

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

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019

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

TABLE OF CONTENTS

<u>EXHIBIT</u>	<u>TITLE</u>	<u>PAGE</u>
	<b>LETTER OF TRANSMITTAL</b> .....	1
	<b>INDEPENDENT AUDITORS' REPORT</b>	
	Independent Auditors' Report .....	3
	<b>MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)</b> .....	6
	<b>BASIC FINANCIAL STATEMENTS</b>	
A	Statements of Net Position .....	28
B	Statements of Revenues, Expenses and Changes in Net Position .....	31
C	Statements of Cash Flows.....	32
	Notes to Financial Statements.....	34
	<b>SUPPLEMENTARY INFORMATION</b>	
	<b>SCHEDULE</b>	
	Wastewater Division:	
I	Statements of Net Position .....	63
II	Statements of Revenues, Expenses and Changes in Net Position .....	65
III	Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget – Rate Basis .....	66
IV	Schedule of Cash and Cash Equivalents and Investments .....	67
V	Schedules of Property, Plant and Equipment.....	68
	Solid Waste Division:	
VI	Statements of Net Position .....	69
VII	Statements of Revenues, Expenses and Changes in Net Position.....	71
VIII	Schedule of Operating Revenues and Costs Funded By Operating Revenues Compared to Budget – Rate Basis .....	72
IX	Schedule of Cash and Cash Equivalents and Investments .....	73
X	Schedules of Property, Plant and Equipment .....	74
XI	Special Purpose Statement of Revenues and Expenses to Comply with Revenue Bond Resolutions .....	76
	<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
XII	Schedule of Proportionate Share of the Net Pension Liability – Public Employees' Retirement System (UNAUDITED).....	77
XIII	Schedule of Contributions – Public Employees' Retirement System (UNAUDITED) .	78
XIV	Schedule of Proportionate Share of the OPEB Liability and Contributions (UNAUDITED) .....	79

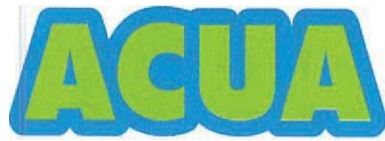
**ATLANTIC COUNTY UTILITIES AUTHORITY**  
(A Component Unit of the County of Atlantic, New Jersey)

TABLE OF CONTENTS

---

<u>EXHIBIT</u>	<u>TITLE</u>	<u>PAGE</u>
	<b>Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b> .....	80
	<b>Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance</b> .....	82
	Schedule of Expenditures of Federal Awards .....	84
	Notes to Schedule of Expenditures of Federal Awards .....	85
	Schedule of Findings and Questioned Costs .....	87
	Summary Schedule of Prior Year Audit Findings .....	89

## **LETTER OF TRANSMITTAL**



## Atlantic County Utilities Authority

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

street address: 6700 Delilah Rd., Egg Harbor Twp., NJ, 08234-5623 609.272.6950 • [www.acua.com](http://www.acua.com) • [info@acua.com](mailto:info@acua.com)

July 14, 2020

Chairman Embry, Authority Board Members and President Dovey:

Presented to you are the audited financial statements for the 2019 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 2019 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 are not in compliance with GAAP but 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.

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.



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. Mercadien, P.C., 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, 2019. There are no recommendations noted.

Sincerely,

*Linda Bazemore*

Linda Bazemore  
Vice President of Administration & Finance/CFO

*Katherine Vesey*

Katherine Vesey  
Director of Finance

## **INDEPENDENT AUDITORS' REPORT**

## **INDEPENDENT AUDITORS' REPORT**

To the Chairman and Members of the  
Atlantic County Utilities Authority

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

We have audited the accompanying financial statements of the Atlantic County Utilities Authority, a component unit of the County of Atlantic, State of New Jersey, ("Authority"), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audits 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 auditors' 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2019 and 2018, and the changes in financial position and cash flows thereof and for the years then ended in accordance with accounting principles generally accepted in the United States of America.



## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and the schedule of proportionate share of the net pension liability – PERS, schedule of contributions – PERS, and schedule of proportionate share of the OPEB liability and contributions 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 audits 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 Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise the Authority's basic financial statements. The supplementary information, as listed in the table of contents and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents and the schedule of expenditures of federal awards 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, except for the part marked "unaudited," 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, as listed in the table of contents and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information marked "unaudited" 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 July 14, 2020, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Other Reporting Required by *Government Auditing Standards* (Continued)

reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Mercadon, P.C.*

*Certified Public Accountants*

July 14, 2020

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

---

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 ended December 31, 2019.

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, 2019 and 2018 are reported as Accounts Payable or Construction Contracts Payable, and as Property, Plant and Equipment, respectively. On the "GAAP Basis" statements, only those encumbrances where goods or services have been received as of December 31, 2019 are reported as Accounts Payable or Construction Contracts Payable, and as Property, Plant and Equipment. The second difference relates to pensions and other post-employment benefits. The Authority adopted *GASB 68 – Accounting and Financial Reporting for Pensions* in 2015 and *GASB 75 – Accounting and Financial Reporting for Other Post-Employment Benefits* in 2018. The financial impact of GASB 68 and GASB 75 is only on the GAAP statements. See Notes G and H for further explanation and their 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.

## **ATLANTIC COUNTY UTILITIES AUTHORITY**

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

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

---

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, except for Depreciation. Depreciation is not included on the statement which complies with the Wastewater Bond Resolution.

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. Throughout the MD&A discussion certain numbers are rounded and represent approximate amounts. Exact amounts are in the numerical charts.

#### **Wastewater Division**

##### **Comparative Balance Sheet**

The Balance Sheet is the only financial statement that applies to a single point of time. This statement is intended to provide a snapshot of the Division's financial condition as of December 31<sup>st</sup>. The Division's Assets and Deferred Outflows exceed Liabilities and Deferred Inflows by more than \$43 million which indicates a strong financial position.

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

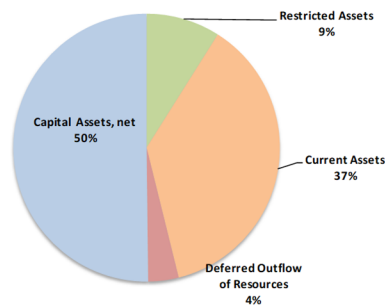
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

**Wastewater Division (Continued)**

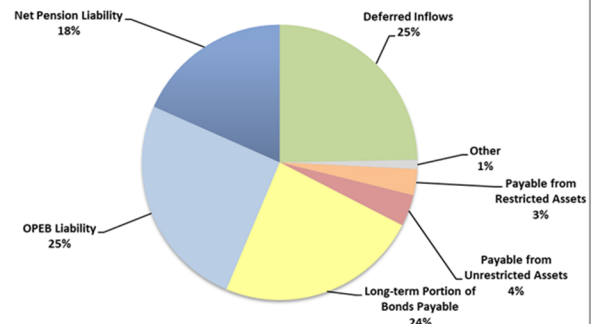
Below is a synopsis of the Wastewater Division's 2019 Balance Sheet with a comparison to last year:

	<b>2019-2018</b>				
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>\$ Change</b>	<b>% Change</b>
Total Current Assets	\$ 45,963,493	\$ 42,210,261	\$ 40,424,232	\$ 3,753,232	9%
Total Noncurrent & Restricted Assets	11,106,738	12,240,727	9,127,849	(1,133,989)	-9%
Capital Assets, Net of Depreciation	62,093,282	62,560,704	59,474,664	(467,422)	-1%
Deferred Outflows Related to Pensions & OPEB	4,567,857	5,232,229	4,559,128	(664,372)	-13%
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS</b>	<b>\$ 123,731,370</b>	<b>\$ 122,243,921</b>	<b>\$ 113,585,873</b>	<b>\$ 1,487,449</b>	<b>1%</b>
Current Liabilities Payable from Unrestricted Assets	\$ 2,988,053	\$ 3,583,262	\$ 3,831,397	\$ (595,209)	-17%
Current Liabilities Payable from Restricted Assets	2,475,321	5,596,627	5,644,587	(3,121,306)	-56%
Total Noncurrent Liabilities Payable from Restricted	19,171,797	17,432,166	11,148,471	1,739,631	10%
Total Noncurrent Liabilities Payable from Unrestricted	36,095,399	40,799,513	48,138,683	(4,704,114)	-12%
Total Deferred Inflows Related to Pensions & OPEB	19,926,603	16,952,576	8,016,379	2,974,027	18%
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS</b>	<b>\$ 80,657,174</b>	<b>\$ 84,364,144</b>	<b>\$ 76,779,517</b>	<b>(\$ 3,706,971)</b>	<b>-4%</b>
Invested in Capital Assets, Net Debt	41,221,130	40,567,555	43,984,595	653,575	2%
Total Restricted	7,869,819	7,824,891	7,638,195	44,928	1%
Unrestricted	(6,016,754)	(10,512,669)	(14,816,434)	4,495,915	-43%
<b>TOTAL NET POSITION</b>	<b>\$ 43,074,196</b>	<b>\$ 37,879,777</b>	<b>\$ 36,806,356</b>	<b>\$ 5,194,418</b>	<b>14%</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<b>\$ 123,731,370</b>	<b>\$ 122,243,921</b>	<b>\$ 113,585,873</b>	<b>\$ 1,487,447</b>	<b>1%</b>

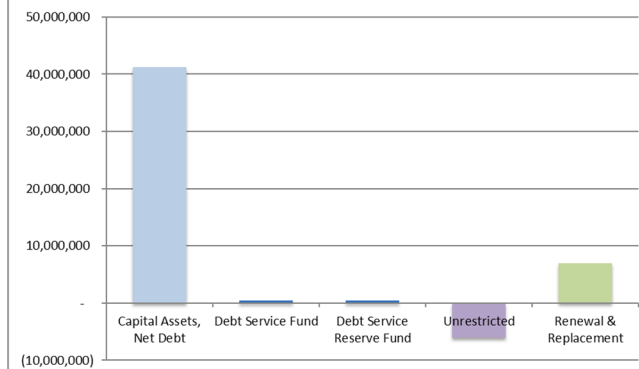
**WASTEWATER ASSETS & DEFERRED OUTFLOWS**



**WASTEWATER LIABILITIES & DEFERRED INFLOWS**



**WASTEWATER NET POSITION**



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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

---

**Wastewater Division (Continued)**

The Wastewater Division's Total Assets and Deferred Outflows increased almost \$1.5 million and 1%. Current Assets were up by \$3.8 million primarily due to an increase in Cash and Investments of almost \$4.0 million. Accrued Interest Receivable increased \$39,000 as a result of increased Cash and Investments available for investing and more attractive interest rates. Accounts Receivable increased slightly by \$27,000 and is primarily a function of timing of customer payments. The amount due to Solid Waste increased \$294,000 because of timing of the first payroll of 2020 which had to be funded on December 31, 2019. This amount was cleared out in January 2020.

Restricted Noncurrent Assets decreased about \$1.1 million to \$11.1 million. The decrease was a combination of increased Cash & Investments and Interest Receivable and a decrease in Loans Receivable. Cash & Investments increased \$2.6 million due to budgeted reserves transferred to the Renewal and Replacement Fund. Accrued Interest Receivable increased \$29,000 as a result of increased Cash and Investments available for investing in 2019. The Loan Receivable balance decreased almost \$3.8 million due to the receipt of funds for the completion of the sea wall and ash handling improvements funded through the New Jersey Infrastructure Bank.

Capital Assets decreased \$467,000, with additions representing \$2.5 million and Depreciation Expense representing \$2.9 million. Capital projects added in 2019 include an ash handling system, a sea wall around the perimeter of the treatment plant, flood barriers, improvements to the bar screen system, electrical improvements to the headworks and primary systems and an emergency repair to the Hamilton Township force main. A total of \$10.7 million in capital assets were placed in service in 2019, of which \$8.2 million was in Construction in Progress as of December 31, 2018. Depreciation Expense 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. Depreciation Expense decreased \$2.6 million primarily because \$118 million of assets placed in service in 1979 were fully depreciated in 2018.

Deferred Outflows Related to Pensions decreased \$1.5 million to \$2.5 million. The decrease is due to the actuarial assumptions used to calculate pension obligations. Deferred Outflows Related to OPEB increased from \$1.3 million to \$2.1 million also due to the actuarial assumptions used to calculate OPEB obligations.

Total Liabilities and Deferred Inflows decreased by \$3.7 million and 4%. Accounts Payable decreased \$593,000 primarily due to lower operating expenses in 2019 and the impact of the GAAP adjustment for expenditures charged to the 2019 budget but removed from Accounts Payable because the goods and services were not received by December 31, 2019. Deferred Revenue remained at \$41,000 which represents a prepayment from American Tower, Inc. for 2020 rent. Pension Payable represents the amount owed to the New Jersey Public Employee's Retirement System for the current year and it decreased \$2,500 to \$824,000.

Construction Contracts Payable decreased to \$687,000 and represents the amount owed to vendors for the portion of capital projects that were complete but not yet paid as of December 31, 2019. Construction projects are initially funded through the New Jersey Infrastructure Bank (NJIB) Construction Loan Program. The balance due associated with this program decreased from \$3.2 million in 2018 to \$0 in 2019 because of the conversion of the construction loans to long-term loans in 2019.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

---

**Wastewater Division (Continued)**

In 2017, the Authority closed on interest-free, interim construction loans for four projects that include improvements to the incinerator's ash handling system, emergency power initiatives, treatment plant resiliency initiatives and removable flood protection barriers. The emergency power and resiliency initiative interim loans were converted to permanent financing in 2018 and the other two projects were converted to permanent financing in 2019.

Noncurrent Deferred Revenue decreased \$41,000 to \$0 because the only remaining prepayment is for 2020 and is shown as Current Deferred Revenue. Accrued Absences decreased by \$18,000 to \$337,000 which represents the value associated with vacation and compensatory time earned by employees. Post Retirement Benefit costs remained the same at \$535,000. This balance represents additional funds set aside by the Authority for Other Post-Employment Benefits.

Current and Long-Term Bonds Payable went from \$18.8 million in 2018 to \$20.9 million in 2019 due to a combination of new long-term debt and offsetting principal payments made in accordance with existing debt service schedules. In 2019 the Authority converted a construction loan for flood barriers to a long-term loan for \$234,000. This loan included \$56,000 of principal forgiveness for Super Storm Sandy resiliency efforts. The Authority also converted a construction loan for ash handling improvements to a long-term loan for \$3.4 million. Debt paid down during 2019 totaled \$1.5 million, for a net increase of \$2.1 million. Due to the closing on the projects previously discussed, Accrued Interest Expense increased slightly to \$88,000.

Net Pension Liability decreased \$1.6 million or 9% to \$14.8 million in 2019. The decrease is almost entirely attributable to changes in actuarial assumptions used to calculate pension obligations. The discount rate of return increased causing a significant decrease in the Net Pension Liability for all participating units. The OPEB Liability is required as part of the implementation of GASB 75 and represents an actuarial estimate of the current liability for future post-employment benefits for retirees. The liability is \$20.4 million and decreased \$3.1 million from 2018. The decrease is almost entirely attributable to changes in actuarial assumptions used to calculate OPEB obligations. The discount rate of return increased causing a significant decrease in the OPEB Liability for all participating units.

Deferred Inflows Related to Pensions increased \$127,000 and Deferred Inflows Related to OPEB increased \$2.8 million due to changes in actuarial assumptions used to calculate pension and OPEB obligations.

Assets and Deferred Outflow of Resources exceed Liabilities and Deferred Inflow of Resources by \$43 million. This compares to 2018 where the division's Assets and Deferred Outflow of Resources exceeded its Liabilities and Deferred Inflow of Resources by \$37.9 million. The net change represents the change in Net Position for the 2019 year of \$5.2 million.

The Division's Net Position of \$43,074,196 is comprised of the following:

- (1) Capital Assets, Net of Related Debt of \$41,221,130, 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.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

**Wastewater Division (Continued)**

(2) Net Position of \$7,000,000 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 \$441,940 restricted for the purpose of forthcoming debt service payments.

(4) Net Position of \$427,879 restricted for the purpose of providing a Debt Service Reserve Fund, in accordance with the Authority's debt covenants.

(5) Unrestricted Net Position of (\$6,016,754) represents the portion available to maintain the Authority's continuing obligations to the contractual customers of its service area, its creditors and current liabilities. Also reflected in the balance are the financial impacts of the implementation of GASB 68 and GASB 75.

Restricted Net Position increased \$45,000 due to an increase in the Debt Service Fund in accordance with debt service due in 2020. Unrestricted Net Position increased \$4.5 million which is a function of changes in Restricted Net Assets and Net Income for the year.

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

This financial statement is commonly referred to as the Income Statement and summarizes the Division's Revenue and Expenditures for the year. This financial statement provides valuable insight into both operating and non-operating performance and is most useful when compared to prior periods of performance. Net income for the year was significant at \$5,194,419, an increase of over \$3.8 million from 2018.

Below is a synopsis of the Wastewater Division's 2019 Statement of Revenues, Expenses and Changes in Net Position with a comparison to last year:

WW Revenue	2019		2018		2017		2019-2018	
	\$		\$		\$		\$ Change	% Change
User Fee	\$ 23,343,919	\$ 23,343,919	\$ 23,343,919	\$ 23,343,919	\$ 23,343,919	\$ 23,343,919	\$ -	0%
Sludge	1,956,774	2,365,031	2,211,839	2,211,839	2,211,839	2,211,839	(408,257)	-17%
Septage	414,530	383,828	337,919	337,919	337,919	337,919	30,702	8%
Grant Income	25,686	2,498,598	-	-	-	-	(2,472,912)	-99%
Other	1,414,227	1,623,950	1,287,659	1,287,659	1,287,659	1,287,659	(209,723)	-13%
<b>Total Revenue</b>	<b>27,155,136</b>	<b>30,215,326</b>	<b>27,181,337</b>	<b>27,181,337</b>	<b>27,181,337</b>	<b>27,181,337</b>	<b>(3,060,190)</b>	<b>-10%</b>
<b>WW Operating Expenses</b>								
Salaries	6,883,636	6,574,233	6,082,556	6,082,556	6,082,556	6,082,556	309,403	5%
Employee Benefits	2,865,003	4,883,355	4,374,861	4,374,861	4,374,861	4,374,861	(2,018,352)	-41%
Power & Utilities	2,527,357	2,598,158	2,343,096	2,343,096	2,343,096	2,343,096	(70,801)	-3%
Chemicals	922,014	794,896	703,980	703,980	703,980	703,980	127,118	16%
Fuel	1,172,655	1,202,741	1,094,207	1,094,207	1,094,207	1,094,207	(30,086)	-3%
Supplies & Miscellaneous Maintenance	1,817,972	4,095,619	4,581,479	4,581,479	4,581,479	4,581,479	(2,277,647)	-56%
Contractual Services	1,471,800	1,141,231	557,651	557,651	557,651	557,651	330,569	29%
Indirect Operating Expenses	592,167	659,469	631,173	631,173	631,173	631,173	(67,302)	-10%
Administrative	1,341,170	1,349,921	1,454,347	1,454,347	1,454,347	1,454,347	(8,751)	-1%
Licenses & Permits	194,543	176,984	179,153	179,153	179,153	179,153	17,559	10%
Depreciation	2,924,439	5,562,374	5,394,719	5,394,719	5,394,719	5,394,719	(2,637,935)	-47%
<b>Total Operating Expenses</b>	<b>22,712,756</b>	<b>29,038,981</b>	<b>27,397,222</b>	<b>27,397,222</b>	<b>27,397,222</b>	<b>27,397,222</b>	<b>(6,326,225)</b>	<b>-22%</b>
<b>Operating Income/(Loss)</b>	<b>4,442,380</b>	<b>1,176,345</b>	<b>(215,885)</b>	<b>(215,885)</b>	<b>(215,885)</b>	<b>(215,885)</b>	<b>3,266,035</b>	<b>278%</b>
<b>WW Non-Operating Revenue/(Expenses)</b>								
County Appropriation	(338,842)	(363,074)	(360,425)	(360,425)	(360,425)	(360,425)	24,232	-7%
Interest Income	1,302,301	766,267	284,554	284,554	284,554	284,554	536,034	70%
Interest Expense	(211,420)	(205,903)	(211,328)	(211,328)	(211,328)	(211,328)	(5,517)	3%
<b>Total Non-Operating Revenue/(Expenses)</b>	<b>752,039</b>	<b>197,290</b>	<b>(287,199)</b>	<b>(287,199)</b>	<b>(287,199)</b>	<b>(287,199)</b>	<b>554,749</b>	<b>281%</b>
<b>NET INCOME/(LOSS)</b>	<b>\$ 5,194,419</b>	<b>\$ 1,373,635</b>	<b>\$ (503,084)</b>	<b>\$ (503,084)</b>	<b>\$ (503,084)</b>	<b>\$ (503,084)</b>	<b>\$ 3,820,784</b>	<b>278%</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

**Wastewater Division (Continued)**

Operating Revenue decreased \$3.1 million primarily due a reduction in grant income. In 2018, the Authority recognized \$2.5 million as grant income which represents principal forgiveness for loans from the NJIB. In 2019, principal forgiveness was only awarded for the flood barriers for \$56,000 and the DEP adjusted the original principal forgiveness for emergency power projects awarded in 2018 down by approximately \$30,000. This reduction was part of revised debt de-obligation schedules. Sludge revenues decreased over \$408,000 due to unanticipated furnace shutdowns during the year which resulted in a reduction in the processing of outside sludge.

The user fee is the primary revenue source for the wastewater division and supports the expenses as follows: \$21,657,148 for operating expenses, and \$1,686,771 for annual debt service. Sludge and Septage 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 \$2.4 million in 2019, down from \$2.7 million in 2018 as previously explained.

Other Income decreased \$210,000 and 13% due to several factors as shown below. Significant changes are explained following the chart:

	2019	2018	2017	2019-2018	
				\$ Change	% Change
Operating Service	\$ 963,310	\$ 905,488	\$ 801,504	\$ 57,822	6%
Rental	144,114	209,741	139,874	(65,627)	-31%
Lab	137,275	129,803	132,017	7,472	6%
Solar Renewable Energy Credits	130,483	100,283	126,807	30,200	30%
Truck Wash Revenue	23,314	32,758	34,293	(9,444)	-29%
Miscellaneous	11,117	10,806	39,944	311	3%
Permits	4,614	9,806	-	(5,192)	-53%
Insurance Reimbursements	-	225,264	13,220	(225,264)	-100%
<b>Total Other Income</b>	<b>\$ 1,414,227</b>	<b>\$ 1,623,950</b>	<b>\$ 1,287,659</b>	<b>\$ (209,724)</b>	<b>-13%</b>

Operating service income represents pump station maintenance and repairs for customers, fuel sales, grease inspections and hauling revenue. The increase is primarily due to an increase in pump station maintenance and repair activity for existing customers. Rental income in 2019 is lower than 2018 due to a revised agreement that resulted in a signing bonus of \$65,000 in 2018. Solar renewable energy credit revenue increased \$30,000 due to an increase in contractual prices which are in line with current market conditions. The decline in insurance reimbursements resulted from a one-time reimbursement recognized in 2018 that was primarily related to expenses incurred during 2016's winter Storm Jonas. The remaining other income categories did not have significant changes or impacts to the overall revenue of the division.

Operating expenses decreased by \$6.3 million from the prior year. The decrease is due to a combination of increases and decreases among significant operating items.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

---

**Wastewater Division (Continued)**

Significant increases were seen in Salaries, Chemicals and Contractual Services. Salaries increased \$309,000 because managerial positions were filled in 2019 and because additional overtime was worked to cover extended absences. In addition, employees were hired in anticipation of upcoming retirements as part of the Authority's succession planning efforts. Chemicals increased \$127,000 due to increased commodity pricing for polyelectrolyte, normalized usage of ferric chloride in 2019 compared to a trial in 2018 that reduced its use, coupled with a decrease in carbon odor control replacements as certain units deemed ineffective were shut down in 2019. Contractual Services increased \$331,000 due to increased use of a consultant to assist with operations, hiring a consultant to evaluate future process changes at the plant and increased repairs due to the age of some infrastructure. The division experienced a modest increase in expenses for Licenses and Permits.

Significant decreases were realized in Employee Benefits, Supplies & Miscellaneous Maintenance, Indirect Operating Expenses and Depreciation. Employee benefits decreased \$2 million and is the result of GASB 68 and 75 impacts. GASB 68 Pension expense decreased \$333,000 while GASB 75 OPEB expense decreased \$1.5 million. There was a reduction in retiree health benefit rates in 2019 that also reduced health benefits expense in 2019. Supplies and Miscellaneous Maintenance decreased \$2.3 million primarily due to the impacts of adjusting expenditures for GAAP which represents goods and services charged to 2019 but not yet received and due to the vendor December 31<sup>st</sup>. The current year impact is a reduction of \$1.5 million and the impact from the GAAP adjustment last year was an increase of \$875,000, causing a net change from GAAP adjustments of \$2.375 million. The current year reduction in expenses includes open contracts for the purchase of a jet vac for \$547,000, pull alarms for \$180,000, underground storage tank removal for \$103,000, furnace maintenance and repairs for \$171,000 and mechanical services for \$229,000. The receipt of these goods and services in 2020 will create an increase to the Supplies & Miscellaneous Maintenance expense in the 2020 GAAP statement. Indirect Operating Expenses decreased \$67,000 primarily due to lower costs to dispose of ash resulting from the processing of less sludge. There was less sludge processed and therefore less ash to dispose. Depreciation Expense decreased \$2.6 million and is due to \$188 million in assets placed in service in 1979 being fully depreciated in 2018. The division experienced modest decreases in Power and Utilities, Fuel and Administrative Expenses.

Total Operating Revenues exceeded Total Operating Expenses by \$4,442,380.

Non-Operating Revenue/Expense, which is comprised of County Appropriation, Interest Income and Interest Expense, was reflective of a net increase in income of \$197,000 in 2018 and \$752,000 in 2019.

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

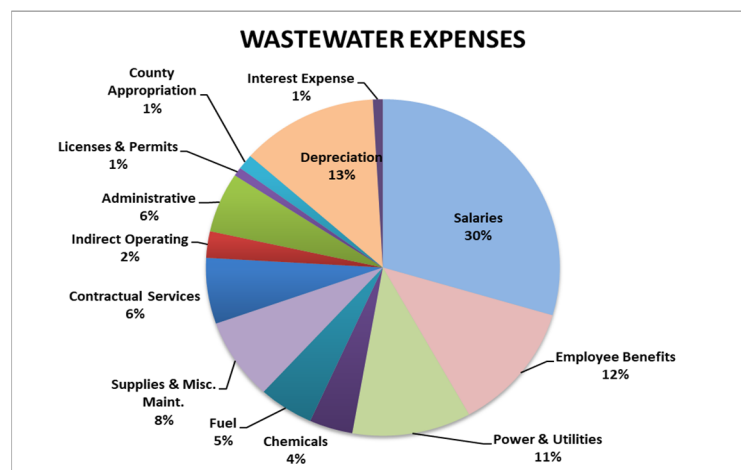
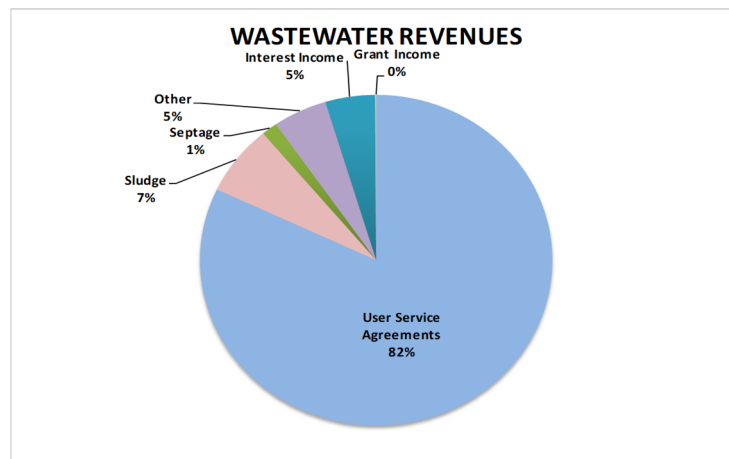
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

**Wastewater Division (Continued)**

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 for economic development initiatives. 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 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 five years be paid towards the National Aviation Research and Technology Park, also to be split pro-rata between Wastewater and Solid Waste. In 2019 the Wastewater Division was responsible for \$339,000 of the \$800,000 due for both initiatives.

Interest income had an increase of \$536,000 due to more available cash to invest and more attractive interest rates as compared to the prior year. In addition, there were realized gains on matured investments recognized during the year. Interest expense increased \$5,500 in accordance with debt service schedules.

Total 2019 Revenues exceeded Expenses by \$5,194,419, the Net Income for the year.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

**Wastewater Division (Continued)**

**Statement of Cash Flows:**

The Statement of Cash Flows is used to show how changes in balance sheet accounts and income affect Cash and Cash Equivalents. There are three categories in the Statement: Operating Activities, Capital and Financing Activities and Investing Activities.

	2019	2018	2017	2019-2018	
				Incr/(Decr)	% Change
<b>Cash Flows from Operating Activities</b>					
Receipts from Customers and Users	\$ 27,018,747	\$ 32,553,796	\$ 27,769,375	\$ (5,535,049)	-17%
Payments to Employees	(6,883,636)	(6,574,233)	(6,082,556)	(309,403)	5%
Payments to Suppliers	(13,198,094)	(18,123,614)	(13,117,430)	4,925,520	-27%
Net Cash Provided by Operating Activities	6,937,017	7,855,949	8,569,389	(918,932)	-12%
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers to Other Funds	(293,694)	5,086	(1,350,875)	(298,780)	-5875%
<b>Cash Flows from Capital and Related Financing Activities</b>					
Purchase of Capital Assets	(10,399,803)	(8,648,415)	(5,980,414)	(1,751,388)	-20%
Principal Paid on Debt	(1,475,351)	(1,244,881)	(1,752,306)	(230,470)	-19%
Interest Paid on Debt	(217,175)	(202,556)	(227,433)	(14,619)	-7%
Proceeds from Issuance of Debt	3,635,165	7,812,507	1,504,928	(4,177,342)	-53%
Net Cash Used by Capital and Financing	(8,457,164)	(2,283,345)	(6,455,225)	(6,173,819)	-270%
<b>Cash Flows from Investing Activities</b>					
Interest Income	1,296,546	708,007	124,265	588,539	83%
County Appropriation	(338,842)	(363,074)	(360,425)	24,232	7%
Transferred to Investments	4,448,481	(6,359,068)	(27,493,645)	10,807,549	170%
Net Cash Provided/(Used) by Investing Activities	5,406,185	(6,014,135)	(27,729,805)	11,420,320	190%
<b>Net Decrease in Cash and Cash Equivalents</b>	3,592,344	(436,445)	(26,966,516)	4,028,789	923%
<b>Cash and Cash Equivalents, January 1</b>	12,152,822	12,589,267	39,555,783	(436,445)	-3%
<b>Cash and Cash Equivalents, December 31</b>	\$ 15,745,166	\$ 12,152,822	\$ 12,589,267	\$ 3,592,344	30%

The Operating Activities represent the revenue-generating activities of the Division and resulted in a net cash increase of more than \$6.9 million. This is the result of revenue cash receipts from customers offset by payments to employees and suppliers.

The Capital and Financing Activities represent capital asset purchases, dispositions and loan activity for the year. These transactions resulted in a net cash decrease of \$8.6 million. The division invested \$10.4 million to acquire capital assets, paid \$1.8 million in principal and interest on loans and borrowed \$3.6 million to finance capital activity.

The Investing Activities resulted in a net cash increase of \$5.4 million and represents the purchase and sale of investments, interest income and contributions to county-wide initiatives. Interest income generated \$1.3 million, the investment in county-wide initiatives was \$339,000 as previously explained and the transfer from Cash to Investment was \$4.4 million. As investments matured during the year some were held in Cash as opposed to being reinvested either because the interest rates were not as attractive for long-term investments or because the cash was needed to fund Operating and Capital Activity.

The Net Increase in Cash and Cash Equivalents for the 2019 year is \$3,592,344 leaving a balance of \$15,745,166 at December 31, 2019.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

**Solid Waste Division**

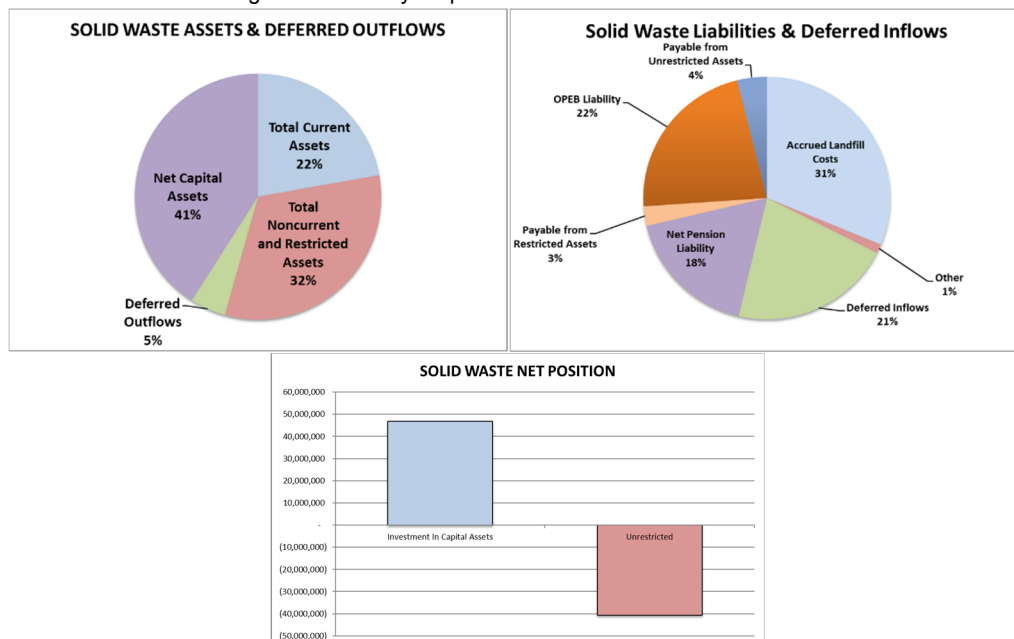
**Comparative Balance Sheet**

The Balance Sheet is the only financial statement that applies to a single point of time. This statement is intended to provide a snapshot of the Division's financial condition as of December 31<sup>st</sup>. The Division's Assets and Deferred Outflows exceed Liabilities and Deferred Inflows by almost \$6.2 million which indicates a strong financial position.

Below is a synopsis of the Solid Waste Division's 2019 Balance Sheet with a comparison to last year:

	<b>2019-2018</b>					
	<b>2019</b>	<b>2018*</b>	<b>2017</b>	<b>\$ Change</b>	<b>% Change</b>	
Total Current Assets	\$ 25,400,397	\$ 25,592,192	\$ 24,920,121	\$ (191,795)	-1%	
Total Noncurrent & Restricted Assets	36,809,768	45,813,392	40,893,833	(9,003,624)	-20%	
Capital Assets, Net of Depreciation	46,878,876	37,464,981	36,834,531	9,413,895	25%	
Deferred Outflows Related to Pensions & OPEB	5,342,403	6,331,934	5,616,881	(989,531)	-16%	
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS</b>	<b>\$ 114,431,445</b>	<b>\$ 115,202,501</b>	<b>\$ 108,265,366</b>	<b>\$ (771,056)</b>	<b>-1%</b>	
Current Liabilities Payable from Unrestricted	4,218,941	4,576,697	4,935,388	(357,756)	-8%	
Current Liabilities Payable from Restricted	713,580	1,798,490	33,885	(1,084,910)	-60%	
Total Noncurrent Liabilities Payable from Restricted	35,965,826	36,228,432	32,837,954	(262,606)	-1%	
Total Noncurrent Liabilities Payable from Unrestricted	44,417,234	49,307,588	57,959,321	(4,890,354)	-10%	
Total Deferred Inflows Related to Pensions & OPEB	22,961,885	20,140,355	9,583,800	2,821,530	14%	
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS</b>	<b>108,277,466</b>	<b>112,051,562</b>	<b>105,350,348</b>	<b>(3,774,094)</b>	<b>-3%</b>	
Invested in Capital Assets, Net Debt	46,878,876	37,464,981	36,834,531	9,413,895	25%	
Unrestricted	(40,724,897)	(34,314,042)	(33,919,513)	(6,410,855)	19%	
<b>TOTAL NET POSITION</b>	<b>6,153,979</b>	<b>3,150,939</b>	<b>2,915,018</b>	<b>3,003,040</b>	<b>95%</b>	
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<b>\$ 114,431,445</b>	<b>\$ 115,202,501</b>	<b>\$ 108,265,366</b>	<b>\$ (771,054)</b>	<b>-1%</b>	

\*Certain balances were reclassified to align with current year presentation



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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

---

**Solid Waste Division (Continued)**

The Solid Waste Division's Total Assets and Deferred Outflows are \$114,431,000, a decrease of \$771,000 from 2018.

Current Assets decreased \$192,000 and 1% resulting from a decrease in Cash and Investments of \$982,000 which is somewhat reflective of the increase in the receivable balance in the amount of \$790,000. These balances change daily and are in line with average balances for the Division.

Restricted and Noncurrent Assets decreased \$9 million and 20%. Cash and Investments decreased \$8.8 million primarily due to the construction and related payments for the mechanically stabilized earth (MSE) wall around the landfill. This wall is being built to increase capacity and will be complete in 2020 for a total cost of \$10.2 million. In 2019, over \$6.6 million was paid from Cash and Investments for this project. Amounts held by the state of New Jersey decreased \$170,000 and 1% and represents a combination of inflows and outflows. Deposits are made monthly to the ACUA escrow account equal to \$1 per ton of certain waste types received and interest income earned on the accounts are credited to them. In 2019 there was a withdrawal from the ACUA escrow account to reimburse the Division for a temporary cap installed on a portion of the landfill and there were withdrawals from the Pinelands Park Landfill (PPL) escrow accounts for post-closure care and maintenance costs. Accrued Interest Receivable decreased slightly to \$117,000 and is due to less interest being paid in 2019 versus 2018 because Cash and Investments were spent in 2019 while being held as the funding source for the wall in 2018.

Capital Assets increased \$9.4 million and 25% and include the acquisition of \$7 million of heavy equipment and vehicles, building and campus improvements and landfill improvements. There were \$2.5 million in assets taken out of service during the year and sold on GovDeals.com. The MSE wall is included in Capital Assets at \$6.8 million of Construction in Progress since it will not be placed in service until 2020. Accumulated Depreciation increased \$1.9 million and 2% and is a combination of \$4.3 million depreciation expense and \$2.4 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 decreased \$1.9 million to \$3 million. The decrease is primarily due to the actuarial assumptions used to calculate pension obligations. The discount rate increased causing a significant decrease in the Deferred Outflow for all participating units. Deferred Outflows Related to OPEB increased \$900,000 to \$2.4 million also due to the actuarial assumptions used to calculate OPEB obligations.

Total Liabilities and Deferred Inflows decreased \$3.8 million and 3% to \$108.3 million. Current Liabilities Payable from Unrestricted Assets decreased by \$358,000 and 8% primarily due to Accounts Payable. Accounts Payable decreased \$456,000 to \$2.9 million primarily due to the impact of the GAAP adjustment for expenditures charged to the 2019 budget but removed from Accounts Payable because the goods and services were not received by December 31, 2019. Customer Deposits increased \$92,000 and represent cash balances customers have available to draw down for tip fees. The Current Portion of Lease Payable stayed the same at \$700,000, the annual principal payment. Pension Payable increased \$6,000 to \$1,057,000 and represents the amount owed to the New Jersey Public Employee's Retirement System for the current year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

---

**Solid Waste Division (Continued)**

Current Liabilities Payable from Restricted Assets consists of Construction Contracts Payable, Lease Payable and Accrued Interest Payable. Construction Contracts Payable represents the amount owed to vendors for the portion of capital projects and purchases that were complete but not yet paid as of December 31, 2019. There were none on December 31<sup>st</sup> whereas there was \$1.1 million in 2018. The Current Portion of Lease Payable remained the same at \$700,000, the annual principal payment due. Accrued Interest in the amount of \$13,580 is slightly less than 2018 due to the lease payments made in 2019. The Lease Payable represents a capital lease for the purchase of vehicles in 2018 to service a significant collections contract in Vineland, NJ that began January 1, 2019. The lease is for five years and was obtained for the financing of eleven collection vehicles and two pickup trucks required for the contract.

Noncurrent Liabilities Payable from Restricted Assets includes the Lease Payable and Accrued Landfill Closure and Post-Closure costs. The Lease Payable decreased \$700,000, the annual principal payment due. Accrued Landfill Closure and Post-Closure Costs increased \$437,000. The ACUA owns two landfills, the active ACUA landfill and the closed Pinelands Park Landfill that was acquired by ACUA 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 \$18.3 million, an increase of \$1.1 million from 2018. The PPL Closure Liability is \$15.6 million and decreased more than \$641,000 due to closure expenses incurred in 2019 which are partially offset by interest income earned in the escrow accounts.

The amount accrued for ACUA's landfill is in accordance with the consulting Engineer's findings as reported. Total anticipated closure cost as of December 31, 2019 is \$18,261,144. The percent of cumulative landfill capacity utilized as of December 31, 2019 according to the consulting engineer report is 71.5%, up from 68.4% in 2018. This increase is the result of 475,029 current year tons of waste accepted, 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 \$15.6 million and are fully funded. The ACUA Landfill Post-Closure Costs are estimated to be \$18.3 million and \$10.8 million is funded. Both are shown in the Noncurrent Assets of the Authority.

Noncurrent Liabilities Payable from Unrestricted Assets includes Accrued Absences, Post Retirement Benefits Payable, Net Pension Liability and Net OPEB Liability. Accrued Absences increased \$56,000 to \$505,000 which represents the value associated with vacation and compensatory time earned by employees. Other Non-Current Liabilities include an accrual for expected future Post Retirement Benefit costs in the amount of \$800,000. This balance represents additional funds set aside by the Authority for Other Post-Employment Benefits.

The Net Pension Liability is required as part of the implementation of GASB 68 and represents an actuarial estimate of the current liability for future pension expenses. The Net Pension Liability decreased \$1.7 million and 8% to \$19.1 million in 2019. The decrease is attributable to changes in actuarial assumptions used to calculate pension obligations. The discount rate increased causing a significant decrease in the Net Pension Liability for all participating units. The OPEB Liability is required as part of the implementation of GASB 75 and represents an actuarial estimate of the current liability for future post-employment benefits for retirees. The liability is \$24 million and decreased \$3.2 million from 2018.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

**Solid Waste Division (Continued)**

The decrease is almost entirely attributable to changes in actuarial assumptions used to calculate OPEB obligations. The discount rate of return increased causing a significant decrease in the OPEB Liability for all participating units.

Deferred Inflows Related to Pensions decreased \$90,000 and Deferred Inflows Related to OPEB increased \$2.9 million due to changes in actuarial assumptions used to calculate pension and OPEB obligations.

The Division's Net Position of \$6,153,979 is comprised of the following:

- (1) Capital Assets are \$46,878,876 and include Property, Plant and Equipment, net of Accumulated Depreciation.
- (2) Unrestricted Net Position decreased \$6.4 million to (\$40,724,897) and represents the 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. Also reflected in the balance are the financial impacts of the implementation of GASB 68 and GASB 75.

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

This financial statement is commonly referred to as the Income Statement and summarizes the Division's Revenue and Expenditures for the year. This financial statement provides valuable insight into both operating and non-operating performance and is most useful when compared to prior periods of performance. Net income for the year was significant at \$3,003,039, an increase of over \$2.4 million from 2018. Below is a synopsis of the Solid Waste Division's 2019 Statement of Revenues, Expenses and Changes in Net Position with a comparison to last year:

	2019	2018	2017	2019-2018	
				\$ Change	% Change
<b>SW Revenue</b>					
Tipping Fee	\$ 23,916,814	\$ 24,534,013	\$ 23,307,196	\$ (617,199)	-3%
Collections & Recycling	11,039,101	8,477,075	8,845,058	2,562,026	30%
Grant Income	110,357	212,402	211,927	(102,045)	-48%
Composting & Eco Product Income	1,156,850	1,143,598	1,060,366	13,252	1%
Other	1,268,064	1,111,663	991,646	156,401	14%
<b>Total Revenue</b>	<b>37,491,185</b>	<b>35,478,751</b>	<b>34,416,193</b>	<b>2,012,434</b>	<b>6%</b>
<b>SW Operating Expenses</b>					
Salaries	11,410,888	9,856,193	9,185,061	1,554,695	16%
Employee Benefits	5,242,658	7,226,107	7,380,272	(1,983,449)	-27%
Power & Utilities	720,604	637,020	626,591	83,584	13%
Fuel	1,201,413	1,157,836	863,182	43,577	4%
Supplies & Miscellaneous Maintenance	2,969,447	2,653,979	2,521,496	315,468	12%
Indirect Operating Expenses	3,845,003	4,039,898	2,909,240	(194,895)	-5%
Administrative	1,183,063	1,142,000	1,012,524	41,063	4%
Community Benefit	2,570,125	2,539,785	2,384,381	30,340	1%
Recycling & Other Taxes	1,114,676	1,116,553	1,065,815	(1,877)	0%
Bad Debt Expense	-	21,545	-	(21,545)	-100%
Depreciation	4,309,083	4,210,349	4,513,118	98,734	2%
<b>Total Operating Expenses</b>	<b>34,566,961</b>	<b>34,601,265</b>	<b>32,461,680</b>	<b>(34,304)</b>	<b>0%</b>
<b>Operating Income</b>	<b>2,924,225</b>	<b>877,486</b>	<b>1,954,513</b>	<b>2,046,739</b>	<b>233%</b>
<b>SW Non-Operating Revenue/(Expenses)</b>					
County Appropriation	(461,158)	(436,926)	(439,575)	(24,232)	6%
Interest Income	1,319,576	1,121,570	504,886	198,006	18%
Interest Expense	(98,455)	(16,975)	-	(81,480)	480%
Gain on Sale of Fixed Asset	78,920	29,457	146,227	49,463	168%
Adjustment to landfill closure and post-closure care cost	(760,069)	(990,499)	(968,477)	230,430	-23%
<b>Total Non-Operating Revenue/(Expenses)</b>	<b>78,814</b>	<b>(293,373)</b>	<b>(756,939)</b>	<b>372,187</b>	<b>-127%</b>
<b>NET INCOME</b>	<b>\$ 3,003,039</b>	<b>\$ 584,113</b>	<b>\$ 1,197,574</b>	<b>\$ 2,418,926</b>	<b>414%</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

**Solid Waste Division (Continued)**

Tip Fees decreased \$617,000 and 3% primarily due to an increase in trash received coupled with a decrease in bulky and construction waste received. The trash tip fee is less than bulky and construction resulting in a net tip fee decrease of about \$120,000. Ash revenue was down \$56,000 due to less ash being received from the Wastewater Division as previously explained. Finally, landfill amendment decreased \$442,000 because in 2019 the Division started placing restrictions on how much landfill amendment would be accepted because space at the landfill was unavailable. Recycling Market Revenue and Revenue from Collection Contracts increased 30% and \$2.6 million. The increase is due to a new collection contract with the City of Vineland that started in 2019. Total revenue from Vineland was over \$2.7 million for the year. Recycling market revenue decreased \$185,000 due to significant world-wide price declines as the markets changed the requirements for acceptable materials. The markets strictly limited the materials acceptable for recycling and ACUA changed its recycling guidelines to conform to these changes and to keep our program sustainable. Grant income decreased \$102,000 from 2018 because there were two years of Clean Communities reimbursements paid in 2018 and only one year in 2019. There was also a one-time grant to cover the incremental cost of purchasing two compressed natural gas collection trucks versus diesel trucks received in 2018 for \$40,000. Compost and Eco-Product Revenue remained consistent at approximately \$1.2 million. Other Income increased \$156,000 due to several factors as shown below. Significant changes are explained in the following chart:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019-2018</u>	
				<u>\$ Change</u>	<u>% Change</u>
Rental Income	\$ 256,649	\$ 245,308	\$ 239,142	\$ 11,341	5%
PPL Reimbursement	230,736	222,570	217,248	8,166	4%
Landfill Gas to Energy	175,959	199,512	250,245	(23,553)	-12%
CNG Tax Rebate	161,363	123,469	101,870	37,894	31%
Legal Settlement	150,000	-	-	150,000	100%
Clean Energy	93,940	125,436	58,944	(31,496)	-25%
Fuel Sales	87,155	109,348	36,536	(22,193)	-20%
Miscellaneous	56,652	57,388	59,557	(736)	-1%
Insurance Refunds	55,611	21,038	13,104	34,573	164%
Waste Flow Settlement	-	7,592	15,000	(7,592)	-100%
<b>Total Other Income</b>	<b>\$ 1,268,065</b>	<b>\$ 1,111,662</b>	<b>\$ 991,646</b>	<b>\$ 156,402</b>	<b>14%</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

---

**Solid Waste Division (Continued)**

The Landfill Gas to Energy (LFG) project that converts methane from the landfill to electricity has experienced 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 were subsequently taken offline by the Authority's partner, AC Landfill Energy, LLC (ACLE). The Authority renegotiated the lease agreement in 2016 and it was agreed that only two engines would run going forward. ACUA shares in total project revenue and earned \$76,000 in 2019 which is \$24,000 less than the prior year. The ACUA also receives approximately \$100,000 rental income from the project. The compressed natural gas ("CNG") tax rebate recognized in 2019 is a 50 cent per gallon equivalent rebate from the IRS for CNG dispensed by the station owner in 2018. The increase is directly related to increased CNG output from the station, over 75,000 additional gasoline gallon equivalents were dispensed in 2018 as compared to 2017 due to our growing CNG fleet of vehicles. The legal settlement of \$150,000 is the result of non-performance from a vendor awarded a bid contract for a portion of the transfer station floor replacement. Clean Energy built the CNG station and provides billing and operations and maintenance for the station. The Clean Energy revenue represents the net revenue for outside customers. Fuel sales declined in 2019 because the wastewater fueling dispenser was non-operational for the majority of 2018, so their fleet fueled at solid waste.

Operating Expenses decreased \$34,000 which is the net result of increases and decreases among significant operating items.

Salaries, Power & Utilities, Supplies & Miscellaneous Maintenance and Depreciation experienced significant increases. Salaries increased \$1.5 million and 16% due to a combination of hiring new employees to service the Vineland contract and additional overtime experienced in 2019. Power & Utilities increased \$84,000 and 13% because a quarterly sewer bill for leachate was not paid in 2018 and was paid and charged to 2019. Supplies & Miscellaneous Maintenance increased \$315,000 and 12% due to the Vineland fleet and maintenance contract as well as increased landfill equipment repairs. Finally, Depreciation Expense increased \$99,000 primarily because a half year of depreciation was taken on the Vineland fleet placed into service in 2019. Modest increases were seen in Fuel, Administrative and Host Community Benefit expenses.

Employee Benefits, Indirect Operating Expenses and Bad Debt Expense experienced significant decreases. Employee benefits decreased almost \$2 million and is the result of GASB 68 and 75 impacts. GASB 68 Pension expense decreased \$265,000 while GASB 75 OPEB expense decreased \$1.7 million. Indirect Operating Expenses decreased \$195,000 because in 2018 a one-time purchase of vehicle GPS software and hardware occurred. Finally, Bad Debt Expense was \$0 for 2019 because the Allowance for Doubtful Accounts was considered adequate by management. There was a modest decrease in Recycling & Other Taxes.

Total Operating Revenue exceeded Total Operating Expenses resulting in operating income of \$2,924,000 for 2019 versus \$877,000 in 2018.

Total Net Non-Operating Revenue is \$79,000 compared to Net Non-Operating Expense of \$293,000 in 2018, an improvement of \$372,000.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

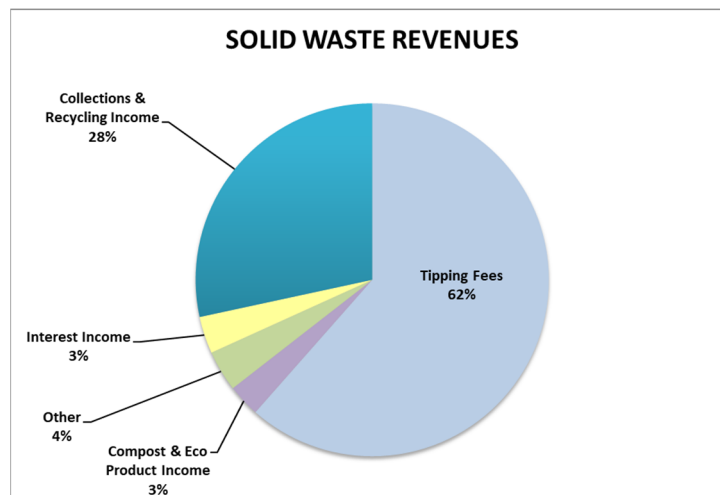
---

**Solid Waste Division (Continued)**

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 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 five years be paid towards the National Aviation Research and Technology Park, also to be split pro-rata between Wastewater and Solid Waste. In 2019 the Solid Waste Division was responsible for \$461,000 of the \$800,000 due for both initiatives.

Interest Income increased \$198,000 because interest rates paid on investments increased during the year and because there were realized gains on matured investments. Interest Expense in the amount of \$98,000 is related to the capital lease for the purchase of 13 vehicles in 2018 to service the contract in Vineland that began January 1, 2019. Gain on Sale of fixed assets increased to \$79,000 and is unique to the surplus equipment sold in any given year. The Adjustment to Landfill Closure and Post-Closure Care Cost represents the charge necessary to bring the Landfill Closure Liability up to the estimated amount in the annual engineer's report. The adjustment was \$760,000 for 2019.

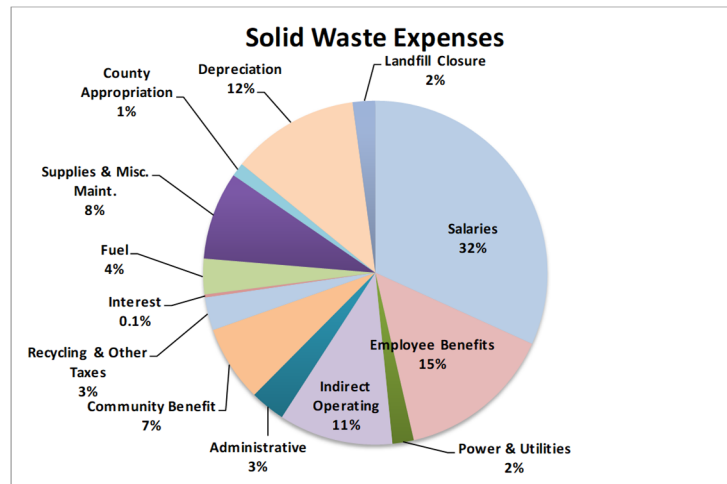
Net Income for the 2019 year is \$3,003,039 compared to \$584,113 in 2018, a \$2,418,926 increase. Net income, if available, normally funds the capital improvements of the Authority which include the construction of new cells, the purchase of collection vehicles and other equipment, infrastructure improvements and landfill closure responsibilities.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

**Solid Waste Division (Continued)**



**Statement of Cash Flows**

The Statement of Cash Flows is used to show how changes in balance sheet accounts and income affect Cash and Cash Equivalents. There are three categories in the Statement: Operating Activities, Capital and Financing Activities and Investing Activities.

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019-2018</u>	
				<u>Incr/(Decr)</u>	<u>% Change</u>
<b>Cash Flows from Operating Activities</b>					
Receipts from Customers and Users	\$ 39,913,406	\$ 37,930,626	\$ 34,493,832	\$ 1,982,780	5%
Payments to Employees	(11,410,888)	(9,856,193)	(9,185,061)	(1,554,695)	-16%
Payments to Suppliers	(19,055,704)	(20,233,777)	(15,729,120)	1,178,073	6%
Net Cash Provided by Operating Activities	<u>9,446,814</u>	<u>7,840,656</u>	<u>9,579,651</u>	<u>1,606,158</u>	<u>20%</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers to Other Funds	293,694	(5,086)	1,350,875	298,780	5875%
<b>Cash Flows from Capital and Related Financing Activities</b>					
Purchase of Capital Assets	(15,065,406)	(4,850,241)	(2,532,910)	(10,215,165)	-211%
Gain on Sale of Fixed Assets	78,920	29,457	146,227	49,463	168%
Net Cash Used by Capital and Financing	<u>(14,986,486)</u>	<u>(4,820,784)</u>	<u>(2,386,683)</u>	<u>(10,165,702)</u>	<u>-211%</u>
<b>Cash Flows from Investing Activities</b>					
Interest Income	1,322,971	1,067,892	414,100	255,079	24%
County Appropriation	(461,158)	(436,926)	(439,575)	(24,232)	-6%
Transferred to Investments	3,469,296	1,658,782	(17,689,404)	1,810,514	109%
Net Cash Provided (Used) by Investing Activities	<u>4,331,109</u>	<u>2,289,748</u>	<u>(17,714,879)</u>	<u>2,041,361</u>	<u>89%</u>
<b>Net Increase (decrease) in Cash and Cash Equivalents</b>	(914,869)	5,304,534	(9,171,036)	(6,219,403)	-117%
<b>Cash and Cash Equivalents, January 1</b>	<u>11,799,841</u>	<u>6,495,307</u>	<u>15,666,343</u>	<u>5,304,534</u>	<u>82%</u>
<b>Cash and Cash Equivalents, December 31</b>	<u>\$ 10,884,972</u>	<u>\$ 11,799,841</u>	<u>\$ 6,495,307</u>	<u>\$ (914,869)</u>	<u>-8%</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

---

**Solid Waste Division (Continued)**

The Operating Activities represent the revenue-generating activities of the Division and resulted in a net cash increase of \$9.4 million. This is the result of increased revenues generated, increased payments to employees for the Vineland contract and decreased expenses paid to suppliers.

The Capital and Financing Activities represent capital asset purchases, dispositions and loan activity for the year. These transactions resulted in a net cash decrease of \$15 million. The division invested \$15 million to acquire capital assets and realized a gain on the disposition of assets of \$79,000.

The Investing Activities represent the purchase and sale of investments, interest income and contributions to county-wide initiatives. Interest income generated an additional \$255,000 of cash compared to 2018. The investment in county-wide initiatives increased slightly as previously explained and the transfer from Cash to Investments increased \$1.8 million. Investing Activities generated \$4.3 million in 2019.

The Net Decrease in Cash and Cash Equivalents for the 2019 year is \$914,869 leaving a balance of \$10,884,972 on December 31, 2019.

**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, 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

---

**Core Competencies (Continued)**

**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 a transfer station, landfill, recycling center, composting facility and maintenance center.

Tip fees are the primary source of income for the Solid Waste Division. Atlantic County has Flow Control which means all waste generated in Atlantic County must be processed at the ACUA. Waste brought to the ACUA includes municipal, commercial, construction, and industrial waste. In 2019 approximately 333,000 tons of waste came in compared to approximately 334,000 tons in 2018.

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. Recycling collection is provided to twenty-one municipalities, trash collection is provided to eighteen municipalities and yard waste collection services are provided to nine municipalities in and around Atlantic County. The Authority entered into a five-year contract beginning January 1, 2019, with the City of Vineland for trash and recycling collection services. The annual revenue to the Authority for this contract will be approximately \$2.6 million. Approximately 39,000 tons of recyclable materials were collected in 2019 as compared to 43,000 in 2018. The reduction in tonnages is due to the curtailment of outside recyclables authorized under the revised recycling guidelines necessary to keep the program sustainable.

The Authority's compost operation processes leaves, grass clippings, tree branches, clean wood, brush and Christmas trees. In 2019 and 2018, over 24,000 tons of yard waste were processed. 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 140 vehicles and 30 pieces of specialized heavy equipment is maintained and serviced. In addition to a CNG fueling station open to the public, the Authority now has forty-five CNG refuse collection trucks, four CNG roll off trucks, eight CNG utility trucks, a CNG street sweeper and twelve bi-fuel trucks in its fleet.

**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."**

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

---

**Accountability (Continued)**

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 fundraising 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.

The Authority Board Members as of December 31, 2019 were:

Marvin E. Embry, Chairman  
Peter A. Sarkos, Vice Chairman  
Fred Akers, Treasurer  
Andrew Berenato, Assistant Treasurer  
John E. Lyons, Member  
Judy Ward, Member  
Laura Pfrommer, Member  
Dennis Levinson, County Executive



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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

---

**Management of the Authority**

Richard S. Dovey, President  
Linda Bazemore, VP of Administration and Finance/CFO  
Brian Lefke, Senior VP – Solid Waste Division and Board Secretary  
Joseph Pantalone, VP – Wastewater Division  
Thomas Ganard, Chief Engineer  
Matthew DeNafo, VP of Centralized Maintenance and Asset Management

**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 Infrastructure Bank  
Capital Lease Purchases  
Lease with Option to Purchase Financing  
Funding incrementally or annually from the Operating Budget

**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 and additional information can be obtained by contacting the Atlantic County Utilities Authority or on the web site at [www.acua.com](http://www.acua.com).

## **BASIC FINANCIAL STATEMENTS**

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

STATEMENTS OF NET POSITION  
December 31, 2019 and 2018

	2019			2018*
	Wastewater Division	Solid Waste Division	Total	
<b>ASSETS</b>				
Unrestricted current assets:				
Cash and cash equivalents	\$ 12,312,445	\$ 3,961,553	\$ 16,273,998	\$ 14,492,532
Investments	33,389,140	16,884,457	50,273,597	49,056,140
Accrued interest receivable	245,254	230,409	475,663	392,532
Accounts receivable (net of allowance)	570,402	3,121,828	3,692,230	3,083,438
Other receivable	369,970	278,433	648,403	777,812
Internal accounts	(923,717)	923,717	-	-
Total unrestricted current assets	<u>45,963,493</u>	<u>25,400,397</u>	<u>71,363,891</u>	<u>67,802,454</u>
Restricted noncurrent assets:				
Cash and cash equivalents	3,432,721	6,923,419	10,356,140	9,460,131
Investments	6,920,949	-	6,920,949	14,023,959
Amounts held by State of New Jersey	-	29,769,705	29,769,705	29,939,367
Accrued interest receivable	50,328	116,644	166,972	173,938
Loans receivable	702,740	-	702,740	4,456,724
Total restricted noncurrent assets	<u>11,106,738</u>	<u>36,809,768</u>	<u>47,916,506</u>	<u>58,054,119</u>
Capital assets, gross	243,010,156	157,604,913	400,615,070	386,835,831
Accumulated depreciation	(180,916,875)	(110,726,037)	(291,642,912)	(286,810,146)
Capital assets, net	<u>62,093,282</u>	<u>46,878,876</u>	<u>108,972,158</u>	<u>100,025,685</u>
TOTAL ASSETS	<u>119,163,513</u>	<u>109,089,042</u>	<u>228,252,555</u>	<u>225,882,258</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	2,474,030	2,971,777	5,445,807	8,826,749
Deferred outflows related to OPEB	2,093,827	2,370,626	4,464,453	2,737,414
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,567,857</u>	<u>5,342,403</u>	<u>9,910,260</u>	<u>11,564,163</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 123,731,370</u>	<u>\$ 114,431,445</u>	<u>\$ 238,162,815</u>	<u>\$ 237,446,422</u>

\*Certain balances were reclassified to align with current year presentation

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

STATEMENTS OF NET POSITION (CONTINUED)  
December 31, 2019 and 2018

	2019			2018*
	Wastewater Division	Solid Waste Division	Total	
<b>LIABILITIES</b>				
Current liabilities payable from unrestricted assets:				
Accounts payable and accrued expenses	\$ 2,126,221	\$ 2,885,176	\$ 5,011,396	\$ 6,056,938
Customer deposits	-	277,068	277,068	184,982
Unearned revenue, current	41,361	-	41,361	40,870
Pension payable	820,472	1,056,697	1,877,169	1,877,169
Total current liabilities payable from unrestricted assets	<u>2,988,053</u>	<u>4,218,941</u>	<u>7,206,995</u>	<u>8,159,960</u>
Current liabilities payable from restricted assets:				
Construction contracts payable	687,207	-	687,207	2,035,152
Current portion of bonds payable	1,700,354	-	1,700,354	1,380,233
Current portion of lease payable	-	700,000	700,000	700,000
NJEIT loan payable, net	-	-	-	3,180,751
Accrued interest	87,761	13,580	101,341	98,981
Total current liabilities payable from restricted assets	<u>2,475,321</u>	<u>713,580</u>	<u>3,188,901</u>	<u>7,395,117</u>
Noncurrent liabilities payable from restricted assets:				
Long-term portion of bonds payable	19,171,798	-	19,171,798	17,432,166
Long-term portion of lease payable	-	2,100,000	2,100,000	2,800,000
Accrued landfill closure and post-closure care cost	-	33,865,826	33,865,826	33,428,432
Total noncurrent liabilities payable from restricted assets	<u>19,171,798</u>	<u>35,965,826</u>	<u>55,137,624</u>	<u>53,660,598</u>
Noncurrent liabilities payable from unrestricted assets:				
Unearned revenue, non-current	-	-	-	41,349
Accrued compensated absences	336,769	505,440	842,209	803,645
Post retirement benefits payable	535,019	800,000	1,335,019	1,335,019
Net pension liability	14,808,620	19,072,237	33,880,857	37,158,319
Net OPEB liability	20,414,991	24,039,557	44,454,548	50,768,768
Total noncurrent liabilities payable from unrestricted assets	<u>36,095,399</u>	<u>44,417,234</u>	<u>80,512,633</u>	<u>90,107,100</u>
<b>TOTAL LIABILITIES</b>	<u>60,730,571</u>	<u>85,315,582</u>	<u>146,046,152</u>	<u>159,322,775</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	5,813,108	6,982,640	12,795,748	12,758,737
Deferred inflows related to OPEB	14,113,495	15,979,245	30,092,740	24,334,194
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>19,926,603</u>	<u>22,961,885</u>	<u>42,888,488</u>	<u>37,092,931</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 80,657,174</u>	<u>\$ 108,277,466</u>	<u>\$ 188,934,640</u>	<u>\$ 196,415,706</u>

\*Certain balances were reclassified to align with current year presentation

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

STATEMENTS OF NET POSITION (CONTINUED)  
December 31, 2019 and 2018

	2019			2018*
	Wastewater Division	Solid Waste Division	Total	
<b>NET POSITION</b>				
Investment in capital assets, net of related debt	\$ 41,221,130	\$ 46,878,876	\$ 88,100,006	\$ 78,032,536
Restricted for:				
Wastewater:				
Renewal and replacement	7,000,000	-	7,000,000	7,000,000
Debt service fund	441,940	-	441,940	395,133
Debt service reserve fund	427,879	-	427,879	429,758
Unrestricted	(6,016,754)	(40,724,897)	(46,741,651)	(44,826,712)
<b>TOTAL NET POSITION</b>	<u>43,074,196</u>	<u>6,153,979</u>	<u>49,228,175</u>	<u>41,030,716</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF     RESOURCES AND NET POSITION</b>	<u>\$ 123,731,370</u>	<u>\$ 114,431,445</u>	<u>\$ 238,162,815</u>	<u>\$ 237,446,422</u>

\*Certain balances were reclassified to align with current year presentation

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
Years Ended December 31, 2019 and 2018

	2019			2018
	Wastewater Division	Solid Waste Division	Total	
Operating revenues:				
Wastewater:				
User service agreements:				
Operating	\$ 21,657,148	\$ -	\$ 21,657,148	\$ 21,893,135
General	1,686,771	-	1,686,771	1,450,784
Sludge	1,956,774	-	1,956,774	2,365,031
Septage	414,530	-	414,530	383,828
Grant income	25,686	-	25,686	2,498,598
Other	1,414,227	-	1,414,227	1,623,950
Solid Waste:				
Tipping fees	-	23,916,814	23,916,814	24,534,013
Collections and recycling income	-	11,039,101	11,039,101	8,477,075
Grant income	-	110,357	110,357	212,402
Composting and EcoProduct income	-	1,156,850	1,156,850	1,143,598
Other	-	1,268,064	1,268,064	1,111,663
Total operating revenues	<u>27,155,137</u>	<u>37,491,185</u>	<u>64,646,322</u>	<u>65,694,076</u>
Operating expenses:				
Salaries	6,883,636	11,410,888	18,294,525	16,430,426
Employee benefits	2,865,003	5,242,658	8,107,661	12,109,462
Power and utilities	2,527,358	720,604	3,247,961	3,235,178
Chemicals	922,014	-	922,014	794,896
Fuel	1,172,655	1,201,413	2,374,068	2,360,577
Supplies and miscellaneous maintenance	1,817,972	2,969,447	4,787,419	6,749,598
Contractual services	1,471,800	-	1,471,800	1,141,231
Indirect operating expenses	592,167	3,845,003	4,437,170	4,699,367
Administrative	1,341,170	1,183,063	2,524,233	2,491,921
Community benefit	-	2,570,125	2,570,125	2,539,785
Recycling and other taxes	-	1,114,676	1,114,676	1,116,553
Licenses and permits	194,543	-	194,543	176,984
Bad debt	-	-	-	21,545
Depreciation	2,924,439	4,309,083	7,233,522	9,772,723
Total operating expenses	<u>22,712,757</u>	<u>34,566,961</u>	<u>57,279,718</u>	<u>63,640,246</u>
Operating income	<u>4,442,380</u>	<u>2,924,225</u>	<u>7,366,604</u>	<u>2,053,831</u>
Non-operating revenues / (expenses):				
County appropriation	(338,842)	(461,158)	(800,000)	(800,000)
Interest income	1,302,301	1,319,576	2,621,877	1,887,837
Interest expense	(211,420)	(98,455)	(309,875)	(222,878)
Gain on sale of fixed assets	-	78,920	78,920	29,457
Adjustment to landfill closure and post-closure care cost	-	(760,069)	(760,069)	(990,499)
Total non-operating revenues / (expenses)	<u>752,039</u>	<u>78,814</u>	<u>830,853</u>	<u>(96,083)</u>
Changes in net position	<u>5,194,419</u>	<u>3,003,039</u>	<u>8,197,458</u>	<u>1,957,748</u>
Net position, January 1,	<u>37,879,777</u>	<u>3,150,939</u>	<u>41,030,716</u>	<u>39,072,968</u>
Net position, December 31,	<u>\$ 43,074,196</u>	<u>\$ 6,153,978</u>	<u>\$ 49,228,174</u>	<u>\$ 41,030,716</u>

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

**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2019 and 2018

	2019			2018
	Wastewater Division	Solid Waste Division	Total	
Cash flows from operating activities:				
Receipts from customers and users	\$ 27,018,747	\$ 39,913,406	\$ 66,932,153	\$ 70,484,422
Payments to employees	(6,883,636)	(11,410,888)	(18,294,525)	(16,430,426)
Payments to suppliers	(13,198,094)	(19,055,704)	(32,253,798)	(38,357,391)
Net cash flows from operating activities	6,937,017	9,446,814	16,383,830	15,696,605
Cash flows from non-capital financing activities:				
Operating subsidies and transfers to other funds	(293,694)	293,694	-	-
Net cash flows from non-capital financing activities	(293,694)	293,694	-	-
Cash flows from capital and related financing activities:				
Purchase of capital assets	(10,399,803)	(15,065,406)	(25,465,209)	(13,498,656)
Principal paid on debt	(1,475,351)	-	(1,475,351)	(1,244,881)
Proceeds from issuance of debt	3,635,165	-	3,635,165	7,812,507
Interest paid on debt	(217,175)	-	(217,175)	(202,556)
Gain on sale of fixed assets	-	78,920	78,920	29,457
Net cash flows from capital and related financing activities	(8,457,164)	(14,986,486)	(23,443,650)	(7,104,129)
Cash flows from investing activities:				
Interest income	1,296,546	1,322,971	2,619,517	1,775,899
County appropriation	(338,842)	(461,158)	(800,000)	(800,000)
Transferred from/(to) investments	4,448,481	3,469,296	7,917,777	(4,700,286)
Net cash flows from investing activities	5,406,185	4,331,109	9,737,294	(3,724,387)
Net change in cash and cash equivalents	3,592,344	(914,869)	2,677,475	4,868,089
Cash and cash equivalents, January 1	12,152,822	11,799,841	23,952,663	19,084,573
Cash and cash equivalents, December 31,	\$ 15,745,166	\$ 10,884,972	\$ 26,630,138	\$ 23,952,662
Reconciliation of Statements of Net Positions:				
Unrestricted cash and cash equivalents	\$ 12,312,445	\$ 3,961,553	\$ 16,273,998	\$ 14,492,532
Restricted cash and cash equivalents	3,432,721	6,923,419	10,356,140	9,460,131
Total cash and cash equivalents	\$ 15,745,166	\$ 10,884,972	\$ 26,630,138	\$ 23,952,663

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

**STATEMENTS OF CASH FLOWS (CONTINUED)**  
Years Ended December 31, 2019 and 2018

	<b>2019</b>			<b>2018</b>
	<b>Wastewater Division</b>	<b>Solid Waste Division</b>	<b>Total</b>	
Reconciliation of operating income to net cash flows from operating activities:				
Operating income	\$ 4,442,380	\$ 2,924,225	\$ 7,366,604	\$ 2,053,831
Items which did not use/(provide) cash:				
Depreciation expense	2,924,439	4,309,083	7,233,522	9,772,723
Unbudgeted pension expense	(63,825)	(76,666)	(140,491)	(611,334)
Unbudgeted OPEB expense	650,142	736,090	1,386,232	(893,576)
Working capital changes which provided/(used) cash:				
Accounts receivable	(95,532)	2,330,135	2,234,603	4,818,952
Accrued landfill post-closure costs	-	437,394	437,394	590,478
Accounts and other payables	(879,729)	(1,475,195)	(2,354,924)	159,096
Unearned revenues	(40,858)	-	(40,858)	(39,669)
Customer deposits	-	92,086	92,086	11,062
Amounts held by the State	-	169,662	169,662	(164,958)
Net cash flows from operating activities	<u>\$ 6,937,017</u>	<u>\$ 9,446,814</u>	<u>\$ 16,383,830</u>	<u>\$ 15,696,605</u>



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

NOTES TO FINANCIAL STATEMENTS

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Atlantic County Utilities Authority (the "Authority") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

**Reporting Entity**

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 law largely superseded the 1946 law 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 the 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.

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

NOTES TO FINANCIAL STATEMENTS

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Component Unit**

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 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; and
- there is a fiscal dependency by the organization on the primary government.

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

**Basis of Presentation**

The basic financial statements of the Authority have been prepared on the accrual basis of accounting in accordance with GAAP applicable to proprietary funds of State and Local Governments on a going concern basis.

All activities of the Authority are accounted for within proprietary (enterprise) funds. Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, accountability or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflows or outflows of resources associated with the operations are included on the statement of net position. Net position (i.e. total assets net of total liabilities) is segregated into invested in capital assets net of related debt, restricted and unrestricted components.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Proprietary funds are accounted for using the accrual basis of accounting.

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

NOTES TO FINANCIAL STATEMENTS

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (Continued)**

**Revenues - Exchange and Non-Exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Sewer service charges are recognized as revenue when services are provided.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital and donations. Revenue from grants, contributed capital and donations are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Authority must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

**Expenses** - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**Budgets and Budgetary Accounting**

The Authority must adopt an annual budget in accordance with *N.J.A.C. 5:31-2*. *N.J.A.C. 5:31-2* which requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt no later than the beginning of the Authority's fiscal year.

The governing body may amend the budget at any point during the year by resolution of the Board of Commissioners. The budgetary basis of accounting is utilized to determine the Authority has sufficient cash to operate and pay debt service. As such, certain items such as bond payments are included in budgetary expenses while depreciation is not included.

The legal level of budgetary control is established in the detail shown on the statements of revenues, expenses and changes in net position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended.

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At year-end, the accounting records are adjusted to record only expenses in accordance with GAAP.

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

NOTES TO FINANCIAL STATEMENTS

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Wastewater Service Contract**

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

The service contract provides for the determination of an annual charge to each Participant, which consists of an operating charge and a general charge. The service contract further provides that the operating charge shall, at times, be sufficient to provide annually for the expenses of operating, repairing, and maintaining the Wastewater System and the costs of all enlargements and alterations to the Wastewater 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.

**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, 2019 and 2018, the Construction Fund and Wastewater Trust Fund cash amounted to \$203 and \$11, 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, 2019 and 2018, the Rebate Fund amounted to \$0, respectively.

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

NOTES TO FINANCIAL STATEMENTS

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Wastewater Bond Resolutions (Continued)**

**Restricted Funds: (Continued)**

Debt Service Fund – The Debt Service Fund is to accumulate a balance sufficient to pay the interest and principal to become due at or before the January 15<sup>th</sup> next ensuing, plus any unpaid principal and interest then due. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. In addition, a sinking fund is included which shall equal the aggregate amount of all sinking fund installments required to redeem bonds on the next January 15<sup>th</sup> for the Sewer Revenue Refunding Bonds. At December 31, 2019 and 2018, the Debt Service Fund cash amounted to \$441,940 and \$395,133, respectively.

Debt Service Reserve Fund (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 (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, 2019 and 2018, the market value of the Debt Service Reserve Fund investments amounted to \$437,279 and \$429,845, respectively.

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, 2019 and 2018, the Renewal and Replacement Fund investment balances totaled \$9,474,247 and \$6,937,225, respectively. The System Reserve Fund, a component of the Renewal and Replacement Fund, requirement at December 31, 2019 and 2018, was \$7,000,000, respectively.

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents include cash in banks and may include petty cash and change funds. It may also include all highly liquid investments with a maturity of ninety days or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. All investments including U.S. treasuries, agency obligations, and certificates of deposit are stated at fair value.

New Jersey authorities are required by *N.J.S.A. 40A:5-14* to deposit public funds into a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States of America or State of New Jersey or the New Jersey Cash Management Fund. *N.J.S.A. 40A:5-15.1* provides a list of securities which may be purchased by New Jersey authorities. The Authority is required by *N.J.S.A. 17:9-41* to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

NOTES TO FINANCIAL STATEMENTS

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash, Cash Equivalents and Investments (Continued)**

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of GUDPA. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

**Capital Assets**

Capital assets primarily consist of expenditures to acquire, construct, place in operation, and improve the facilities of the Authority. Assets purchased are stated at cost. Assets contributed by developer's are valued at estimated fair market value as of the date of contribution. Costs incurred for construction projects are recorded as construction in progress. In the year that the project is completed, these costs are transferred to capital assets.

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

	<u>Years</u>
Sewer mains and interceptors	50
Buildings and improvements	40
Incinerator facility	40
Pump stations	35
Machinery and equipment	5-10
Vehicles	5-10

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.

**Restricted Assets**

Restricted cash and investments are used primarily for future construction, debt service requirements, and system reserve renewal and replacement requirements.

**Deferred Outflows and Deferred Inflows of Resources**

In addition to assets, the statements 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 statements 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

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

NOTES TO FINANCIAL STATEMENTS

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Outflows and Deferred Inflows of Resources (Continued)**

future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**Compensated Absences**

Compensated absences represent amounts to which employees are entitled, based on accumulated vacation leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation or compensatory leave in the event of termination or retirement from service at their current salary.

**Unearned Revenue**

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

**Wastewater Revenues**

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

**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.

**Pensions and Other Post-Employment Benefits Other Than Pensions ("OPEB")**

For purposes of measuring the net pension, OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and OPEB and additions to/deductions from the PERS's and OPEB's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Net Position**

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the GASB "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," the Authority has classified its net position into three components – net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

Investment in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction,

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

NOTES TO FINANCIAL STATEMENTS

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position (Continued)**

or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

Restricted Net Position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

**Income Taxes**

The Authority operates as defined by Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

**Use of Estimates**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Impact of Recently Issued Accounting Principles**

The GASB has issued the following Statement which will become effective in future fiscal years as shown below:

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement will become effective for the Authority in the fiscal year ending December 31, 2022. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to



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

NOTES TO FINANCIAL STATEMENTS

---

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impact of Recently Issued Accounting Principles (Continued)**

liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The Statement will become effective for the Authority in 2020. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The primary objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Statement will become effective for the Authority in 2021. Management has not yet determined the impact of this Statement on the financial statements.

**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 1) 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 1 – 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 2 – 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 3 – 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.

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

NOTES TO FINANCIAL STATEMENTS

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Rounding**

Some schedules in the financial statements may have dollar differences due to rounding adjustments.

**B. CASH AND CASH EQUIVALENTS**

This Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits held at December 31, 2019 and 2018, reported at fair value, are as follows:

	<u>2019</u>	<u>2018</u>
<b>Deposits:</b>		
Demand deposits	\$ 26,630,138	\$ 23,952,663
Total deposits	<u>\$ 26,630,138</u>	<u>\$ 23,952,663</u>
 <b>Reconciliation to statement of net position</b>		
Current unrestricted assets		
Cash and cash equivalents	\$ 16,273,998	\$ 14,492,532
Current restricted assets		
Cash and cash equivalents	10,356,140	9,460,131
Total deposits	<u>\$ 26,630,138</u>	<u>\$ 23,952,663</u>

**Custodial Credit Risk Related to Deposits**

Under the provisions of *N.J.S.A. 17:9-41*, authorized public depositories include state or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. The market value of the collateral must equal five percent of the average daily balance of public funds; and, if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. Deposits were made with contracted depository banks in interest-bearing accounts that were insured under the GUDPA. All such deposits are held in the Authority's name. Deposits in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC") are covered by a collateral pool maintained by the banks under GUDPA requirements.

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

NOTES TO FINANCIAL STATEMENTS

---

**B. CASH AND CASH EQUIVALENTS (CONTINUED)**

**Custodial Credit Risk Related to Deposits (Continued)**

However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below. As of December 31, 2019 and 2018, the Authority's bank balances, excluding \$22,982,408 held with New Jersey Asset & Rebate Management Program that is not insured or guaranteed, were insured or collateralized as follows:

	<u>2019</u>	<u>2018</u>
Insured by FDIC	\$ 500,000	\$ 439,642
Collateralized in the Authority's name under GUDPA	4,115,521	5,059,773
Total	<u>\$ 4,615,521</u>	<u>\$ 5,499,415</u>

**C. INVESTMENTS**

**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.

**Investment Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Other than the rules and regulations promulgated by *N.J.S.A. 40A:5-15.1*, the Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure; however, investments are matched with anticipated cash flows to minimize interest rate risk.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Other than the rules and regulations promulgated by *N.J.S.A. 40A:5-15.1*, the Authority's investment policies place no limit on the amount the Authority may invest in any one issuer.

**Investment Credit Risk**

New Jersey authorities are limited as to the types of investments and types of financial institutions they may invest in. *N.J.S.A. 40A:5-15.1* provides a list of permissible investments that may be purchased by New Jersey authorities. These permissible investments generally include 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 a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or other

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

NOTES TO FINANCIAL STATEMENTS

**C. INVESTMENTS (CONTINUED)**

**Investment Credit Risk (Continued)**

obligations of the local unit or units within which the Authority is located, bonds or other obligations approved by the Division of Investment in the Department of Treasury for investment by authorities, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions.

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, 2019 and 2018, the Authority had the following restricted and unrestricted investments:

	2019		2018	
	Face Value	Fair/Market	Face Value	Fair/Market
<b>Wastewater</b>				
Unrestricted				
Certificates of Deposit - Various Issuers	\$ 6,800,000	\$ 6,797,108	\$ 6,800,000	\$ 6,778,055
US Treasury Notes	26,525,518	26,592,033	24,895,524	24,721,598
Restricted				
US Treasury Notes	6,893,709	6,920,948	5,832,602	5,830,377
<b>Solid Waste</b>				
Unrestricted				
Certificates of Deposit - Various Issuers	5,215,000	5,219,007	5,125,000	5,099,832
US Treasury Notes	11,650,901	11,665,450	12,497,166	12,456,655
Restricted				
US Treasury Notes	-	-	8,164,551	8,193,582
Total	<u>\$ 57,085,127</u>	<u>\$ 57,194,546</u>	<u>\$ 63,314,843</u>	<u>\$ 63,080,100</u>

**Fair Value of Investments**

Authority investments are Level 2 investments and are shown at fair value on the statement of net position. Fair value and face value of investments at December 31, 2019 and 2018, are summarized above.

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

NOTES TO FINANCIAL STATEMENTS

**D. ACCOUNTS RECEIVABLE**

Consumer accounts receivable, net of allowance for doubtful accounts of \$52,240, totaled \$3,692,230 and \$3,083,438 at December 31, 2019 and 2018, respectively. Consumer accounts receivable consisted of unrestricted receivables entirely from customer accounts.

**E. CAPITAL ASSETS**

The activity in capital assets for the year ended December 31, 2019, is as follows:

<b><u>Wastewater Division</u></b>	<b>Balance December 31, 2018</b>	<b>Additions</b>	<b>Retirements and Transfers</b>	<b>Balance December 31, 2019</b>
Capital assets not being depreciated:				
Land	\$ 12,691,336	\$ -	\$ -	\$ 12,691,336
Construction in progress	8,229,460	-	7,942,787	286,673
Total capital assets not being depreciated	<u>20,920,796</u>	<u>-</u>	<u>7,942,787</u>	<u>12,978,009</u>
Capital assets being depreciated:				
Sewer mains and interceptors	79,097,487	755,387	-	79,852,874
Buildings and improvements	51,150,440	3,966,244	-	55,116,684
Equipment and vehicles	46,401,319	5,678,173	-	52,079,491
Incinerator facility	16,353,524	-	-	16,353,524
Atlantic County coastal alternative	26,629,575	-	-	26,629,575
Total capital assets being depreciated	<u>219,632,345</u>	<u>10,399,803</u>	<u>-</u>	<u>230,032,148</u>
Less: accumulated depreciation	(177,992,436)	(2,924,439)	-	(180,916,875)
Total capital assets being depreciated, net	<u>41,639,909</u>	<u>7,475,364</u>	<u>-</u>	<u>49,115,273</u>
Total capital assets, net	<u>\$ 62,560,705</u>	<u>\$ 7,475,364</u>	<u>\$ 7,942,787</u>	<u>\$ 62,093,281</u>
<b><u>Solid Waste</u></b>	<b>Balance December 31, 2018</b>	<b>Additions</b>	<b>Retirements and Transfers</b>	<b>Balance December 31, 2019</b>
Capital assets not being depreciated:				
Land	\$ 14,758,845	\$ -	\$ -	\$ 14,758,845
Construction in progress	1,242,690	6,797,598	(1,242,690)	6,797,598
Total capital assets not being depreciated	<u>16,001,535</u>	<u>6,797,598</u>	<u>(1,242,690)</u>	<u>21,556,443</u>
Capital assets being depreciated:				
Buildings and improvements	31,666,499	860,252	-	32,526,751
Equipment and vehicles	31,074,967	7,024,981	(2,500,493)	35,599,454
Landfill design and implementation	64,163,859	382,575	-	64,546,434
Planning and design	3,375,832	-	-	3,375,832
Total capital assets being depreciated	<u>130,281,157</u>	<u>8,267,808</u>	<u>(2,500,493)</u>	<u>136,048,472</u>
Less: accumulated depreciation	(108,817,710)	(4,309,083)	2,400,755	(110,726,038)
Total capital assets being depreciated, net	<u>21,463,446</u>	<u>3,958,725</u>	<u>(99,738)</u>	<u>25,322,434</u>
Total capital assets, net	<u>\$ 37,464,981</u>	<u>\$ 10,756,323</u>	<u>\$ (1,342,428)</u>	<u>\$ 46,878,876</u>

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

NOTES TO FINANCIAL STATEMENTS

**E. CAPITAL ASSETS (CONTINUED)**

The activity in capital assets for the year ended December 31, 2018, is as follows:

<u>Wastewater Division</u>	<b>Balance December 31, 2017</b>	<b>Additions</b>	<b>Retirements and Transfers</b>	<b>Balance December 31, 2018</b>
Capital assets not being depreciated:				
Land	\$ 12,691,336	\$ -	\$ -	\$ 12,691,336
Construction in progress	5,298,749	2,930,711	-	8,229,460
Total capital assets not being depreciated	<u>17,990,085</u>	<u>2,930,711</u>	<u>-</u>	<u>20,920,796</u>
Capital assets being depreciated:				
Sewer mains and interceptors	79,097,487	-	-	79,097,487
Buildings and improvements	51,150,440	-	-	51,150,440
Equipment and vehicles	40,683,615	5,717,704	-	46,401,319
Incinerator facility	16,353,524	-	-	16,353,524
Atlantic County coastal alternative	26,629,575	-	-	26,629,575
Total capital assets being depreciated	<u>213,914,641</u>	<u>5,717,704</u>	<u>-</u>	<u>219,632,345</u>
Less: accumulated depreciation	(172,430,062)	(5,562,374)	-	(177,992,436)
Total capital assets being depreciated, net	<u>41,484,579</u>	<u>155,330</u>	<u>-</u>	<u>41,639,909</u>
Total capital assets, net	<u>\$ 59,474,664</u>	<u>\$ 3,086,041</u>	<u>\$ -</u>	<u>\$ 62,560,704</u>
<u>Solid Waste</u>	<b>Balance December 31, 2017</b>	<b>Additions</b>	<b>Retirements and Transfers</b>	<b>Balance December 31, 2018</b>
Capital assets not being depreciated:				
Land	\$ 14,758,845	\$ -	\$ -	\$ 14,758,845
Construction in progress	9,442	1,242,689	(9,441)	1,242,690
Total capital assets not being depreciated	<u>14,768,287</u>	<u>1,242,689</u>	<u>(9,441)</u>	<u>16,001,535</u>
Capital assets being depreciated:				
Buildings and improvements	31,666,499	-	-	31,666,499
Equipment and vehicles	28,126,769	3,398,741	(450,543)	31,074,967
Landfill design and implementation	63,955,048	208,811	-	64,163,859
Planning and design	3,375,832	-	-	3,375,832
Total capital assets being depreciated	<u>127,124,148</u>	<u>3,607,552</u>	<u>(450,543)</u>	<u>130,281,157</u>
Less: accumulated depreciation	(105,057,904)	(4,210,349)	450,543	(108,817,710)
Total capital assets being depreciated, net	<u>22,066,244</u>	<u>(602,797)</u>	<u>(0)</u>	<u>21,463,446</u>
Total capital assets, net	<u>\$ 36,834,531</u>	<u>\$ 639,892</u>	<u>\$ (9,441)</u>	<u>\$ 37,464,981</u>

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

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

NOTES TO FINANCIAL STATEMENTS

**F. LIABILITIES**

During the years ended December 31, 2019 and 2018, the following changes occurred in long-term obligations:

	<b>Balance December 31, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2019</b>	<b>Balance Due Within One Year</b>
Bonds payable	\$ 18,812,398	\$ 3,635,165	\$ 1,575,413	\$ 20,872,150	\$ 1,700,354
Compensated absences	803,645	38,564	-	842,209	-
Unearned revenue	41,349	-	41,349	-	-
Post retirement benefits payable	1,335,019	-	-	1,335,019	-
Lease payable	3,500,000	-	700,000	2,800,000	700,000
Pension liability	37,158,319	-	3,277,462	33,880,857	-
OPEB liability	50,768,768	-	6,314,220	44,454,548	-
Less: Portions Due in One Year	(2,080,233)	-	-	(2,400,354)	-
	<u>\$ 110,339,266</u>	<u>\$ 3,673,729</u>	<u>\$ 11,908,444</u>	<u>\$ 101,784,430</u>	<u>\$ 2,400,354</u>

	<b>Balance December 31, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2018</b>	<b>Balance Due Within One Year</b>
Bonds payable	\$ 12,244,773	\$ 7,812,507	\$ 1,244,881	\$ 18,812,398	\$ 1,380,233
Compensated absences	803,598	19,563	19,515	803,645	-
Unearned revenue	81,018	-	39,669	41,349	-
Post retirement benefits payable	1,335,019	-	-	1,335,019	-
Lease payable	-	3,500,000	-	3,500,000	700,000
Pension liability	41,803,959	-	4,645,640	37,158,319	-
OPEB liability	62,722,816	-	11,954,048	50,768,768	-
Less: Portions Due in One Year	-	-	-	(2,080,233)	-
	<u>\$ 118,991,183</u>	<u>\$ 11,332,070</u>	<u>\$ 17,903,753</u>	<u>\$ 110,339,266</u>	<u>\$ 2,080,233</u>

**Bonds & Loans Payable**

The Authority has various bonds and loans outstanding with the New Jersey Infrastructure Bank (formerly New Jersey Environmental Infrastructure Trust). At December 31, 2019 and 2018, bonds and loans payable consisted of the following issues:

\$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, 2019 and 2018, is \$237,198 and \$359,592, respectively.

\$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, 2019 and 2018, is \$1,408,298 and \$1,672,368, respectively.

\$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, 2019 and 2018, is \$858,347 and \$999,318, respectively.

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

NOTES TO FINANCIAL STATEMENTS

---

**F. LIABILITIES (CONTINUED)**

**Bonds & Loans Payable (Continued)**

\$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, 2019 and 2018, is \$1,320,499 and \$1,472,096, respectively.

\$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, 2019 and 2018, is \$2,319,375 and \$2,525,313, respectively.

\$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, 2019 and 2018, is \$1,091,786 and \$1,177,857, respectively.

\$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, 2019 and 2018, is \$1,371,433 and \$1,475,303, respectively.

\$1,504,928 New Jersey Environmental Infrastructure Trust Fund Loan Series 2017, dated November 2017, due in semiannual installments for principal and interest through August 1, 2037, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2019 and 2018, is \$1,394,171 and \$1,466,625, respectively.

\$4,713,095 New Jersey Environmental Infrastructure Trust Fund Loan Series 2018, dated January 2018, due in semiannual installments for principal and interest through August 1, 2037, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2019 and 2018, is \$4,231,583 and \$4,564,517, respectively.

\$3,099,412 New Jersey Infrastructure Bank Direct Loan, dated December 2018, due in semiannual installments for principal only through August 1, 2038. The balance remaining as of December 31, 2019 and 2018, is \$3,099,412 and \$3,099,412, respectively.

\$3,635,165 New Jersey Infrastructure Bank Direct Loan, dated May 2019, due in semiannual installments for principal only through August 1, 2038. The balance remaining as of December 31, 2019 and 2018, is \$3,540,048 and \$0, respectively.

The following is a summary of remaining long-term revenue bond payments:



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

NOTES TO FINANCIAL STATEMENTS

**F. LIABILITIES (CONTINUED)**

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,700,354	\$ 210,626	\$ 1,910,980
2021	1,751,753	188,164	1,939,917
2022	1,652,113	166,401	1,818,514
2023	1,689,355	146,401	1,835,756
2024	1,684,214	126,276	1,810,491
2025-2029	6,370,382	358,400	6,728,782
2030-2034	3,739,977	100,583	3,840,560
2035-2038	2,284,002	25,531	2,309,533
	<u>\$ 20,872,150</u>	<u>\$ 1,322,382</u>	<u>\$ 22,194,533</u>

**Compensated Absences**

The estimated liability for vested compensated absences is recorded as a noncurrent liability due to the nature of the account. The current portion of the compensated absences balance is not fully determinable and is considered immaterial and therefore is not shown separately from a long-term liability portion of compensated absences.

**Net Pension Liability and Net OPEB Liability**

For details on the net pension liability, see Pension Obligations in Note G. The Authority's annual required contribution to the PERS is budgeted and paid on an annual basis. For details on the net OPEB liability, see Other Post-employment Benefits Other Than Pensions in Note H.

**New Jersey Infrastructure Bank ("NJIB") Loans Payable (formerly NJEIT)**

In 2018 the Authority closed on two interim financing loans with the NJIB that act as construction loans until total project costs are available and long-term financing can be scheduled. The loans totaled \$4,152,917. In the year ended December 31, 2018, \$3,180,751 was borrowed, leaving \$972,166 available to fund remaining project costs. The remaining funds were drawn down to \$0 during the year ended December 31, 2019.

**Lease Payable**

The Authority entered into a lease purchase agreement with TD Equipment Finance, Inc. on October 31, 2018, to lease 11 new garbage trucks and two new Ford F150 trucks. The total lease payable is for \$3,500,000 with a fixed interest rate of 2.91%; \$2,800,000 is payable as of December 31, 2019. The lease payable matures November 1, 2023. The following is a summary of remaining lease payments:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 700,000	\$ 81,480	\$ 781,480
2021	700,000	61,110	761,110
2022	700,000	40,740	740,740
2023	700,000	20,370	720,370
	<u>\$ 2,800,000</u>	<u>\$ 203,700</u>	<u>\$ 3,003,700</u>

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

NOTES TO FINANCIAL STATEMENTS

---

**G. PENSION OBLIGATIONS**

**Plan Description**

The State of New Jersey, 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 <https://www.state.nj.us/treasury/pensions/annual-reports.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.

The following represents the membership tiers for PERS:

Tier	Definition
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 with 25 years or more of service credit before age 62, and tier 5 with 30 years or more 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 schedule of employer allocations and the schedule 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 accompanying Schedules were prepared in accordance with GAAP. 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.

**Allocation Methodology**

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net

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

NOTES TO FINANCIAL STATEMENTS

---

**G. PENSION OBLIGATIONS (CONTINUED)**

**Allocation Methodology (Continued)**

pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The Authority allocation percentage is based on the ratio of the contributions of the Authority to the total contributions to PERS during the measurement period July 1, 2018 through June 30, 2019. Contributions from the Authority are recognized when due, based on statutory requirements.

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan. To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentage as of June 30, 2019 and 2018 is based on the ratio of the Authority's contributions to the plan relative to total employer contributions of the all participating employers' contributions for the years ended June 30, 2019 and 2018.

**Contributions**

The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. 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 were credited with the full payment and any such amounts were not be included in their unfunded liability. The actuaries determined the unfunded liability of the System, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being 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. For the years ended December 31, 2019 and 2018, the Authority's contractually required contribution to PERS plan was \$1,829,016 and \$1,877,169, respectively.

**Components of Net Pension Liability**

At December 31, 2019 and 2018, the Authority's proportionate share of the PERS net pension liability was \$33,880,857 and \$37,158,319, respectively. The December 31, 2019 and 2018 net pension liability were determined by an actuarial valuation as of July 1, 2018 and July 1, 2017, which was rolled forward to June 30, 2019 and June 30, 2018, respectively. The Authority's December 31, 2019, proportion measured as of June 30, 2019, was .18803% which was a decrease of .00069 from its proportion measured as of June 30, 2018, of .18872%.

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

NOTES TO FINANCIAL STATEMENTS

**G. PENSION OBLIGATIONS (CONTINUED)**

**Pension Expense and Deferred Outflows/Inflows of Resources**

At December 31, 2019 and 2018, the Authority's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2019 and June 30, 2018 measurement dates are \$1,969,683 and \$2,492,910, respectively. At December 31, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	December 31, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 608,117	\$ 149,671
Changes of assumptions	3,383,128	11,759,938
Net difference between projected and actual earnings on pension plan investments	-	534,823
Changes in proportion and differences between Authority contributions and proportionate share of contributions	1,454,562	351,316
	<u>\$ 5,445,807</u>	<u>\$ 12,795,748</u>

	December 31, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 708,615	\$ 191,600
Changes of assumptions	6,123,075	11,881,254
Net difference between projected and actual earnings on pension plan investments	-	348,547
Changes in proportion and differences between Authority contributions and proportionate share of contributions	1,995,059	337,336
	<u>\$ 8,826,749</u>	<u>\$ 12,758,737</u>

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

<u>Years Ending December 31,</u>	<u>Amount</u>
2020	\$ 3,469,484
2021	(4,439,491)
2022	(3,991,713)
2023	(2,153,232)
2024	(234,990)
	<u>\$ (7,349,942)</u>

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

NOTES TO FINANCIAL STATEMENTS

**G. PENSION OBLIGATIONS (CONTINUED)**

**Actuarial Assumptions**

The collective total pension liability for the June 30, 2019 and June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2018 and July 1, 2017, which were rolled forward to June 30, 2019 and June 30, 2018, respectively. This actuarial valuation used the following actuarial assumptions:

	2019	2018
Inflation		2.25%
Price	2.75%	
Wage	3.25%	
Salary increases		
Through 2026 (based on age)	2.00% - 6.00%	1.65% - 4.15%
Thereafter (based on age)	3.00% - 7.00%	2.65% - 5.15%
Investment rate of return	7.00%	7.00%
Mortality rate table	Pub-2010	RP-2000

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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 (7% at June 30, 2019 and 2018), is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees, and the actuaries. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target

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

NOTES TO FINANCIAL STATEMENTS

**G. PENSION OBLIGATIONS (CONTINUED)**

**Long-Term Expected Rate of Return (Continued)**

asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 and 2018, are summarized in the following tables:

Asset Class	2019	
	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%
	<u>100.00%</u>	

Asset Class	2018	
	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019 and 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 and 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation

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

NOTES TO FINANCIAL STATEMENTS

**G. PENSION OBLIGATIONS (CONTINUED)**

**Discount Rate (Continued)**

municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 70% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, 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 collective net pension liability of the participating employers as of June 30, 2019 and 2018, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	At June 30, 2019		
	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Authority's proportionate share of net pension liability	<u>\$ 42,797,028</u>	<u>\$ 33,880,857</u>	<u>\$ 26,367,720</u>
	At June 30, 2018		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Authority's proportionate share of net pension liability	<u>\$ 46,722,305</u>	<u>\$ 37,158,319</u>	<u>\$ 29,134,747</u>

**H. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**General Information about the OPEB Plan**

The Authority participates in the State Health Benefit Local Government Retired Employees Plan (the "OPEB Plan"). The OPEB Plan is a cost-sharing multiple-employer defined benefit OPEB Plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the OPEB Plan. For additional information about the OPEB Plan, please refer to the State of New Jersey, Division of Pensions and Benefits' Comprehensive Annual Financial Report (CAFR), which can be found at: <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

NOTES TO FINANCIAL STATEMENTS

---

**H. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**General Information about the OPEB Plan (Continued)**

The OPEB Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits.

The OPEB Plan provides medical and prescription drug coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide post-retirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Authority. Chapter 48 allows local employers to establish their own age and service eligibility for employer-paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of post-retirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer-paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for post-retirement medical coverage who have less than 20 years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The Division of Pensions and Benefits charges the Authority for its contributions. The total number of retired participants eligible for benefits was 367 and 329 at December 31, 2019 and 2018, respectively. The Authority's contribution to the OPEB Plan for the years ended December 31, 2019 and 2018, was \$1,133,889 and \$1,799,727, respectively.

**Basis of Presentation**

The allocation percentage and the OPEB amounts were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the OPEB Plan 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.



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

NOTES TO FINANCIAL STATEMENTS

**H. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Allocation Methodology**

GASB Statement No. 75 requires participating employers in the OPEB Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB (benefit) expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the OPEB Plan's nonspecial funding situation during the measurement period July 1, 2018, through June 30, 2019 for the year ended December 31, 2019 and July 1, 2017, through June 30, 2018 for the year ended December 31, 2018.

**Net OPEB Liability**

*Components of Net OPEB Liability*

The components of the Authority's net OPEB liability as of June 30, 2019 and 2018, is as follows:

	June 30, 2019	June 30, 2018
Total OPEB liability	\$ 45,351,030	\$ 50,768,769
Plan Fiduciary Net Position	896,482	999,056
Net OPEB Liability	<u>\$ 44,454,548</u>	<u>\$ 49,769,713</u>
 Plan Fiduciary Net Position as a % of total OPEB liability	 1.98%	 1.97%

**Actuarial Assumptions**

The total OPEB liability as of June 30, 2019 and 2018, was determined by an actuarial valuation as of June 30, 2018 and June 30, 2017, respectively, which was rolled forward to June 30, 2019 and June 30, 2018, respectively. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. The actuarial valuation used the following actuarial assumptions:

	2019*	2018**
Inflation	2.50%	2.50%
Salary increases*		
Through 2026	2.00 - 6.00%	1.65 - 8.98%
Thereafter	3.00 - 7.00%	2.65 - 9.98%

\* Salary increases are based on years of service within the respective plan.

\*\* Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

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

NOTES TO FINANCIAL STATEMENTS

**H. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Mortality Rates**

Preretirement mortality rates were based on the Pub-2010 General classification headcount-weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019.

Actuarial assumptions used in the July 1, 2018, valuation was based on the results of the Police and Firemen's Retirement System and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

One hundred percent of active members are considered to participate in the OPEB Plan upon retirement.

**Health Care Trend Assumptions**

For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

**Discount Rate**

The discount rate for June 30, 2019 and 2018, was 3.50% and 3.87%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**Sensitivity of Net OPEB Liability to Changes in the Discount Rate**

The following presents the collective net OPEB liability of the participating employers as of June 30, 2019 and 2018, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

At June 30, 2019		
At 1% Decrease (2.50%)	At Current Discount Rate (3.50%)	At 1% Increase (4.50%)
\$ 51,400,766	\$ 44,454,548	\$ 38,809,828
At June 30, 2018		
At 1% Decrease (2.87%)	At Current Discount Rate (3.87%)	At 1% Increase (4.87%)
\$ 59,392,087	\$ 50,768,769	\$ 43,880,689

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

NOTES TO FINANCIAL STATEMENTS

**H. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate**

The following presents the net OPEB liability as of June 30, 2019 and 2018, respectively, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

At June 30, 2019		
At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
\$ 37,514,160	\$ 44,454,548	\$ 53,308,181

At June 30, 2018		
At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
\$ 42,514,976	\$ 50,768,769	\$ 61,450,403

**Deferred Outflows of Resources and Deferred Inflows of Resources**

	December 31, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 13,000,243
Changes of assumptions	-	15,753,703
Net difference between projected and actual earnings on OPEB Plan investments	36,618	-
Changes in proportion	4,427,835	1,338,794
	<u>\$ 4,464,453</u>	<u>\$ 30,092,740</u>

	December 31, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,105,027
Changes of assumptions	-	12,624,739
Net difference between projected and actual earnings on OPEB Plan investments	26,301	-
Changes in proportion	2,711,113	1,604,428
	<u>\$ 2,737,414</u>	<u>\$ 24,334,194</u>

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

NOTES TO FINANCIAL STATEMENTS

**H. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

The amounts reported as a deferred outflow of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending	OPEB
2020	\$ (5,487,858)
2021	(4,511,865)
2022	(4,514,524)
2023	(4,519,106)
2024	(4,522,829)
Thereafter	(5,161,146)
	<u>\$ (28,717,328)</u>

The total of the previous table reflects the net difference between the deferred outflows of resources and deferred inflows of resources as of December 31, 2019 excluding the employer specific deferred outflows of resources of \$4,427,835 and deferred inflow of resources of \$1,338,794 related to the changes in proportion. These amounts will be recognized (amortized) by the Authority over the average remaining service lives of all plan members, which is 8.14 years and 8.04 years for the 2018 and 2017 amounts, respectively.

**I. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

The Authority adopted the provisions of GASB Statement No. 18, *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, 2019 and 2018, totaled \$33,865,826 and \$33,428,432, respectively. For the years ended December 31, 2019 and 2018, landfill closure capacity used was 71.5% and 68.4%, respectively.

**J. AMOUNTS HELD BY THE STATE OF NEW JERSEY**

The State of New Jersey holds the Landfill Closure Escrow Account in the name of the Authority. The cash and investments consisted of the following at December 31, 2019 and 2018, respectively:

	2019	2018
United States Treasury	\$ 29,016,659	\$ 28,788,771
Cash	753,046	1,150,596
Total	<u>\$ 29,769,705</u>	<u>\$ 29,939,367</u>

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

NOTES TO FINANCIAL STATEMENTS

---

**K. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

**L. 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.

**M. SUBSEQUENT EVENTS**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Authority operates. Due to the impact of New Jersey Governor Murphy's Executive Order No. 107 dated March 21, 2020, mandating statewide stay-at home practices and closure of all non-essential retail businesses, it is reasonably possible that Authority revenues and cash flows will be slightly impacted in a negative manner.

The Authority has been and will continue to consistently monitor the operations and cash flows of the Solid Waste and Wastewater Divisions. Over the last several months, the Authority has recognized that tonnages disposed of at the Solid Waste Division Landfill has been negatively impacted resulting in lower than anticipated Tip Fee Income. However, somewhat offsetting the decline was the recognition of increased revenue from other income sources and lower than anticipated expenses for the year. Accordingly, the Authority anticipates that the overall financial impact due to pandemic will be minimal. The Authority has not recognized and does not anticipate any negative impacts on the revenues of the Wastewater Division. In addition, the Authority has not identified any negative impacts on the collectability of outstanding receivables and accordingly recognized no adverse impacts on the cash flow position of the Authority. Although it is unknown how long these conditions will last and what the complete financial effect will be, the Authority fully expects to be able to maintain operations and make the required debt service payments on their loans and payments for any other amounts due.

## **SUPPLEMENTARY INFORMATION**

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

WASTEWATER DIVISION  
STATEMENTS OF NET POSITION  
MODIFIED ACCRUAL BASIS  
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Unrestricted current assets:		
Cash and cash equivalents	\$ 12,312,445	\$ 10,220,985
Investments	33,389,140	31,499,653
Accrued interest receivable	245,254	200,791
Accounts receivable (net of allowance)	570,402	474,870
Other receivable	369,970	438,346
Total unrestricted current assets	<u>46,887,210</u>	<u>42,834,645</u>
Restricted noncurrent assets:		
Cash and cash equivalents	3,432,721	1,931,837
Investments	6,920,949	5,830,377
Accrued interest receivable	50,328	27,428
Loans receivable	702,740	4,456,724
Total restricted noncurrent assets	<u>11,106,738</u>	<u>12,246,366</u>
Capital assets, gross	243,010,156	240,553,140
Accumulated depreciation	<u>(180,916,875)</u>	<u>(177,992,436)</u>
Capital assets, net	<u>62,093,282</u>	<u>62,560,704</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 120,087,230</u></u>	<u><u>\$ 117,641,715</u></u>

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

WASTEWATER DIVISION  
STATEMENTS OF NET POSITION (CONTINUED)  
MODIFIED ACCRUAL BASIS  
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>LIABILITIES</b>		
Current liabilities payable from current assets:		
Accounts payable and accrued expenses	\$ 4,027,651	\$ 3,064,770
Unearned revenue, current	41,361	40,870
Due to Solid Waste Division	923,717	630,023
Pension payable	820,472	826,620
Total current liabilities payable from current assets	<u>5,813,201</u>	<u>4,562,283</u>
Current liabilities payable from restricted assets:		
Construction contracts payable	687,207	953,637
Current portion of long-term debt	1,700,354	1,380,233
NJFIT loan payable, net	-	3,180,751
Accrued interest	87,761	82,006
Total current liabilities payable from restricted assets	<u>2,475,321</u>	<u>5,596,627</u>
Noncurrent liabilities:		
Accrued compensated absences	336,769	354,368
Post-retirement benefits payable	535,019	535,019
Unearned revenue, non-current	-	41,349
Long-term portion of bonds payable	19,171,798	17,432,166
Total noncurrent liabilities	<u>20,043,586</u>	<u>18,362,902</u>
<b>TOTAL LIABILITIES</b>	<u>28,332,107</u>	<u>28,521,812</u>
<b>NET POSITION</b>		
Net investments in capital assets	41,221,130	40,567,555
Restricted for:		
Renewal and replacement	7,000,000	7,000,000
Debt service fund	441,940	395,133
Debt service reserve fund	427,879	429,758
Unrestricted	42,664,173	40,727,456
<b>TOTAL NET POSITION</b>	<u>91,755,123</u>	<u>89,119,903</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 120,087,230</u>	<u>\$ 117,641,715</u>



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

WASTEWATER DIVISION  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
MODIFIED ACCRUAL BASIS  
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
User service agreements:		
Operating	\$ 21,657,148	\$ 21,893,135
General	1,686,771	1,450,784
Sludge	1,956,774	2,365,031
Septage	414,530	383,828
Other	1,439,912	4,122,547
Total operating revenues	<u>27,155,136</u>	<u>30,215,325</u>
Operating expenses:		
Salaries	6,883,636	6,574,233
Employee benefits	3,871,770	4,200,458
Power and utilities	2,356,412	2,598,158
Chemicals	921,740	792,559
Fuel	1,116,597	1,202,741
Supplies and miscellaneous maintenance	3,361,510	3,220,487
Contractual services	1,455,740	1,136,457
Indirect operating expenses	592,167	657,434
Administrative	1,593,400	1,438,445
Licenses and permits	194,543	176,984
Depreciation	2,924,439	5,562,374
Total operating expenses	<u>25,271,954</u>	<u>27,560,330</u>
Operating income	<u>1,883,181</u>	<u>2,654,995</u>
Non-operating revenues/(expenses):		
County appropriation	(338,842)	(363,074)
Interest income	1,302,301	766,267
Interest expense	(211,420)	(205,903)
Total non-operating revenues/(expenses)	<u>752,039</u>	<u>197,290</u>
Net income	2,635,221	2,852,285
Net position, January 1,	<u>89,119,902</u>	<u>86,267,617</u>
Net position, December 31,	<u>\$ 91,755,123</u>	<u>\$ 89,119,902</u>
Reconciliation to Statements of Revenues, Expenses and Changes in Net Position - GAAP Basis:		
Net income - modified accrual basis	\$ 2,635,221	\$ 2,852,285
Prior year wastewater GAAP adjustment	(348,998)	(1,144,753)
Current year wastewater GAAP adjustment	1,901,429	348,998
Unbudgeted pension expense	(63,825)	(269,170)
Unbudgeted OPEB expense	1,070,592	(413,726)
Net income/(loss) - GAAP basis	<u>\$ 5,194,419</u>	<u>\$ 1,373,634</u>

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

WASTEWATER DIVISION  
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING  
REVENUES COMPARED TO BUDGET  
RATE BASIS  
Year Ended December 31, 2019

	Original Budget (Unaudited)	Modified Budget (Unaudited)	Actual	Favorable/ (Unfavorable) Variance
Revenues:				
User service agreements	\$ 23,343,919	\$ 23,343,919	\$ 23,343,919	\$ -
Sludge and septage	2,375,890	2,375,890	2,371,304	(4,586)
Interest on investments and deposits	800,000	800,000	1,302,301	502,301
Miscellaneous	1,289,294	1,289,294	1,439,912	150,618
Fund balance and reserves anticipated	338,842	338,842	338,842	-
<b>Total revenues</b>	<b>28,147,945</b>	<b>28,147,945</b>	<b>28,796,278</b>	<b>648,333</b>
Expenses:				
Salaries	7,113,358	7,113,358	6,883,636	229,722
Employee benefits	4,039,862	4,039,862	3,871,770	168,092
Power and utilities	2,790,000	2,790,000	2,527,356	262,644
Chemicals	1,392,264	1,392,264	928,372	463,892
Fuel	1,358,000	1,358,000	1,172,655	185,345
Supplies and miscellaneous maintenance	1,832,200	1,832,200	1,668,290	163,910
Contractual services	1,724,845	1,724,845	1,530,819	194,026
Indirect operation expenses	1,002,143	1,002,143	786,710	215,433
Administrative	2,107,548	2,107,548	1,629,158	478,390
Maintenance program expense	1,500,000	1,500,000	1,636,736	(136,736)
Cancelled purchase order	-	-	(287,986)	287,986
<b>Total operating expenses</b>	<b>24,860,220</b>	<b>24,860,220</b>	<b>22,347,516</b>	<b>2,512,704</b>
Non-operating expenses:				
County appropriation	338,842	338,842	338,842	-
System reserve requirements	1,161,018	1,161,018	1,161,018	-
Debt service interest	201,757	201,757	211,419	(9,662)
Debt service principal	1,586,108	1,586,108	1,475,351	110,757
<b>Total non-operating expenses</b>	<b>3,287,725</b>	<b>3,287,725</b>	<b>3,186,630</b>	<b>101,095</b>
<b>Total expenses</b>	<b>28,147,945</b>	<b>28,147,945</b>	<b>25,534,146</b>	<b>2,613,799</b>
<b>Net income from operations</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,262,132</b>	<b>\$ 3,262,132</b>
Reconciliation to Statements of Revenues, Expenses and changes in Net Position - Modified Accrual Basis:				
Net income - rate basis			\$ 3,262,132	
Fund balance and reserves anticipated			(338,842)	
System reserve requirements			1,161,018	
Principal payments			1,475,351	
Depreciation expense			(2,924,439)	
Prior year wastewater GAAP adjustment			(348,998)	
Current year wastewater GAAP adjustment			1,901,429	
Unbudgeted pension expense			(63,825)	
Unbudgeted OPEB expense			1,070,592	
<b>Net income - GAAP basis</b>			<b>\$ 5,194,419</b>	

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

WASTEWATER DIVISION  
SCHEDULE OF CASH AND CASH EQUIVALENTS AND INVESTMENTS  
December 31, 2019

Description	Face Amount	Interest Rate	Maturity Date	Fair Value December 31, 2019
Unrestricted accounts:				
Cash	\$ 3,257,394			\$ 3,257,394
First American Treasury Obligation Fund	7,001,614	1.08%		7,001,614
Certificates of Deposit - Various Issuers	3,500,000	1.55%-1.8%	4/29/2020 - 11/29/2020	3,497,108
PFM Asset Management - NJ ARM	96,271	1.58%		96,271
PFM Asset Management - US Treasury Notes	14,473,541	1.375%-2.875%	2/29/2020 - 11/15/2021	14,509,506
PFM Asset Management - NJ ARM	4,013	1.58%		4,013
PFM Asset Management - US Treasury Notes	12,051,977	1.375%-2.875%	2/29/2020 - 11/15/2021	12,082,526
	<u>37,127,416</u>			<u>37,191,038</u>
Operating reserve:				
First American Treasury Obligation Fund	115,022	1.08%		115,022
Certificate of Deposit-Capital Bank of NJ	3,300,000	2.55%	2/22/2019	3,300,000
PFM Asset Management - NJ ARM	1,838,131	1.58%		1,838,131
	<u>5,253,153</u>			<u>5,253,153</u>
Total unrestricted accounts	<u>45,637,963</u>			<u>45,701,585</u>
Restricted accounts:				
Wastewater Trust Fund:				
First American Treasury Money Market:	203	1.02%-1.13%		203
Debt Service Fund:				
First American Treasury	441,940	1.08%		441,940
Debt Service Reserve Fund:				
PFM Asset Management - NJ ARM	32,316	1.58%		32,316
PFM Asset Management - US Treasury Note	400,380	1.375%	2/29/2020	404,963
	<u>432,696</u>			<u>437,279</u>
Renewal and Replacement Fund:				
First American Treasury	2,397,251	1.08%		2,397,251
PFM Asset Management - NJ ARM	561,010	1.58%		561,010
PFM Asset Management - US Treasury Notes	6,493,328	1.375%-2.75%	2/29/2020 - 8/15/2021	6,515,986
	<u>9,451,589</u>			<u>9,474,247</u>
Total restricted accounts	<u>10,326,430</u>			<u>10,353,669</u>
Total	<u>\$ 55,964,393</u>			<u>\$ 56,055,255</u>

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

WASTEWATER DIVISION  
SCHEDULES OF PROPERTY, PLANT AND EQUIPMENT  
MODIFIED ACCRUAL BASIS  
Years Ended December 31, 2019, 2018, 2017, 2016, 2015 and 2014

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Property, plant and equipment:						
Property, plant and equipment, gross - January 1,	\$ 240,553,141	\$ 231,904,726	\$ 225,924,312	\$ 225,276,984	\$ 225,276,984	\$ 223,760,258
Additions:						
Sewer mains and interceptors	755,387	-	1,043,421	-	-	1,516,726
Buildings and improvements	3,966,244	-	-	-	-	-
Construction in progress	(7,942,787)	2,930,711	4,651,421	647,328	-	-
Equipment and vehicles	5,678,173	5,717,704	285,572	-	-	-
Total additions	<u>2,457,016</u>	<u>8,648,415</u>	<u>5,980,414</u>	<u>647,328</u>	<u>-</u>	<u>1,516,726</u>
Property, plant and equipment, gross - December 31,	243,010,157	240,553,141	231,904,726	225,924,312	225,276,984	225,276,984
Less:						
Accumulated depreciation and amortization	<u>(180,916,875)</u>	<u>(177,992,436)</u>	<u>(172,430,062)</u>	<u>(167,035,343)</u>	<u>(161,648,228)</u>	<u>(156,246,558)</u>
Property, plant and equipment, net - December 31,	<u>\$ 62,093,282</u>	<u>\$ 62,560,705</u>	<u>\$ 59,474,664</u>	<u>\$ 58,888,969</u>	<u>\$ 63,628,756</u>	<u>\$ 69,030,426</u>

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

SOLID WASTE DIVISION  
STATEMENTS OF NET POSITION  
MODIFIED ACCRUAL BASIS  
December 31, 2019 and 2018

	<u>2019</u>	<u>2018*</u>
<b>ASSETS</b>		
Unrestricted current assets:		
Cash and cash equivalents	\$ 3,961,553	\$ 4,271,547
Investments	16,884,457	17,556,487
Accrued interest receivable	230,409	186,102
Accounts receivable (net of allowance of \$52,240 in 2019 and 2018, respectively)	3,121,828	2,608,568
Other receivable	278,433	339,466
Due from Wastewater Division	923,717	630,023
Total unrestricted current assets	<u>25,400,398</u>	<u>25,592,193</u>
Restricted noncurrent assets:		
Cash and cash equivalents	6,923,419	7,528,294
Investments	-	8,193,582
Amounts held by State of New Jersey	29,769,705	29,939,367
Accrued interest receivable	116,644	152,149
Total restricted noncurrent assets	<u>36,809,768</u>	<u>45,813,392</u>
Capital assets, gross	157,604,913	146,282,691
Accumulated depreciation	<u>(110,726,037)</u>	<u>(108,817,710)</u>
Capital assets, net	<u>46,878,876</u>	<u>37,464,981</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 109,089,042</u></u>	<u><u>\$ 108,870,567</u></u>

\*Certain balances were reclassified to align with current year presentation

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

SOLID WASTE DIVISION  
STATEMENTS OF NET POSITION (CONTINUED)  
MODIFIED ACCRUAL BASIS  
December 31, 2019 and 2018

	<u>2019</u>	<u>2018*</u>
<b>LIABILITIES</b>		
Current liabilities payable from current assets:		
Accounts payable and accrued expenses	\$ 3,183,788	\$ 3,475,935
Customer deposits	277,068	184,982
Pension payable	1,056,697	1,050,549
Total current liabilities payable from current assets	<u>4,517,553</u>	<u>4,711,466</u>
Current liabilities payable from restricted assets:		
TD Lease payable	700,000	700,000
Accrued Interest	13,580	16,975
Construction contracts payable	-	1,081,515
Total current liabilities payable from restricted assets	<u>713,580</u>	<u>1,798,490</u>
Noncurrent liabilities payable from restricted assets:		
TD Lease payable	2,100,000	2,800,000
Accrued landfill closure and post-closure care costs	33,865,826	33,428,432
Total noncurrent liabilities payable from restricted assets	<u>35,965,826</u>	<u>36,228,432</u>
Noncurrent liabilities:		
Accrued compensated absences	505,440	449,278
Post-retirement benefits payable	800,000	800,000
Total noncurrent liabilities	<u>1,305,440</u>	<u>1,249,278</u>
TOTAL LIABILITIES	<u>42,502,399</u>	<u>43,987,666</u>
<b>NET POSITION</b>		
Investment in capital assets, net of related debt	46,878,876	37,464,981
Unrestricted	19,707,766	27,417,920
TOTAL NET POSITION	<u>66,586,642</u>	<u>64,882,901</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 109,089,042</u>	<u>\$ 108,870,567</u>

\*Certain balances were reclassified to align with current year presentation

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

SOLID WASTE DIVISION  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
MODIFIED ACCRUAL BASIS  
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Tipping fees	\$ 23,916,814	\$ 24,534,013
Collections and recycling income	11,039,101	8,477,075
Grant income	110,357	212,402
Composting income	1,156,850	1,143,598
Other	1,268,064	1,111,662
Total operating revenues	<u>37,491,185</u>	<u>35,478,750</u>
Operating expenses:		
Salaries	11,410,888	9,856,193
Employee benefits	6,378,113	6,390,093
Power and utilities	720,604	637,020
Fuel	1,181,803	1,169,624
Supplies and miscellaneous maintenance	3,183,278	2,624,869
Indirect operating expenses	3,829,766	3,978,425
Administrative	1,167,922	1,113,788
Community benefit	2,570,125	2,539,785
Recycling and other taxes	1,114,676	1,116,553
Depreciation	4,309,083	4,210,349
Bad debt	-	21,545
Total operating expenses	<u>35,866,258</u>	<u>33,658,244</u>
Operating income	<u>1,624,927</u>	<u>1,820,506</u>
Non-operating revenues/(expenses):		
County appropriation	(461,158)	(436,926)
Interest income	1,319,576	1,121,570
Interest expense	(98,455)	(16,975)
Gain on sale of fixed assets	78,920	29,457
Adjustment to landfill closure and post-closure care costs	(760,069)	(990,499)
Total non-operating expenses	<u>78,814</u>	<u>(293,373)</u>
Net income	1,703,741	1,527,133
Net position, January 1,	64,882,901	63,355,768
Net position, December 31,	<u>\$ 66,586,642</u>	<u>\$ 64,882,901</u>
Reconciliation to Statements of Revenues, Expenses and Changes in Net Position - GAAP Basis:		
Net income - modified accrual basis	\$ 1,703,741	\$ 1,527,133
Prior year solid waste GAAP adjustment	(134,769)	(255,775)
Current year solid waste GAAP adjustment	298,612	134,769
Unbudgeted pension expense	(76,666)	(342,164)
Unbudgeted OPEB expense	1,212,121	(479,850)
Net income - GAAP basis	<u>\$ 3,003,039</u>	<u>\$ 584,113</u>

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

SOLID WASTE DIVISION  
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING  
REVENUES COMPARED TO BUDGET  
RATE BASIS  
Year Ended December 31, 2019

	Original Budget (Unaudited)	Modified Budget (Unaudited)	Actual	Favorable/ (Unfavorable) Variance
Operating revenues:				
Tipping fees	\$ 24,045,558	\$ 24,045,558	\$ 23,916,813	\$ (128,745)
Collections and recycling income	11,137,588	11,137,588	10,831,627	(305,961)
Composting income	1,134,951	1,134,951	1,156,850	21,899
Interest on investments and deposits	550,000	550,000	780,973	230,973
Miscellaneous	979,667	979,667	1,585,896	606,229
Fund balance and reserves anticipated	461,158	461,158	461,158	-
Total operating revenues	<u>38,308,922</u>	<u>38,308,922</u>	<u>38,733,317</u>	<u>424,395</u>
Operating expenses:				
Administration	4,257,647	4,257,647	3,672,332	585,315
Solid Waste Administration	1,400,322	1,400,322	1,334,634	65,688
Transfer Station Operations	1,538,327	1,538,327	1,485,088	53,239
Composting	497,952	497,952	417,107	80,845
Landfill Operations	8,821,118	8,821,118	8,607,378	213,740
Recycling Center Processing	166,366	166,366	158,735	7,631
Collections	9,106,183	9,106,183	9,180,858	(74,675)
Maintenance Center	7,372,643	7,372,643	6,790,644	581,999
Interest Expense	101,850	101,850	98,455	3,395
Cancelled purchase orders	-	-	(89,596)	89,596
Total operating expenses	<u>33,262,407</u>	<u>33,262,407</u>	<u>31,655,635</u>	<u>1,606,772</u>
Net income from operating activities	5,046,515	5,046,515	7,077,682	2,031,167
Non-operating expenses:				
County appropriation	(461,158)	(461,158)	(461,158)	-
Cell replacement and capital improvement transfers	(3,885,357)	(3,885,357)	(4,571,436)	686,079
Capital Lease	(700,000)	(700,000)	(700,000)	-
Total non-operating expenses	<u>(5,046,515)</u>	<u>(5,046,515)</u>	<u>(5,732,594)</u>	<u>686,079</u>
Net income from operations	<u>-</u>	<u>-</u>	<u>1,345,088</u>	<u>2,717,246</u>
Reconciliation to Statements of Revenues, Expenses and Changes in Net Position - Modified Accrual Basis:				
Net income - rate basis			\$ 1,345,088	
Fund balance and reserves anticipated			(461,158)	
Transfers to Cell Replacement & Capital Improvement Fund			4,571,436	
Transfers to Capital Lease			700,000	
Depreciation expense			(4,309,083)	
Escrow account interest income			538,608	
Gain on sale of fixed assets			78,920	
Adjustment to landfill closure and post-closure care cost			(760,069)	
Prior year solid waste GAAP adjustment			(134,769)	
Current year solid waste GAAP adjustment			298,612	
Unbudgeted pension expense			(76,666)	
Unbudgeted OPEB expense			1,212,121	
Net income - GAAP basis			<u>\$ 3,003,039</u>	



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

SOLID WASTE DIVISION  
SCHEDULE OF CASH AND CASH EQUIVALENTS AND INVESTMENTS  
December 31, 2019

Description	Face Amount	Interest Rate	Maturity Date	Fair Value December 31, 2019
Unrestricted accounts:				
Operations:				
Cash	\$ 390,336			\$ 390,336
PFM Asset Management - NJ ARM	2,336,547	1.58%		2,336,547
PFM Asset Management - US Treasury Notes	2,870,786	2.5%-3.625%	2/15/2020 - 8/15/2021	2,860,074
Wells Fargo Government Money Market	20,245	1.53%		20,245
Certificates of Deposit - Various	5,215,000	1.55%-2.05%	8/25/2020 - 9/9/2021	5,219,007
PFM Asset Management - NJ ARM	590,439	1.58%		590,439
PFM Asset Management - US Treasury Notes	8,434,107	1.375%-2.875%	2/29/2020 - 12/15/2021	8,455,539
PFM Asset Management - NJ ARM	623,985	1.58%		623,985
PFM Asset Management - US Treasury Notes	346,008	1.375%	2/29/2020	349,837
	<u>20,437,118</u>			<u>20,455,674</u>
Total unrestricted accounts	<u>20,827,454</u>			<u>20,846,011</u>
Restricted accounts:				
Renewal and Replacement Fund:				
PFM Asset Management - NJ ARM	1,276,559	1.58%		1,276,559
PFM Asset Management - NJ ARM	5,646,860	1.58%		5,646,860
	<u>6,923,419</u>			<u>6,923,419</u>
Escrow Funds:				
ACUA Standard Escrow	6,064,657			6,064,657
ACUA Alternative Escrow	4,711,166			4,711,166
Pinelands Park Standard Escrow	11,159,621			11,159,621
Pinelands Park Alternative Escrow	7,834,261			7,834,261
	<u>29,769,705</u>			<u>29,769,705</u>
Total restricted accounts	<u>36,693,123</u>			<u>36,693,123</u>
Total	<u>\$ 57,520,578</u>			<u>\$ 57,539,134</u>

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

SOLID WASTE DIVISION  
SCHEDULES OF PROPERTY, PLANT AND EQUIPMENT  
MODIFIED ACCRUAL BASIS  
Years Ended December 31, 2019, 2018, 2017, 2016, 2015 and 2014

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Waste Disposal:						
Property, plant and equipment:						
Property, plant and equipment, gross - January 1,	\$ 115,711,209	\$ 113,870,320	\$ 112,563,204	\$ 111,965,508	\$ 109,113,091	\$ 100,566,525
Additions:						
Buildings and improvements	860,252	-	-	245,618	563,231	10,747
Construction in progress	6,797,598	328,788	9,442	303,651	-	-
Equipment and vehicles	1,594,679	1,763,274	1,157,063	-	655,592	1,496,984
Landfill design and implementation	382,575	208,811	662,144	273,160	2,143,647	7,038,835
Total additions	9,635,104	2,300,873	1,828,649	822,429	3,362,470	8,546,566
Disposals:						
Buildings and improvements	-	-	-	-	-	-
Construction in progress	(328,788)	(9,441)	(303,651)	-	-	-
Equipment and vehicles	(589,538)	(450,543)	(217,882)	(224,733)	(510,053)	-
Total disposals	(918,326)	(459,984)	(521,533)	(224,733)	(510,053)	-
Property, plant and equipment, gross - December 31,	124,427,987	115,711,209	113,870,320	112,563,204	111,965,508	109,113,091
Less:						
Accumulated depreciation and amortization	(87,420,703)	(85,130,871)	(82,563,812)	(79,358,203)	(76,019,206)	(71,775,228)
Property, plant and equipment, net - December 31,	<u>\$ 37,007,284</u>	<u>\$ 30,580,338</u>	<u>\$ 31,306,508</u>	<u>\$ 33,205,001</u>	<u>\$ 35,946,302</u>	<u>\$ 37,337,863</u>

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

SOLID WASTE DIVISION  
SCHEDULES OF PROPERTY, PLANT AND EQUIPMENT (CONTINUED)  
MODIFIED ACCRUAL BASIS  
Years Ended December 31, 2019, 2018, 2017, 2016, 2015 and 2014

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Waste Recycling:						
Property, plant and equipment:						
Property, plant and equipment, gross - January 1,	40,430,984	37,881,615	37,688,803	37,362,979	37,977,540	37,689,306
Additions:						
Buildings and improvements	-	-	-	-	-	59,142
Equipment and vehicles	5,430,302	1,635,467	704,262	1,255,528	61,355	229,092
Construction in Progress	-	913,902	-	-	-	-
Total additions	5,430,302	2,549,369	704,262	1,255,528	61,355	288,234
Disposals:						
Buildings and improvements	-	-	-	-	-	-
Equipment and vehicles	(1,910,955)	-	(511,450)	(929,704)	(675,916)	-
Construction in Progress	(913,902)	-	-	-	-	-
Total disposals	(2,824,857)	-	(511,450)	(929,704)	(675,916)	-
Property, plant and equipment, gross - December 31,	43,036,429	40,430,984	37,881,615	37,688,803	37,362,979	37,977,540
Less:						
Accumulated depreciation and amortization	(33,164,836)	(33,546,341)	(32,353,592)	(31,767,921)	(31,020,353)	(31,007,146)
Property, plant and equipment, net - December 31,	9,871,593	6,884,643	5,528,023	5,920,882	6,342,626	6,970,394
Grand total	<u>\$ 46,878,877</u>	<u>\$ 37,464,981</u>	<u>\$ 36,834,531</u>	<u>\$ 39,125,883</u>	<u>\$ 42,288,928</u>	<u>\$ 44,308,257</u>

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

SOLID WASTE DIVISION  
SPECIAL PURPOSE STATEMENT OF REVENUES AND EXPENSES TO COMPLY WITH  
REVENUE BOND RESOLUTIONS  
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
User service agreements:		
Operating	\$ 21,657,148	\$ 21,893,135
General	1,686,771	1,450,784
Sludge	1,956,774	2,365,031
Septage	414,530	383,828
Grants	25,686	2,498,598
Other	1,414,226	1,623,949
	<u>27,155,136</u>	<u>30,215,325</u>
Total operating revenues		
Operating expenses:		
Salaries	6,883,636	6,574,233
Employee benefits	3,871,770	4,200,458
Power and utilities	2,356,412	2,598,158
Chemicals	921,740	792,559
Fuel	1,116,597	1,202,741
Supplies and miscellaneous maintenance	3,361,510	3,220,487
Contractual services	1,455,740	1,136,457
Indirect operating expenses	592,167	657,434
Administrative	1,593,400	1,438,445
Licenses and permits	194,543	176,984
	<u>22,347,515</u>	<u>21,997,956</u>
Total operating expenses		
Operating income	<u>4,807,620</u>	<u>8,217,369</u>
Non-operating revenues/(expenses):		
County appropriation	(338,842)	(363,074)
Interest income	1,302,301	766,267
Interest expense	(211,420)	(205,903)
	<u>752,039</u>	<u>197,290</u>
Total non-operating revenues		
Net income	<u>\$ 5,559,660</u>	<u>\$ 8,414,659</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

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

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (UNAUDITED)  
Last Ten Years\*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's proportion of the net pension liability (asset)	0.18803%	0.18872%	0.17958%	0.18174%	0.18177%	0.17659%	0.17743%
Authority's proportionate share of the net pension liability (asset)	\$33,880,857	\$37,158,319	\$41,803,959	\$53,824,768	\$40,804,441	\$33,062,762	\$33,910,352
Authority's covered-employee payroll	13,043,021	12,814,155	12,431,741	12,312,031	12,482,810	12,482,810	12,145,642
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	259.76%	289.98%	336.27%	437.17%	326.89%	264.87%	279.20%
Total pension liability	78,018,019	80,077,494	80,547,047	89,912,966	78,361,663	68,996,903	66,132,144
Plan fiduciary net position	44,137,162	42,919,175	38,743,088	36,088,198	37,557,222	35,934,141	32,221,791
Plan fiduciary net position as a percentage of the total pension liability	56.57%	53.60%	48.10%	40.14%	47.93%	52.08%	52.08%

\*In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail in the above Schedule of Proportionate Share of Net Pension Liability Public Employees' Retirement System, however, only seven years of data are available at this time.

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

SCHEDULE OF CONTRIBUTIONS  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (UNAUDITED)  
Last Ten Years\*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,829,016	\$ 1,877,169	\$ 1,663,641	\$ 1,614,510	\$ 1,562,762	\$ 1,455,795	\$ 1,336,897
Contributions in relation to the contractually required contributions	<u>1,829,016</u>	<u>1,877,169</u>	<u>1,663,641</u>	<u>1,614,510</u>	<u>1,562,762</u>	<u>1,455,795</u>	<u>1,336,897</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$14,507,253	\$13,043,021	\$12,814,155	\$12,431,741	\$12,312,031	\$12,482,810	\$12,051,171
Contributions as a percentage of covered-employee payroll	12.61%	14.39%	12.98%	12.99%	12.69%	11.66%	11.09%

\*In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail in the above Schedule of Contributions Public Employees' Retirement System, however, only seven years of data are available at this time.

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

**SCHEDULE OF PROPORTIONATE SHARE OF THE OPEB LIABILITY AND CONTRIBUTIONS (UNAUDITED)**  
 Last Ten Years\*

---

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the net OPEB liability	0.026826%	0.317680%	0.304051%	0.313885%
Proportionate share of net OPEB liability	\$ 44,454,548	\$ 50,768,769	\$ 62,722,817	\$ 68,167,863
Contributions	1,133,889	1,799,727	1,807,088	1,715,239
Plan fiduciary net position as a percentage of the total OPEB liability	1.98%	1.97%	1.03%	0.69%

\*In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail in the above Schedule of Proportionate Share of the OPEB Liability and Contributions, however, only four years of data are available at this time.



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

To the Chairman and Members of  
Atlantic County Improvement Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Atlantic County Utilities Authority (the "Authority"), a component unit of the County of Atlantic, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated July 14, 2020.

**Internal Control Over Financial Reporting**

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

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

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

**INDEPENDENT AUDITORS' 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  
(CONTINUED)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatements, 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*.

**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 Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mercadieu, P.C.*  
*Certified Public Accountants*

July 14, 2020

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM  
GUIDANCE**

To the Chairman and Members of  
Atlantic County Improvement Authority

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

We have audited the Atlantic County Utility Authority's (the "Authority") compliance with the types of compliance requirements described in the *Uniform Guidance* that could have a direct and material effect on each of the Authority's major federal programs for the fiscal year ended December 31, 2019. The Atlantic County Utility Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE  
(CONTINUED)**

**Opinion on Each Major Federal Program**

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

**Report on Internal Control Over Compliance**

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mercedien, P.C.*  
*Certified Public Accountants*

July 14, 2020

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2019**

<b>Federal Agency Name/Program Title/Project Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Number</b>	<b>State Account Number/ Project Number</b>	<b>Award Amount</b>	<b>2019 Program Receipts</b>	<b>2019 Program Disbursements</b>	<b>Subrecipient Expenditures</b>	<b>Cumulative Disbursements</b>
U.S. Department of Housing and Urban Development								
Passed Through New Jersey Department of Environmental Protection								
<i>CDBG - Disaster Recovery Grants - Pub. L. No. 11302 Cluster</i>								
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)								
2018 Long-Term Loan	14.269	80-632-7268	S340 809 23	\$ 795,094	\$ 24,993	\$ 24,993	\$ -	\$ 549,732
2018 Long-Term Loan	14.269	80-632-7268	S340 809 25	4,132,550	3,502,690	3,502,690	-	3,502,690
<i>Subtotal CDBG - Disaster Recovery Grants - Pub. L. No. 11302 Cluster</i>				<u>4,927,644</u>	<u>3,527,683</u>	<u>3,527,683</u>	<u>-</u>	<u>4,052,422</u>
<b>Total U.S. Department of Housing and Urban Development</b>				<b><u>4,927,644</u></b>	<b><u>3,527,683</u></b>	<b><u>3,527,683</u></b>	<b><u>-</u></b>	<b><u>4,052,422</u></b>
U.S. Department of Environmental Protection								
Passed Through New Jersey Department of Environmental Protection								
<i>Clean Water State Revolving Fund Cluster</i>								
Capitalization Grants for Clean Water State Revolving Funds								
2019 Long-Term Loan	66.458	80-632-7268	S340 809 28	312,856	39,106	39,106	-	39,106
<i>Subtotal Clean Water State Revolving Fund Cluster</i>				<u>312,856</u>	<u>39,106</u>	<u>39,106</u>	<u>-</u>	<u>39,106</u>
<b>Total U.S. Department of Environmental Protection</b>				<b><u>312,856</u></b>	<b><u>39,106</u></b>	<b><u>39,106</u></b>	<b><u>-</u></b>	<b><u>39,106</u></b>
<b>Total Expenditures of Federal Awards</b>				<b><u>\$ 5,240,500</u></b>	<b><u>\$ 3,566,789</u></b>	<b><u>\$ 3,566,789</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,091,528</u></b>

See notes to schedule of expenditures of federal awards.

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

---

**NOTE 1: GENERAL**

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards programs of the Atlantic County Utilities Authority (the "Authority"). The Authority is defined in Note 1 of the general-purpose financial statements. The information in this schedule is presented in accordance with the requirements of Uniform Guidance. All federal awards received directly from federal agencies, as well as awards passed through other government agencies, are included on the schedule of federal awards.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in the Notes to the Financial Statements, Note A.

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Authority did not elect the 10-percent de minimis indirect cost rate as discussed in 2 CFR 200.414.

**NOTE 3: RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS**

The accompanying schedule of expenditures of federal awards may include expenditures that occurred in prior fiscal years. The amounts reported in the accompanying schedule agree with the amounts reported in the Authority's financial statements, except for the following grants and amounts:

	<b>Recognized in Current Year Financial Statements</b>	<b>Recognized in Prior Year Financial Statements</b>
Federal Programs		
Hurricane Sandy CDBG Disaster Recovery Grants (CDBG-DR)	\$ 3,527,683	\$ 524,739
Capitalization Grants for Clean Water State Revolving Funds	39,106	-
Subtotal Federal Programs	<u>3,566,789</u>	<u>524,739</u>
State Programs		
New Jersey Environmental Infrastructure Trust - 2016	-	2,583,902
New Jersey Environmental Infrastructure Trust - 2017	242,545	2,737,146
New Jersey Environmental Infrastructure Trust - 2018	42,777	92,029
New Jersey Environmental Infrastructure Trust - 2019	343,968	-
Subtotal State Programs	<u>629,290</u>	<u>5,413,077</u>
Total Financial Assistance	<u><u>\$ 4,196,079</u></u>	<u><u>\$ 5,937,816</u></u>

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

---

**NOTE 4: RELATIONSHIP TO THE FEDERAL FINANCIAL REPORTS**

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agencies. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule, which is prepared on the accrual basis of accounting as explained in Note 1.

**NOTE 5: STATE LOANS OUTSTANDING**

The Authority had loan balances outstanding at December 31, 2019 and 2018, of \$0 and 3,180,751, respectively.

**NOTE 6: CONTINGENCIES**

Each of the grantor agencies reserves the right to conduct additional audits of the Authority's grant program for economy, efficiency and program results. However, the Authority administration does not believe such audits would result in material amounts of disallowed costs.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2019**

---

**Section I - Summary of Auditor's Results**  
**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:

- 1) Material weakness(es) identified?        yes   X   no
- 2) Significant deficiency(ies) identified?        yes   X   none reported
- Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards**

Dollar threshold used to determine Type A programs \$750,000

Auditee qualified as low-risk auditee?        yes   X   no

Internal control over major programs:

- 1) Material weakness(es) identified?        yes   X   no
- 2) Significant deficiency(ies) identified?        yes   X   none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be  
 Reported in accordance with Uniform Guidance?        yes   X   no

Identification of major programs:

<b><u>Federal CFDA Number(s)</u></b>	<b><u>Name of Program</u></b>
14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)



**ATLANTIC COUNTY UTILITIES AUTHORITY**

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

---

**Section II - Financial Statement Findings**

None reported.

**Section III – Federal Awards Findings & Questioned Costs**

None reported.

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2019

---

None reported.