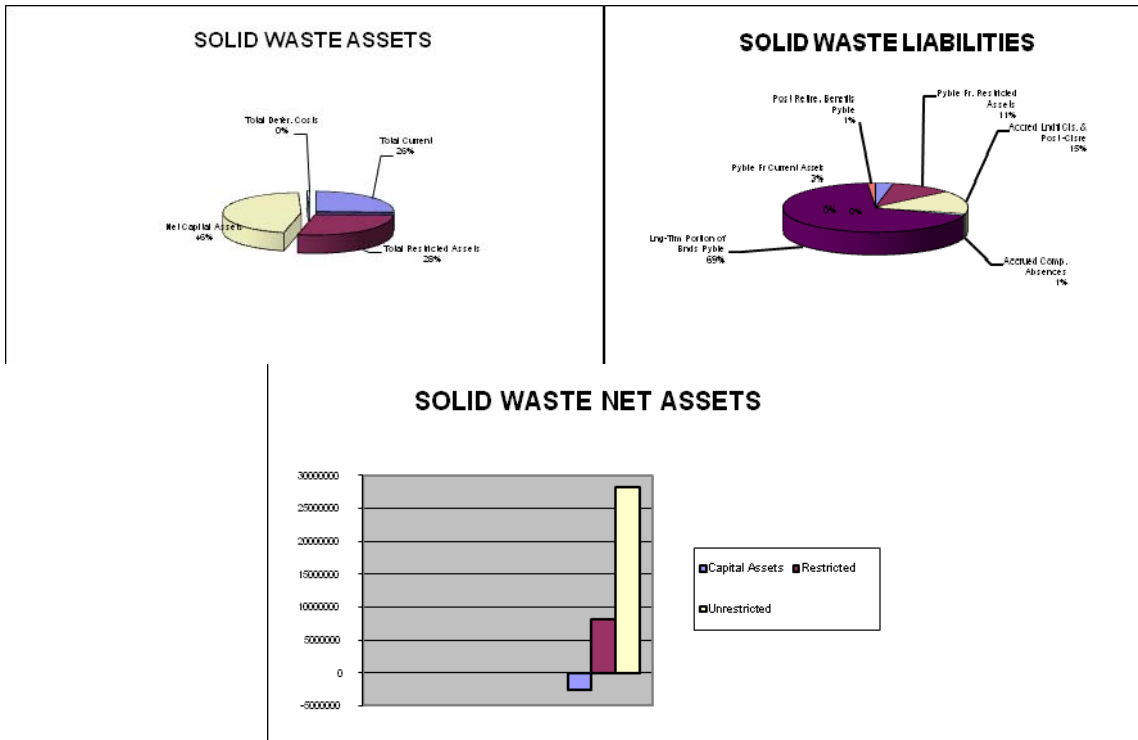
Unrestricted Net Assets rose approximately \$3.4 million, or 14% in 2009, and increased 22%, or \$4.4 million in 2008.

Restricted- Debt Service Reserve Fund Net Assets remains the same at \$8,053,769, in accordance with the 1992 Solid Waste Bond Resolution and the defined "Debt Service Reserve Requirement". In 1992 the Authority made a draw from the Debt Service Reserve Fund for \$5,422,236 for the payment of the March 1, 2002 debt service (see Notes to Financial Statements). The balance of cash in this fund since 12/31/02 has been unchanged at \$2,631,532.

Investment in Capital Assets, Net of Related Debt, of negative \$2,603,357, declined by \$3.3 million, or 463%. The reduction is a function of Capital Assets and Debt. There was more debt paid in 2009 than there were capital purchases.

Total Net Assets grew nominally by \$79,563 and is comprised of Operating Income of negative \$1,921,335 and net Non- Operating Revenues in the amount of \$2,000,898.

	<u>2009</u>	<u>2008</u>	<u>\$ Change</u>	<u>% Change</u>
Total Current Assets	\$ 23,215,329	\$ 22,541,698	\$ 673,631	3%
Total Noncurrent Assets	25,348,763	25,414,488	(65,725)	0%
Net PP&E	41,661,870	49,662,900	(8,001,030)	-16%
Unamortized Bond Issue Costs	502,106	561,035	(58,929)	-11%
<b>TOTAL ASSETS</b>	<b>90,728,068</b>	<b>98,180,121</b>	<b>(7,452,053)</b>	<b>-8%</b>
Total Current Payable from Current	1,763,817	2,140,315	(376,498)	-18%
Total Current Payable from Restricted	6,196,028	5,921,109	274,919	5%
Accrued Landfill Closure and Post-Closure Costs	8,489,880	10,915,749	(2,425,869)	-22%
Total Noncurrent Liabilities	49,155,526	56,585,563	(7,430,037)	-13%
<b>TOTAL LIABILITIES</b>	<b>57,115,371</b>	<b>64,646,987</b>	<b>(7,531,616)</b>	<b>-12%</b>
Invested in Capital Assets, Net Debt	(2,603,357)	717,001	(3,320,358)	-463%
Debt Service Reserve - Restricted	8,053,769	8,053,769	-	0%
Unrestricted	28,162,285	24,762,364	3,399,921	14%
<b>TOTAL NET ASSETS</b>	<b>\$ 33,612,697</b>	<b>\$ 33,533,134</b>	<b>\$ 79,563</b>	<b>0%</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 90,728,068</b>	<b>\$ 98,180,121</b>	<b>\$ (7,452,053)</b>	<b>-8%</b>



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

Solid Waste Operating Revenues dropped \$4.5 million 2009. Tip Fees were down 15% and \$3.1 million due to a decline in waste received. Recycling and Collection Contract Revenue decreased 9% due to a sharp decline in the market for recyclables. Compost and Eco-Products were down 6% and Other Income was down 22%.

Operating Expenses decreased 6% from the prior year, a \$1.9 million decrease. The increase was due to a combination of increases and decreases among significant operating items. The Division experienced modest changes in Salaries, Power & Utilities, Depreciation and Amortization of Bond Issues Costs. More significant increases and decreases are explained below.

There was a 13% increase in Employee Benefits which was due to an increase in rates charged by the New Jersey State Health Benefits Plan. Supplies and Miscellaneous Maintenance increased \$518,000 and 27% due to the rental of five trash trucks to meet our collection needs and for the purchase of additional parts needed to service our aging fleet. Accrued landfill closure costs increased \$445,000 in the operating expense portion of the financial statement. This increase is the net change in the expense from last year which also included an extraordinary item versus the engineer's estimate for the current year. In 2008 there was a reduction in accrued costs of \$3 million which was presented on the financial statements as an extraordinary item. The net gain in 2008 was \$2.3 million versus a charge of \$1,160,732 in 2009. There is not an Extraordinary Item in 2009. Recycling and Other Taxes increased over \$200,000 due to a new tax put in place by the State of New Jersey for the last nine months of 2009. This tax is a function of tons of municipal solid waste received. Finally, Bad Debt Expense increased \$142,000 due to the write off a customer balance deemed uncollectible by the Authority.

Fuel costs decreased in 2009 by about \$490,000 and 31%. Fuel usage remained relatively constant while commodity prices for diesel declined from 2008 to 2009. Indirect Operating costs decreased 52% and \$2.8 million. The largest expense charged to Indirect Operating is for Hauling and Disposing of waste out of county. Hauling and Disposal is based on the tip fee charged, the transportation costs and the number of tons shipped out. ACUA stopped shipping waste out of county in the summer of 2008 which resulted in a decrease of \$2.6 million as compared to 2009. Other expenses include vehicle, building and equipment maintenance, insurance costs, permitting and licensing fees, landfill maintenance, and household hazardous waste program expenses. Administrative costs decreased 25% as a result of decreased spending for advertising, computers, travel and entertainment and professional fees. Host Community Benefit costs decreased 13%. Host Community Benefit is paid to the host community, Egg Harbor Township, for every ton of waste that comes into the facility. Tonnages were down in 2009. The HCB has a CPI adjustment each year.

Total Operating Expenses exceeded Total Operating Revenues resulting in a net loss of \$1,921,335, a 396% decrease when compared to net operating income of \$649,173 for 2008.

In 2008 and 2009 the Authority received \$5,130,747 from the State of New Jersey, in the form of a subsidy for the payment of most of its March 1, 2009 debt service. This is down \$500,000 from the amount previously agreed to with the State of New Jersey.

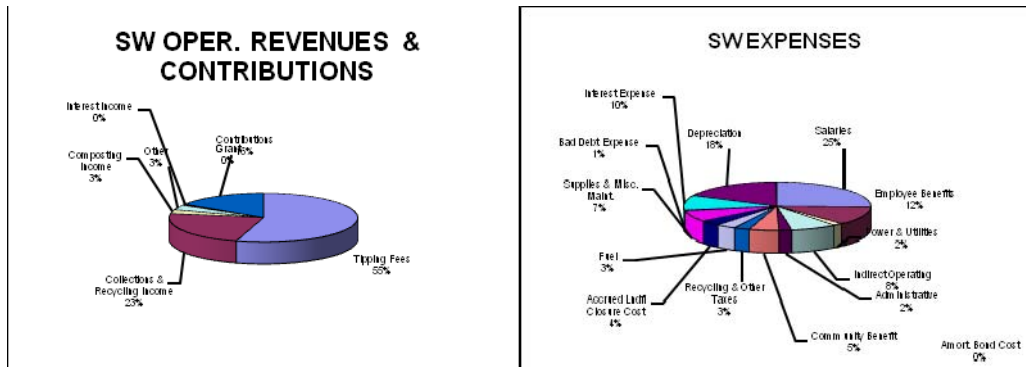
Interest Income decreased 82% in 2009 which is attributable to the current recession, less cash available for investment and lower interest being paid on deposits. Interest Expense decreased 9% and \$332,000 because there is less outstanding debt due to current year payments.

Total Non-Operating Revenues were \$2,000,898 compared to \$2,064,418 in 2008. The decrease is attributed to reduced Interest Income combined with an increase in Interest Expense.

Total Net Income for the 2009 year is \$79,563 compared to \$2,713,591 in 2008. Also in 2008 there was \$3,021,666 in Extraordinary Item: Reduced Closure Costs for total increase to Net Assets of \$5,735,257. Total Net Income for 2007 was \$3,975,842, for 2006 \$8,894,379, and \$5,024,252 in 2005.

<b>SW Revenue</b>	<b>2009</b>	<b>2008</b>	<b>\$ Change</b>	<b>% Change</b>
Tipping Fee	\$ 17,947,504	\$ 21,064,394	\$ (3,116,890)	-15%
Collections & Recycling	7,508,618	8,248,444	(739,826)	-9%
Grant Income	188,862	424,857	(235,995)	-56%
Composting ncome	883,344	937,232	(53,888)	-6%
Other	1,080,337	1,393,791	(313,454)	-22%
<b>Total Revenue</b>	<b>27,608,665</b>	<b>32,068,718</b>	<b>(4,460,053)</b>	<b>-14%</b>
<b>WW Operating Expenses</b>				
Salaries	8,337,936	8,047,085	290,851	4%
Employee Benefits	4,046,588	3,568,054	478,534	13%
Power & Utilities	542,914	481,682	61,232	13%
Fuel	1,102,807	1,592,406	(489,599)	-31%
Supplies & Miscellaneous Maintenance	2,441,177	1,922,920	518,257	27%
Indirect Operating Expenses	2,598,948	5,378,831	(2,779,883)	-52%
Accrued Landfill Closure	1,160,732	716,031	444,701	62%
Administrative	725,546	959,109	(233,563)	-24%
Community Benefit	1,681,540	1,934,632	(253,092)	-13%
Recycling & Other Taxes	880,294	676,637	203,657	30%
Bad Debt Expense	172,376	30,000	142,376	475%
Depreciation	5,780,214	6,053,230	(273,016)	-5%
Amortization of Bond Issue Costs	58,928	58,928	-	0%
<b>Total Operating Expenses</b>	<b>29,530,000</b>	<b>31,419,545</b>	<b>(1,889,545)</b>	<b>-6%</b>
<b>SW Non-Operating Revenue/(Expenses)</b>				
Interest Income	89,345	484,448	(395,103)	-82%
Interest Expense	(3,219,194)	(3,550,777)	331,583	-9%
Contributions - State Subsidy	5,130,747	5,130,747	-	100%
	<b>2,000,898</b>	<b>2,064,418</b>	<b>(63,520)</b>	<b>-3%</b>
<b>NET INCOME</b>	<b>\$ 79,563</b>	<b>\$ 2,713,591</b>	<b>\$ (2,634,028)</b>	<b>-97%</b>
<b>Extraordinary Item - Reduction in Closure</b>	<b>\$ -</b>	<b>\$ 3,021,666</b>	<b>(3,021,666)</b>	<b>-100%</b>





Statement of Cash Flows

Net Cash Provided by Operating Activities dropped 36% and \$2.3 million. Receipts from Customers and Users dropped 15%. Payments to Employees increased 5% and Payments to Suppliers decreased 16.2%.

Net Cash Used by Capital and Related Financing Activities decreased 41% or \$2.4 million. Included within this area is Purchases of Capital Assets which decreased about \$3 million due to significant expenditures for Landfill Cell 10 Construction in 2007 and 2008 not experienced in 2009. Principal Paid on outstanding debt increased 7%, Interest Paid decreased 7% and State Contribution did not change from 2008.

Net Cash Used by Investment Activities increased by \$2.2 million compared to 2008 when Net Cash Used by Investment Activities was \$5,470,600. Net Decrease in Cash and Cash Equivalents for 2009 is \$2,296,572. In 2008 there was a Net Decrease to Cash and Cash Equivalents of \$718,171.

Cash and Cash Equivalents at the Beginning of the Year was \$29,354,800 and \$27,058,228 at the End of Year, an 8% reduction.

	<u>2009</u>	<u>2008</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 26,927,124	\$ 31,634,288	\$ (4,707,164)	-15%
Payments to Employees	(8,337,936)	(7,977,269)	(360,667)	5%
Payments to Suppliers	(14,602,402)	(17,390,551)	2,788,149	-16%
Net Cash Provided by Operating Activities	<u>3,986,786</u>	<u>6,266,468</u>	<u>(2,279,682)</u>	<u>-36%</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers to Other Funds	<u>145,373</u>	<u>(333,104)</u>	<u>478,477</u>	<u>-144%</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of Capital Assets	(534,258)	(2,987,153)	2,452,895	-82%
Principal Paid on Capital Debt	(4,680,622)	(4,356,621)	(324,001)	7%
Interest Paid on Capital Debt	(3,403,877)	(3,653,444)	249,567	-7%
State Contribution	5,130,747	5,130,747	-	0%
Net Cash Used by Capital and Financing	<u>(3,488,010)</u>	<u>(5,866,471)</u>	<u>2,378,461</u>	<u>-41%</u>
<b>Cash Flows from Investing Activities</b>				
Interest Income	267,339	808,876	(541,537)	-67%
Transferred to Investments	(3,208,060)	(1,593,940)	(1,614,120)	101%
Net Cash Provided by Investing Activities	<u>(2,940,721)</u>	<u>(785,064)</u>	<u>(2,155,657)</u>	<u>275%</u>
<b>Net Increase in Cash and Cash Equivalents</b>	(2,296,572)	(718,171)	(1,578,401)	220%
<b>Cash and Cash Equivalents, January 1</b>	<u>29,354,800</u>	<u>30,072,971</u>	<u>(718,171)</u>	<u>-2%</u>
<b>Cash and Cash Equivalents, December 31</b>	<u>\$ 27,058,228</u>	<u>\$ 29,354,800</u>	<u>\$ (2,296,572)</u>	<u>-8%</u>

### Core Competencies

#### Wastewater Division

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

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

The wastewater treatment plant provides primary and secondary wastewater treatment and is situated on about 300 acres located on the western outskirts of Atlantic City, NJ.

The treatment plant has a capacity of 40 million gallons per day.

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

The User Fee, charged to the 14 municipalities and MUA's within Atlantic County and the one State-regulated public utility that services Atlantic City, is the main source of revenue for the Wastewater Division. This is shown on the Comparative Statement of Revenues, Expenses and Changes in Net Assets as "User Service Agreements: Operating and General" and reported as Operating Revenues.

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

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

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

#### Solid Waste Division

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

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

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

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

Most waste is disposed at the Authority's Landfill. This includes municipal, commercial, construction, and industrial waste. In 2009 about 246,000 tons of waste came in, compared to 291,000 tons in 2008 and 347,000 tons in 2007. Tipping Fees for every ton of waste that comes into the solid waste facility is the primary source of revenue for the Solid Waste Division.

Recyclable material is no longer processed at the Solid Waste Division's 58,500 square foot Recycling Center. The Recycling Center was designed as a dual stream facility and was in need of upgrades. The ACUA stopped sorting material in late 2008 and converted recycling collection to single stream January 1, 2009. Recycling Collection is provided to about twenty Atlantic County municipalities and two out of county municipalities on a bi-weekly basis. Many commercial entities have weekly service. All the recyclables received are marketed. Revenue from recyclables declined sharply in late 2008 due to the global economic crisis. In 2009 35,000 tons were collected.

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

The Authority's compost operation processes leaves, grass clippings, tree branches, clean wood, brush and Christmas trees. About 20,000 tons of yard waste was processed in 2009. The branches, brush, and trees are processed into mulch and sold to the public, providing additional income to support the Solid Waste system.

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

### Accountability

The Atlantic County Utilities Authority mission statement is:

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

The Authority's accountability, first and foremost, is to protect the environment. The goal is to provide a cost effective and reliable service, and at the same time to protect the environment. Equally important to the Authority is the ACUA's bondholders, customers, the local governments, agencies and people served, and the employees of the ACUA. Excellent customer service is a top priority. Excellent employee relations and striving to be “a best place to work” is another priority. Embracing technology and innovation is high on the ACUA's list of objectives, as is community service, volunteering, and fund raising for community causes.

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

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

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

## Governing Body

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

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

The Authority Board Members are:

Matthew Gallagher, Chairman  
Marvin E. Embry, Vice Chairman and Treasurer  
Michele Verno, Assistant Treasurer  
Vince Leonetti, Member  
Andrew Berenato, Jr., Member  
Michael C. Epps, Member  
Peter Sarkos, Member

## Management of the Authority

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

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

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

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

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

Also integral to the Finance Department staff are Sandra Bourguignon, Business Director, Michael Hayes, Purchasing Manager, and Tim Kaye, IT & HR Director.

Paul Gallagher, Esq., Vice President and General Counsel. Mr. Gallagher was appointed to the position of Vice President and General Counsel of the Atlantic County Utilities Authority in the year 2000. Prior to 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, Vice President – Solid Waste Division and Authority Board Secretary. Mr. Lefke has served as Board Secretary since December 2003, and is responsible for the administration of the Authority Board of Directors business and activity. In July of 2009, Mr. Lefke was appointed to the position of Vice President of Solid Waste. Mr. Lefke is responsible for the management oversight of all operations within the Solid Waste Division which includes: Solid Waste Administration, Recycling Center Operations, Recycling Center Collections, Transfer Station, Landfill, Compost and EcoProduct Marketing. Prior to assuming his current responsibilities, Mr. Lefke served as the Director of Solid Waste Operations at the Authority for 17 years. He was employed at the Atlantic County Planning Department in various management titles and also served as the acting Executive Director of the Atlantic County Transportation Authority for one year. Mr. Lefke graduated from Richard Stockton College of New Jersey with a Bachelor of Science in Environmental Science and Fairleigh Dickinson University with a Master of Science in Administrative Science. He has served on the Atlantic Cape Community College Board of Trustees since 1995 and was the Board Chairman from 2005-2007. Mr. Lefke has been a member of the Association of New Jersey Recyclers and has served on the executive committee of this group. He has previously been a member of the New Jersey Pinelands Commission and Somers Point Planning Board.

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

Mr. Lauletta holds the following licenses and certifications:

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

Mr. Lauletta is a member of the following associations:

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

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

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



Eugene L. Petitt, PE, PP Chief Engineer. Mr. Petitt is the Chief Engineer for the Authority, a position he has held since 1990. Mr. Petitt is responsible for the planning, design, permitting, and construction of all capital infrastructure improvements for both the Wastewater and Solid Waste Divisions. In February 2008, Mr. Petitt was appointed Head of Centralized Maintenance, a new function that combined the in-house maintenance departments of both the Divisions into a central department. Duties include handling fleet maintenance, buildings and grounds, electrical and mechanical maintenance functions. Mr. Petitt has overseen over \$100 million worth of capital improvements since joining the Authority. Prior to joining the Authority, Mr. Petitt was the Atlantic County Engineer for eight years, and managed a consulting engineering company in Millville, NJ for six years. Mr. Petitt graduated from Cumberland County College with an Associates of Arts degree in Math and Science and Drexel University with a Bachelor of Science degree in Civil Engineering. Mr. Petitt is a licensed professional engineer, a professional planner and has recently earned his architect's license in the State of New Jersey. He is a member of numerous engineering and construction affiliations and has received numerous awards, the most prestigious include the "Twenty Year Achievement Award" and the "Key-D Award", both from Drexel University. Mr. Petitt was inducted into the "Mary S. Irick Drexel Society," joining a very elite group of engineers who have graduated from Drexel since 1932. He also was recently presented with the "Mary S. Irick Drexel Medal".

Integral to the Engineering Department is Tom Ganard, Deputy Chief Engineer.

### **Funding of Infrastructure and Debt Management**

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

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

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

### **Auditors**

The Authority has a policy of changing Auditors every 3 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](http://www.ACUA.com).

**ATLANTIC COUNTY UTILITIES AUTHORITY  
COMPARATIVE STATEMENT OF NET ASSETS  
DECEMBER 31, 2009 AND 2008**

<b>ASSETS</b>	<b>2009</b>			<b>2008</b>
	<b>Wastewater Division</b>	<b>Solid Waste Division</b>	<b>Total</b>	
Current Assets:				
Cash and Cash Equivalents	\$ 14,854,264	\$ 18,505,776	\$ 33,360,040	\$ 26,249,980
Investments	1,850,000	1,973,000	3,823,000	10,164,156
Accrued Interest Receivable	51,841	15,596	67,437	177,201
Accounts Receivable (net of Allowance \$569,102 and \$1,150,074 in 2009 and 2008 respectively)	923,625	1,953,233	2,876,858	2,003,709
Other Accounts Receivable	99,960	47,427	147,387	1,080,292
Internal Accounts	(720,297)	720,297	-	-
<b>Total Current Assets</b>	<b>17,059,393</b>	<b>23,215,329</b>	<b>40,274,722</b>	<b>39,675,338</b>
Noncurrent Assets:				
Restricted Assets:				
Cash and Cash Equivalents	10,473,340	8,552,452	19,025,792	28,064,341
Investments	1,532,242	12,300,000	13,832,242	8,921,809
Amounts Held by State of New Jersey		4,475,574	4,475,574	4,212,727
Accrued Interest Receivable	-	20,737	20,737	127,202
Loans Receivable	1,527,166		1,527,166	3,208,243
<b>Total Noncurrent Assets</b>	<b>13,532,748</b>	<b>25,348,763</b>	<b>38,881,511</b>	<b>44,534,322</b>
Capital Assets:				
Property, Plant and Equipment (Note 4)	211,490,361	111,262,503	322,752,864	322,325,595
Less: Accumulated Depreciation	(129,524,105)	(69,600,633)	(199,124,738)	(188,197,118)
<b>Net Capital Assets</b>	<b>81,966,256</b>	<b>41,661,870</b>	<b>123,628,126</b>	<b>134,128,477</b>
Deferred Costs:				
Unamortized Bond Issue Costs	1,904,692	502,106	2,406,798	2,620,379
<b>Total Deferred Costs</b>	<b>1,904,692</b>	<b>502,106</b>	<b>2,406,798</b>	<b>2,620,379</b>
<b>TOTAL ASSETS</b>	<b>\$ 114,463,089</b>	<b>\$ 90,728,068</b>	<b>\$ 205,191,157</b>	<b>\$ 220,958,516</b>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
COMPARATIVE STATEMENT OF NET ASSETS  
DECEMBER 31, 2009 AND 2008**

	<b>2009</b>			<b>2008</b>
	<b>Wastewater Division</b>	<b>Solid Waste Division</b>	<b>Total</b>	
<b>LIABILITIES</b>				
Current Liabilities Payable from Current Assets:				
Accounts Payable	\$ 1,463,607	\$ 1,645,580	\$ 3,109,187	\$ 3,433,040
Customer Deposits		118,237	118,237	148,490
Deferred Revenue	154,570		154,570	114,840
<b>Total Current Liabilities Payable from Current Assets</b>	<b>1,618,177</b>	<b>1,763,817</b>	<b>3,381,994</b>	<b>3,696,370</b>
Current Liabilities Payable from Restricted Assets:				
Construction Contracts Payable	1,518	71,647	73,165	116,470
Current Portion of Long - Term Debt	3,285,771	5,070,000	8,355,771	10,657,179
Accrued Interest	534,478	1,054,381	1,588,859	2,072,074
<b>Total Current Liabilities Payable from Restricted Assets:</b>	<b>3,821,767</b>	<b>6,196,028</b>	<b>10,017,795</b>	<b>12,845,723</b>
Noncurrent Liabilities Payable from Restricted Assets:				
Accrued Landfill Closure and Post - Closure Care Cost	-	8,489,880	8,489,880	10,915,749
Noncurrent Liabilities:				
Deferred Revenue	976,995		976,995	1,171,295
Accrued Compensated Absences	600,004	670,419	1,270,423	1,243,919
Post Retirement Benefits Payable	535,019	800,000	1,335,019	1,335,019
Long - Term Portion of Bonds Payable (Note 5) (Net of Unamortized Bond Premium and Discount of \$940,622 and \$660,197 for Wastewater Bonds and \$129,773 and \$169,101 for Solid Waste Bonds in 2009 and 2008, respectively)	40,981,256	39,195,227	80,176,483	91,558,502
<b>Total Noncurrent Liabilities</b>	<b>43,093,274</b>	<b>49,155,526</b>	<b>92,248,800</b>	<b>106,224,484</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 48,533,218</b>	<b>\$ 57,115,371</b>	<b>\$ 105,648,589</b>	<b>\$ 122,766,577</b>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
COMPARATIVE STATEMENT OF NET ASSETS  
DECEMBER 31, 2009 AND 2008**

<b><u>NET ASSETS</u></b>	<b>2009</b>			<b><u>2008</u></b>
	<b><u>Wastewater Division</u></b>	<b><u>Solid Waste Division</u></b>	<b><u>Total</u></b>	
Investment in Capital Assets, Net of Related Debt	\$ 37,699,229	\$ (2,603,357)	\$ 35,095,872	\$ 31,912,796
Restricted for:				
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	3,023,874		3,023,874	6,130,912
Debt Service Reserve Fund	7,415,415		7,415,415	7,608,018
Unrestricted	12,991,353	28,162,285	41,153,638	39,686,444
<b>TOTAL NET ASSETS</b>	<b>65,929,871</b>	<b>33,612,697</b>	<b>99,542,568</b>	<b>98,191,939</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>114,463,089</u></b>	<b>\$ <u>90,728,068</u></b>	<b>\$ <u>205,191,157</u></b>	<b>\$ <u>220,958,516</u></b>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009			2008
	Wastewater Division	Solid Waste Division	Total	
Operating Revenues:				
Wastewater				
User Service Agreements:				
Operating	\$ 15,612,293	\$	\$ 15,612,293	\$ 15,743,904
General	8,027,171		8,027,171	7,895,555
Sludge	1,825,506		1,825,506	1,614,421
Septage and Leachate	500,814		500,814	490,685
Other	1,258,586		1,258,586	1,357,377
Solid Waste				
Tipping Fees		17,947,504	17,947,504	21,064,394
Collections and Recycling Income		7,508,618	7,508,618	8,248,444
Grant Income		188,862	188,862	424,857
Composting Income		883,344	883,344	937,232
Other		1,080,337	1,080,337	1,393,791
<b>Total Operating Revenues</b>	<b>27,224,370</b>	<b>27,608,665</b>	<b>54,833,035</b>	<b>59,170,660</b>
Operating Expenses:				
Salaries	5,623,513	8,337,936	13,961,449	13,597,980
Employee Benefits	2,480,179	4,046,588	6,526,767	6,058,782
Power and Utilities	3,356,280	542,914	3,899,194	3,293,709
Chemicals	1,196,764		1,196,764	826,825
Fuel	1,947,487	1,102,807	3,050,294	3,530,749
Supplies and Miscellaneous Maintenance	2,381,355	2,441,177	4,822,532	4,050,408
Contractual Services	627,594		627,594	846,761
Indirect Operating Expenses	239,454	2,598,948	2,838,402	5,763,943
Accrued Landfill Closure Costs		1,160,732	1,160,732	716,031
Administrative	1,110,924	725,546	1,836,469	2,225,288
Community Benefit		1,681,540	1,681,540	1,934,632
Recycling and Other Taxes		880,294	880,294	676,637
Licenses and Permits	145,137		145,137	179,197
Bad Debt Expense		172,376	172,376	30,000
Depreciation	5,147,407	5,780,214	10,927,621	11,129,737
Amortization of Bond Issue Costs	367,804	58,928	426,732	353,118
<b>Total Operating Expenses</b>	<b>24,623,899</b>	<b>29,530,000</b>	<b>54,153,898</b>	<b>55,213,797</b>
<b>Operating Income</b>	<b>2,600,472</b>	<b>(1,921,335)</b>	<b>679,137</b>	<b>3,956,863</b>
Non - Operating Revenues / (Expenses):				
Interest Income	250,983	89,345	340,328	889,412
Interest Expense	(1,764,636)	(3,219,194)	(4,983,830)	(5,282,081)
Gain on Refunding Bonds	184,247		184,247	-
Contributions - State Subsidy		5,130,747	5,130,747	5,130,747
<b>Total Non - Operating Revenues / (Expenses)</b>	<b>(1,329,406)</b>	<b>2,000,898</b>	<b>671,492</b>	<b>738,078</b>
<b>Net Income / (Loss)</b>	<b>1,271,066</b>	<b>79,563</b>	<b>1,350,629</b>	<b>4,694,941</b>
Extraordinary Item - Reduction in Closure Costs				3,021,666
<b>Net Assets (Deficit), January 1</b>	<b>64,658,805</b>	<b>33,533,134</b>	<b>98,191,939</b>	<b>90,475,332</b>
<b>Net Assets (Deficit), December 31</b>	<b>\$ 65,929,871</b>	<b>\$ 33,612,697</b>	<b>\$ 99,542,568</b>	<b>\$ 98,191,939</b>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009			2008
	Wastewater Division	Solid Waste Division	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from Customers and Users	\$ 26,800,512	\$ 26,927,124	\$ 53,727,636	\$ 58,931,039
Payments to Employees	(5,623,512)	(8,337,936)	(13,961,448)	(13,503,235)
Payments to Suppliers	(13,376,801)	(14,602,402)	(27,979,203)	(30,036,641)
Net Cash Provided by Operating Activities	<u>7,800,199</u>	<u>3,986,786</u>	<u>11,786,985</u>	<u>15,391,163</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Operating Subsidies and Transfers to Other Funds	(145,373)	145,373	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchase of Capital Assets	(2,728,410)	(534,258)	(3,262,668)	(3,655,868)
Principal Paid on Capital Debt	(5,662,755)	(4,680,622)	(10,343,377)	(10,069,548)
Interest Paid on Capital Debt	(2,088,002)	(3,403,877)	(5,491,879)	(5,473,621)
State Contribution		5,130,747	5,130,747	5,130,747
Proceeds from Wastewater Trust	1,514,857		1,514,857	903,295
Net Cash (Used) by Capital and Related Financing Activities	<u>(8,964,310)</u>	<u>(3,488,010)</u>	<u>(12,452,320)</u>	<u>(13,164,995)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest Income	378,784	267,339	646,123	1,326,831
Transferred to Investments	1,298,783	(3,208,060)	(1,909,277)	(8,077,682)
Net Cash Provided (Used) by Investing Activities	<u>1,677,567</u>	<u>(2,940,721)</u>	<u>(1,263,154)</u>	<u>(6,750,851)</u>
Net Increase (decrease) in Cash and Cash Equivalents	368,083	(2,296,572)	(1,928,489)	(4,524,683)
Cash and Cash Equivalents, January 1	<u>24,959,521</u>	<u>29,354,800</u>	<u>54,314,321</u>	<u>58,839,004</u>
Cash and Cash Equivalents, December 31	<u>\$ 25,327,604</u>	<u>\$ 27,058,228</u>	<u>\$ 52,385,832</u>	<u>\$ 54,314,321</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating Income	\$ 2,600,472	\$ (1,921,335)	\$ 679,137	\$ 3,956,863
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation Expense	5,147,407	5,780,214	10,927,621	11,129,737
Amortization of Bond Issuance Costs	367,804	58,928	426,732	353,118
Bad Debt Expense		172,376	172,376	
(Increase) Decreases in Accounts Receivable	(183,306)	(651,288)	(834,594)	329,381
Increase (Decrease) in:				
Accrued Landfill Post Closure Costs		1,160,732	1,160,732	716,031
Accounts and Other Payables	22,392	(319,741)	(297,349)	(554,965)
Deferred Revenue	(154,570)		(154,570)	(114,840)
Customer Deposits		(30,253)	(30,253)	(57,124)
Amounts Held by the State		(262,847)	(262,847)	(367,038)
	<u>\$ 7,800,199</u>	<u>\$ 3,986,786</u>	<u>\$ 11,786,985</u>	<u>\$ 15,391,163</u>
Unrestricted Cash and Cash Equivalents	\$ 14,854,264	\$ 18,505,775	\$ 33,360,039	\$ 26,249,980
Restricted Cash and Cash Equivalents	<u>10,473,340</u>	<u>8,552,452</u>	<u>19,025,792</u>	<u>28,064,341</u>
	<u>\$ 25,327,604</u>	<u>\$ 27,058,228</u>	<u>\$ 52,385,832</u>	<u>\$ 54,314,321</u>

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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

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

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

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

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

In the opinion of management, revenues of the Solid Waste Division are adequate to cover all operating expenses, current capital costs, and a portion of the debt service on bonds issued by the Authority in 1992 for the Solid Waste Division’s capital facilities (“1992 bonds”). 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.

**NOTE 2 – BASIS OF PRESENTATION**

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

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009 and 2008  
(CONTINUED)**

**NOTE 2 – BASIS OF PRESENTATION - Continued**

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

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

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

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

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Statement Presentation and Basis of Accounting**

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

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



**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009 and 2008  
(CONTINUED)**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Financial Statement Presentation and Basis of Accounting - Continued**

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

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

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

**Wastewater Service Contract**

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

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

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009 and 2008  
(CONTINUED)**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Wastewater Bond Resolutions**

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

Construction Fund – All costs pertaining to the acquisition or construction of a designated project shall be paid from this Fund and capitalized herein. The proceeds from the sale of bonds and certain receipts are deposited herein to pay for all such construction costs. Interest earned on investments in this Fund is credited to project costs. At December 31, 2009 and 2008, the Construction Fund and Wastewater Trust Fund cash equivalents amounted to \$747,797 and \$993,90, 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, 2009 and 2008, the Rebate Fund amounted to \$92,462 and \$92,447, 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 order of priority.

Debt Service Fund – The Debt Service Fund is to accumulate a balance sufficient to pay the interest and principal to become due at or before the January 15<sup>th</sup> next ensuing, plus any unpaid principal and interest then due. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. In addition, a sinking fund is included which shall equal the aggregate amount of all sinking fund installments required to redeem bonds on the next January 15<sup>th</sup> beginning in 2009 for the Sewer Revenue Refunding Bonds (see Note 7). At December 31, 2009 and 2008, the Debt Service Fund cash amounted to \$3,032,874 and \$6,130,912, 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, 2009 and 2008, the Debt Service Reserve Fund cash and investments amounted to \$2,978,198 and \$3,040,481, respectively. The balance of the Debt Service Reserve Requirement is funded by a surety issued by Ambac Assurance Corporation.

Renewal and Replacement Fund – The balance in this fund shall be maintained equal to 3% of gross revenues or such larger amount as determined by the Consulting Engineer. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. With approval of the Consulting Engineer, this fund may be used to meet reasonable and necessary expenses for major repairs, renewals, replacements or maintenance items of a type not recurring annually. At December 31, 2009 and 2008, the Renewal and Replacement Fund cash amounted to \$5,146,997 and \$5,650,592, respectively. The System Reserve Fund, a component of the Renewal and Replacement Fund, cash requirement at both December 31, 2009 and 2008 was \$4,800,000.

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Solid Waste Bond Resolutions**

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

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

Construction Fund – All costs pertaining to the acquisition or construction of a designated project shall be paid from this Fund and capitalized herein. The proceeds from the sale of bonds and certain receipts are deposited herein to pay for all such construction costs. At December 31, 2009 and 2008, 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, 2009 and 2008, the Rebate Fund amounted to \$0.

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

Debt Service Fund – The balance in the Debt Service Fund shall be maintained in an amount sufficient to pay the interest and principal currently due on the 1992 Bonds. At December 31, 2009 and 2008, the Debt Service Fund cash amounted to \$680,550 and \$559,317, respectively.

Debt Service Reserve Fund – The balance in this Reserve Fund shall be maintained in an amount equal to the lesser of (a) 10% of the principal amount of Bonds which are outstanding from time to time, (b) maximum amount of principal and interest which is payable during the current or any subsequent fiscal year with respect to all Series of Bonds, including the 1992 Bonds, or (c) 125% of the average annual principal and interest which is payable with respect to all Series of Bonds, including the 1992 Bonds. The Debt Service Reserve Fund must be marked to market not less than annually. At December 31, 2009 and 2008, the Debt Service Reserve Fund cash amounted to \$2,631,532.

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

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Solid Waste Bond Resolutions - Continued**

Renewal and Replacement Fund – The balance in this fund shall be maintained in an amount equal to the System Improvement Requirement (the “Requirement”). The Requirement is equal to the amount, as certified by the independent consulting engineer, which is reasonably necessary to be held as a Reserve for Expenses with respect to the System for (a) nonrecurring major repairs, renewals, replacements or maintenance items, or (b) expenses relating to the closure and post closure of any System component, or (c) repairs, renewals, replacements resulting from the occurrence of uncontrollable events or circumstances which are not covered by the proceeds of an insurance policy. At December 31, 2009 and 2008, the Renewal and Replacement Fund cash amounted to \$17,540,369 and \$17,883,713, respectively.

**Investments**

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

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

**Property, Plant and Equipment And Other Capitalized Costs**

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

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

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

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

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

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
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(CONTINUED)**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Unamortized Debt Issue Costs**

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

**Wastewater Revenues**

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

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

**Allocation of Common Costs**

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

**Restricted Assets**

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

**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 – PROPERTY, PLANT AND EQUIPMENT**

Property, Plant and Equipment consisted of the following at December 31, 2009 and 2008:

Wastewater Division:

	<u>2008</u>		<u>Increases</u>		<u>Decreases</u>		<u>2009</u>
Land	\$ 12,691,336	\$		\$		\$	12,691,336
Sewer Mains and Interceptors	73,257,729		252				73,257,981
Buildings and Improvements	40,720,262		1,439,640				42,159,902
Machinery and Equipment	39,189,849		1,208,194				40,398,043
Incinerator Facility	16,353,524						16,353,524
Atlantic Coastal Alternative	26,629,575						26,629,575
	<u>208,842,275</u>		<u>2,648,086</u>		<u>-</u>		<u>211,490,361</u>
							-
Less: Accumulated Depreciation	(124,376,698)		(5,147,407)				(129,524,105)
	<u>\$ 84,465,577</u>	\$	<u>(2,499,321)</u>	\$	<u>-</u>	\$	<u>81,966,256</u>

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

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
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(CONTINUED)**

**NOTE 4 – PROPERTY, PLANT AND EQUIPMENT - Continued**

Property, Plant and Equipment consisted of the following at December 31, 2009 and 2008:

Solid Waste Division:

	<u>2008</u>		<u>Increases</u>		<u>Decreases</u>		<u>2009</u>
Land and Improvements	\$ 13,119,185	\$		\$		\$	13,119,185
Buildings	23,798,295		10,207				23,808,502
Equipment and Vehicles	23,183,390		303,140				23,486,530
Landfill Design and Implementation	50,006,618				2,534,164		47,472,454
Planning and Designs	3,375,832						3,375,832
	<u>113,483,320</u>		<u>313,347</u>		<u>2,534,164</u>		<u>111,262,503</u>
Less: Accumulated Depreciation	(63,820,420)		(5,780,214)				(69,600,633)
	<u>\$ 49,662,900</u>	\$	<u>(5,466,867)</u>	\$	<u>2,534,164</u>	\$	<u>41,661,870</u>

**NOTE 5 – BONDS PAYABLE**

Wastewater Revenue and Revenue Refunding Bonds at December 31, 2009 and 2008 consist of the following:

	<u>2008</u>		<u>Increases</u>		<u>Decreases</u>		<u>2009</u>
Wastewater Revenue Bonds, 1991 Series	\$ 628,052	\$		\$	244,372	\$	383,680
Wastewater Treatment Trust - 1995	3,405,212				449,099		2,956,113
Wastewater Treatment Trust - 1997	5,658,882				557,497		5,101,385
Wastewater Treatment Trust - 2001	1,424,670				90,737		1,333,933
Wastewater Treatment Trust - 2006	2,382,187				123,304		2,258,883
Wastewater Treatment Trust - 2007	2,955,191				136,746		2,818,445
Environmental Infrastructure Trust - 2004	4,204,390				245,424		3,958,966
Wastewater Revenue Refunding Bonds, 1998 Series	22,270,000		(18,510,000)		3,760,000		-
Sewer Revenue Refunding Bonds, 2003 Series	9,675,000				330,000		9,345,000
Sewer Revenue Refunding Bonds, 2009 Series			15,170,000				15,170,000
	<u>52,603,584</u>		<u>(3,340,000)</u>		<u>5,937,179</u>		<u>43,326,405</u>
Unamortized Bond Premium	666,197		887,625		613,200		940,622
Total	<u>\$ 53,269,781</u>	\$	<u>(2,452,375)</u>	\$	<u>6,550,379</u>	\$	<u>44,267,027</u>

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

**NOTE 5 – BONDS PAYABLE - Continued**

Solid Waste Revenue Bonds and Loans at December 31, 2009 and 2008 consist of the following:

	<u>2008</u>	<u>Decreases</u>	<u>2009</u>
Solid Waste System Revenue Bonds	\$ 49,115,000	\$ 4,720,000	\$ 44,395,000
Unamortized Bond Discount	(169,101)	(39,328)	(129,773)
Total	<u>\$ 48,945,899</u>	<u>\$ 4,680,672</u>	<u>\$ 44,265,227</u>

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

Total Net Debt,	
Wastewater Division	\$ 44,267,027
Solid Waste Division	44,265,227
Total Net Debt of the Authority	<u>\$ 88,532,254</u>
Current Portion of Long Term Debt:	
Wastewater Division	\$ 3,285,771
Solid Waste Division	5,070,000
Noncurrent Portion of Debt:	
Wastewater Division	40,981,256
Solid Waste Division	39,195,227
Total Net Debt of the Authority	<u>\$ 88,532,254</u>

**Description of Bonds Payable**

At December 31, 2009, 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, 2009 is \$383,680.

\$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, 2009 is \$2,956,114.

\$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, 2009 is \$5,101,385.

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

**NOTE 5 – BONDS PAYABLE - Continued**

**Description of Bonds Payable - Continued**

**Wastewater Division - Continued**

\$1,972,543 New Jersey Wastewater Trust Fund Loan dated 2001, due in semiannual installments for principal and interest through August 1, 2021, bearing interest at various rates from 0.00% to 5.50% per annum. The balance remaining as of December 31, 2009 is \$1,333,933.

\$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, 2009 is \$9,345,000.

\$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, 2009 is \$3,958,966.

\$2,551,272 New Jersey Environmental Infrastructure Trust Fund Loan dated 2006, due in semiannual installments for principal and interest through August 1, 2026, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2009 is \$2,258,883.

\$3,008,252 New Jersey Environmental Infrastructure Trust Fund Loan dated 2006, due in semiannual installments for principal and interest through August 1, 2027, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2009 is \$2,818,445.

\$15,170,000 Sewer Refunding Bonds dated September 10, 2009, due in annual installments for principal through January 15, 2015, bearing interest at various rates from 4.00% to 5.00% per annum. The balance remaining as of December 31, 2009 is \$15,170,000.00.

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

**Solid Waste Division**

\$87,650,000 Solid Waste System Revenue Bonds, dated April 15, 1992, due in annual installments for principal through September 1, 2016, bearing interest at various rates from 5.200% to 7.125% per annum. The balance remaining as of December 31, 2009 is \$44,395,000.

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



**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

**NOTE 5 – BONDS PAYABLE - Continued**

**Refunding Bonds Issued**

On September 10, 2009, the Authority issued Refunding Bonds in the amount of \$15,170,000 to Currently Refund the callable Series 1998 Refunding Bonds. The Debt retired in the amount of \$18,510,000 was replaced with the Refunding Issue. The required cash flow for the 1998 Refunding Bonds for Principal and Interest prior to the refunding was \$20,630,080 and the cash flow requirements after the refunding is \$20,108,067 resulting in net savings in the amount of \$522,013 or a present value savings of \$487,784.

Debt service requirements on serial bonds and loans payable at December 31, 2009 are as follows:

Year Ended December 31,	Wastewater Division		Solid Waste Division	
	Principal	Interest	Principal	Interest
2010	\$ 3,285,771	\$ 1,341,043	\$ 5,070,000	\$ 2,982,525
2011	6,397,134	1,342,422	5,445,000	2,607,928
2012	6,470,236	1,086,511	5,845,000	2,205,722
2013	6,751,991	808,079	6,280,000	1,773,769
2014	5,748,763	562,154	6,740,000	1,309,931
2015 - 2019	10,705,613	715,262	15,015,000	1,088,878
2020 - 2024	3,155,774	193,918		
2025 - 2027	811,121	21,450		
	<u>\$ 43,326,403</u>	<u>\$ 6,070,839</u>	<u>\$ 44,395,000</u>	<u>\$ 11,968,753</u>

Year Ended December 31,	Authority Grand Total		
	Principal	Interest	Total
2010	\$ 8,355,771	\$ 4,323,568	\$ 12,679,339
2011	11,842,134	3,950,350	15,792,484
2012	12,315,236	3,292,233	15,607,469
2013	13,031,991	2,581,848	15,613,839
2014	12,488,763	1,872,085	14,360,848
2015 - 2019	25,720,613	1,804,140	27,524,753
2020 - 2024	3,155,774	193,918	3,349,692
2025 - 2027	811,121	21,450	832,571
	<u>\$ 87,721,403</u>	<u>\$ 18,039,592</u>	<u>\$ 105,760,995</u>

**THE ATLANTIC COUNTY UTILITIES AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**(CONTINUED)**

**NOTE 6 – PENSION PLANS**

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

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

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

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

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate for the PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
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(CONTINUED)**

**NOTE 6 – PENSION PLANS - Continued**

Three Year Trend Information for PERS					
Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation		
12/31/2009	\$ 890,899	100%	\$ -		
12/31/2008	668,140	100%	-		
12/31/2007	371,207	100%	-		

**NOTE 7 – POST-RETIREMENT BENEFITS**

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

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

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

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

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

2009 - \$2,525,146  
2008 - \$2,590,447  
2007 - \$2,494,972

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
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**NOTE 8 – COMPENSATED ABSENCES**

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

**NOTE 9 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

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

**NOTE 10 – RISK MANAGEMENT**

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

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

**NOTE 11 – AMOUNTS HELD BY THE STATE OF NEW JERSEY**

The State of New Jersey holds the Landfill Closure Escrow Account in the name of the Atlantic County Utilities Authority. These Cash and Investments consisted of the following at December 31, 2009:

United State Treasury Notes	\$	1,863,512
Cash		2,612,062
	\$	<u>4,475,574</u>

**NOTE 12 – DEFERRED COMPENSATION**

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

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

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
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**NOTE 13 – CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Cash, Cash Equivalents and Investments**

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

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

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

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

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

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

At December 31, 2009, the carrying amount of the Authority's deposits (cash and cash equivalents) was \$52,385,832 and the bank balance was \$52,668,486.

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

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
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(CONTINUED)**

**NOTE 13 – CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued**

As of December 31, 2009, the Authority's bank balance was exposed to custodial credit risk as follows:

	Cash and Cash Equivalents	Investments
Insured	\$ 766,623	\$
Collateralized with securities held by the pledging financial Institution	51,901,863	13,836,065
	\$ 52,668,486	\$ 13,836,065

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the Authority's bank accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Authority would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2009, all of the Authority's deposits were covered by either FDIC or GUDPA and therefore not exposed to custodial credit risk. The Authority does not have a policy for custodial credit risk.

**Investments**

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

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

	2009 Fair Value	2009 Book Value	2008 Fair Value	2008 Book Value
Wastewater:				
US Treasury Strips	\$ 70,568	\$ 318,971	\$ 70,568	\$ 315,615
US Treasury Bonds	1,149,682	1,213,271	1,149,682	1,306,194
New Jersey Treasury ARM	1,850,000	1,850,000	6,399,216	6,399,216
Solid Waste:				
New Jersey Treasury ARM	14,273,000	14,273,000	11,064,940	11,064,940
Total	\$ 17,343,250	\$ 17,655,242	\$ 18,684,406	\$ 19,085,965
Unrestricted		\$ 3,823,000		\$ 10,164,156
Restricted		13,832,242		8,921,809
		\$ 17,655,242		\$ 19,085,965

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009 and 2008  
(CONTINUED)**

**NOTE 14 – SUBSEQUENT EVENTS**

On January 11, 2010 the Authority issued \$5,932,500 principal amount of its Wastewater Revenue Bonds, ARRA Fund Series. The proceeds of this issue will be used to finance improvements to the Wastewater System.

On March 10, 2010 the Authority issued \$2,010,000 principal amount of its Wastewater Revenue Bonds, ARRA Fund Series. The proceeds of this issue will be used to finance improvements to the Wastewater System.

## **OTHER SUPPLEMENTARY INFORMATION**



## **WASTEWATER DIVISION**

**ATLANTIC COUNTY UTILITIES AUTHORITY  
WASTEWATER DIVISION  
COMPARATIVE STATEMENT OF NET ASSETS  
MODIFIED GAAP BASIS  
DECEMBER 31, 2009 AND 2008**

<b><u>ASSETS</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Current Assets:		
Cash and Cash Equivalents	\$ 14,854,264	\$ 14,069,742
Investments	1,850,000	2,999,216
Accrued Interest Receivable	51,841	90,073
Accounts Receivable	1,023,585	840,279
	<hr/>	<hr/>
Total Current Assets	<u>17,779,690</u>	<u>17,999,310</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	10,473,340	10,889,779
Investments	1,532,242	5,021,809
Accrued Interest Receivable	-	3
Loans Receivable	1,527,166	3,208,243
	<hr/>	<hr/>
Total Noncurrent Assets	<u>13,532,748</u>	<u>19,119,834</u>
Capital Assets:		
Property, Plant and Equipment	218,636,970	210,277,846
Less: Accumulated Depreciation	(129,524,105)	(124,376,698)
	<hr/>	<hr/>
Net Capital Assets	<u>89,112,865</u>	<u>85,901,148</u>
Unamortized Bond Issue Costs	<u>1,904,692</u>	<u>2,059,344</u>
<b>TOTAL ASSETS</b>	<b>\$ <u><u>122,329,995</u></u></b>	<b>\$ <u><u>125,079,636</u></u></b>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
WASTEWATER DIVISION  
COMPARATIVE STATEMENT OF NET ASSETS  
MODIFIED GAAP BASIS  
DECEMBER 31, 2009 AND 2008**

<b><u>LIABILITIES</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Current Liabilities Payable from Current Assets:		
Accounts Payable	\$ 2,368,534	\$ 3,313,849
Deferred Revenue	154,570	114,840
Due to Solid Waste Division	720,297	865,670
	<hr/>	<hr/>
Total Current Liabilities Payable from Current Assets	3,243,401	4,294,359
Current Liabilities Payable from Restricted Assets:		
Construction Contracts Payable	7,148,127	1,517,413
Current Portion of Long - Term Debt	3,285,771	5,937,179
Accrued Interest	534,478	905,593
	<hr/>	<hr/>
Total Current Liabilities Payable from Restricted Assets:	10,968,376	8,360,185
Noncurrent Liabilities:		
Deferred Revenue	976,995	1,171,295
Post Retirement Benefits Payable	535,019	535,019
Accrued Compensated Absences	600,004	600,004
Long - Term Portion of Bonds Payable (Note 5) (Net of Unamortized Bond Premium and Discount of \$940,622 and \$666,197 in 2009 and 2008, respectively)	40,981,256	47,332,603
	<hr/>	<hr/>
Total Noncurrent Liabilities	43,093,274	49,638,921
<b>TOTAL LIABILITIES</b>	<b>\$ 57,305,051</b>	<b>\$ 62,293,465</b>
<b><u>NET ASSETS</u></b>		
Investment in Capital Assets, Net of Related Debt	\$ 44,845,838	\$ 32,631,366
Restricted for:		
Renewal and Replacement	4,800,000	4,800,000
Debt Service Fund	3,023,874	6,130,912
Debt Service Reserve Fund	7,415,415	7,608,018
Unrestricted	4,939,817	11,615,875
	<hr/>	<hr/>
<b>TOTAL NET ASSETS</b>	<b>\$ 65,024,944</b>	<b>\$ 62,786,171</b>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
WASTEWATER DIVISION  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
MODIFIED GAAP BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Operating Revenues:		
User Service Agreements:		
Operating	\$ 15,612,293	\$ 15,743,904
General	8,027,171	7,895,555
Sludge	1,825,506	1,614,421
Septage and Leachate	500,814	490,685
Other	1,258,586	1,357,377
	<u>27,224,370</u>	<u>27,101,942</u>
Total Operating Revenues		
Operating Expenses:		
Salaries	5,618,016	5,550,895
Employee Benefits	2,637,125	2,479,250
Power and Utilities	2,922,232	3,223,991
Chemicals	1,142,465	874,912
Fuel	1,635,096	1,969,247
Supplies and Miscellaneous Maintenance	2,187,111	1,947,131
Contractual Services	534,990	711,983
Indirect Operating Expenses	253,792	373,638
Administrative	1,048,351	1,298,095
Licenses and Permits	161,802	179,197
Depreciation	5,147,407	5,076,507
Amortization of Bond Issue Costs	367,804	294,190
	<u>23,656,191</u>	<u>23,979,036</u>
Total Operating Expenses		
Operating Income	<u>3,568,179</u>	<u>3,122,906</u>
Non - Operating Revenues / (Expenses):		
Interest Income	250,983	404,964
Gain on Refunding Bonds	184,247	-
Interest Expense	(1,764,636)	(1,731,304)
	<u>(1,329,406)</u>	<u>(1,326,340)</u>
Total Non - Operating Expenses		
Net Income / (Loss)	2,238,773	1,796,566
Net Assets, January 1	<u>62,786,171</u>	<u>60,989,605</u>
Net Assets, December 31	<u>\$ 65,024,944</u>	<u>\$ 62,786,171</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
WASTEWATER DIVISION  
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES COMPARED  
TO BUDGET - RATE BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>2009 Budget</b>	<b>2009 Actual</b>
Revenues:		
User Service Agreements:		
Operating and General Charge	\$ 23,639,460	\$ 23,639,464
Sludge, Septage, and Leachate	2,060,980	2,171,750
Interest on Investments and Deposits	490,000	250,983
Miscellaneous	1,063,102	1,258,586
Fund Balance	500,000	
	<hr/>	<hr/>
Total Revenues	27,753,542	27,320,783
Expenses:		
Salaries	5,863,654	5,618,016
Employee Benefits	2,724,235	2,637,125
Power and Utilities	3,110,000	2,922,232
Chemicals	1,272,000	1,142,465
Fuel	1,643,000	1,635,096
Supplies and Miscellaneous Maintenance	1,064,875	1,261,158
Contractual Services	668,000	581,005
Indirect Operating Expenses	682,500	624,828
Administrative	1,598,655	1,257,584
Maintenance Program Expenditures	1,099,451	879,938
Canceled Purchase Orders		(418,467)
	<hr/>	<hr/>
Total Operating Expenses	19,726,370	18,140,980
Debt Service	8,027,172	8,027,172
Total Expenses	27,753,542	26,168,152
Net Income / (Loss) from Operations	\$ -	\$ 1,152,631

**ATLANTIC COUNTY UTILITIES AUTHORITY  
WASTEWATER DIVISION  
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

Description	Face Amount	Interest Rate	Due Date	Cost December 31, 2009
Unrestricted Accounts:				
Cash	\$ 780,417			\$ 780,417
First American Treasury Money Market	8,862,437	0.00%		8,862,437
NJ ARM	5,043,837	0.20%		5,043,837
NJ ARM	167,573	0.20%		167,573
NJ ARM - Term	1,044,000	1.02%	2/9/2010	1,044,000
NJ ARM - Term	806,000	0.95%	2/17/2010	806,000
<b>Total Unrestricted</b>	<b>16,704,264</b>			<b>16,704,264</b>
Restricted Accounts:				
Wastewater Trust Fund:				
First American Treasury Money Market	108,755	0.00%		108,755
First American Treasury Money Market	61			61
First American Treasury Money Market	660,370	0.20%		660,370
First American Treasury Money Market	639,043	0.00%		639,043
	<u>1,408,228</u>			<u>1,408,228</u>
Rebate Account:				
First American Treasury Money Market	92,462	0.00%		92,462
	<u>92,462</u>			<u>92,462</u>
2003 Investment Settlement Account:				
First American Treasury Money Market	3,255	0.00%		3,255
	<u>3,255</u>			<u>3,255</u>
2009 Investment Settlement Account:				
First American Treasury Money Market	3,998	0.00%		3,998
	<u>3,998</u>			<u>3,998</u>
Debt Service Fund:				
First American Treasury Money Market	3,032,874	0.00%		3,032,874
	<u>3,032,874</u>			<u>3,032,874</u>
Debt Service Reserve Fund:				
NJ ARM	1,445,895	0.20%		1,445,895
United States Treasury Bonds	1,149,682	11.25%	2/15/2015	1,213,271
United States Treasury Bonds	70,568	0.00%	2/15/2015	318,972
	<u>2,666,144</u>			<u>2,978,137</u>
Renewal and Replacement Fund:				
First American Treasury Money Market	1,812,721	0.00%		1,812,721
NJ ARM	2,673,906	0.20%		2,673,906
	<u>4,486,627</u>			<u>4,486,627</u>
<b>Total</b>	<b>\$ 28,397,853</b>			<b>\$ 28,709,846</b>
Unrestricted				
Cash and Cash Equivalents	\$ 14,854,264			\$ 14,854,264
Investments	1,850,000			1,850,000
Restricted:				
Cash and Cash Equivalents	10,473,340			10,473,340
Investments	1,220,249			1,532,242
	<u>\$ 28,397,853</u>			<u>\$ 28,709,846</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
WASTEWATER DIVISION  
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT AND OTHER CAPITALIZED COSTS  
MODIFIED GAAP BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008, 2007, 2006 AND 2005**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Additions During the Year:					
Property, Plant and Equipment:					
Land	\$	\$	\$	\$	\$
Sewer Mains and Interceptors	252		32,597		(11,978)
Buildings and Improvements	4,070	1,648,799	173,514	2,694,768	5,589,611
Construction in Progress	7,146,609				
Equipment and Vehicles	1,208,194			291,084	
Total Additions	<u>8,359,124</u>	<u>1,648,799</u>	<u>206,111</u>	<u>2,985,852</u>	<u>5,577,633</u>
Costs Capitalized at the Beginning of the Year	<u>210,277,846</u>	<u>208,629,047</u>	<u>208,422,936</u>	<u>205,437,084</u>	<u>199,859,451</u>
	218,636,970	210,277,846	208,629,047	208,422,936	205,437,084
Less:					
Accumulated Depreciation and Amortization	<u>(129,524,105)</u>	<u>(124,376,698)</u>	<u>(119,300,191)</u>	<u>(112,817,763)</u>	<u>(107,778,965)</u>
Total Property, Plant and Equipment, End of Year	<u>\$ 89,112,865</u>	<u>\$ 85,901,148</u>	<u>\$ 89,328,856</u>	<u>\$ 95,605,173</u>	<u>\$ 97,658,119</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
WASTEWATER DIVISION  
SCHEDULE OF DEBT ISSUE COSTS  
MODIFIED GAAP BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008, 2007, 2006 AND 2005**

	<u>2009</u>		<u>2008</u>		<u>2007</u>		<u>2006</u>		<u>2005</u>
Costs Capitalized at the Beginning of the Year	\$ 5,206,878	\$	5,206,878	\$	5,206,878	\$	5,206,878	\$	5,206,878
Net Effect of Refunding Bond Issue	213,152								
	<u>5,420,030</u>		<u>5,206,878</u>		<u>5,206,878</u>		<u>5,206,878</u>		<u>5,206,878</u>
Less:									
Accumulated Amortization	<u>(3,515,338)</u>		<u>(3,147,534)</u>		<u>(2,853,344)</u>		<u>(2,559,155)</u>		<u>(2,264,965)</u>
Unamortized Debt Issue Costs	<u>\$ 1,904,692</u>	\$	<u>2,059,344</u>	\$	<u>2,353,534</u>	\$	<u>2,647,723</u>	\$	<u>2,941,913</u>



**SOLID WASTE DIVISION**

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SOLID WASTE DIVISION  
COMPARATIVE STATEMENT OF NET ASSETS  
MODIFIED GAAP BASIS  
DECEMBER 31, 2009 AND 2008**

<b><u>ASSETS</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Current Assets:		
Cash and Cash Equivalents	\$ 18,505,776	\$ 12,180,238
Investments	1,973,000	7,164,940
Accrued Interest Receivable	15,596	87,128
Accounts Receivable (net of Allowance \$569,102 and \$1,150,074 in 2009 and 2008 respectively)	1,953,233	1,349,372
Other Accounts Receivable	47,427	894,350
Due from Wastewater Division	720,297	865,670
Total Current Assets	<u>23,215,329</u>	<u>22,541,698</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	8,552,452	17,174,562
Investments	12,300,000	3,900,000
Amounts Held by State of New Jersey	4,475,574	4,212,727
Accrued Interest Receivable	20,737	127,199
Total Noncurrent Assets	<u>25,348,763</u>	<u>25,414,488</u>
Capital Assets:		
Property, Plant and Equipment	114,443,425	113,647,014
Less: Accumulated Depreciation	(69,600,633)	(63,820,420)
Net Capital Assets	<u>44,842,792</u>	<u>49,826,594</u>
Deferred Costs:		
Unamortized Bond Discount and Issue Costs	502,106	561,035
Total Deferred Costs	<u>502,106</u>	<u>561,035</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>93,908,990</u></b>	<b>\$ <u>98,343,815</u></b>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SOLID WASTE DIVISION  
COMPARATIVE STATEMENT OF NET ASSETS  
MODIFIED GAAP BASIS  
DECEMBER 31, 2009 AND 2008**

<b><u>LIABILITIES</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Current Liabilities Payable from Current Assets:		
Accounts Payable	\$ 2,737,976	\$ 3,040,513
Customer Deposits	118,237	148,490
	<hr/>	<hr/>
Total Current Liabilities Payable from Current Assets	2,856,213	3,189,003
Current Liabilities Payable from Restricted Assets:		
Construction Contracts Payable	3,252,568	198,322
Current Portion of Long - Term Debt	5,070,000	4,720,000
Accrued Interest	1,054,381	1,166,481
	<hr/>	<hr/>
Total Current Liabilities Payable from Restricted Assets:	9,376,949	6,084,803
Noncurrent Liabilities Payable from Restricted Assets:		
Accrued Landfill Closure and Post - Closure Care Cost	8,489,880	10,915,749
	<hr/>	<hr/>
Noncurrent Liabilities:		
Accrued Compensated Absences	670,419	643,915
Post Retirement Benefits Payable	800,000	800,000
Long - Term Portion of Bonds Payable (Note 5) (Net of Unamortized Bond Premium and Discount of \$127,773 and \$169,101 in 2009 and 2008, respectively)	39,195,227	44,225,899
	<hr/>	<hr/>
Total Noncurrent Liabilities	49,155,526	56,585,563
<b>TOTAL LIABILITIES</b>	<b>\$ 61,388,688</b>	<b>\$ 65,859,369</b>
	<hr/> <hr/>	<hr/> <hr/>
<b><u>NET ASSETS</u></b>		
Investment in Capital Assets, Net of Related Debt Restricted for:	\$ 577,565	\$ 880,695
Debt Service Reserve Fund	8,053,769	8,053,769
Unrestricted	23,888,968	23,549,982
	<hr/>	<hr/>
<b>TOTAL NET ASSETS (DEFICIT)</b>	<b>\$ 32,520,302</b>	<b>\$ 32,484,446</b>
	<hr/> <hr/>	<hr/> <hr/>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SOLID WASTE DIVISION  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
MODIFIED GAAP BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Operating Revenues:		
Tipping Fees	\$ 17,947,504	\$ 21,064,394
Collections and Recycling Income	7,508,618	8,248,444
Grant Income	188,862	424,857
Composting Income	883,344	937,232
Other	1,080,337	1,393,791
	<u>27,608,665</u>	<u>32,068,718</u>
Total Operating Revenues		
Operating Expenses:		
Salaries	8,337,936	8,047,085
Employee Benefits	4,063,791	3,572,296
Power and Utilities	574,286	538,417
Fuel	1,048,686	1,514,631
Supplies and Miscellaneous Maintenance	2,407,086	2,178,679
Indirect Operating Expenses	2,563,783	5,422,472
Accrued Landfill Closure Costs	1,160,732	716,031
Administrative	853,087	1,108,331
Community Benefit	1,685,480	1,904,695
Recycling and Other Taxes	867,322	833,849
Bad Debt Expense	172,376	30,000
Depreciation	5,780,214	6,053,230
Amortization of Bond Issue Costs	58,928	58,928
	<u>29,573,707</u>	<u>31,978,644</u>
Total Operating Expenses		
Operating Income	<u>(1,965,042)</u>	<u>90,074</u>
Non - Operating Revenues / (Expenses):		
Interest Income	89,345	484,448
Interest Expense	(3,219,194)	(3,550,777)
Contributions - State Subsidy	5,130,747	5,130,747
	<u>2,000,898</u>	<u>2,064,418</u>
Total Non - Operating Expenses		
Net Income / (Loss)	35,856	2,154,492
Net Assets (Deficit), January 1	32,484,446	27,308,288
Extraordinary Item - Reduction in Closure Costs		<u>3,021,666</u>
Net Assets (Deficit), December 31	<u>\$ 32,520,302</u>	<u>\$ 32,484,446</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SOLID WASTE DIVISION  
SCHEDULE OF REVENUES AND COSTS FUNDED BY OPERATING REVENUES COMPARED TO BUDGET - RATE  
BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>2009 Budget</u>	<u>2009 Actual</u>
Long Term Debt Related Revenues:		
State Subsidy	\$ 5,630,747	\$ 5,130,747
	<u>5,630,747</u>	<u>5,130,747</u>
Less:		
Long Term Debt Related Expense:		
Principal and Interest	8,230,861	8,230,860
	<u>8,230,861</u>	<u>8,230,860</u>
Net Loss on Debt Related Activities	(2,600,114)	(3,100,113)
Operating Revenues:		
Tipping Fees	20,250,613	17,947,504
Collections and Recycling Income	7,564,545	7,572,060
Composting Income	991,691	883,344
Other	1,406,417	1,205,757
Interest Income	380,000	89,345
Total Operating Revenues	<u>30,593,266</u>	<u>27,698,010</u>
Operating Expenses:		
Administration	2,844,409	2,501,726
Solid Waste Administration	873,065	1,100,843
Transfer Station Operations	1,904,786	1,143,411
Composting Operations	552,797	446,687
Landfill Operations	6,561,988	5,684,770
Recycling Center Processing	603,371	609,345
Collections	5,791,147	5,921,930
Maintenance Center	5,550,824	5,192,015
Canceled Purchase Orders		(199,269)
Total Operating Expenses	<u>24,682,387</u>	<u>22,401,458</u>
Net Income from Operating Activities	<u>5,910,879</u>	<u>5,296,552</u>
Renewal and Replacement Fund CIP	(1,373,363)	(1,055,339)
Allowance for Bad Debt	(1,937,402)	
Net Income	<u>\$ -</u>	<u>\$ 1,141,100</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SOLID WASTE DIVISION  
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

Description	Face Amount	Interest Rate	Due Date	Cost December 31, 2009
Unrestricted Accounts:				
Operations:				
Cash	\$ 159,893			\$ 159,893
Revenue Fund:				
Cash	8,361,285	0.00%		8,361,285
NJ ARM	2,713,623	0.20%		2,713,623
NJ ARM	4,671,892	0.20%		4,671,892
	<u>15,746,800</u>			<u>15,746,800</u>
E.I.C.:				
U.S. Treasury Fund	699	0.01%		699
	<u>699</u>			<u>699</u>
Operating Reserve:				
U.S. Treasury Fund	2,332,850	0.01%		2,332,850
NJ ARM	265,533	0.20%		265,533
NJ ARM - Term	1,973,000	0.73%	4/7/2010	1,973,000
	<u>4,571,383</u>			<u>4,571,383</u>
Restricted Accounts:				
Renewal and Replacement Fund:				
U.S. Treasury Fund	3,333,009	0.00%		3,333,009
NJ ARM - Term	1,907,360	0.20%		1,907,360
NJ ARM - Term	5,600,000	0.30%	2/4/2010	5,600,000
NJ ARM - Term	2,000,000	0.16%	2/4/2010	2,000,000
NJ ARM - Term	800,000	0.46%	5/14/2010	800,000
NJ ARM - Term	3,900,000	0.33%	2/17/2010	3,900,000
	<u>17,540,369</u>			<u>17,540,369</u>
Standard Escrow Fund:				
US Treasury Notes	187,858	4.50%	2/15/2016	187,858
US Treasury Notes	1,675,654	0.00%	11/15/2016	1,675,654
U.S. Treasury Fund	2,464,396	0.03%		2,464,396
U.S. Treasury Fund	147,666	0.30%		147,666
	<u>4,475,574</u>			<u>4,475,574</u>
Debt Service Account:				
U.S. Treasury Fund	680,550	0.01%		680,550
Debt Service Reserve Fund:				
U.S. Treasury Fund	2,631,532	0.00%		2,631,532
Total	<u>\$ 45,806,802</u>			<u>\$ 45,806,802</u>
Unrestricted:				
Cash and Cash Equivalents	\$ 18,505,775			\$ 18,505,775
Investments	1,973,000			1,973,000
Restricted:				
Cash and Cash Equivalents	8,552,452			8,552,452
Investments	12,300,000			12,300,000
Cash and Investments held by the State of New Jersey	4,475,574			4,475,574
	<u>\$ 45,806,802</u>			<u>\$ 45,806,802</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SOLID WASTE DIVISION  
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT AND OTHER PREOPERATING COSTS  
MODIFIED GAAP BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008, 2007, 2006 AND 2005**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Waste Disposal:					
Additions (Deletions) During the Year:					
Property, Plant and Equipment:					
Land and Improvements	\$	\$ 87,167	\$	\$	\$ (1,874)
Buildings and Improvements	10,207	143,531	66,030	461,586	168,504
Equipment and Vehicles	78,006	555,432	526,994	282,995	613,064
Landfill Design and Implementation	483,063		3,982,550	1,830,145	1,017,183
Planning and Designs					
Total Additions	<u>571,276</u>	<u>786,130</u>	<u>4,575,574</u>	<u>2,574,726</u>	<u>1,796,877</u>
Costs Capitalized at the Beginning of the Year	<u>86,702,221</u>	<u>85,916,091</u>	<u>81,340,517</u>	<u>78,765,791</u>	<u>76,968,914</u>
	87,273,497	86,702,221	85,916,091	81,340,517	78,765,791
Less:					
Accumulated Depreciation and Amortization	<u>(56,770,789)</u>	<u>(52,423,509)</u>	<u>(47,774,542)</u>	<u>(43,270,901)</u>	<u>(39,093,397)</u>
Total Property, Plant and Equipment, End of Year	<u>\$ 30,502,708</u>	<u>\$ 34,278,712</u>	<u>\$ 38,141,549</u>	<u>\$ 38,069,616</u>	<u>\$ 39,672,394</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SOLID WASTE DIVISION  
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT AND OTHER PREOPERATING COSTS  
MODIFIED GAAP BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008, 2007, 2006 AND 2005**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Waste Recycling:					
Additions (Deletions) During the Year:					
Property, Plant and Equipment:					
Land and Improvements	\$	\$	\$ 118,678	\$	\$
Buildings and Improvements			(14,662)	61,075	
Equipment and Vehicles	225,134	268,478	1,138,952	1,702,894	943,574
Planning and Designs					
Total Additions	<u>225,134</u>	<u>268,478</u>	<u>1,242,968</u>	<u>1,763,969</u>	<u>943,574</u>
Costs Capitalized at the Beginning of the Year	<u>36,804,293</u>	<u>36,535,815</u>	<u>35,292,847</u>	<u>33,528,878</u>	<u>32,585,304</u>
	37,029,427	36,804,293	36,535,815	35,292,847	33,528,878
Less:					
Accumulated Depreciation and Amortization	<u>(22,689,343)</u>	<u>(21,256,411)</u>	<u>(19,852,148)</u>	<u>(18,515,942)</u>	<u>(17,314,734)</u>
Total Property, Plant and Equipment, End of Year	\$ <u>14,340,084</u>	\$ <u>15,547,882</u>	\$ <u>16,683,667</u>	\$ <u>16,776,905</u>	\$ <u>16,214,144</u>
Grand Total	\$ <u>44,842,792</u>	\$ <u>49,826,594</u>	\$ <u>54,825,216</u>	\$ <u>54,846,521</u>	\$ <u>55,886,538</u>



**ATLANTIC COUNTY UTILITIES AUTHORITY  
SOLID WASTE DIVISION  
SCHEDULE OF DEBT ISSUE COSTS  
MODIFIED GAAP BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008, 2007, 2006 AND 2005**

	<u>2009</u>		<u>2008</u>		<u>2007</u>		<u>2006</u>		<u>2005</u>
Costs Capitalized at the Beginning of the Year	\$ 2,182,779	\$	2,182,779	\$	2,182,779	\$	2,182,779	\$	2,182,779
	<u>2,182,779</u>		<u>2,182,779</u>		<u>2,182,779</u>		<u>2,182,779</u>		<u>2,182,779</u>
Less:									
Accumulated Amortization	<u>(1,680,672)</u>		<u>(1,621,744)</u>		<u>(1,562,816)</u>		<u>(1,503,888)</u>		<u>(1,444,959)</u>
Unamortized Debt Issue Costs	<u>\$ 502,106</u>	\$	<u>561,035</u>	\$	<u>619,963</u>	\$	<u>678,891</u>	\$	<u>737,820</u>

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



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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying Special – Purpose Statements of Revenues and Expenses of the Atlantic County Utilities Authority ("Authority") Wastewater and Solid Waste Divisions for the year ended December 31, 2009. These special – purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these special – purpose financial statements based on our audit.

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

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

In our opinion, because of the Authority has prepared these special – purpose financial statements on the prescribed basis of accounting discussed in the preceding paragraph, the special – purpose financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Authority, as of December 31, 2009.

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, 2009 on the basis of accounting described in Note 1.

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

April 30, 2010

**ATLANTIC COUNTY UTILITIES AUTHORITY  
WASTEWATER DIVISION  
SPECIAL - PURPOSE STATEMENT OF REVENUES AND EXPENSES TO COMPLY WITH BOND  
RESOLUTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

Operating Revenues:		
Wastewater		
User Service Agreements:		
Operating	\$	15,612,293
General		8,027,171
Sludge		1,825,506
Septage and Leachate		500,814
Other		1,258,586
Total Operating Revenues		<u>27,224,370</u>
Operating Expenses:		
Salaries		5,618,016
Employee Benefits		2,637,125
Power and Utilities		2,922,232
Chemicals		1,142,465
Fuel		1,635,096
Supplies and Miscellaneous Maintenance		2,187,111
Contractual Services		534,990
Indirect Operating Expenses		253,792
Administrative		1,048,351
Licenses and Permits		161,802
Amortization of Bond Issue Costs		367,804
Total Operating Expenses		<u>18,508,784</u>
Excess of Revenues Over Expenses from Operations		<u>8,715,586</u>
Non - Operating Revenues / (Expenses):		
Interest Income		250,983
Gain on Refunding Bonds		184,247
Interest Expense		(1,764,636)
Total Non - Operating Revenue / (Expenses)		<u>(1,329,406)</u>
Excess of Revenues Over Expenses	\$	<u>7,386,180</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SOLID WASTE DIVISION  
SPECIAL - PURPOSE STATEMENT OF REVENUES AND EXPENSES TO COMPLY WITH BOND  
RESOLUTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

Operating Revenues:		
Solid Waste		
Tipping Fees	\$	17,947,504
Collections and Recycling Income		7,508,618
Grant Income		188,862
Composting Income		883,344
Other		<u>1,080,337</u>
Total Operating Revenues		<u>27,608,665</u>
Operating Expenses:		
Salaries		8,337,936
Employee Benefits		4,063,791
Power and Utilities		574,286
Fuel		1,048,686
Supplies and Miscellaneous Maintenance		2,407,086
Indirect Operating Expenses		2,563,783
Accrued Landfill Closure Costs		1,160,732
Administrative		853,087
Community Benefit		1,685,480
Recycling and Other Taxes		867,322
Bad Debt Expense		172,376
Amortization of Bond Issue Costs		<u>58,928</u>
Total Operating Expenses		<u>23,793,493</u>
Excess of Revenues Over Expenses from Operations		<u>3,815,172</u>
Non - Operating Revenues / (Expenses):		
Interest Income		89,345
Interest Expense		(3,219,194)
Total Non - Operating Revenue / (Expenses)		<u>(3,129,849)</u>
Excess of Revenues Over Expenses	\$	<u><u>685,323</u></u>

**THE ATLANTIC COUNTY UTILITIES AUTHORITY  
NOTE TO SPECIAL – PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 1 – BASIS OF PRESENTATION**

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

## **DEBT SERVICE REQUIREMENT**





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## INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Atlantic County Utilities Authority ("Authority"), as of and for the year ended December 31, 2009, and have issued our report thereon dated April 30, 2010.

In connection with our audit, nothing came to our attention that caused us to believe that, as of December 31, 2010, 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, is not intended, and should not be used by anyone other than these parties.

*Ford, Scott & Associates, L.L.C.*

FORD, SCOTT & ASSOCIATES, L.L.C.

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Registered Municipal Accountant  
No. 393

April 30, 2010

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SOLID WASTE DIVISION  
DEBT SERVICE REQUIREMENT  
FOR THE YEAR ENDED DECEMBER 31, 2009**

Debt Service Requirement:		
Interest Payable During 2009	\$	3,219,194
Principal Payable During 2009		4,720,000
Subtotal		<u>7,939,194</u>
Plus: Coverage Requirement		<u>110%</u>
Debt Service Requirement	\$	<u><u>8,733,113</u></u>
Actual Debt Service Coverage		124.69%
Net Revenues Provided:		
Gross Revenue	\$	28,503,388
Contributions - State Subsidy		5,130,747
Operating Expenses		23,734,565
Net Revenues Provided	\$	<u><u>9,899,570</u></u>
Excess	\$	<u><u>1,166,457</u></u>

## **GENERAL COMMENTS AND RECOMMENDATIONS**



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

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

We have audited the basic financial statements of the Atlantic County Utilities Authority (the "Authority"), as of and for the year ended December 31, 2009, and have issued our report thereon dated April 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

### Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.


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

Compliance and Other Matters

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

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

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

April 30, 2010

**ATLANTIC COUNTY UTILITIES AUTHORITY  
GENERAL COMMENTS AND RECOMMENDATIONS  
For the Year ended December 31, 2009**

**None Noted.**

**SINGLE AUDIT SECTION**

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**SCHEDULE OF STATE ASSISTANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

<u>State Funding Agency</u>	<u>Program</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	Wastewater Treatment:					
	2004 Trust Loan	4860-510-4860	Open	Open	\$ 3,876	\$ -
	2004 Fund Loan	4860-510-4860	Open	Open	8,981	-
	2007 Trust Loan	4860-510-4860	Open	Open	375,500	375,500
	2007 Fund Loan	4860-510-4860	Open	Open	1,126,500	1,126,500
Total State Assistance					\$ <u>1,514,857</u>	\$ <u>1,502,000</u>



**ATLANTIC COUNTY UTILITIES AUTHORITY  
NOTES TO THE SCHEDULE OF STATE ASSISTANCE  
DECEMBER 31, 2009**

**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedule of financial assistance is 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 schedule of state assistance is in agreement with the basic financial statements.

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

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



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

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

### Compliance

We have audited the compliance of the Atlantic County Utilities Authority ("Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State Grant Compliance Supplement* that are applicable to each of its major state programs for the year ended December 31, 2009. The Authority's major 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 state programs is the responsibility of Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended December 31, 2009.

## 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 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 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 New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's control over compliance.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected on a timely basis.

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

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

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

April 30, 2010

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDING DECEMBER 31, 2009**

**I. SUMMARY OF AUDITORS RESULTS**

**Financial Statements**

Type of auditor's report issued: Unqualified Opinion issued on the Basic Financial Statements, dated April 30, 2010

Internal control over financial reporting:

1) Material weakness identified? No

2) Reportable conditions identified that are not considered to be a material weakness? No

Noncompliance material to the basic financial Statements noted? No

**Federal Awards**

**Not Applicable**

**State Awards**

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

Auditee qualified as low-risk auditee? No

Type of auditor's report issued on compliance for major programs: An Unqualified Opinion was issued on compliance for major programs, dated April 30, 2010

Internal Control over major programs:

1) Material weakness identified? No

2) Reportable condition identified that are not considered to be material weaknesses? None

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

Identification of major programs:

<b><u>State Grant Number</u></b>	<b><u>Name of State Program</u></b>
4860-510-4860	2007 Trust Loan
4860-510-4860	2007 Fund Loan

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDING DECEMBER 31, 2009  
(CONTINUED)**

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

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

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

Federal:

Not Applicable

State:

Our audit disclosed no material Findings or Questioned Costs.

**ATLANTIC COUNTY UTILITIES AUTHORITY  
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009**

**STATUS OF PRIOR YEAR FINDINGS**

There were no prior year findings.