

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

Financial Statements and Supplementary Information

For the years ended December 31, 2015 and 2014

(With Independent Auditor's Report thereon)

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

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Atlantic County Utilities Authority

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June 1, 2016

Chairman Embry, Authority Board Members and President Dovey:

Presented to you are the audited financial statements for the 2015-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 Position, the Comparative Statement of Revenues, Expenses, and Changes in Net Position, 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 2015-year are presented as required.

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

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

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

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

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

The staff of the Finance Department prepared the basic financial statements and the supplemental financial statements and schedules discussed above. Holman Frenia Allison, PC, a firm of licensed certified public accountants, has audited and opined on the Authority's financial statements. The goal of an independent audit is to provide reasonable assurance as to the validity of the financial statements. This involves examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing any estimates and calculations utilized, assessing supplemental information provided or gathered by the auditors, and assessing the overall financial statement presentation. The auditors have opined that the basic financial statements which were prepared in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards present fairly, in all material respects, the financial position of the Atlantic County Utilities Authority at December 31, 2015 and 2014. There are no recommendations noted.

Sincerely,

Linda Bazemore

Linda Bazemore
Vice President of Finance & Administration/CFO

Katherine Vesey

Katherine Vesey
Director of Finance, Research & Development



INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of the
Atlantic County Utilities Authority

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of the Atlantic County Utilities Authority, a component unit of the County of Atlantic, State of New Jersey, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Atlantic County Utilities Authority as of December 31, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 2 to the financial statements, during the year ended December 31, 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No.27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Atlantic County Utilities Authority's basic financial statements. The accompanying introductory section and supplementary information contained in schedules I and II, IV through VIII, and X through XII are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information contained in schedules I and II, IV through VIII, and X through XII are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in

the United States of America. In our opinion, the supplementary information contained in schedules I and II, IV through VIII, and X through XII are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2016 on our consideration of the Atlantic County Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Atlantic County Utilities Authority's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 1, 2016
Toms River, New Jersey



**INDEPENDENT AUDITOR’S 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 Board of Commissioners of
Atlantic County Utilities Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and 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 Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Authority as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated June 1, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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* or audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Audit Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 1, 2016
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Atlantic County Utilities Authority's (the Authority or the ACUA) annual financial report, the management of the Authority provides narrative discussion and analysis of the financial activities of the Authority for the audit year ending December 31, 2015.

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, if applicable, of each Division do not have claims on the revenues or assets of the other Division.

Discussion of Financial Statements Included in Annual Audit

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

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

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

There are two differences between the statements. The first is the recording and reporting of accounts payable. On the "Modified Accrual Basis" statements, all encumbrances as of December 31, 2015 are reported as Accounts Payable or Construction Contracts Payable, and as Property, Plant and Equipment. On the "GAAP Basis" statements, only those encumbrances where goods or services have been received as of December 31,

2015 are reported as Accounts Payable or Construction Contracts Payable, and as Property, Plant and Equipment.

The second difference is new in 2015. The Authority adopted *GASB 68 – Accounting and Financial Reporting for Pensions* effective December 31, 2015. Historically the State of New Jersey recorded all pension-related activity on its financial statement. GASB 68 requires participating units to record their proportional share of future liabilities, inflows and outflows on their financial statements. The following are new line items on the financial statements of the Authority as a result of GASB 68:

- Deferred outflows related to pensions: Represents an actuarial estimate of obligations due in a future period
- Pension payable: The annual amount due for the current year not paid until the subsequent year (this has historically been reported as a current liability of the Authority; however it is now a separate line item, not included in Accounts Payable)
- Net pension liability: Represents an actuarial estimate of the current liability for future pension expenses
- Deferred inflows related to pensions: Represents an actuarial estimate of revenue to be received in a future period

See Notes 7 and 13 for further explanation of GASB 68 and its impact on the Authority’s financial statements.

The difference between the two statements and methodologies presents itself in Net Position-Unrestricted and is shown on the Modified Accrual Statement for each Division.

The Authority has historically presented its financial statements on a “Modified Accrual 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 Accrual” 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 financial performance is measured, particularly as it compares to the approved and adopted annual budget and how it relates to operational performance.

Finally there is a “Special Purpose Statement of Revenues and Expenses to Comply with Revenue Bond Resolution” for the Wastewater Division. This statement is done as defined and in accordance with the Bond Resolution. This statement essentially includes the same revenues and same expenses as reported on the “GAAP Basis” statements, with the exception of Depreciation. Depreciation is not included on the statement which complies with the Wastewater Bond Resolution.

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

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

Wastewater Division

Comparative Balance Sheet

The Wastewater Division’s Total Assets decreased \$3.2 million and 3%. Current Assets were up by \$6.9 million due to more cash and investments on hand and more Accounts Receivable. Noncurrent Assets decreased by \$4.7 and 35%, all due to reduced Cash and Investments. Capital Assets were unchanged and Accumulated Depreciation increased by about \$5.4 million resulting in a net decrease in Net Capital Assets of \$5.4 million. Depreciation is calculated straight line over the life of the asset with a half year of depreciation taken in the first and last years of the asset’s life.

Unamortized Bond Issue Costs were fully amortized as of January 15, 2015, when the underlying debt was retired.

Deferred Outflows Related to Pensions is \$2.7 million and is the first year this is required to be reported. See page two of the MD&A for an explanation of GASB 68 and this line item.

Total liabilities increased by \$10.7 million and 42%. The increase is due to a combination of an increase of \$17.9 million Net Pension Liability that is recorded for the first time in 2015 as a result of the implementation of GASB 68, described above, and a decrease in Debt of \$7.3 million in accordance with debt service schedules. Deferred revenue also decreased by \$125,000 due to 2015 revenue recognition for processing the sludge that is related to the Authority’s deferred revenue. Accounts Payable increased \$323,000 primarily due to the timing of payments. Pension Payable increased \$59,000 and 9% and is the amount payable to the New Jersey Public Employee’s Retirement System for the current year. Accrued absences decreased \$69,000 in 2015 compared to 2014.

Current and Long-Term Bonds Payable went from \$21.5 million in 2014 to \$14.1 million in 2015 due to principal payments in accordance with debt service schedules. The 1995, 2009 and 2013 series loans were retired in 2015 and no new debt was incurred. The Authority is authorized to borrow up to \$30 million in New Jersey Environmental Infrastructure Trust loans and anticipates closing on a portion of these in 2016 and the remainder in 2017. Projects funded under these loan programs include resiliency projects, bar screen improvements, Brigantine force main improvements and incinerator improvements.

Deferred Inflows Related to Pensions is \$336,000 and is the first year this is required to be reported. See page two of the MD&A for an explanation of GASB 68 and this line item.

Assets and Deferred Outflow of Resources exceed Liabilities and Deferred Inflow of Resources by \$68.7 million. This compares to 2014 where the division's Assets and Deferred Outflow of Resources exceeded its Liabilities and Deferred Inflow of Resources by \$80.2 million. The net change represents income for the 2015-year of \$3.0 million and the effects of required prior period adjustments of negative \$14.5 million (see Notes 7 and 13).

The Division's Net Position of \$68,687,831 is comprised of the following:

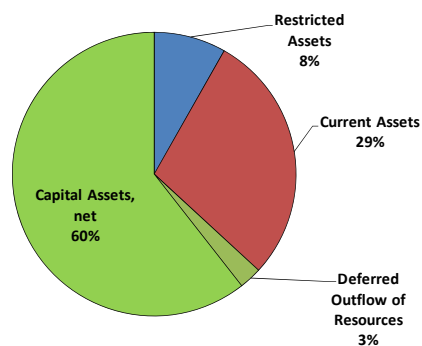
- (1) Capital Assets, Net of Related Debt of \$49,432,835, include property, plant and equipment, net of accumulated depreciation, and net of long-term debt and short-term debt related to the purchase or construction of capital assets. Calculated as: (Net Capital Assets-Long-Term Portion of Bonds Payable –Current Maturities of Long-Term Debt = Investment in Capital Assets, Net of Related Debt).
- (2) Net Position of \$5,800,000 restricted for the purpose of Renewal and Replacement of “the System” and restricted as the “System Improvement Requirement”, which is determined each year by an independent consulting engineer.
- (3) Net Position of \$348,426 restricted for the purpose of forthcoming debt service payments.
- (4) Net Position of \$1,150,757 restricted for the purpose of providing a Debt Service Reserve Fund, in accordance with the Authority's debt covenants, and of which part is in the form of a Surety Bond.
- (5) Unrestricted Net Position of \$11,955,813 represents the portion available to maintain the Authority's continuing obligations to the contractual customers of its service area, its creditors and current liabilities.

Restricted Net Position decreased \$10.4 million in 2015 as follows: the Renewal and Replacement Fund stayed the same based on the estimate provided by an independent consulting engineer; the Debt Service Fund decreased \$5.0 million due to a decrease in payments due in 2016 and beyond as three loan series were retired in 2015; and the Debt Service Reserve Fund requirement decreased \$5.4 million due to the loans that were retired. Unrestricted Net Position decreased \$3.1 million which is a function of changes in Restricted Net Assets and Net Income for the year.

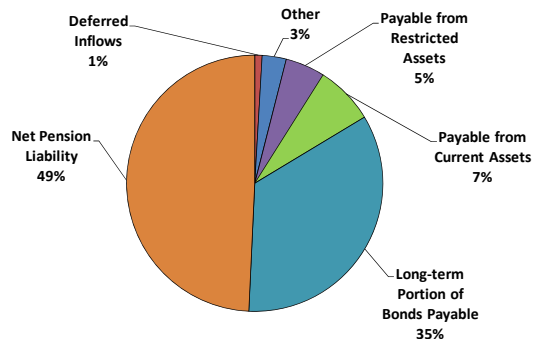
Below is a synopsis of the Wastewater Division's 2015 Balance Sheet with a comparison to last year:

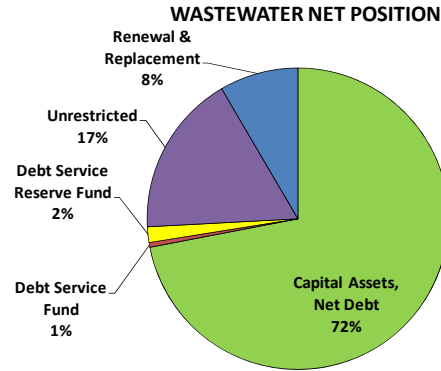
	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Total Current Assets	\$ 30,076,231	\$ 23,181,590	\$ 6,894,641	30%
Total Restricted & Noncurrent Assets	8,619,017	13,340,693	(4,721,676)	-35%
Capital Assets, Net of Depreciation	63,628,756	69,030,426	(5,401,670)	-8%
Unamortized Bond Issue Costs	-	711	(711)	-100%
Deferred Outflow Related to Pensions	2,711,204	-	2,711,204	100%
TOTAL ASSETS & DEFERRED OUTFLOWS	\$105,035,208	105,553,420	(518,212)	0%
Total Current Payable from Current	2,696,157	2,324,588	371,569	16%
Total Current Payable from Restricted	1,813,679	7,177,294	(5,363,615)	-75%
Total Noncurrent Liabilities	31,501,194	15,808,360	15,692,834	99%
Deferred Inflows Related to Pensions	336,347	-	336,347	100%
TOTAL LIABILITIES & DEFERRED INFLOWS	36,347,377	25,310,242	11,037,135	44%
Invested in Capital Assets, Net Debt	49,432,835	47,500,363	1,932,472	4%
Total Restricted	7,299,183	17,671,936	(10,372,753)	-59%
Unrestricted	11,955,813	15,070,879	(3,115,066)	-21%
TOTAL NET POSITION	\$ 68,687,831	\$ 80,243,178	\$(11,555,347)	-14%
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$105,035,208	\$ 105,553,420	\$ (518,212)	0%

WASTEWATER ASSETS & DEFERRED OUTFLOWS



WASTEWATER LIABILITIES & DEFERRED INFLOWS





Comparative Statement of Revenues, Expenses and Changes in Net Position

Net Income increased \$1.4 million and 90%. The increase is a combination of an increase in revenues of \$697,000, an increase in operating expenditures of \$744,000 and a decrease in non-operating expenses of \$1.4 million.

The user fee charged to the fourteen participants did not change. Sludge income increased \$548,000 and 34% due to additional customers as well as increased business with existing customers. Income from Septage and Leachate disposal decreased \$65,000 and 12% because we accepted less sludge than in 2014. Other income increased \$214,000 and 17% due to several factors as shown below. Significant changes are explained below the chart:

	2015	2014	\$ Change	% Change
Operating Service	\$ 913,735	\$ 682,891	\$ 230,844	34%
Revised NJEIT Debt Service Schedule	17,226	-	17,226	100%
Amortization of Bond Prem	126,805	126,804	1	0%
Rental	127,563	117,713	9,850	8%
Miscellaneous	6,388	14,286	(7,897)	-55%
Lab	95,809	101,758	(5,949)	-6%
Solar Renewable Energy Credits	125,119	104,019	21,100	20%
Insurance reimbursements	-	53,701	(53,701)	-100%
Permits	12,096	7,223	4,873	67%
Truck Wash Revenue	20,880	22,824	(1,944)	-9%
Total Other Income	\$ 1,445,620	\$ 1,231,219	\$ 214,401	17%

Operating Service Revenue increased \$231,000 and 34% due to increased activity for pump station maintenance and repairs for customers, increased fuel sales, additional grease inspections and hauling revenues. The NJEIT advised that a portion of a loan was not disbursed from the program and a revised loan schedule was prepared. This is a one-time adjustment to principal owed. Solar Renewable Energy Credit revenue increased \$21,000 because the market value for them increased. There were no significant insurance reimbursements in 2015.

The user fee is the primary revenue source of the Authority and supports the expenses as follows: \$22,548,595 for operating expenses, and \$2,369,959 for annual debt service. Sludge, Septage and Leachate disposal services are considered “outside income”, and as such are utilized to reduce or stabilize the user fee charged to the Authority’s fourteen direct participants. Income for these outside services was \$2.6 million in 2015, up from \$2.1 million in 2014. One of the ACUA’s largest sludge customers installed a sludge dryer and is marketing their dried product as fuel instead of bringing that material to ACUA. Since 2012 the customer has experienced problems and has been sending more sludge to ACUA than they had hoped. In 2015 an additional \$150,000 was generated from this customer as compared to 2014. In addition, there are new EPA emissions requirements for sewer sludge incinerators which has caused other area incinerators to shut down temporarily to make improvements. This has caused an increase in the amount of sludge that comes to ACUA. Both ACUA incinerators will undergo ash handling improvements in near future to meet new EPA emissions requirements. Funding for these improvements will be through the NJEIT.

Operating expenses increased by \$744,000 and 3% from the prior year. The increase was due to a combination of increases and decreases among significant operating items. The Division experienced modest increases in Chemicals, Indirect Operating Expenses and Depreciation. The Division experienced modest decreases in Salaries, Power & Utilities, Fuel and Supplies & Miscellaneous Maintenance.

More significant increases were seen in Employee Benefits and Contractual Services. Employee Benefits increased \$1,239,000 and 36% due to increases in annual pension expense and health benefit costs; these represent approximately \$410,000 of the increase, 12% over prior year expenses. The remaining \$829,000 increase is an expense required to be recorded as part of the adoption of GASB 68, as described above. This expense is an actuarial calculation and is not related to the dollar amount contributed to the pension plan by the ACUA. It is only presented on the GAAP statements, as required. Contractual Services increased \$62,000 and 13%. These are expenses related outside Operating Service Income which also increased in 2015.

Significant decreases were realized in Administrative, Licenses & Permits and Amortization of Bond Issue Costs. Administrative decreased \$164,000 and 11% primarily due to decreased legal and trustee fees. There were minimal bond counsel, financial advisory and trustee fees in 2015 due to three loans being retired and no new debt incurred in 2015. Licenses & Permits decreased \$53,000 because NJ Discharge Elimination System (NJDPES) decreased and is now in line with historical fees. The NJDPES fee was unusually high in 2014, was appealed by the Authority and denied. An additional \$55,000 was paid in 2014 that was not in 2015. Amortization of Bond Issue Costs decreased \$16,000 and 96% because only 15 days was amortized in 2015 versus a full year in 2014. The bonds associated with these issue costs were retired on January 15, 2015.

Total Operating Revenues exceeded Total Operating Expenses by \$3,189,085.

Non-Operating Expenses, which is comprised of County Appropriation, Interest Income, Interest Expense and Debt Issue Costs, decreased \$1.5 million.

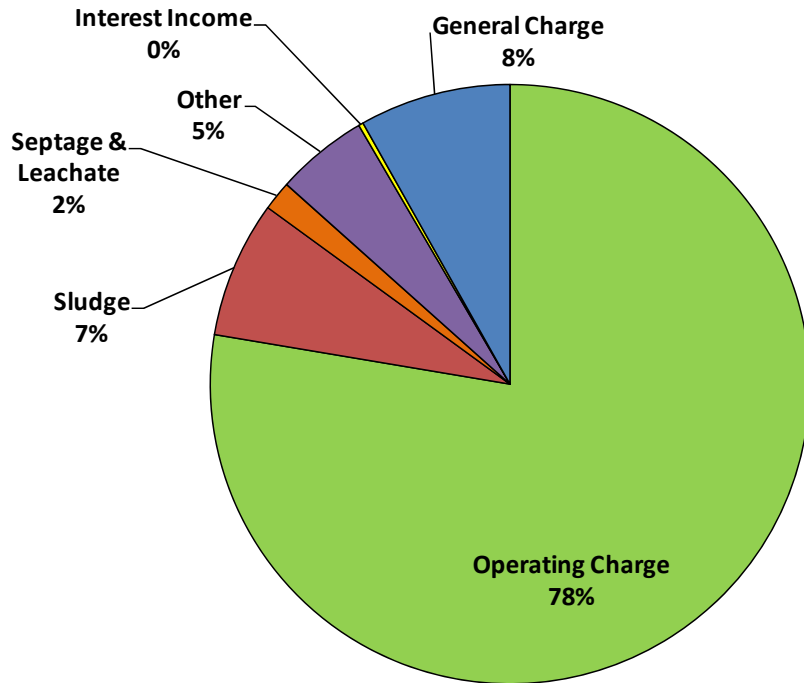
In 2014, the County of Atlantic exercised its right to request that up to five percent (5%) of the Authority's operating budget appropriations be transferred to the County. The County requested the maximum amount of 5% be transferred and the budget was amended to appropriate this expense for the full 5%, calculated to be \$1,387,635 for the Wastewater Division. The funds were transferred in August 2014 upon both ACUA and County of Atlantic obtaining all necessary approvals to execute the transaction. The reason the County requested the funds was for economic development initiatives for the County. The County did not request any funds in 2015, but did request contributions from the ACUA for 2016-2020. The County requested a total of \$500,000 per year for five years be paid towards Economic Development initiatives to be split pro-rata between Wastewater and Solid Waste. In addition the County requested a total of \$300,000 per year for three years be paid towards the Stockton Aviation Research and Technology Park, also to be split pro-rata between Wastewater and Solid Waste. In 2016 the Wastewater Division is responsible for \$374,000 of the \$800,000 due for both initiatives.

Interest income had a decrease of \$43,000 because high yielding investments associated with debt service reserve funds matured in January along with the associated debt. Interest expense decreased \$110,000 in accordance with debt service schedules.

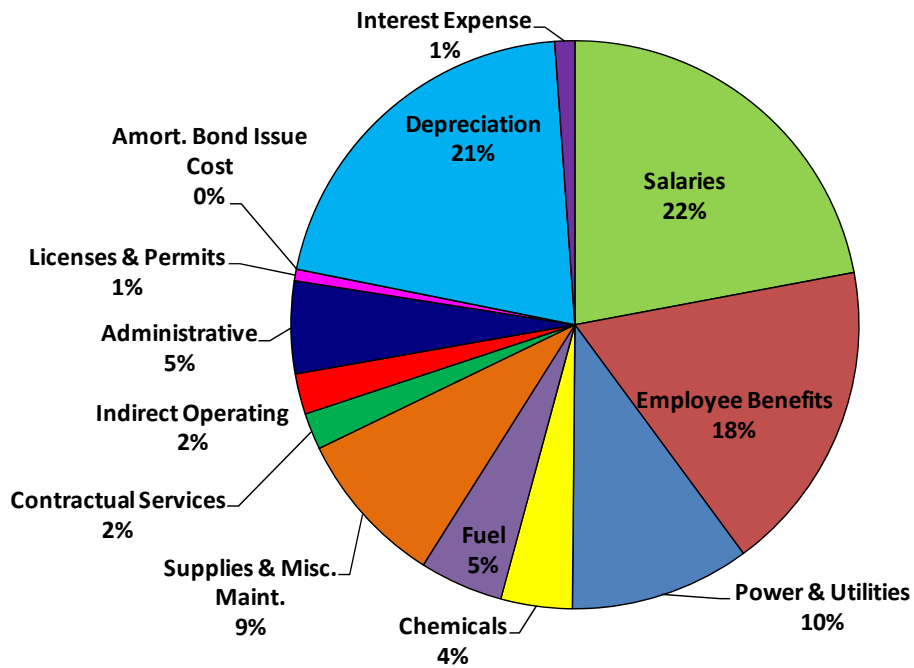
Total 2015 Revenues exceeded Total Expenses by \$2,966,160.

WW Revenue	2015	2014	\$ Change	% Change
User Fee	\$ 24,918,554	\$ 24,918,559	\$ (5)	0%
Sludge	2,141,491	1,593,237	548,254	34%
Septage & Lechate	459,799	525,065	(65,266)	-12%
Other	1,445,620	1,231,219	214,401	17%
Total Revenue	28,965,464	28,268,080	697,384	2%
WW Operating Expenses				
Salaries	5,750,211	5,974,989	(224,778)	-4%
Employee Benefits	4,651,644	3,412,897	1,238,747	36%
Power & Utilities	2,671,691	2,751,284	(79,593)	-3%
Chemicals	1,058,891	999,294	59,597	6%
Fuel	1,239,796	1,284,951	(45,155)	-4%
Supplies & Miscellaneous Maintenance	2,314,618	2,382,901	(68,283)	-3%
Contractual Services	541,771	479,379	62,392	13%
Indirect Operating Expenses	601,578	579,959	21,619	4%
Administrative	1,371,906	1,536,134	(164,228)	-11%
Licenses & Permits	171,892	224,879	(52,987)	-24%
Depreciation	5,401,670	5,388,622	13,048	0%
Amortization of Bond Issue Costs	711	17,074	(16,363)	-96%
Total Operating Expenses	25,776,379	25,032,363	744,016	3%
WW Non-Operating Revenue/(Expenses)				
County Appropriation	-	(1,387,635)	1,387,635	100%
Interest Income	73,571	116,945	(43,374)	-37%
Interest Expense	(296,496)	(406,986)	110,490	-27%
	(222,925)	(1,677,676)	1,454,751	-87%
NET INCOME	\$ 2,966,160	\$ 1,558,041	\$ 1,408,119	90%

WASTEWATER REVENUES



WASTEWATER EXPENSES



Statement of Cash Flows

Net Cash Provided by Operating Activities increased 2%, an increase of \$145,000. There were no significant changes in Receipts from Customers and Users, Payments to Employees or Payments to Suppliers.

Net Cash Used by Capital and Related Financing Activities decreased by \$410,000. The Purchase of Capital Assets was \$0 in 2015. Principal Paid on Capital Debt increased \$2 million and Interest Paid decreased by \$104,000, both in accordance with debt services schedules.

Net Cash Used by Investment Activities was \$7.3 million in 2015 as compared to Net Cash Provided by Investment Activities of \$196,000 in 2014, representing a cash flow decrease of \$7.8 million. The decrease is a result of a combination of less Interest Income and more term investments purchased in 2015 as compared to 2014.

The Net Decrease in Cash and Cash Equivalents for the 2015 year is \$5,498,926. The Cash and Cash Equivalents Balance at the Beginning of the Year was \$30,886,500 and the Balance at the End of the Year was \$25,387,574.

	<u>2015</u>	<u>2014</u>	<u>Cash Flow</u> <u>Incr/(Decr)</u>	<u>% Change</u>
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 28,534,366	\$ 28,601,745	\$ (67,379)	0%
Payments to Employees	(5,750,211)	(5,974,989)	224,778	-4%
Payments to Suppliers	(13,548,047)	(13,536,017)	(12,030)	0%
Net Cash Provided by Operating Activities	<u>9,236,108</u>	<u>9,090,739</u>	<u>145,369</u>	<u>2%</u>
Cash Flows from Noncapital Financing Activities				
Transfers to Other Funds	<u>197,636</u>	<u>289,012</u>	<u>(91,376)</u>	<u>-32%</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	-	(1,516,726)	1,516,726	-100%
Principal Paid on Capital Debt	(7,334,853)	(5,304,641)	(2,030,212)	38%
Interest Paid on Capital Debt	(346,071)	(449,579)	103,508	-23%
Net Cash Used by Capital and Financing	<u>(7,680,924)</u>	<u>(7,270,946)</u>	<u>(409,978)</u>	<u>6%</u>
Cash Flows from Investing Activities				
Interest Income	105,633	107,188	(1,555)	-1%
County Appropriation	-	(1,387,635)	1,387,635	-100%
Transferred to Investments	(7,357,379)	1,476,818	(8,834,197)	-598%
Net Cash Provided/(Used) by Investing Activities	<u>(7,251,746)</u>	<u>196,371</u>	<u>(7,448,117)</u>	<u>-3793%</u>
Net Change in Cash and Cash Equivalents	<u>(5,498,926)</u>	<u>2,305,176</u>	<u>(7,804,102)</u>	<u>-339%</u>
Cash and Cash Equivalents, January 1	<u>30,886,500</u>	<u>28,581,324</u>	<u>2,305,176</u>	<u>8%</u>
Cash and Cash Equivalents, December 31	<u>\$ 25,387,574</u>	<u>\$ 30,886,500</u>	<u>\$ (5,498,926)</u>	<u>-18%</u>

Solid Waste Division

Comparative Balance Sheet

The Solid Waste Division reports Total Assets of \$96,585,000, a decrease of \$1,008,000 and 1% from 2014.

Current Assets decreased \$102,000 and 1% primarily due to less cash on hand and a decrease to accounts receivable in 2015 as compared to 2014.

Restricted and Noncurrent Assets increased \$1.1 million and 3%. Cash and investments increased due to monthly deposits made to fund cell wall construction in 2018. Amounts held by the state of New Jersey decreased \$2.4 million and 7% and represents a combination of deposits made to the ACUA escrow account equal to \$1 per ton of certain waste types received, interest income earned on the accounts, withdrawals from the ACUA escrow account to fund a temporary cap on approximately 30 acres of landfill and withdrawals from the Pinelands Park Landfill (PPL) escrow accounts for post-closure care and maintenance costs.

Capital Assets increased \$2.2 million and 2% and includes the acquisition of equipment, vehicles, road work and transfer station improvements in addition to the removal of equipment and vehicles sold on GovDeals.com. Accumulated Depreciation increased \$4.3 million and 5% and is a combination of \$5.4 million depreciation expense and \$1.1 million removed when assets were sold. Depreciation is calculated straight line over the life of the asset with a half year of depreciation taken in the first and last years of an asset's life.

Deferred Outflows Related to Pensions is \$3.5 million and is the first year this is required to be reported. See page two of the MD&A for an explanation of GASB 68 and this line item.

Total Liabilities increased \$25.4 million and 72%. Current Liabilities Payable from Unrestricted Assets increased by \$484,000 and 15% due to increased Accounts Payable and Pension Payable. Accounts Payable increased \$441,000 primarily due to the timing of payments. Customer Deposits decreased \$5,000 and 3% due to fewer customers depositing cash to draw down with future sales activity. Pension Payable increased \$48,000 and 6% and is the amount payable to the New Jersey Public Employee's Retirement System for the current year.

Current Liabilities Payable from Restricted Assets consists only of Construction Contracts Payable and decreased \$851,000 and 73%. The decrease is primarily due to payments made for vehicles and equipment in 2015.

Accrued Landfill Closure costs increased \$3 million and 10%. The ACUA now owns two landfills, the active ACUA landfill and the closed Pinelands Park Landfill that was acquired in 2012. The ACUA closure liability is calculated by the Authority's consulting engineer and includes total costs for closure and post-closure care of \$13.8 million, an

increase of \$4 million from 2014, of which \$3.3 million is recorded as a prior period adjustment and \$715,000 is recorded as a 2015 expense. The prior period adjustment was necessary because the liability was understated due to incorrectly interpreting the engineers reports and because a revised closure/post-closure financial plan was submitted to the DEP and impacts the total liability. The PPL Closure Liability is \$18.8 million and decreased more than \$1 million due to closure expenses incurred in 2015 which are partially offset by interest income earned in the escrow accounts.

The amount escrowed for ACUA's landfill is in accordance with the consulting Engineer's findings as reported. Total anticipated closure cost as of December 31, 2015 is \$13,810,044. The percent of cumulative landfill capacity utilized as of December 31, 2015 according to the consulting engineer report is 58.7%, up from 55.7% in 2014. This increase is the result of 300,250 current year tons of accepted waste plus associated cover material used and buried in the landfill. The Authority's independent consulting engineer performs the necessary calculation to determine the estimated liability in accordance with provisions of Statement No. 18 of the Government Accounting Standards Board, Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs.

The Pinelands Park Landfill Post-Closure Costs assumed are \$18.8 million and are fully funded. The ACUA Landfill Post-Closure Costs are estimated to be \$13.8 million and \$8.3 million is funded. Both are shown in the Noncurrent Assets of the Authority.

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 \$563,000. The Authority has set aside additional funds for Other Post-Employment Benefits. Net Pension Liability is recorded for the first time in 2015 as a result of the implementation of GASB 68, described above.

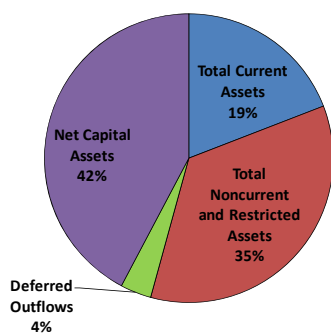
Deferred Inflows Related to Pensions is \$430,000 and is the first year this is required to be reported. See above for an explanation of this line item.

The Division's Net Position of \$38,782,008 is comprised of the following:

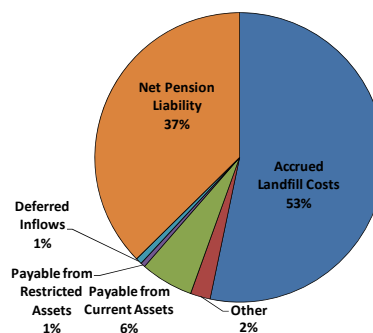
- (1) Capital Assets, Net of Related Debt of \$0, are \$42,288,928 and include Property, Plant and Equipment, net of Accumulated Depreciation.
- (2) Unrestricted Net Position of negative \$3,506,920 represents the shortfall in Net Position available to maintain the Authority's continuing obligations to the Authority's service area, certain creditors, current liabilities and other post-employment benefits. In 2015, the Net Position decreased \$23.4 million primarily due to the implementation of GASB 68 and due to a Net Loss of \$604,287 in 2015. As stated previously, the \$22.9 million GASB requirement is not a cash obligation of the Authority and is for GAAP presentation purposes only.

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Total Current Assets	\$ 19,137,499	\$ 19,239,428	\$ (101,929)	-1%
Total Noncurrent & Restricted Assets	35,158,598	34,045,287	1,113,311	3%
Capital Assets, Net of Depreciation	42,288,928	44,308,257	(2,019,329)	-5%
Deferred Outflows Related to Pensions	3,467,398	-	3,467,398	100%
TOTAL ASSETS & DEFERRED OUTFLOWS	100,052,423	97,592,972	2,459,451	3%
Total Liabilities Payable from Current Assets	3,619,785	3,135,465	484,320	15%
Total Liabilities Payable from Restricted Assets	316,722	1,167,950	(851,228)	-73%
Accrued Landfill Closure and Post-Closure Costs	32,641,816	29,626,925	3,014,891	10%
Other Non-Current Liabilities	1,362,699	1,501,782	(139,083)	-9%
Net Pension Liability	22,899,234	-	22,899,234	100%
Deferred Inflows Related to Pensions	430,159	-	430,159	100%
TOTAL LIABILITIES & DEFERRED INFLOWS	61,270,415	35,432,122	25,838,293	73%
Invested in Capital Assets, Net Debt	42,288,928	44,308,257	(2,019,329)	-5%
Unrestricted	(3,506,920)	17,852,593	(21,359,513)	-120%
TOTAL NET POSITION	\$ 38,782,008	\$ 62,160,850	\$(23,378,842)	-38%
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 100,052,423	\$ 97,592,972	\$ 2,459,451	3%

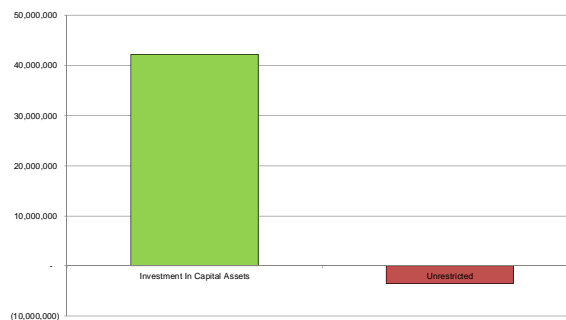
SOLID WASTE ASSETS & DEFERRED OUTFLOWS



SOLID WASTE LIABILITIES & DEFERRED INFLOWS



SOLID WASTE NET POSITION



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

Solid Waste Net Loss is \$604,000 compared to Net Income of \$161,000 in 2014, a \$765,000 and 475% decrease. There has been a significant downturn in the local and regional economy primarily due to four casino properties closing in 2014, leaving only eight active casino properties. Atlantic County has seen high unemployment and foreclosure rates for all of 2014 and 2015 and ACUA has suffered financially from the downturn as well. In addition, GASB 68 contributed \$434,000 towards the Net Loss which, as described above, is for GAAP purposes only and does not represent an actual cash expense to be paid.

Tip Fees increased 3% and \$618,000 after a decrease of \$2.4 million in 2014 as compared to 2013. The local economy remained rather stable from 2014 to 2015 after a significant hit in 2014 from four casino closings. Recycling Market Revenue and Revenue from Collection Contracts decreased 7% and \$584,000. The decrease is due to the loss of one significant recycling contract and because recycling market rates are well below normal. Grant Income increased slightly to \$100,000 from the Clean Communities Grant award that ACUA manages, up from \$94,000 in 2014. Compost and Eco-Products were up \$98,000 and 9% due in part to 2014 being unusually low because Eco Soil ran out in April of that year and we did not run out of Eco Soil in 2015. Other Income decreased \$100,000 and 7% due to several factors as shown below. Significant changes are explained following the chart.

	2015	2014	\$ Change	% Change
Landfill Gas to Energy	332,637	\$ 423,441	\$ (90,804)	-21%
PPL Reimbursement	291,185	173,863	117,322	67%
Rental Income	230,570	226,636	3,934	2%
CNG Tax Rebate	76,583	71,733	4,850	7%
Fuel Sales	40,501	54,451	(13,950)	-26%
Insurance Refunds	14,998	140,041	(125,043)	-89%
Finance Charges	10,377	31,591	(21,214)	-67%
Stickers for Carts Atlantic City	27,000	-	27,000	100%
Waste Flow Settlement	30,000	32,500	(2,500)	-8%
GovDeals	32,406	139,960	(107,554)	-77%
Worker's Comp	105,037	1,428	103,609	7254%
Miscellaneous	48,140	42,069	6,071	14%
Clean Energy	31,490	33,200	(1,710)	-5%
Total Other Income	\$ 1,270,923	\$1,370,913	\$ (99,990)	-7%

The Landfill Gas to Energy (LFG) project that converts methane from the landfill to electricity is experiencing major difficulties. The project was designed to have three engines to maximize the amount of methane gas collected and converted to electricity. In 2013 two of the three engines started to perform poorly and have subsequently been taken off line by the Authority's partner, AC Landfill Energy, LLC (ACLE). ACUA shares in total revenues of the project and with two engines offline for most of 2015 revenues decreased over \$90,000. The engines being offline impacts odors and the operation of

the flares at the facility because these systems were designed based on three engines running, not one. The Authority is actively seeking swift resolution to this issue which will include contract modifications with ACLE and a new flare to be installed by ACUA. PPL reimbursement income increased from 2014 to 2015 because several 2014 expenses were delayed and were not reimbursed until 2015, in addition to 2015 expenses reimbursed. The CNG tax rebate is a 50 cent per gallon equivalent rebate from the IRS for CNG dispensed by the station owner. Since the Jitneys have built a CNG station of their own, fuel sales have continued to decrease. Insurance refunds decreased \$125,000 due to fewer claim amounts for equipment damages. Finance charges decreased \$21,000 and 67% because two customers had large balances and late fees in 2014 but not 2015. Stickers for Carts for Atlantic City represents stickers to rebrand ACUA recycling containers to Atlantic City because the city moved recycling collections from an ACUA contract to in-house in March 2015. GovDeals revenue decreased \$108,000 primarily due to the sale of a tub grinder and several garbage trucks in 2014 that were not sold in 2015. Worker's compensation increased \$104,000 due to two premium refunds after the insurance company audited the payroll.

Operating Expenses increased \$1.8 million and 6%, which is the net result of increases and decreases among significant operating items. The Division experienced modest changes in Salaries, Power & Utilities, Administrative, Community Benefit, Recycling & Other Taxes, and Depreciation Expenses. More significant increases and decreases are explained below.

There was a \$1.1 million and 20% increase in Employee Benefits primarily due to increases in annual pension costs and employee health benefits, both through State of New Jersey programs. These annual costs increased \$677,000 and 18%. Implementation of GASB 68 contributed \$434,000 to this increase which is described in more detail on page two of the MD&A.

Supplies and Miscellaneous Maintenance increased \$1.2 million and 61% due to a net result of the GAAP adjustment to accounts payable which increased 2015 Indirect Operating expenses by \$1.1 million over 2014. The GAAP adjustment will be reversed in 2016. Bad Debt increased \$120,000 and 650% because one municipal customer has a balance for approximately this amount and it is unlikely to be paid.

Fuel costs decreased \$446,000 and 36% because diesel fuel and natural gas prices decreased significantly in 2015. Indirect Operating expenses decreased \$282,000 and 8% due to gas wells being installed in 2014 that were not done in 2015. Also cover material costs decreased because in 2014 additional slope work on the landfill was done requiring more cover than typical.

Total Operating Expenses exceeded Total Operating Revenues resulting in an operating loss of \$774,000 for 2015 versus \$1 million operating income in 2014. Net income, if available, normally funds the capital improvements of the Authority which include the construction of new cells, the purchase of collection vehicles and other equipment, infrastructure improvements and landfill closure responsibilities.

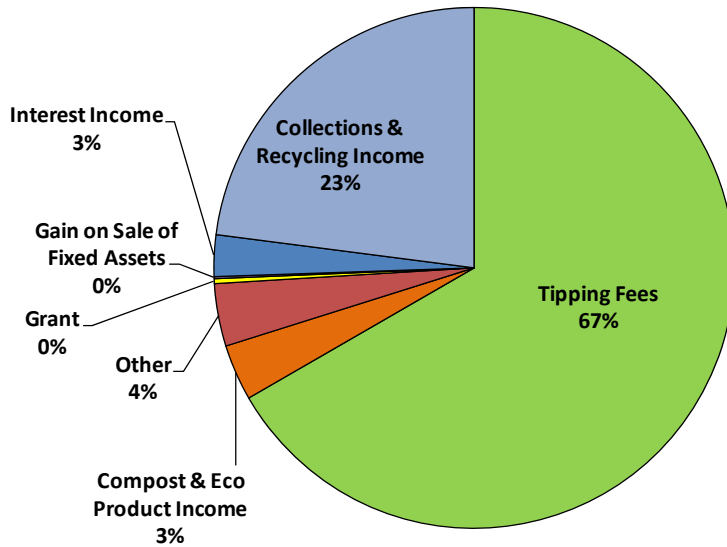
Total Non-Operating Income is \$170,000 compared to Expense of \$844,000 in 2014, an improvement of \$1 million. In 2014 the County of Atlantic exercised its right to request that up to five percent (5%) of the Authority's operating budget be transferred to the County. The budget was amended to appropriate this expense and the full 5%, calculated to be \$1,424,083, was paid in 2014. The County did not request this amount in 2015, but did request contributions from the ACUA for 2016-2020. The County requested a total of \$500,000 per year for five years be paid towards Economic Development initiatives to be split pro-rata between Solid Waste and Wastewater. In addition the County requested a total of \$300,000 per year for three years be paid towards the Stockton Aviation Research and Technology Park, also to be split pro-rata between Solid Waste and Wastewater. In 2016 the Solid Waste Division is responsible for \$426,000 of the \$800,000 due for both initiatives.

In 2015 Interest Income increased \$61,000 primarily in the PPL escrow investments. In 2015 some old equipment and vehicles were sold which resulted in a gain of \$41,000. There was no such transaction in 2014. Finally, the estimated landfill closure liability increased \$715,000 in 2015 and is calculated by an independent engineer on an annual basis.

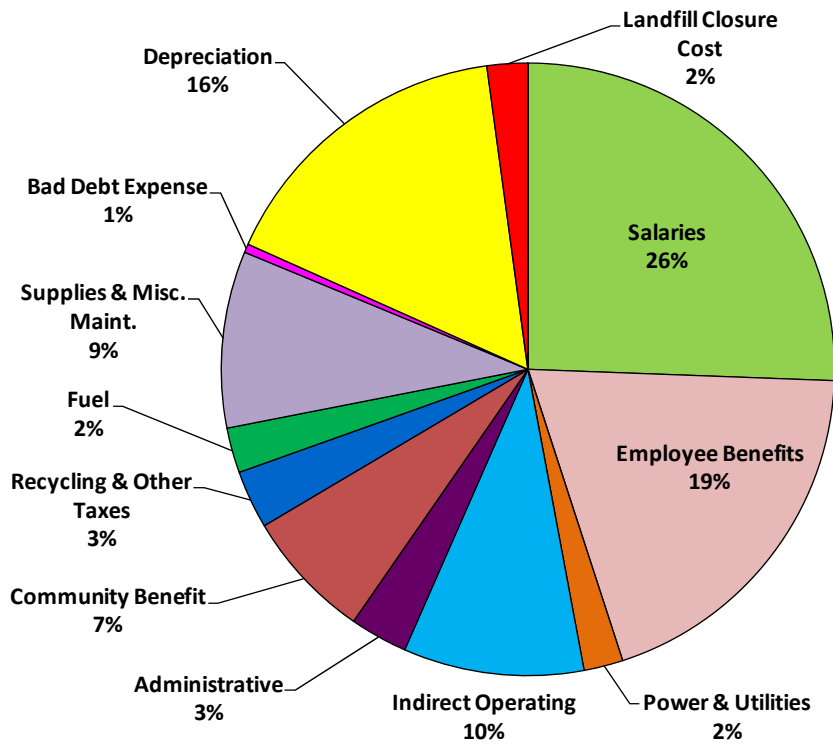
Net Loss for the 2015 year is \$604,287 compared to Net Income of \$161,108 in 2014.

SW Revenue	2015	2014	\$ Change	% Change
Tipping Fee	\$21,818,878	\$21,201,244	\$ 617,634	3%
Collections & Recycling	7,511,662	8,096,128	(584,466)	-7%
Grant Income	99,533	93,744	5,789	6%
Composting & Eco Product Income	1,138,387	1,039,930	98,457	9%
Other	1,270,923	1,370,913	(99,990)	-7%
Total Revenue	31,839,383	31,801,959	37,424	0%
SW Operating Expenses				
Salaries	8,529,052	8,415,309	113,743	1%
Employee Benefits	6,468,956	5,397,745	1,071,211	20%
Power & Utilities	687,356	665,313	22,043	3%
Fuel	794,554	1,240,355	(445,801)	-36%
Supplies & Miscellaneous Maintenance	3,106,605	1,928,381	1,178,224	61%
Indirect Operating Expenses	3,172,062	3,454,120	(282,058)	-8%
Administrative	1,017,431	1,006,573	10,858	1%
Community Benefit	2,279,554	2,244,378	35,176	2%
Recycling & Other Taxes	1,022,877	1,020,172	2,705	0%
Bad Debt Expense	150,000	20,000	130,000	650%
Depreciation	5,385,068	5,404,251	(19,183)	0%
Total Operating Expenses	32,613,515	30,796,597	1,816,918	6%
SW Non-Operating Revenue/(Expenses)				
County Appropriation	-	(1,424,083)	1,424,083	100%
Interest Income	844,313	782,872	61,441	8%
Gain on Sale of Fixed Asset	40,940	-	40,940	100%
Adjustment to landfill closure and post-closure care cost	(715,408)	(203,043)	(512,365)	252%
	169,845	(844,254)	1,014,099	-120%
NET INCOME	\$ (604,287)	\$ 161,108	\$ (765,395)	-475%

SOLID WASTE REVENUES



SOLID WASTE EXPENSES



Statement of Cash Flows

Net Cash Provided by Operating Activities increased 200% and \$6.7 million. Receipts from Customers and Users and Payments to Employees were flat. Payments to Suppliers decreased 33% and \$6.8 million which are due to fewer capital projects in 2015 versus 2014. In 2014 a new landfill cell was constructed for \$6.6 million.

Net Cash Used by Capital and Related Financing Activities decreased \$5.4 million due to fewer capital asset additions in 2015. In 2014 cell construction costs of \$6.6 million were paid.

Net Cash Provided by Investment Activities decreased by \$15 million to an outflow of \$8.2 million compared to an inflow in 2014 of \$6.7 million. In 2015, Interest Income increased by \$70,000 and there was no County appropriation of \$1.4 million like there was in 2014. Transfers from cash to short-term investments to earn slightly more income increased \$16 million.

Total Net Decrease in Cash and Cash Equivalents for 2015 is \$1,815,217.

Cash and Cash Equivalents at the Beginning of the Year were \$12,805,675 and \$10,990,458 at the End of Year, a 14% decrease.

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$32,010,210	\$31,971,610	\$ 38,600	0%
Payments to Employees	(8,529,052)	(8,415,309)	(113,743)	1%
Payments to Suppliers	(13,442,021)	(20,204,359)	6,762,338	-33%
Net Cash Provided by Operating Activities	<u>10,039,137</u>	<u>3,351,942</u>	<u>6,687,195</u>	<u>200%</u>
Cash Flows from Noncapital Financing Activities				
Transfers to Other Funds	<u>(197,636)</u>	<u>(289,012)</u>	<u>91,376</u>	<u>-32%</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	<u>(3,429,649)</u>	<u>(8,834,800)</u>	<u>5,405,151</u>	<u>-61%</u>
Net Cash Used by Capital and Financing	<u>(3,429,649)</u>	<u>(8,834,800)</u>	<u>5,405,151</u>	<u>-61%</u>
Cash Flows from Investing Activities				
Interest Income	843,660	773,853	69,807	9%
County Appropriation	-	(1,424,083)	1,424,083	-100%
Transferred to Investments	(9,070,729)	7,395,916	(16,466,645)	-223%
Net Cash Provided (Used) by Investing Activities	<u>(8,227,069)</u>	<u>6,745,686</u>	<u>(14,972,755)</u>	<u>-222%</u>
Net Change in Cash and Cash Equivalents	<u>(1,815,217)</u>	<u>973,816</u>	<u>(2,789,033)</u>	<u>-286%</u>
Cash and Cash Equivalents, January 1	<u>12,805,675</u>	<u>11,831,859</u>	<u>973,816</u>	<u>8%</u>
Cash and Cash Equivalents, December 31	<u>\$10,990,458</u>	<u>\$12,805,675</u>	<u>\$ (1,815,217)</u>	<u>-14%</u>

Core Competencies

Wastewater Division

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

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

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

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

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

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

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

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

Solid Waste Division

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

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

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

The Transfer Station processes all municipal waste delivered to the system. It is permitted to operate at a maximum of 1,950 tons of solid waste per day. Waste received goes through the Transfer Station before being taken to the landfill for disposal. Cell 11 was constructed in 2011 and 2012 for a total cost of approximately \$4.6 million. This cell began to accept waste in the second quarter of 2012 and reached its capacity in early 2015. Cell 9 is the last cell to be built under the original landfill footprint and was completed in late 2014 for a total cost of approximately \$6.6 million. Waste began being placed in Cell 9 in the second quarter of 2015. After Cell 9 reaches its capacity a mechanically stabilized earth (MSE) wall will be constructed that will utilize available side slope areas for additional capacity. It is anticipated that construction of the MSE wall will begin in 2018. Capacity at the landfill is expected to be available through 2028. The ACUA is seriously researching and collaborating on other innovative and emerging technologies for the disposal of solid waste.

A gas collection system improvement was done during 2012 and included the installation of eighteen vertical gas wells to increase the amount of gas collected. The cost for the eighteen wells was approximately \$160,000. The wells help to reduce odors from the landfill and increase the amount of gas collected to be used by the Landfill Gas to Electricity (LFG) facility. In 2013 an additional \$75,000 was invested in the gas collection system and referred to as the Header Project. This project includes the installation an 18" gas collection main from the flare station to the landfill and will increase gas collection from the existing landfill wells and replace the old header which is installed under the capped portion of the landfill which cannot be maintained if a problem were to occur. In 2014 a total of 32 additional wells were installed at a cost of approximately \$366,000 to proactively continue to increase gas collection and reduce potential odor issues. In 2015 a temporary rain capping system was installed and covers approximately 30 acres of landfill. The temporary cap has multiple benefits to landfill operations and gas collection efficiencies. The rain cap contains potential fugitive gas within the cover and allows gas collection wells to more effectively collect the gas without the intrusion of air. The cover also reduces the amount of rainwater that infiltrates the landfill which reduces the amount of leachate required to be treated as well as decrease the production of landfill gas. The electricity for the entire solid waste facility is provided by one engine in the ACLE landfill gas facility which is a renewable energy source. Two of the three engines in that project have been taken off line as previously discussed.

In 2012 the ACUA successfully closed a loop-hole in the Solid Waste Management Plan. Waste brought to the ACUA includes municipal, commercial, construction, and industrial waste. In 2015 approximately 300,000 tons of waste came in, compared to about 290,000 tons in 2014, 324,000 tons in 2013, 293,000 tons in 2012 and 272,000 tons in 2011. Tipping Fees for every ton of waste that comes into the solid waste facility is the primary source of revenue for the Solid Waste Division.

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

Recycling collection is provided to about twenty Atlantic County municipalities, either on a weekly or bi-weekly basis. Many commercial entities have weekly service. All the recyclables received are processed and marketed by ReCommunity. Revenue from recyclables declined sharply in late 2008 due to the global economic crisis. The markets had been rebounding, however declined again in 2015. In 2015 approximately 46,500 tons were collected, which is about 11% higher than 2014.

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

The Authority's compost operation processes leaves, grass clippings, tree branches, clean wood, brush and Christmas trees. In 2015 about 23,000 tons of yard waste was processed, up about 2,000 tons from 2014 and in line with historical tonnages. The branches, brush, and trees are processed into EcoSoil and sold to the public, providing additional income to support the Solid Waste system.

Centralized Maintenance

The ACUA has a 17,000 square foot Maintenance Center where a fleet of over 70 vehicles and 30 pieces of specialized heavy equipment is maintained and serviced. In 2010 the Authority completed construction of its compressed natural gas (CNG) fueling station and now has twenty CNG refuse collection trucks, one CNG rolloff truck, a CNG street sweeper and four bi-fuel trucks in its fleet. In order to service these vehicles safely, approximately \$195,000 of improvements to the Maintenance Center were necessary and were completed in 2011 and 2012. The ACUA received \$75,000 in grant funding towards these costs in 2012. Maintenance to other governmental agencies is provided on an as need basis. The vehicle wash, owned by the Wastewater Division, is also available to other agencies and the public. These services provide additional income to the Divisions and optimize the existing facility and staff. Centralized Maintenance is also responsible for buildings and grounds maintenance for ACUA property and operates and maintains the vehicle wash facility.

Accountability

The Atlantic County Utilities Authority's mission statement is:

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

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

As an environmental utility, the Authority is also guided by and accountable to state government and the applicable rules and regulations that govern the Atlantic County Utilities Authority. The Authority is financially accountable to the Department of Community Affairs, Division of Local Government Services. As an environmental utility, the Authority is accountable to the U.S Environmental Protection Agency and the New Jersey Department of Environmental Protection.

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

Governing Body

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

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

The Authority Board Members are:

Marvin E. Embry, Chairman
Michael C. Epps, Vice Chairman
Peter A. Sarkos, Treasurer
Fred Akers, Assistant Treasurer
Andrew Berenato, III, Member
Paul A. Rosenberg, Member
John E. Lyons, Member
Dennis Levinson, County Executive

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. Mr. Dovey is active in numerous community and statewide organizations. He currently serves as Chair of the Sustainable Jersey Board of Trustees, Chairman of the Egg Harbor City Industrial Commission, Vice Chairman of the Cape Atlantic Conservation District Board of Supervisors and Chair of the Stockton University Foundation Board. He also serves on a number of advisory boards at Stockton University, Rowan University School of Engineering, Atlantic Cape Community College and Atlantic County Institute of Technology. Mr. Dovey has served as chairman of the New Jersey Solid Waste Advisory Council, on the Board of Trustees and President of the N.J. Association of Environmental Authorities, as Chairman of the Community FoodBank of New Jersey, Southern Branch, President of the Atlantic County School Board Association, Vice President of the Egg Harbor City Board of Education, and Chairman of the 2011 United Way of Atlantic County Campaign. 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 University with a Bachelor of Arts in Urban Studies.

Linda Bazemore, Vice President of Administration and Finance/CFO. Ms. Bazemore joined the Authority in January 2016. In her role, she oversees the operations of the Finance, Human Resources and Information Technology departments.

Ms. Bazemore has more than 13 years of experience in administration, finance management and policy development. Before joining ACUA, she served as the Deputy Executive Director of Administration for the Atlantic City Municipal Utilities Authority (ACMUA) — a position she held for nine years. She was responsible for managing finance and capital projects; interpreting and implementing administrative and financial policies; preparing and managing budgets; contract and vendor negotiations; developing and reviewing RFPs; strategic planning; overseeing the accounting, personnel and customer service divisions; and regulatory compliance, among other duties.

Prior to joining the ACMUA in 2001, she served as a Senior Accountant and Senior Rate Analyst at the South Jersey Gas Company.

Ms. Bazemore is a Certified Public Accountant and Certified Municipal Finance Officer. She holds a Masters of Business Administration from Rutgers University and a Bachelor of Arts in Accounting from Stockton University.

Ms. Bazemore is a member of the United Way of Atlantic County Women's Leadership Initiative. Furthermore, Linda serves on the Women's Shelter Ministry for her Church.

Katherine O. Vesey, Director of Finance and Research & Development. Ms. Vesey has worked for the Authority since 2004 and is responsible for coordinating the annual audit. Ms. Vesey is responsible for the daily operations of the finance department and works with her R&D team to explore energy and environmental initiatives for the ACUA. She has led the ACUA in becoming New Jersey's first organization to join the Chicago Climate Exchange (CCX), the world's first and North America's only legally binding rules-based greenhouse gas emissions allowance trading system. Ms. Vesey also manages the ACUA's Solar Renewable Energy Certificate portfolio. Ms. Vesey holds Bachelor of Science degrees in Accounting and Management from Northeastern University. She is a Certified Public Accountant and also holds a certificate of successful completion of the Water and Wastewater Leadership Center from The University of North Carolina at Chapel Hill Kenan-Flagler Business School. Ms. Vesey is a volunteer board member for Literacy Volunteers Association Cape-Atlantic and currently serves as Board Chair and is a member of the United Way of Atlantic County Women's Leadership Initiative. Ms. Vesey also volunteers to provide financial statement audit reviews for the United Way of Greater Philadelphia and Southern New Jersey.

Other leaders in the Finance Department are Sandra Bourguignon, Chief of Staff, Rick Thomas, Purchasing Manager and Harry Gallagher, IT & HR Director.

Brian Lefke, Senior 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 Commissioners 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,

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. Prior to joining the ACUA, Mr. Lefke 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 Stockton University with a Bachelor of Science in Environmental Science and from Farleigh Dickinson University with a Master of Science in Administrative Science. He has served on the Atlantic Cape Community College Board of Trustees since 1995 and was the Board Chairman from 2005-2007. Mr. Lefke has been a member of the Association of New Jersey Recyclers and has served on the executive committee of this group. He has previously been a member of the New Jersey Pinelands Commission and Somers Point Planning Board.

Also serving the Solid Waste Division is Gary Conover, Director of Solid Waste.

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

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

degree in Chemical Engineering from Widener University in Chester, Pennsylvania and is a continuing education instructor at Atlantic Cape Community College teaching wastewater treatment technologies.

Eugene L. Petitt, PE, PP Chief Engineer. Mr. Petitt is the Chief Engineer for the Authority, a position he has held since 1990. Mr. Petitt is responsible for the planning, design, permitting, and construction of all capital infrastructure improvements for both the Wastewater and Solid Waste Divisions. In February 2008, Mr. Petitt was appointed Head of Centralized Maintenance, a function that combined the in-house maintenance departments of both the Divisions into a central department. Duties include handling fleet maintenance, buildings and grounds, electrical and mechanical maintenance functions. Mr. Petitt has overseen over \$137 million worth of capital improvements since joining the Authority. Prior to joining the Authority, Mr. Petitt was the Atlantic County Engineer for eight years, and managed a consulting engineering company in Millville, NJ for six years. Mr. Petitt graduated from Cumberland County College with an Associates of Arts degree in Math and Science and Drexel University with a Bachelor of Science degree in Civil Engineering. Mr. Petitt is a licensed professional engineer, a professional planner and holds an 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 and currently serves as President. He also was recently presented with the "Mary S. Irick Drexel Medal".

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

Funding of Infrastructure and Debt Management

It is the current policy of the Atlantic County Utilities Authority Board of Commissioners 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 the 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.

ATLANTIC COUNTY UTILITIES AUTHORITY
Statement of Net Position
December 31, 2015 and 2014

	2015			2014
	Wastewater Division	Solid Waste Division	Total	
ASSETS				
Unrestricted current assets:				
Cash and cash equivalents	\$ 19,368,494	\$ 5,263,046	\$ 24,631,540	\$ 28,094,359
Investments	11,374,894	10,116,406	21,491,300	11,484,002
Accrued interest receivable	17,584	41,844	59,428	91,390
Accounts receivable (net of allowance \$198,759 and \$556,508 in 2015 and 2014, respectively)	916,338	2,115,124	3,031,462	2,751,267
Internal accounts	(1,601,079)	1,601,079	-	-
Total unrestricted current assets	30,076,231	19,137,499	49,213,730	42,421,018
Restricted noncurrent assets:				
Cash and cash equivalents	6,019,080	5,727,412	11,746,492	15,597,816
Investments	2,599,937	-	2,599,937	-
Amounts held by State of New Jersey	-	29,266,271	29,266,271	31,623,802
Accrued interest receivable	-	164,915	164,915	164,362
Total restricted noncurrent assets	8,619,017	35,158,598	43,777,615	47,385,980
Capital assets, gross	225,276,984	139,468,989	364,745,973	362,508,116
Accumulated depreciation	(161,648,228)	(97,180,061)	(258,828,289)	(249,169,433)
Capital assets, net	63,628,756	42,288,928	105,917,684	113,338,683
TOTAL ASSETS	102,324,004	96,585,025	198,909,029	203,145,681
DEFERRED OUTFLOW OF RESOURCES				
Unamortized bond issuance costs	-	-	-	711
Deferred outflows related to pensions	2,711,204	3,467,398	6,178,602	-
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	105,035,208	100,052,423	205,087,631	203,146,392

The accompanying notes are an integral part of this statement.

ATLANTIC COUNTY UTILITIES AUTHORITY
Statement of Net Position
December 31, 2015 and 2014

	2015		2014
	Wastewater Division	Solid Waste Division	
LIABILITIES			
Current liabilities payable from current assets:			
Accounts payable and accrued expenses	1,842,920	2,580,396	4,423,316
Customer deposits	-	162,377	162,377
Unearned revenue, current	167,489	-	167,489
Pension payable	685,748	877,014	1,562,762
Total current liabilities payable from current assets	2,696,157	3,619,787	6,315,944
Current liabilities payable from restricted assets:			
Construction contracts payable	-	316,720	316,720
Current portion of long-term debt	1,703,770	-	1,703,770
Accrued interest	109,909	-	109,909
Total current liabilities payable from restricted assets	1,813,679	316,720	2,130,399
Noncurrent liabilities payable from restricted assets:			
Accrued landfill closure and post-closure care cost	-	32,641,816	32,641,816
Noncurrent liabilities:			
Unearned revenue, non-current	-	-	115,316
Accrued compensated absences	568,817	562,699	1,131,516
Post retirement benefits payable	535,019	800,000	1,335,019
Long-term portion of bonds payable (net of unamortized bond premium of \$0 and \$306,604 for Wastewater bonds in 2015 and 2014, respectively)	12,492,151	-	12,492,151
Net pension liability	17,905,207	22,899,234	40,804,441
Total noncurrent liabilities	31,501,194	24,261,933	55,763,127
TOTAL LIABILITIES	36,011,030	60,840,256	96,851,286
DEFERRED INFLOW OF RESOURCES			
Deferred inflows related to pensions	336,347	430,159	766,506
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	36,347,377	61,270,415	97,617,792

The accompanying notes are an integral part of this statement.

ATLANTIC COUNTY UTILITIES AUTHORITY
Statement of Net Position
December 31, 2015 and 2014

	2015		2014
	Wastewater Division	Solid Waste Division	
NET POSITION			
Investment in capital assets, net of related debt	49,432,835	42,288,928	91,721,763
Restricted for:			
Wastewater:			
Renewal and replacement	5,800,000	-	5,800,000
Debt service fund	348,426	-	348,426
Debt service reserve fund	1,150,757	-	1,150,757
Unrestricted	11,955,813	(3,506,920)	8,448,893
TOTAL NET POSITION	68,687,831	38,782,008	107,469,839
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 105,035,208	\$ 100,052,423	\$ 203,146,392

ATLANTIC COUNTY UTILITIES AUTHORITY
Statements of Revenues, Expenses and Changes in Net Position
For the years ended December 31, 2015 and 2014

	2015			2014
	Wastewater Division	Solid Waste Division	Total	
Operating revenues:				
Wastewater:				
User service agreements:				
Operating	\$ 22,548,595	\$ -	\$ 22,548,595	\$ 17,546,087
General	2,369,959	-	2,369,959	7,372,472
Sludge	2,141,491	-	2,141,491	1,593,237
Septage and leachate	459,799	-	459,799	525,065
Other	1,445,620	-	1,445,620	1,231,219
Solid Waste:				
Tipping fees	-	21,818,878	21,818,878	21,201,244
Collections and recycling income	-	7,511,662	7,511,662	8,096,128
Grant income	-	99,533	99,533	93,744
Composting income	-	1,138,387	1,138,387	1,039,930
Other	-	1,270,923	1,270,923	1,370,913
Total operating revenues	<u>28,965,464</u>	<u>31,839,383</u>	<u>60,804,847</u>	<u>60,070,039</u>
Operating expenses:				
Salaries	5,750,211	8,529,052	14,279,263	14,390,298
Employee benefits	4,651,644	6,468,956	11,120,600	8,810,642
Power and utilities	2,671,691	687,356	3,359,047	3,416,597
Chemicals	1,058,891	-	1,058,891	999,294
Fuel	1,239,796	794,554	2,034,350	2,525,306
Supplies and miscellaneous maintenance	2,314,618	3,106,605	5,421,223	4,311,282
Contractual services	541,771	-	541,771	479,379
Indirect operating expenses	601,578	3,172,062	3,773,640	4,034,079
Administrative	1,371,906	1,017,431	2,389,337	2,542,707
Community benefit	-	2,279,554	2,279,554	2,244,378
Recycling and other taxes	-	1,022,877	1,022,877	1,020,172
Licenses and permits	171,892	-	171,892	224,879
Bad debt expense	-	150,000	150,000	20,000
Depreciation	5,401,670	5,385,068	10,786,738	10,792,873
Amortization of bond issue costs	711	-	711	17,074
Total operating expenses	<u>25,776,379</u>	<u>32,613,515</u>	<u>58,389,894</u>	<u>55,828,960</u>
Operating income	<u>3,189,085</u>	<u>(774,132)</u>	<u>2,414,953</u>	<u>4,241,079</u>
Non-operating revenues / (expenses):				
County appropriation	-	-	-	(2,811,718)
Interest income	73,571	844,313	917,884	899,817
Interest expense	(296,496)	-	(296,496)	(406,986)
Gain on sale of fixed assets	-	40,940	40,940	-
Adjustment to landfill closure and post-closure care cost	-	(715,408)	(715,408)	(203,043)
Total non-operating revenues / (expenses)	<u>(222,925)</u>	<u>169,845</u>	<u>(53,080)</u>	<u>(2,521,930)</u>
Net income	2,966,160	(604,287)	2,361,873	1,719,149
Net position, January 1,	80,243,178	62,160,850	142,404,028	140,684,879
Prior period restatement/adjustment (See Note 13)	(14,521,507)	(22,774,555)	(37,296,062)	-
Net position, January 1, as restated	<u>65,721,671</u>	<u>39,386,295</u>	<u>105,107,966</u>	<u>140,684,879</u>
Net position, December 31,	<u>\$ 68,687,831</u>	<u>\$ 38,782,008</u>	<u>\$ 107,469,839</u>	<u>\$ 142,404,028</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Statement of Cash Flows
For the years ended December 31, 2015 and 2014

	2015			2014
	Wastewater Division	Solid Waste Division	Total	
Cash flows from operating activities:				
Receipts from customers and users	\$ 28,534,366	\$ 32,010,210	\$ 60,544,576	\$ 60,573,355
Payments to employees	(5,750,211)	(8,529,052)	(14,279,263)	(14,390,298)
Payments to suppliers	(13,548,047)	(13,442,021)	(26,990,068)	(33,740,376)
Net cash flows from operating activities	<u>9,236,108</u>	<u>10,039,137</u>	<u>19,275,245</u>	<u>12,442,681</u>
Cash flows from non-capital financing activities:				
Operating subsidies and transfers to other funds	<u>197,636</u>	<u>(197,636)</u>	<u>-</u>	<u>-</u>
Net cash flows from non-capital financing activities	<u>197,636</u>	<u>(197,636)</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	-	(3,429,649)	(3,429,649)	(10,351,526)
Principal paid on debt	(7,334,853)	-	(7,334,853)	(5,304,641)
Interest paid on debt	(346,071)	-	(346,071)	(449,579)
Net cash flows from capital and related financing activities	<u>(7,680,924)</u>	<u>(3,429,649)</u>	<u>(11,110,573)</u>	<u>(16,105,746)</u>
Cash flows from investing activities:				
Interest income	105,633	843,660	949,293	881,041
County appropriation	-	-	-	(2,811,718)
Transferred from/(to) investments	(7,357,379)	(9,070,729)	(16,428,108)	8,872,734
Net cash flows from investing activities	<u>(7,251,746)</u>	<u>(8,227,069)</u>	<u>(15,478,815)</u>	<u>6,942,057</u>
Net change in cash and cash equivalents	(5,498,926)	(1,815,217)	(7,314,143)	3,278,992
Cash and cash equivalents, January 1	<u>30,886,500</u>	<u>12,805,675</u>	<u>43,692,175</u>	<u>40,413,183</u>
Cash and cash equivalents, December 31,	<u>\$ 25,387,574</u>	<u>\$ 10,990,458</u>	<u>\$ 36,378,032</u>	<u>\$ 43,692,175</u>
Reconciliation of Statements of Net Positions:				
Unrestricted cash and cash equivalents	\$ 19,368,494	\$ 5,263,046	\$ 24,631,540	\$ 28,094,359
Restricted cash and cash equivalents	<u>6,019,080</u>	<u>5,727,412</u>	<u>11,746,492</u>	<u>15,597,816</u>
Total cash and cash equivalents	<u>\$ 25,387,574</u>	<u>\$ 10,990,458</u>	<u>\$ 36,378,032</u>	<u>\$ 43,692,175</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Statement of Cash Flows
For the year ended December 31, 2015

	2015			2014
	Wastewater Division	Solid Waste Division	Total	
Reconciliation of operating income to net cash flows from operating activities:				
Operating income	\$ 3,189,085	\$ (774,132)	\$ 2,414,953	\$ 4,241,079
Items which did not use/(provide) cash:				
Depreciation expense	5,401,670	5,385,068	10,786,738	10,792,873
Amortization of bond issuance costs	711	-	711	17,074
Bad debt expense	-	150,000	150,000	20,000
Unbudgeted pension expense	829,043	434,522	1,263,565	-
Working capital changes which provided/(used) cash:				
Accounts receivable	(305,760)	25,565	(280,195)	628,754
Accrued landfill post-closure costs	-	3,014,891	3,014,891	(1,035,882)
Accounts and other payables	246,697	(549,570)	(302,873)	(1,782,723)
Unearned revenues	(125,338)	-	(125,338)	(177,364)
Customer deposits	-	(4,738)	(4,738)	31,926
Amounts held by the State	-	2,357,531	2,357,531	(293,056)
Net cash flows from operating activities	<u>\$ 9,236,108</u>	<u>\$ 10,039,137</u>	<u>\$ 19,275,245</u>	<u>\$ 12,442,681</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements
For the years ended December 31, 2015 and 2014

NOTE 1: AUTHORITY DESCRIPTION AND GENERAL INFORMATION

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

- 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;

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2015 and 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

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

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

B. Basis of Presentation

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

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

The Authority has adopted GASB No. 33 through 65, and related interpretations issued through December 31, 2012. Statement No. 33 required contributions to be recorded in the Statements of Activities. Statement 34 and subsequent Statements and Interpretations required certain other changes in terminology, format and content, as well as inclusion of the Management's Discussion and Analysis supplementary information.

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

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

C. Wastewater Service Contract

The Authority has a Wastewater Service Contract with the Atlantic City Sewerage Company, the Cities of Absecon, Brigantine, Egg Harbor, Linwood, Margate, Northfield, Pleasantville, Somers Point, Ventnor, the Borough of Longport, the Township of Galloway, the Township of Hamilton

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2015 and 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Wastewater Service Contract

Municipal Utilities Authority, and the Egg Harbor Township Municipal Utilities Authority, collectively referred to as the “Participants”. Presently, Participants make up the Atlantic County Coastal Region.

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

D. Wastewater Bond Resolutions

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

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

Restricted Funds:

Construction Fund – All costs pertaining to the acquisition or construction of a designated project shall be paid from this Fund and capitalized herein. The proceeds from the sale of bonds and certain receipts are deposited herein to pay for all such construction costs. Interest earned on investments in this fund is credited to project costs. At December 31, 2015 and 2014, the Construction Fund and Wastewater Trust Fund cash equivalents amounted to \$0 and \$61, 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, 2015 and 2014, the Rebate Fund amounted to \$42,054 and \$92,463 respectively.

Debt Service Fund – The Debt Service Fund is to accumulate a balance sufficient to pay the interest and principal to become due at or before the January 15th next ensuing, plus any unpaid principal and interest then due. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. In addition, a sinking fund is included which shall equal the aggregate amount of all sinking fund installments required to redeem bonds on the next January 15th for the Sewer Revenue Refunding Bonds. At December 31, 2015 and 2014, the Debt Service Fund cash amounted to \$348,426 and \$5,338,107, respectively.

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2015 and 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Wastewater Bond Resolutions (continued)

Debt Service Reserve Fund (1995, 1997, 2001, 2004, 2009 and 2013 Series) – The balance in this Reserve Fund shall be maintained equal to the maximum amount of principal and interest payable in any one year on the Wastewater Revenue Bonds (1995, 1997, 2001, 2004, 2009 and 2013 Series) less any surety. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. At December 31, 2015 and 2014, the market value of the Debt Service Reserve Fund cash and investments amounted to \$1,150,823 and \$1,745,957, 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, 2015 and 2014, the Renewal and Replacement Fund cash totaled \$6,816,283 and \$6,151,173, respectively. The System Reserve Fund, a component of the Renewal and Replacement Fund, cash requirement at December 31, 2015 and 2014 was \$5,800,000.

E. Investments

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

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

F. Capital Assets

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

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

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

Landfill cells are depreciated on the basis of capacity utilized.

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

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2015 and 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Unamortized Debt Issuance Costs

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

H. Wastewater Revenues

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

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

I. Allocation of Common Costs

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

J. Restricted Assets

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

K. Use of Estimates

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

L. Risk of Loss

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

M. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measureable and the Authority is eligible to realize the revenue.

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2015 and 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Net Position

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified in the following three components:

- Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

O. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

P. Impact of Recently Issued Account Principles

Adopted Accounting Pronouncements

For the year ended December 31, 2015, the Authority implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* – (Amendment to GASB Statement No. 27) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of the Statements requires the Authority to report as an asset and/or a liability its portion of the collective net pension's asset and liability of the New Jersey Public Employees' Retirement System (PERS). The implementation of the Statements also requires the Authority to report a deferred outflow and/or inflow for the effect of the net change in the Authority's proportion of the collective net pension asset and/or liability and difference during the measurement period between the Authority's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Recently Issued and Adopted Accounting Pronouncements

The Authority has adopted and implemented all current standards of the Governmental Accounting Standards Board (GASB) that are applicable as of December 31, 2015.

GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for the year ending December 31, 2016.

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2015 and 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Impact of Recently Issued Account Principles (continued)

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, effective for the year ending December 31, 2018. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending December 31, 2016.

The Authority will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

Q. Fair Value Measurement

The Authority categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level I – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level II – Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level III – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values.

Subsequent to initial recognition, the Authority may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

R. Subsequent Events

The Authority has evaluated subsequent events occurring through June 01, 2016, which is the date the financial statements were available to be issued.

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2015 and 2014

NOTE 3: CASH AND CASH EQUIVALENTS

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

The Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2015 and 2014 are reported at fair value are shown on the following page.

	<u>2015</u>	<u>2014</u>
Deposits:		
Demand deposits	\$ 36,378,032	\$ 43,692,175
Total deposits	<u>\$ 36,378,032</u>	<u>\$ 43,692,175</u>
Reconciliation to Statements of Net Position:		
Current unrestricted assets:		
Cash and cash equivalent	\$ 24,631,540	\$ 28,094,359
Current restricted assets:		
Cash and cash equivalent	<u>11,746,492</u>	<u>15,597,816</u>
Total	<u>\$ 36,378,032</u>	<u>\$ 43,692,175</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2015 and 2014, the Authority's bank balances of \$37,368,979 and \$44,768,124, respectively, were insured or collateralized as follows:

	<u>2015</u>	<u>2014</u>
Insured	\$ 896,415	\$ 1,000,000
Collateralized in the Authority's name Under GUDPA	<u>36,472,564</u>	<u>43,768,124</u>
Total	<u>\$ 37,368,979</u>	<u>\$ 44,768,124</u>

NOTE 4: INVESTMENTS

A. Custodial Credit Risk

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

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2015 and 2014

NOTE 4: INVESTMENTS (continued)

B. Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Authority has adopted a cash management plan that limits investment maturities in accordance with N.J.S. 40A:5-15 as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments held at December 31, 2015 and 2014 are provided in the schedule below.

C. Investment Credit Risk

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

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

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

As of December 31, 2015 and 2014, the Authority had the following unrestricted investments:

	<u>2015</u>		<u>2014</u>	
	<u>Face Value</u>	<u>Market</u>	<u>Face Value</u>	<u>Market</u>
Wastewater:				
New Jersey ARM	\$ 11,374,894	\$ 11,374,894	\$ 6,379,002	\$ 6,379,002
Solid Waste:				
New Jersey ARM	<u>10,116,406</u>	<u>10,116,406</u>	<u>5,105,000</u>	<u>5,105,000</u>
Total	<u>\$ 21,491,300</u>	<u>\$ 21,491,300</u>	<u>\$ 11,484,002</u>	<u>\$ 11,484,002</u>

D. Fair Value of Investments

Investments are shown at fair value on the statement of net position. Fair value and face value of investments at December 31, 2015 and 2014 are summarized above.

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2015 and 2014

NOTE 5: CAPITAL ASSETS

Capital assets consisted of the following at December 31, 2015 and 2014:

Wastewater Division:				
	<u>2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>2015</u>
Land and improvements	\$ 12,691,336	\$ -	\$ -	\$ 12,691,336
Sewer mains and interceptors	78,054,066	-	-	78,054,066
Buildings and improvements	51,150,440	-	-	51,150,440
Machinery and equipment	40,398,043	-	-	40,398,043
Incinerator facility	16,353,524	-	-	16,353,524
Atlantic Coastal Alternative	26,629,575	-	-	26,629,575
Capital assets, gross	225,276,984	-	-	225,276,984
Less: accumulated depreciation	(156,246,558)	(5,401,670)		(161,648,228)
Capital assets, net	<u>\$ 69,030,426</u>	<u>\$ (5,401,670)</u>	<u>\$ -</u>	<u>\$ 63,628,756</u>

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

Solid Waste Division:				
	<u>2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>2015</u>
Land and improvements	\$ 14,758,845	\$ -	\$ -	\$ 14,758,845
Buildings and improvements	32,042,649	564,202	(1,185,970)	31,420,881
Equipment and vehicles	26,177,709	715,977	-	26,893,686
Landfill design		-	-	
and implementation	60,876,097	2,143,647	-	63,019,744
Planning and designs	3,375,832	-	-	3,375,832
Capital assets, gross	137,231,132	3,423,826	(1,185,970)	139,468,988
Less: accumulated depreciation	(92,922,875)	(5,385,068)	1,127,883	(97,180,060)
Capital assets, net	<u>\$ 44,308,257</u>	<u>\$ (1,961,242)</u>	<u>\$ (58,087)</u>	<u>\$ 42,288,928</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2015 and 2014

NOTE 6: BONDS PAYABLE

Wastewater Revenue and Revenue Refunding Bonds at December 31, 2015 and 2014 consist of the following:

	<u>2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>2015</u>
NJ Environmental Infrastructure Trust – 1995	\$ 534,204	\$ -	\$ 534,204	\$ -
NJ Environmental Infrastructure Trust – 1997	2,044,272	-	666,644	1,377,628
NJ Environmental Infrastructure Trust – 2001	829,122	-	122,835	706,287
NJ Environmental Infrastructure Trust – 2004	2,719,390	-	258,716	2,460,674
NJ Environmental Infrastructure Trust – 2006	1,519,445	-	123,707	1,395,738
NJ Environmental Infrastructure Trust – 2007	2,085,751	-	151,265	1,934,486
Sewer Revenue Refunding Bonds – 2009	660,000	-	660,000	-
NJ Environmental Infrastructure Trust - 2010A	3,304,062	-	190,937	3,113,125
NJ Environmental Infrastructure Trust - 2010B	1,497,143	-	76,071	1,421,072
NJ Environmental Infrastructure Trust – 2012	1,890,781	-	103,870	1,786,911
Sewer Revenue Refunding Bonds – 2013	4,140,000	-	4,140,000	-
Total Debt	<u>21,224,170</u>	<u>-</u>	<u>7,028,249</u>	<u>14,195,921</u>
Unamortized bond premium	126,804	-	126,804	-
Total	<u>\$21,350,974</u>	<u>\$ -</u>	<u>\$7,155,053</u>	<u>\$14,195,921</u>

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

	<u>2015</u>	<u>2014</u>
Bonds payable:		
Wastewater Division	\$ 14,195,921	\$ 21,224,170
Total bonds payable	<u>\$ 14,195,921</u>	<u>\$ 21,224,170</u>
Current portion of long-term debt:		
Wastewater Division	\$ 1,703,770	\$ 7,011,022
Non-current portion of long-term debt:		
Wastewater Division	12,492,151	14,213,148
Total bonds payable	<u>\$ 14,195,921</u>	<u>\$ 21,224,170</u>

A. Description of Bonds Payable

At December 31, 2015, bonds payable consisted of the following issues:

Wastewater Division

\$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, 2015 is \$1,377,628.

\$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, 2015 is \$706,287.

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2015 and 2014

NOTE 6: BONDS PAYABLE (continued)

A. Description of Bonds Payable (continued)

\$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, 2015 is \$2,460,674.

\$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, 2015 is \$1,395,738.

\$3,008,252 New Jersey Environmental Infrastructure Trust Fund Loan dated 2007, due in semiannual installments for principal and interest through August 1, 2027, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2015 is \$1,934,486.

\$3,987,500 New Jersey Environmental Infrastructure Trust Fund Loan Series 2010A, dated February 2010, due in semiannual installments for principal and interest through August 1, 2029, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2015 is \$3,113,125.

\$1,710,000 New Jersey Environmental Infrastructure Trust Fund Loan Series 2010B, dated December 2010, due in semiannual installments for principal and interest through September 1, 2030, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2015 is \$1,421,072.

\$2,065,563 New Jersey Environmental Infrastructure Trust Fund Loan Series 2012, dated January 2012, due in semiannual installments for principal and interest through August 1, 2031, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2015 is \$1,786,911.

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

B. Debt Service Requirements

Debt service requirements on serial bonds and loans payable at December 31, 2015 are as follows:

Wastewater Division

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,703,770	\$ 263,783	\$ 1,967,553
2017	1,752,306	227,433	1,979,739
2018	1,057,999	188,783	1,246,782
2019	1,074,910	170,883	1,245,792
2020	1,106,661	153,433	1,260,093
2021-2025	4,879,111	495,394	5,374,505
2026-2030	2,502,294	135,438	2,637,732
2031	118,869	1,138	120,007
	<u>14,195,921</u>	<u>1,636,285</u>	<u>15,832,206</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2015 and 2014

NOTE 7: PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS)

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Basis of Presentation - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2014 and 2013, the State's pension contribution was less than the actuarial determined amount.

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2015 and 2014

NOTE 7: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
12/31/2015	\$ 1,562,762	100%	\$ 40,804,441
12/31/2014	\$ 1,455,795	100%	\$ 33,062,762
12/31/2013	\$ 1,336,897	100%	\$ 33,910,352

Components of Net Pension Liability - At December 31, 2015, the Authority reported a liability of \$40,804,441 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The Authority's proportion measured as of June 30, 2015, was .18177%, which was an increase of .00518% from its proportion measured as of June 30, 2014.

Collective Balances at December 31, 2015 and December 31, 2014

	<u>12/31/2015</u>	<u>12/31/2014</u>
Actuarial valuation date	July 1, 2014	July 1, 2013
Deferred Outflows of Resources	\$ 6,178,602	\$ 1,039,671
Deferred Inflows of Resources	\$ 766,506	\$ 2,105,689
Net Pension Liability	\$ 40,804,441	\$ 33,062,762
Authority's portion of the Plan's total net pension Liability	0.18177%	0.17659%

Pension Expense and Deferred Outflows/Inflows of Resources - Along with the Authorities annual pension expense of \$1,562,762, for the year ended December 31, 2015, the Authority also recognized a GASB unbudgeted pension expense of \$1,263,565. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2015 and 2014

NOTE 7: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 4,382,071	\$ -
Net difference between expected and actual experience	973,451	-
Net difference between projected and actual earnings on pension plan investments	-	656,057
Changes in proportion and differences between Authority contributions and proportionate share of contributions	823,080	110,449
Total	\$ 6,178,602	\$ 766,506

\$1,562,762 reported as pension payable resulting from the Authority's contributions subsequent to the measurement date (i.e. for the fiscal year ending December 31, 2015, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability in the year ended December 31, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>PERS</u>
2016	\$ 1,008,325
2017	1,008,325
2018	1,008,325
2019	1,500,916
2020	886,204
Thereafter	-

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2015 and 2014

NOTE 7: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

	<u>PERS</u>
Measurement date	June 30, 2015
Actuarial valuation date	July 1, 2014
Investment rate of return	7.90%
Salary increases:	2012-2021 - 2.15-4.40% based on age Thereafter - 3.15-5.40% based on age
Inflation rate	3.04%

Mortality rates were based on the RP-2000 Combined Healthy Male or Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
Total	100%	

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2015 and 2014

NOTE 7: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

Discount Rate - The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rates and that contributions from employers will be made on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90%) or 1-percentage-point higher (5.90%) than the current rate:

	<u>1%</u> <u>Decrease</u> <u>(3.90%)</u>	<u>Current</u> <u>Discount</u> <u>Rate (4.90%)</u>	<u>1%</u> <u>Increase</u> <u>(5.90%)</u>
Authority's proportionate share of the net pension liability	\$ 50,714,927	\$ 40,804,441	\$ 32,495,560

NOTE 8: POST-RETIREMENT BENEFITS

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

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

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.

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2015 and 2014

NOTE 8: POST-RETIREMENT BENEFITS (continued)

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 table illustrates annual contributions:

	<u>Authority Required</u> <u>Contributions</u>		<u>Employee</u> <u>Contributions</u>		<u>Total</u> <u>Contributions</u>
2015	\$ 5,358,728	\$	721,435	\$	6,080,163
2014	\$ 5,036,614	\$	574,452	\$	5,611,066
2013	\$ 4,825,162	\$	364,477	\$	5,189,639

NOTE 9: COMPENSATED ABSENCES

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

NOTE 10: LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Authority adopted the provisions of Statement No. 18 of the Government Accounting Standards Board, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, in 1993. This Standard requires the Authority to recognize an expense and a liability in each period it accepts solid waste for a portion of the landfill closure and postclosure costs expected to be incurred in future periods. The estimated current cost is based on use of landfill capacity rather than passage of time. The estimated liability as of December 31, 2015 and 2014 totaled \$32,641,816 and \$29,626,925, respectively. For the years ended December 31, 2015 and 2014 landfill closure capacity used was 58.7% and 55.7% respectively.

NOTE 11: AMOUNTS HELD BY THE STATE OF NEW JERSEY

The State of New Jersey holds the Landfill Closure Escrow Account in the name of the Atlantic County Utilities Authority. These cash and investments consisted of the following at December 31, 2015:

United States Treasury	\$ 27,600,185
Cash	<u>1,666,086</u>
Total	<u>\$ 29,266,271</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2015 and 2014

NOTE 12: DEFERRED COMPENSATION

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

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

NOTE 13: PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION

Net position as of January 1, 2015, has been restated as follows for the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The Authority's net position has also been restated due to a landfill closure liability being understated by \$4,062,490. It was determined that the Authority was showing the liability net of the related restricted cash. It was also determined that amortization of bond premium related to a bond which was subsequently paid off remained on the Authority's records totaling \$179,800. This amount has been removed to accurately reflect the outstanding debt amounts at year end.

	<u>Governmental Activities</u>
Net Position as previously reported at December 31, 2014	\$ 142,404,028
Prior period adjustment -	
Implementation of GASB 68:	
Net Pension Liability (measurement date as of June 30, 2014)	(33,062,762)
Deferred Outflows (measurement date as of June 30, 2014)	1,039,671
Deferred Inflows (measurement date as of June 30, 2014)	(2,105,689)
Landfill closure liability	(3,347,082)
Amortization of bond premium	179,800
Total prior period adjustment	(37,296,062)
Net Position as restated, January 1, 2015	\$ 105,107,966

ATLANTIC COUNTY UTILITIES AUTHORITY
Wastewater Division
Statement of Net Position
Modified Accrual Basis
December 31, 2015 and 2014

	2015	2014
ASSETS		
Unrestricted current assets:		
Cash and cash equivalents	\$ 19,368,494	\$ 17,545,807
Investments	11,374,894	6,379,002
Accrued interest receivable	17,584	49,646
Accounts receivable	916,338	610,578
	31,677,310	24,585,033
Total unrestricted current assets		
Restricted noncurrent assets:		
Cash and cash equivalents	6,019,080	13,340,693
Investments	2,599,937	-
	8,619,017	13,340,693
Total restricted noncurrent assets		
Capital assets, gross	225,276,984	225,276,984
Accumulated depreciation	(161,648,228)	(156,246,558)
	63,628,756	69,030,426
Capital assets, net		
TOTAL ASSETS	103,925,083	106,956,152
 DEFERRED OUTFLOW OF RESOURCES		
Unamortized bond issuance costs	-	711
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	103,925,083	106,956,863

ATLANTIC COUNTY UTILITIES AUTHORITY
Wastewater Division
Statement of Net Position
Modified Accrual Basis
December 31, 2015 and 2014

	2015	2014
LIABILITIES		
Current liabilities payable from current assets:		
Accounts payable and accrued expenses	2,973,894	2,303,514
Unearned revenue, current	167,489	177,511
Due to Solid Waste Division	1,601,079	1,403,443
Pension payable	685,748	627,098
Total current liabilities payable from current assets	5,428,210	4,511,566
Current liabilities payable from restricted assets:		
Construction contracts payable	-	6,788
Current portion of long-term debt	1,703,770	7,011,022
Accrued interest	109,909	159,484
Total current liabilities payable from restricted assets	1,813,679	7,177,294
Noncurrent liabilities:		
Accrued compensated absences	568,817	638,273
Post retirement benefits payable	535,019	535,019
Unearned revenue, non-current	-	115,316
Long-term portion of bonds payable (net of unamortized bond premium and discount of \$0 and \$306,604 in 2015 and 2014, respectively)	12,492,151	14,519,752
Total noncurrent liabilities	13,595,987	15,808,360
TOTAL LIABILITIES	20,837,876	27,497,220
NET POSITION		
Investment in capital assets, net of related debt	49,432,835	47,500,363
Restricted for:		
Renewal and replacement	5,800,000	5,800,000
Debt service fund	348,426	5,338,107
Debt service reserve fund	1,150,757	6,533,829
Unrestricted	26,355,189	14,287,344
TOTAL NET POSITION	83,087,207	79,459,643
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 103,925,083	\$ 106,956,863

ATLANTIC COUNTY UTILITIES AUTHORITY
Wastewater Division
Statement of Revenues, Expenses and Changes in Net Position
Modified Accrual Basis
For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues:		
User service agreements:		
Operating	\$ 22,548,595	\$ 17,546,087
General	2,369,959	7,372,472
Sludge	2,141,491	1,593,237
Septage and leachate	459,799	525,065
Other	1,445,620	1,231,219
Total operating revenues	<u>28,965,464</u>	<u>28,268,080</u>
Operating expenses:		
Salaries	5,750,211	5,974,989
Employee benefits	3,822,601	3,412,897
Power and utilities	2,671,691	2,751,284
Chemicals	1,058,891	999,294
Fuel	1,239,796	1,284,951
Supplies and miscellaneous maintenance	2,662,057	2,328,880
Contractual services	541,771	479,379
Indirect operating expenses	601,578	579,959
Administrative	1,371,906	1,536,134
Licenses and permits	171,892	224,879
Depreciation	5,401,670	5,388,622
Amortization of bond issue costs	711	17,074
Total operating expenses	<u>25,294,775</u>	<u>24,978,342</u>
Operating income	<u>3,670,689</u>	<u>3,289,738</u>
Non-operating revenues/(expenses):		
County appropriation	-	(1,387,635)
Interest income	73,571	116,945
Interest expense	(296,496)	(406,986)
Total non-operating revenues/(expenses)	<u>(222,925)</u>	<u>(1,677,676)</u>
Net income	3,447,764	1,612,062
Net position, January 1,	79,459,643	77,847,581
Prior period adjustment (See Note 13)	179,800	-
Net position, January 1, as restated	<u>79,639,443</u>	<u>77,847,581</u>
Net position, December 31,	<u>\$ 83,087,207</u>	<u>\$ 79,459,643</u>
Reconciliation to Statements of Revenues, Expenses and Changes in Net Position - GAAP Basis:		
Net income - modified accrual basis	\$ 3,447,764	\$ 1,612,062
Prior year wastewater GAAP adjustment	(783,535)	(837,556)
Current year wastewater GAAP Adjustment	1,130,974	783,535
Unbudgeted pension expense	(829,043)	-
Net income - GAAP basis	<u>\$ 2,966,160</u>	<u>\$ 1,558,041</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Wastewater Division
Operating Revenues and Costs Funded by Operating Revenues Compared to Budget
Rate Basis
For the year ended December 31, 2015

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
Revenues:				
User service agreements	\$ 24,918,554	\$ 24,918,554	\$ 24,918,554	\$ -
Sludge and septage	1,866,578	1,866,578	2,475,952	609,374
Interest on investments and deposits	220,000	220,000	73,571	(146,429)
Miscellaneous	1,030,606	1,030,606	1,318,815	288,209
Total revenues	<u>28,035,738</u>	<u>28,035,738</u>	<u>28,786,892</u>	<u>751,154</u>
Expenses:				
Salaries	6,107,014	6,107,014	5,750,211	356,803
Employee benefits	3,871,359	3,871,359	3,822,601	48,758
Power and utilities	2,743,000	2,743,000	2,696,392	46,608
Chemicals	1,264,000	1,264,000	1,047,842	216,158
Fuel	1,204,000	1,204,000	1,241,796	(37,796)
Supplies and miscellaneous maintenance	1,357,310	1,357,310	1,266,538	90,772
Contractual services	801,160	801,160	629,417	171,743
Indirect operating expenses	922,523	922,523	790,475	132,048
Administrative	1,793,108	1,793,108	1,435,073	358,035
Maintenance program expense	1,521,624	1,521,624	1,368,834	152,790
Cancelled purchase orders	-	-	(156,786)	156,786
Total operating expenses	<u>21,585,098</u>	<u>21,585,098</u>	<u>19,892,393</u>	<u>1,692,705</u>
Non-operating expenses:				
County appropriation	1,387,634	1,387,634	-	1,387,634
Fund balance reserve requirements	1,465,885	1,465,885	1,465,885	-
Debt service interest	1,149,908	1,149,908	296,496	853,412
Debt service principal	2,447,213	2,447,213	2,073,463	373,750
Total non-operating expenses	<u>6,450,640</u>	<u>6,450,640</u>	<u>3,835,844</u>	<u>2,614,796</u>
Total expenses	<u>28,035,738</u>	<u>28,035,738</u>	<u>23,728,237</u>	<u>4,307,501</u>
Net income / (loss) from operations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,058,655</u>	<u>\$ 5,058,655</u>

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

Net income - rate basis	\$ 5,058,655
Fund balance reserve requirements	1,465,885
Principal payments	2,073,463
Depreciation expense	(5,401,670)
Amortization of bond issuance costs	(711)
Amortization of bond premium	126,804
Leachate revenue	125,338
Prior year wastewater GAAP adjustment	(783,535)
Current year wastewater GAAP Adjustment	1,130,974
Unbudgeted pension expense	<u>(829,043)</u>
Net income - GAAP basis	<u>\$ 2,966,160</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Wastewater Division
Schedule of Cash and Cash Equivalents and Investments
December 31, 2015

Description	Face Amount	Interest Rate	Due Date	Fair Value December 31, 2015
Unrestricted accounts:				
Cash	\$ 2,914,719			\$ 2,914,719
First American Treasury Money Market	10,183,380			10,183,380
NJ Arm Pooled Investment	75,450	0.15%		75,450
NJ Arm Term Investment	4,999,879	0.21%	4/15/2016	4,999,879
NJ Arm Pooled Investment - OPEB	1,290,478	0.15%		1,290,478
NJ Arm Term Investment - OPEB	4,270,143	0.26%	7/13/2016	4,270,143
NJ Arm Term Investment - OPEB	2,104,872	0.41%	8/15/2016	2,104,872
	<u>25,838,921</u>			<u>25,838,921</u>
Operating reserve:				
First American Treasury Money Market	<u>4,904,467</u>			<u>4,904,467</u>
Total unrestricted accounts	<u>30,743,388</u>			<u>30,743,388</u>
Restricted accounts:				
Rebate Account:				
First American Treasury Money Market	42,054			42,054
Debt Service Fund:				
First American Treasury Money Market	348,426			348,426
Debt Service Reserve Fund:				
First American Treasury Money Market	643,424			643,424
NJ Arm Pooled Investment - OPEB	507,399	0.15%		507,399
	<u>1,150,823</u>			<u>1,150,823</u>
Renewal and Replacement Fund:				
First American Treasury Money Market	4,389,535			4,389,535
NJ ARM	88,242	0.15%		88,242
NJ ARM - NJ Term	2,599,937	0.21%	4/15/2016	2,599,937
	<u>7,077,714</u>			<u>7,077,714</u>
Total restricted accounts	<u>8,619,017</u>			<u>8,619,017</u>
Total	<u>\$ 39,362,405</u>			<u>\$ 39,362,405</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Wastewater Division
Schedule of Cash and Cash Equivalents and Investments
December 31, 2015

Schedule IV
(continued)

<u>Description</u>	<u>Face Amount</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Fair Value December 31, 2015</u>
Unrestricted:				
Cash and cash equivalents	\$ 19,368,494			\$ 19,368,494
Investments	11,374,894			11,374,894
Restricted:				
Cash and cash equivalents	6,019,080			6,019,080
Investments	<u>2,599,937</u>			<u>2,599,937</u>
Total	<u>\$ 39,362,405</u>			<u>\$ 39,362,405</u>

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

For the years ended December 31, 2015, 2014, 2013, 2012 and 2011

	2015	2014	2013	2012	2011
Property, plant and equipment:					
Property, plant and equipment, gross - January 1,	\$ 225,276,984	\$ 223,760,258	\$ 223,681,452	\$ 221,975,821	\$ 218,894,456
Additions:					
Sewer mains and interceptors	-	1,516,726	-	-	-
Buildings and improvements	-	-	78,806	4,265,331	521,665
Construction in progress	-	-	-	(2,559,700)	2,559,700
Total additions	-	1,516,726	78,806	1,705,631	3,081,365
Property, plant and equipment, gross - December 31,	225,276,984	225,276,984	223,760,258	223,681,452	221,975,821
Less:					
Accumulated depreciation and amortization	(161,648,228)	(156,246,558)	(150,857,937)	(145,480,638)	(140,149,960)
Property, plant and equipment, net - December 31,	<u>\$ 63,628,756</u>	<u>\$ 69,030,426</u>	<u>\$ 72,902,321</u>	<u>\$ 78,200,814</u>	<u>\$ 81,825,861</u>

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

For the years ended December 31, 2015, 2014, 2013, 2012 and 2011

	2015	2014	2013	2012	2011
Unamortized debt issuance costs, gross - December 31,	\$ 89,637	\$ 89,637	\$ 89,637	\$ 89,637	\$ 89,637
Less:					
Accumulated amortization	(89,637)	(88,926)	(71,852)	(54,778)	(37,704)
Unamortized debt issuance costs, net - December 31,	\$ -	\$ 711	\$ 17,785	\$ 34,859	\$ 51,933

ATLANTIC COUNTY UTILITIES AUTHORITY
Solid Waste Division
Statement of Net Position
Modified Accrual Basis
December 31, 2015 and 2014

	2015	2014
ASSETS		
Unrestricted current assets:		
Cash and cash equivalents	\$ 5,263,046	\$ 10,548,552
Investments	10,116,406	5,105,000
Accrued interest receivable	41,844	41,744
Accounts receivable (net of allowance of \$198,759 and \$556,508 in 2015 and 2014, respectively)	2,115,124	2,140,689
Due from Wastewater Division	1,601,079	1,403,443
Total unrestricted current assets	19,137,499	19,239,428
Restricted noncurrent assets:		
Cash and cash equivalents	5,727,412	2,257,123
Amounts held by State of New Jersey	29,266,271	31,623,802
Accrued interest receivable	164,915	164,362
Total restricted noncurrent assets	35,158,598	34,045,287
Capital assets, gross	139,468,989	137,231,132
Accumulated depreciation	(97,180,061)	(92,922,875)
Capital assets, net	42,288,928	44,308,257
TOTAL ASSETS	96,585,025	97,592,972

ATLANTIC COUNTY UTILITIES AUTHORITY
Solid Waste Division
Statement of Net Position
Modified Accrual Basis
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
LIABILITIES		
Current liabilities payable from current assets:		
Accounts payable and accrued expenses	2,956,153	3,151,221
Customer deposits	162,377	167,115
Pension payable	877,014	828,697
	<u>3,995,544</u>	<u>4,147,033</u>
Current liabilities payable from restricted assets:		
Construction contracts payable	316,720	1,167,950
	<u>316,720</u>	<u>1,167,950</u>
Noncurrent liabilities payable from restricted assets:		
Accrued landfill closure and post-closure care cost	32,641,816	29,626,925
Noncurrent liabilities:		
Accrued compensated absences	562,699	701,782
Post retirement benefits payable	800,000	800,000
	<u>1,362,699</u>	<u>1,501,782</u>
TOTAL LIABILITIES	<u>38,316,779</u>	<u>36,443,690</u>
NET POSITION		
Investment in capital assets, net of related debt	42,288,928	44,308,257
Unrestricted	15,979,318	16,841,025
TOTAL NET POSITION	<u>58,268,246</u>	<u>61,149,282</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 96,585,025</u>	<u>\$ 97,592,972</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Solid Waste Division
Statement of Revenues, Expenses and Changes in Net Position
Modified Accrual Basis
For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Tipping fees	\$ 21,818,878	\$ 21,201,244
Collections and recycling income	7,511,662	8,096,128
Grant income	99,533	93,744
Composting income	1,138,387	1,039,930
Other	1,270,923	1,370,913
	<u>31,839,383</u>	<u>31,801,959</u>
Operating expenses:		
Salaries	8,529,052	8,415,309
Employee benefits	6,034,434	5,397,745
Power and utilities	687,356	665,313
Fuel	794,554	1,240,355
Supplies and miscellaneous maintenance	2,470,794	2,350,823
Indirect operating expenses	3,172,062	3,454,120
Administrative	1,017,431	1,006,573
Community benefit	2,279,554	2,244,378
Recycling and other taxes	1,022,877	1,020,172
Bad debt expense	150,000	20,000
Depreciation	5,385,068	5,404,251
	<u>31,543,182</u>	<u>31,219,039</u>
Operating income	<u>296,201</u>	<u>582,920</u>
Non-operating revenues/(expenses):		
County appropriation	-	(1,424,083)
Interest income	844,313	782,872
Gain on sale of fixed assets	40,940	-
Adjustment to landfill closure and post-closure care cost	(715,408)	(203,043)
	<u>169,845</u>	<u>(844,254)</u>
Net income/(loss)	466,046	(261,334)
Net position, January 1,	61,149,282	61,410,616
Prior period adjustment (See Note 13)	(3,347,082)	-
Net position, January 1, as restated	<u>57,802,200</u>	<u>61,410,616</u>
Net position, December 31,	<u>\$ 58,268,246</u>	<u>\$ 61,149,282</u>
Reconciliation to Statements of Revenues, Expenses and Changes in Net Position - GAAP Basis:		
Net income/(loss) - modified accrual basis	\$ 466,046	\$ (261,334)
Prior year solid waste GAAP adjustment	(1,011,568)	(589,126)
Current year solid waste GAAP Adjustment	375,757	1,011,568
Unbudgeted pension expense	(434,522)	-
Net income - GAAP basis	<u>\$ (604,287)</u>	<u>\$ 161,108</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Solid Waste Division
Operating Revenues and Costs Funded by Operating Revenues Compared to Budget
Rate Basis
For the year ended December 31, 2015

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
Operating revenues:				
Tipping fees	\$ 22,292,635	\$ 22,292,635	\$ 21,818,878	\$ (473,757)
Collections and recycling income	8,043,460	8,043,460	7,467,532	(575,928)
Composting income	1,088,402	1,088,402	1,138,387	49,985
Interest on investments and deposits	100,000	100,000	192,638	92,638
Miscellaneous	1,005,925	1,005,925	1,414,585	408,660
Fund balance and reserves anticipated	1,000,000	1,000,000	1,000,000	-
	<u>33,530,422</u>	<u>33,530,422</u>	<u>33,032,020</u>	<u>(498,402)</u>
Total operating revenues				
Operating expenses:				
Administration	3,758,214	3,758,214	3,247,439	510,775
Solid Waste Administration	1,346,066	1,346,066	1,360,376	(14,310)
Transfer Station Operations	1,258,618	1,258,618	1,155,511	103,107
Composting	746,514	746,514	479,722	266,792
Landfill Operations	8,104,481	8,104,481	7,893,945	210,536
Recycling Center Processing	227,519	227,519	209,879	17,640
Collections	7,454,369	7,454,369	6,995,457	458,912
Maintenance Center	6,229,972	6,229,972	5,282,076	947,896
Cancelled purchase orders	-	-	(174,042)	174,042
	<u>29,125,753</u>	<u>29,125,753</u>	<u>26,450,363</u>	<u>2,675,390</u>
Total operating expenses				
Net income from operating activities	4,404,669	4,404,669	6,581,657	2,176,988
Non-operating expenses:				
Renewal and replacement fund CIP	(4,404,669)	(4,404,669)	(4,364,666)	40,003
	<u>(4,404,669)</u>	<u>(4,404,669)</u>	<u>(4,364,666)</u>	<u>40,003</u>
Total non-operating expenses				
Net income / (loss) from operations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,216,991</u>	<u>\$ 2,216,991</u>

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

Net income - rate basis	\$ 2,216,991
Fund balance and reserves anticipated	(1,000,000)
Transfers to Cell Replacement & Capital Improvement Fund	4,364,666
Contributions to landfill escrows	292,250
Depreciation expense	(5,385,068)
Pinelands Park Landfill interest income	651,675
Gain on sale of fixed assets	40,940
Prior year solid waste GAAP adjustment	(1,011,568)
Current year solid waste GAAP Adjustment	375,757
Unbudgeted pension expense	<u>(434,522)</u>
Net loss - GAAP basis	<u>\$ (604,287)</u>

ATLANTIC COUNTY UTILITIES AUTHORITY
Solid Waste Division
Schedule of Cash and Cash Equivalents and Investments
December 31, 2015

Description	Face Amount	Interest Rate	Due Date	Fair Value December 31, 2015
Unrestricted accounts:				
Operations:				
Cash	\$ 392,319			\$ 392,319
Revenue Fund:				
NJ ARM Pooled Investment	3,669,855	0.15%		3,669,855
NJ ARM Term Investment	3,999,903	0.21%	4/15/2016	3,999,903
NJ ARM Term Investment	1,002,320	0.41%	8/15/2016	1,002,320
NJ ARM Pooled Investment	490,095	0.15%		490,095
NJ ARM Pooled Investment - OPEB	710,777	0.15%		710,777
NJ ARM Term Investment - OPEB	5,114,183	0.00%	7/13/2016	5,114,183
	<u>14,987,133</u>			<u>14,987,133</u>
Total unrestricted accounts	<u>15,379,452</u>			<u>15,379,452</u>
Restricted accounts:				
Renewal and Replacement Fund:				
NJ ARM Pooled Investment	2,653,626	0.15%		2,653,626
NJ ARM Pooled Investment	3,073,786	0.15%		3,073,786
	<u>5,727,412</u>			<u>5,727,412</u>
Escrow Funds:				
ACUA Standard Escrow	3,529,598	0.18%		3,529,598
ACUA Alternative Escrow	4,783,704	Various		4,783,704
Pinelands Park Standard Escrow	10,589,281	Various		10,589,281
Pinelands Park Alternative Escrow	10,363,688	Various		10,363,688
	<u>29,266,271</u>			<u>29,266,271</u>
Total restricted accounts	<u>34,993,683</u>			<u>34,993,683</u>
Total	<u>\$ 50,373,135</u>			<u>\$ 50,373,135</u>
Unrestricted:				
Cash and cash equivalents	\$ 5,263,046			\$ 5,263,046
Investments	10,116,406			10,116,406
Restricted:				
Cash and cash equivalents	5,727,412			5,727,412
Cash and investments held by the State of New Jersey	29,266,271			29,266,271
Total	<u>\$ 50,373,135</u>			<u>\$ 50,373,135</u>

ATLANTIC COUNTY UTILITIES AUTHORITY

Solid Waste Division

Schedule of Property, Plant and Equipment

Modified Accrual Basis

For the years ended December 31, 2015, 2014, 2013, 2012 and 2011

	2015	2014	2013	2012	2011
Waste Disposal:					
Property, plant and equipment:					
Property, plant and equipment, gross - January 1,	\$ 109,113,091	\$ 100,566,525	\$ 101,793,902	\$ 100,567,777	\$ 94,861,910
Additions:					
Buildings and improvements	563,231	10,747	335,305	-	-
Construction in progress	-	-	-	-	540,982
Equipment and vehicles	655,592	1,496,984	755,979	536,110	5,164,885
Landfill design and implementation	2,143,647	7,038,835	509,909	690,015	-
Total additions	3,362,470	8,546,566	1,601,193	1,226,125	5,705,867
Disposals:					
Land	-	-	-	-	-
Buildings and improvements	-	-	(2,828,570)	-	-
Equipment and vehicles	(510,053)	-	-	-	-
Total disposals	(510,053)	-	(2,828,570)	-	-
Property, plant and equipment, gross - December 31,	111,965,508	109,113,091	100,566,525	101,793,902	100,567,777
Less:					
Accumulated depreciation and amortization	(76,019,206)	(71,775,228)	(68,217,829)	(67,589,631)	(64,053,990)
Property, plant and equipment, net - December 31,	35,946,302	37,337,863	32,348,696	34,204,271	36,513,787

ATLANTIC COUNTY UTILITIES AUTHORITY
Solid Waste Division
Schedule of Property, Plant and Equipment
Modified Accrual Basis

For the years ended December 31, 2015, 2014, 2013, 2012 and 2011

	2015	2014	2013	2012	2011
Waste Recycling:					
Property, plant and equipment:					
Property, plant and equipment, gross - January 1,	\$ 37,977,540	\$ 37,689,306	\$ 39,323,038	\$ 39,108,415	\$ 38,774,516
Additions:					
Buildings and improvements	-	59,142	12,912	214,623	146,107
Equipment and vehicles	61,355	229,092	53,256	-	187,792
Total additions	61,355	288,234	66,168	214,623	333,899
Disposals:					
Buildings and improvements	-	-	(1,699,900)	-	-
Equipment and vehicles	(675,916)	-	-	-	-
Total disposals	(675,916)	-	(1,699,900)	-	-
Property, plant and equipment, gross - December 31,	37,362,979	37,977,540	37,689,306	39,323,038	39,108,415
Less:					
Accumulated depreciation and amortization	(31,020,353)	(31,007,146)	(29,160,294)	(28,105,317)	(26,094,772)
Property, plant and equipment, net - December 31,	6,342,626	6,970,394	8,529,012	11,217,721	13,013,643
Grand total	\$ 42,288,928	\$ 44,308,257	\$ 40,877,708	\$ 45,421,992	\$ 49,527,430

ATLANTIC COUNTY UTILITIES AUTHORITY
Wastewater Division
Special-Purpose Statement of Revenues and Expenses to Comply
With Bond Resolutions
For the year ended December 31, 2015

	2015
Operating revenues:	
User service agreements:	
Operating	\$ 22,548,595
General	2,369,959
Sludge	2,141,491
Septage and leachate	459,799
Other	1,445,620
Total operating revenues	28,965,464
Operating expenses:	
Salaries	5,750,211
Employee benefits	3,822,601
Power and utilities	2,671,691
Chemicals	1,058,891
Fuel	1,239,796
Supplies and miscellaneous maintenance	2,662,057
Contractual services	541,771
Indirect operating expenses	601,578
Administrative	1,371,906
Licenses and permits	171,892
Amortization of bond issue costs	711
Total operating expenses	19,893,105
Operating income	9,072,359
Non-operating revenues / (expenses):	
Interest income	73,571
Interest expense	(296,496)
Total non-operating revenues / (expenses)	(222,925)
Net income	\$ 8,849,434

ATLANTIC COUNTY UTILITIES AUTHORITY
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's proportion of the net pension liability (asset)	0.18177%	0.17659%	0.17743%
Authority's proportionate share of the net pension liability (asset)	\$ 40,804,441	\$ 33,062,762	\$ 33,910,352
Authority's covered-employee payroll	\$ 12,312,031	\$ 12,482,810	\$ 12,051,171
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	331.42%	264.87%	281.39%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%	48.72%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

ATLANTIC COUNTY UTILITIES AUTHORITY
Schedule of Authority Contributions
Public Employees' Retirement System
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,562,762	\$ 1,455,795	\$ 1,336,897
Contributions in relation to the contractually required contribution	<u>1,562,762</u>	<u>1,455,795</u>	<u>1,336,897</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 12,312,031	\$ 12,482,810	\$ 12,051,171
Contributions as a percentage of covered-employee payroll	12.69%	11.66%	11.09%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

ATLANTIC COUNTY UTILITIES AUTHORITY
Notes to the Required Supplementary Information
For the year ended December 31, 2015

Public Employees' Retirement System (PERS)

Basis of Presentation. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived in a report provided by KPMG dated April 14, 2016. The full report is available by the State of New Jersey, Division of Pension and Benefits. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.



To the Board of Commissioners of the
Atlantic County Utilities Authority

We have audited the financial accounts and transactions of the Atlantic County Utilities Authority, a component unit of the County of Atlantic, State of New Jersey for the year ended December 31, 2015. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments and Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

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

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$36,000 from January 1, 2015 through June 30, 2015 and \$40,000 from July 1, 2015 through December 31, 2015, except by contract or agreement.

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

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

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

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. The results of our examination did not disclose any discrepancies.

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$5,400 from January 1, 2015 through June 30, 2015 and \$6,000 from July 1, 2015 through December 31, 2015 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

The minutes indicate that quotes were requested for all items that required them.

Examination of Bills

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

Payroll Account

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the Authority employees and ascertained that the accumulated withholdings were disbursed to the proper agencies. The results of the examination did not disclose any discrepancies.

Property, Plant & Equipment

The property, plant and equipment subsidiary ledger was maintained properly and a reconciliation between the physical and perpetual inventory records was performed at year-end.

Follow-up on Prior Years' Findings

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

General Ledger

The general ledger was complete with the required journal entries.

Budget Adoption

The State of New Jersey requires that the Authority's budget be approved and adopted for each fiscal year. The Authority approved its 2015 budget on December 18, 2014.

Acknowledgment

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

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

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 1, 2016
Toms River, New Jersey