

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

**Financial Statements and Supplementary Information**

**For the years ended December 31, 2014 and 2013**

**(With Independent Auditor's Report thereon)**

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

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**Atlantic County Utilities Authority**

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April 17, 2015

Chairman Embry, Authority Board Members and President Dovey:

Presented to you are the audited financial statements for the 2014-year. There are separate financial statements for the Wastewater Division and Solid Waste Division, as has been done in prior years. The financial statements are presented separately for each division because the Divisions are separate and distinct for ratemaking, operating, and public financing purposes. There are also combined statements as required by accounting standards for the Comparative Statement of Net Assets, the Comparative Statement of Revenues, Expenses, and Changes in Net Assets, and Comparative Statement of Cash Flows.

Government Auditing Standards and State law requires that the Atlantic County Utilities Authority publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards. The financial statements for the 2014-year are presented as required.

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

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

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

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



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

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

Sincerely,

*Katherine Vesey*

Katherine Vesey

Deputy Chief Finance Officer & Director of Research & Development

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of the  
Atlantic County Utilities Authority

### Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of the Atlantic County Utilities Authority, a component unit of the County of Atlantic, State of New Jersey, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Atlantic County Utilities Authority as of December 31, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 33 and 58 and 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

The supplementary information contained in schedules I and II, IV through VIII, and X through XII are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information contained in schedules I and II, IV through VIII, and X through XII are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2015 on our consideration of the Atlantic County Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Atlantic County Utilities Authority's internal control over financial reporting and compliance.

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

April 17, 2015  
Toms River, New Jersey





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

To the Board Members of the  
Atlantic County Utilities Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Atlantic County Utilities Authority (herein referred to as “the Authority”), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated April 17, 2015.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

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

April 17, 2015  
Toms River, New Jersey

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Within this section of the Atlantic County Utilities Authority's (the Authority or the ACUA) annual financial report, the management of the Authority provides narrative discussion and analysis of the financial activities of the Authority for the audit year ending December 31, 2014.

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 GAAP Basis".

The primary difference between the statements is the recording and reporting of accounts payable. On the "Modified GAAP Basis" statements, all encumbrances as of December 31, 2014 are reported as Accounts Payable or Construction Contracts Payable, and as Property, Plant and Equipment. On the "GAAP Basis" statements, only those encumbrances where goods or services have been received as of December 31, 2014 are

reported as Accounts Payable or Construction Contracts Payable, and as Property, Plant and Equipment. The difference between the two statements and methodologies presents itself in Net Position-Unrestricted.

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

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

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

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

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

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

### **Wastewater Division**

#### **Comparative Balance Sheet**

The Wastewater Division’s Total Assets decreased \$4 million or 4%. Current Assets were up by \$211,000 due to more cash and investments on hand less lower Accounts Receivable. Noncurrent Assets decreased by \$300,000 or 2%, all due to reduced Cash

and Investments. Capital Assets increased by \$1.5 million and Accumulated Depreciation increased by about \$5.4 million resulting in a net decrease in Net Capital Assets of \$3.9 million. Capital additions were for sewer main and interceptor improvements on Wellington Avenue in Ventnor. Depreciation is calculated straight line over the life of the asset with a half year of depreciation taken in the first and last years of the asset's life.

Total liabilities decreased by \$5.5 million or 18%. The decrease is primarily due to a \$5.5 million reduction in bonds and interest payable in accordance with debt service schedules. Deferred revenue also decreased by \$177,000 due to 2014 revenue recognition for processing the sludge that is related to the Authority's deferred revenue. Accounts payable and accrued absences had minimal increases totaling \$116,000.

Current and Long-Term Bonds Payable went from \$27 million in 2013 to \$21.5 million in 2014 due to principal payments in accordance with debt service schedules and the refinance of 2003 Bonds. In 2013 \$7,475,000 principal due on 2003 bonds was refinanced with \$6,650,000 2013 Bonds and debt service and debt service reserve funds on hand. The 2013 Bonds interest rate is 0.68% per annum and will be paid in their entirety in 2015. The savings that will be realized by ACUA for this refinance transaction is approximately \$408,000.

The Authority adopted GASB 65, *Items Previously Reported as Assets and Liabilities*, in 2013. This statement reclassifies certain items that were previously reported as assets and liabilities. The impact to ACUA is the write off of approximately \$766,000 of deferred financing costs as of December 31, 2012 and reversing \$351,000 of Amortization Expense recognized through 2012 for a net impact to prior periods of \$1,117,000. The adjustment presented itself on the Statement of Revenues, Expenses and Changes in Net Position for 2012. At December 31, 2014 and 2013, the only deferred costs remaining on the books for debt are insurance premiums paid at closing.

Assets exceed liabilities by \$80.2 million. This compares to 2013 where the division's assets exceeded its liabilities by \$78.7 million. The net change represents income for the 2014-year of \$1.6 million.

The Division's Net Position of \$80,243,178 is comprised of the following:

- (1) Capital Assets, Net of Related Debt of \$47,500,363, include property, plant and equipment, net of accumulated depreciation, and net of long-term debt and short-term debt related to the purchase or construction of capital assets. Calculated as: (Net Capital Assets-Long-Term Portion of Bonds Payable –Current Maturities of Long-Term Debt = Investment in Capital Assets, Net of Related Debt).
- (2) Net Position of \$5,800,000 restricted for the purpose of Renewal and Replacement of "the System" and restricted as the "System Improvement

Requirement”, which is determined each year by an independent consulting engineer.

(3) Net Position of \$5,338,107 restricted for the purpose of forthcoming debt service payments.

(4) Net Position of \$6,533,829 restricted for the purpose of providing a Debt Service Reserve Fund, in accordance with the Authority’s debt covenants, and of which part is in the form of a Surety Bond.

(5) Unrestricted Net Position of \$15,070,879 represents the portion available to maintain the Authority’s continuing obligations to the contractual customers of its service area, its creditors and current liabilities.

Restricted Net Position increased \$1.6 million in 2014 as follows: Investments in Capital Assets Net of Related Debt increased \$1.5 million; the Renewal and Replacement Fund stayed the same based on the estimate provided by an independent consulting engineer; the Debt Service Fund increased \$1.6 million partly due to an increase in payments due in 2015, the current portion of debt; and the Debt Service Reserve Fund stayed the same. Unrestricted Net Position decreased \$1.6 million which is a function of changes in Restricted Net Assets and Net Income for the year. Total Net Position increased 2% or \$1.6 million, the reported Net Income for the 2014-year. The increase is comprised of Operating Income in the amount of \$3.2 million and Non-Operating Expenses of \$1.6 million.

Below is a synopsis of the Wastewater Division’s 2014 Balance Sheet with a comparison to last year:

	<b>2014</b>	<b>2013</b>	<b>\$ Change</b>	<b>% Change</b>
Total Current Assets	\$ 23,181,590	\$ 22,970,121	\$ 211,469	1%
Total Restricted & Noncurrent Assets	13,340,693	13,640,892	(300,199)	-2%
Capital Assets, Net of Depreciation	69,030,426	72,902,321	(3,871,895)	-5%
Unamortized Bond Issue Costs	711	17,785	(17,074)	-96%
<b>TOTAL ASSETS</b>	<b>\$ 105,553,420</b>	<b>109,531,119</b>	<b>(3,977,699)</b>	<b>-4%</b>
Total Current Payable from Current	2,324,588	2,248,430	76,158	3%
Total Current Payable from Restricted	7,177,294	5,514,271	1,663,023	30%
Total Noncurrent Liabilities	15,808,360	23,083,281	(7,274,921)	-32%
<b>TOTAL LIABILITIES</b>	<b>25,310,242</b>	<b>30,845,982</b>	<b>(5,535,740)</b>	<b>-18%</b>
Invested in Capital Assets, Net Debt	47,500,363	45,957,888	1,542,475	3%
Total Restricted	17,671,936	16,053,684	1,618,252	10%
Unrestricted	15,070,879	16,673,565	(1,602,686)	-10%
<b>TOTAL NET POSITION</b>	<b>\$ 80,243,178</b>	<b>\$ 78,685,137</b>	<b>\$ 1,558,041</b>	<b>2%</b>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b>\$ 105,553,420</b>	<b>\$ 109,531,119</b>	<b>\$ (3,977,699)</b>	<b>-4%</b>



Comparative Statement of Revenues, Expenses and Changes in Net Position

Net Income decreased \$1.6 million or 51%. The decrease is a combination of a decrease in revenues of \$192,000, an increase in operating expenditures of \$289,000 and an increase in non-operating expenses of \$1.1 million.

The user fee charged to the fourteen participants increased in 2014 by 1% for a total increase in dollars of \$368,000. Sludge income decreased \$73,000, or 4%, due to less sludge coming in from outside parties. Income from Septage and Leachate disposal decreased \$25,000 or 5%. Other income decreased \$462,000 or 27% due to several factors as shown below. Significant changes are explained below the chart:

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Service	\$ 682,891	\$ 605,887	\$ 77,004	13%
FEMA reimbursement	-	513,311	(513,311)	-100%
Amortization of Bond Prem	126,804	126,804	-	0%
Rental	117,713	116,891	823	1%
Miscellaneous	14,286	88,627	(74,341)	-84%
Lab	101,758	98,390	3,368	3%
Solar Renewable Energy Credits	104,019	70,581	33,437	47%
Insurance reimbursements	53,701	42,000	11,701	28%
Permits	7,223	19,014	(11,791)	-62%
Truck Wash Revenue	22,824	11,753	11,071	94%
<b>Total Other Income</b>	<b>\$ 1,231,219</b>	<b>\$ 1,693,258</b>	<b>\$(462,039)</b>	<b>-27%</b>

Operating Service Revenue increased \$77,000 or 13% due to increased activity for pump station maintenance and repairs for customers, increased fuel sales, additional grease inspections and hauling revenues. Solar Renewable Energy Credit revenue increased \$33,000 because an inverter that was down most of 2013 was replaced allowing for a full year of solar production in 2014. FEMA reimbursements decreased 100% by \$513,000 because there were no FEMA events or related claims in 2014. In 2013 the reimbursements included \$329,000 for a slip lining repair and \$184,000 for Hurricane Sandy claims. Miscellaneous decreased \$74,000 due to unusually high income in 2013 related to trustee fee refunds due the Authority and one time revenue for engineering services provided to a third party.

The user fee is the primary revenue source of the Authority and supports the expenses as follows: \$17,546,087 for operating expenses, and \$7,372,472 for annual debt service. Sludge, Septage and Leachate disposal services are considered “outside income”, and as such are utilized to reduce or stabilize the user fee charged to the Authority’s fourteen direct participants. Income for these outside services was \$2.1 million in 2014, down from \$2.2 million in 2013. One of the ACUA’s largest sludge customers installed a sludge dryer and is marketing their dried product as fuel instead of bringing that material to ACUA. Since 2012 the customer has experienced problems and has been sending more sludge to ACUA than they had hoped. It is expected this revenue will continue to decrease as the dryer problems get resolved. The storage tank for liquid sludge was offline for all of 2014 and therefore liquid sludge revenue was \$0 in 2014, down from \$15,000 in 2013. The storage tank will be repaired in 2015.

Operating expenses increased by \$289,000 or 1% from the prior year. The increase was due to a combination of increases and decreases among significant operating items. The Division experienced modest increases in Employee Benefits, Power & Utilities, Chemicals, Indirect Operating Expenses and Depreciation. Amortization of Bond Issue Costs remained the same, in accordance with established amortization schedules.

More significant increases were seen in Salaries, Fuel, Administrative and Licenses & Permits. Salaries increased \$305,000 or 5% due to raises and for full year salaries in 2014 for employees hired in 2013. Fuel increased \$111,000 or 9% primarily due to increased purchases for third party sales. Administrative increased \$185,000 or 14% due to professional services contracted in 2014 and for computer and software expenses. Finally, Licenses & Permits increased \$55,000 or 33% due to a NJ Pollutant Discharge Elimination System (NJPDES) fee increase. The Authority appealed the increase, however the appeal was denied and an additional \$55,000 was paid to NJDEP.

Significant decreases were realized in Supplies & Miscellaneous Maintenance and Contractual Services. Supplies & Miscellaneous Maintenance decreased \$269,000 or 10% primarily due to fewer pay-as-you-go capital improvements in 2014. Contractual Services decreased \$195,000 or 29% primarily due to emissions compliance testing that was required to be done in 2013 but was not necessary in 2014.



Total Operating Revenues exceeded Total Operating Expenses by \$3,235,717.

Non-Operating Expenses, which is comprised of County Appropriation, Interest Income, Interest Expense and Debt Issue Costs, increased \$1.1 million.

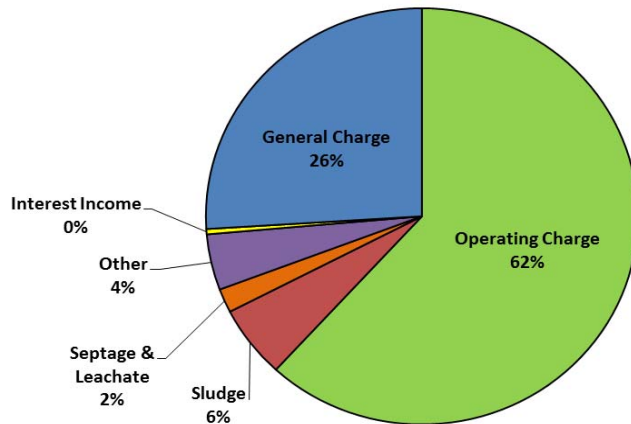
In 2014, the County of Atlantic exercised its right to request that up to five percent (5%) of the Authority's operating budget appropriations be transferred to the County. The County requested the maximum amount of 5% be transferred and the budget was amended to appropriate this expense for the full 5%, calculated to be \$1,387,635 for the Wastewater Division. The funds were transferred in August 2014 upon both ACUA and County of Atlantic obtaining all necessary approvals to execute the transaction. The reason the County requested the funds was for economic development initiatives for the County.

Interest income had a modest increase of \$8,000. Interest expense decreased \$188,000 in accordance with debt service schedules and Debt Issue Costs were \$80,000 in 2013 due to the refinancing of 2003 Bonds as previously described. There were no Debt Issue Costs in 2014 because no new debt was issued.

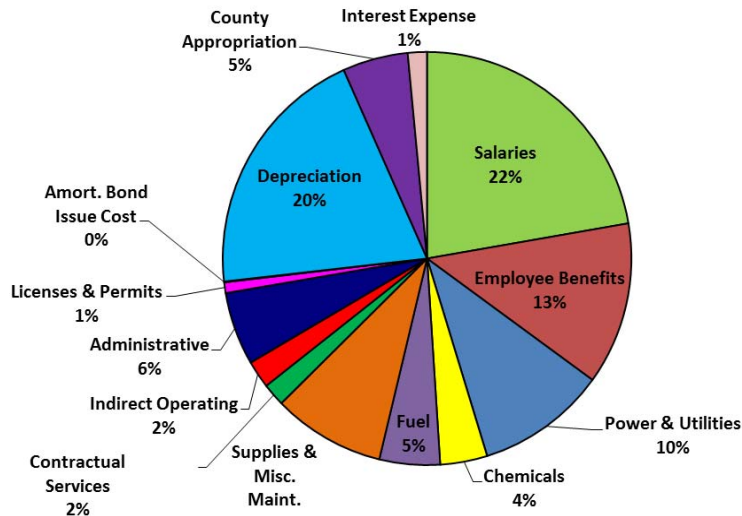
Total 2014 Revenues exceeded Total Expenses by \$1,558,041. Total Net Position increased to \$80,243,178.

<b>WW Revenue</b>	<b>2014</b>	<b>2013</b>	<b>\$ Change</b>	<b>% Change</b>
User Fee	\$ 24,918,559	\$ 24,550,314	\$ 368,245	1%
Sludge	1,593,237	1,666,106	(72,869)	-4%
Septage & Lechate	525,065	550,465	(25,400)	-5%
Other	1,231,219	1,693,258	(462,039)	-27%
<b>Total Revenue</b>	<b>28,268,080</b>	<b>28,460,143</b>	<b>(192,063)</b>	<b>-1%</b>
<b>WW Operating Expenses</b>				
Salaries	5,974,989	5,670,362	304,627	5%
Employee Benefits	3,412,897	3,375,175	37,722	1%
Power & Utilities	2,751,284	2,751,171	113	0%
Chemicals	999,294	969,392	29,902	3%
Fuel	1,284,951	1,173,627	111,324	9%
Supplies & Miscellaneous Maintenance	2,382,901	2,652,229	(269,328)	-10%
Contractual Services	479,379	674,832	(195,453)	-29%
Indirect Operating Expenses	579,959	561,790	18,169	3%
Administrative	1,536,134	1,351,020	185,114	14%
Licenses & Permits	224,879	169,605	55,274	33%
Depreciation	5,388,622	5,377,299	11,323	0%
Amortization of Bond Issue Costs	17,074	17,074	-	0%
<b>Total Operating Expenses</b>	<b>25,032,363</b>	<b>24,743,576</b>	<b>288,787</b>	<b>1%</b>
<b>WW Non-Operating Revenue/(Expenses)</b>				
County Appropriation	(1,387,635)	-	(1,387,635)	100%
Interest Income	116,945	108,812	8,133	7%
Interest Expense	(406,986)	(594,826)	187,840	-32%
Debt Issue Costs	-	(79,883)	79,883	-100%
	<b>(1,677,676)</b>	<b>(565,897)</b>	<b>(1,111,779)</b>	<b>196%</b>
<b>NET INCOME</b>	<b>\$ 1,558,041</b>	<b>\$ 3,150,670</b>	<b>\$ (1,592,629)</b>	<b>-51%</b>

## WASTEWATER REVENUES



## WASTEWATER EXPENSES



### Statement of Cash Flows

Net Cash Provided by Operating Activities increased 37%, an increase of \$2.4 million. Receipts from Customers and Users increased \$859,000 or 3% primarily due to timing of receipts. Payments to Employees remained flat. Payments to Suppliers decreased \$1.9 million or 12% and is due to timing of payments in 2014.

Net Cash Used by Capital and Related Financing Activities increased by \$44,000. The Purchase of Capital Assets increased \$1.4 million due to a major repair and upgrade to a sewer line in 2014. Principal Paid on Capital Debt decreased \$2.7 million and Interest Paid decreased by \$409,000, both in accordance with debt services schedules and the result of the refinancing of the 2003 Bonds in 2013. The Authority has nine NJEIT Financings outstanding to date: the Financings are 1995, 1997, 2001, 2004, 2006, 2007, 2010A, 2010B and 2012. The 2010B and 2012 Loans were completed in 2013 and all

Loans are 100% complete. There were no additional Loan Proceeds from these loans in 2014. Debt Issue costs are \$0 in 2014 because no new debt was issued. In 2013, Debt Issue Costs were \$80,000 as part of the refinancing transaction in 2013 discussed previously.

Net Cash Provided by Investment Activities was \$196,000 in 2014 as compared to \$4.6 million in 2013, representing a cash flow decrease of \$4.5 million. The decrease is a result of a combination of less Interest Income, transferring \$1.4 million to the County and less term investments purchased in 2014 as compared to 2013.

The Net Increase in Cash and Cash Equivalents for the 2014 year is \$2,305,176. The Cash and Cash Equivalents Balance at the Beginning of the Year was \$28,581,324 and the Balance at the End of the Year was \$30,886,500.

	<u>2014</u>	<u>2013</u>	<u>Cash Flow</u> <u>Incr/(Decr)</u>	<u>% Change</u>
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 28,601,745	\$ 27,742,693	\$ 859,052	3%
Payments to Employees	(5,974,989)	(5,670,362)	(304,627)	5%
Payments to Suppliers	(13,536,017)	(15,413,383)	1,877,366	12%
Net Cash Provided by Operating Activities	<u>9,090,739</u>	<u>6,658,948</u>	<u>2,431,791</u>	<u>37%</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers to Other Funds	<u>289,012</u>	<u>181,580</u>	<u>107,432</u>	<u>59%</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of Capital Assets	(1,516,726)	(78,806)	(1,437,920)	1825%
Principal Paid on Capital Debt	(5,304,641)	(8,031,716)	2,727,075	-34%
Interest Paid on Capital Debt	(449,579)	(858,154)	408,575	-48%
Payment of Debt Issue Costs	-	(79,883)	79,883	100%
Proceeds from Wastewater Trust	-	1,733,988	(1,733,988)	-100%
Net Cash Used by Capital and Financing	<u>(7,270,946)</u>	<u>(7,314,571)</u>	<u>43,625</u>	<u>-1%</u>
<b>Cash Flows from Investing Activities</b>				
Interest Income	107,188	116,673	(9,485)	-8%
County Appropriation	(1,387,635)	-	(1,387,635)	-100%
Transferred to Investments	1,476,818	4,537,470	(3,060,652)	-67%
Net Cash Provided/(Used) by Investing Activities	<u>196,371</u>	<u>4,654,143</u>	<u>(4,457,772)</u>	<u>-96%</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>2,305,176</b>	<b>4,180,100</b>	<b>(1,874,924)</b>	<b>-45%</b>
<b>Cash and Cash Equivalents, January 1</b>	<b><u>28,581,324</u></b>	<b><u>24,401,224</u></b>	<b><u>4,180,100</u></b>	<b><u>17%</u></b>
<b>Cash and Cash Equivalents, December 31</b>	<b><u>\$ 30,886,500</u></b>	<b><u>\$ 28,581,324</u></b>	<b><u>\$ 2,305,176</u></b>	<b><u>8%</u></b>

### Solid Waste Division

#### Comparative Balance Sheet

The Solid Waste Division reports Total Assets of \$97,592,972, a decrease of \$2,538,189 or 3% from 2013.

Current Assets decreased \$689,000 or 3% primarily due to less cash on hand and a decrease to accounts receivable in 2014 as compared to 2013. The Division made a

payment of \$1.4 million to the County of Atlantic as allowed by P.L. 2004, c.87. and described in more detail in the Non-Operating Expense section. Accounts receivable is a function of revenue and timing of payments from customers. As of December 31, 2014 the reduced receivable balance reflects both timing of payments and reduced revenues which are a result of four casino closings in 2014.

Restricted and Noncurrent Assets decreased \$5.3 million or 13% primarily due to the construction of Cell 9 in 2014. Funds were restricted for this purpose at the end of 2013. Amounts held by the state of New Jersey increased \$293,000 or 1% and represents a combination of deposits made to the ACUA escrow account equal to \$1 per ton of certain waste types received and withdrawals from the Pinelands Park Landfill (PPL) escrow accounts for post-closure care and maintenance costs.

The ACUA acquired PPL on November 26, 2012. PPL is a closed landfill located in Egg Harbor Township and is in its twenty-second year of closure, out of an anticipated thirty year closure period. The transaction included the acquisition of the PPL assets and liabilities as well as a distribution from the PPL post-closure fund of \$21 million to the ACUA to partially fund the redemption of its outstanding 1992 Solid Waste Revenue Bonds. The remaining \$7 million needed to fully redeem the bonds was funded by ACUA cash and investments.

In 2013 the ACUA received the escrow funds dedicated to post-closure costs for PPL. In 2012 there was \$24,652,000 recorded as Due from State of New Jersey/Newco Trustee and in 2014 Cash & Investments held by the state of New Jersey for PPL is \$21,620,000, a reduction of \$3,032,000. The decrease is due to payments made for closure expenses, disbursements to pay for transaction costs for Newco and ACUA as well as an adjustment to actual book value on the date the assets were transferred to the ACUA trustee. The active ACUA landfill escrow funds increased \$396,000 due to required deposits to the ACUA fund for tonnages received in 2014, interest earned on deposits, minus trustee fees. In 2012, the NJDEP required ACUA to deposit \$6.6 million to an Alternative Landfill Closure Fund as a condition of closing on the PPL transaction.

Accrued Interest Receivable decreased \$7,000 due to low interest rates being paid on investments. Capital Assets increased \$3.4 million or 8%. The increase is a combination of additions of \$8.8 million and depreciation expense of \$5.4 million. Additions include the construction of a new landfill cell, gas collection upgrades, and the purchase of new equipment and vehicles. Depreciation is calculated straight line over the life of the asset with a half year of depreciation taken in the first and last years of the asset's life.

Total Liabilities decreased \$2.7 million or 7%. Current Liabilities Payable from Unrestricted Assets decreased by \$301,000 or 9% due to decreased Accounts Payable and increased Customer Deposits. Accounts Payable decreased \$333,000 primarily due to the timing of payments. Customer Deposits increased \$32,000 or 24% due to more customers depositing cash to draw down with future sales activity. Current Liabilities Payable from Restricted Assets consists only of Construction Contracts Payable and

decreased \$1.6 million or 57%. The decrease is primarily due to payments made for cell construction, gas wells and vehicles and equipment in 2014.

Accrued Landfill Closure costs decreased \$833,000 or 3%. The ACUA now owns two landfills, the active ACUA landfill and the closed Pinelands Park Landfill that was acquired in 2012. The ACUA closure liability is calculated by the Authority's consulting engineer and includes total costs for closure and post-closure care of \$9.7 million, an increase of \$203,000 from 2013. The PPL Closure Liability decreased more than \$1 million due to closure expenses incurred in 2014 which are partially offset by interest income earned in the escrow accounts.

The amount escrowed for ACUA's landfill is in accordance with the consulting Engineer's findings as reported. Total anticipated closure cost as of December 31, 2014 is \$9,747,554. The percent of cumulative landfill capacity utilized as of December 31, 2014 according to the consulting engineer report is 55.7%, up from 54% in 2013. This increase is the result of 290,291 current year tons of accepted waste plus associated cover material used and buried in the landfill. In 2013 there was a decrease in the liability recognized of \$1.1 million as a result of an adjustment to previous year's calculations for air space used. 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 \$19.9 million and are fully funded. The ACUA Landfill Post-Closure Costs are estimated to be \$9.7 million and are fully funded. Both are shown in the Noncurrent Assets of the Authority. Other Non-Current Liabilities include an accrual for expected future Post Retirement Benefit costs in the amount of \$800,000 and Accrued Compensated Absences of \$701,782, which are the same as 2013. The Authority has set aside additional funds for Other Post-Employment Benefits.

The Division's Net Position of \$62,160,850 is comprised of the following:

- (1) Capital Assets, Net of Related Debt is \$44,308,257 and includes Property, Plant and Equipment, net of Accumulated Depreciation. The recent history of Capital Asset balances as of December 31 is as follows:

2014	\$	44,308,257
2013		40,877,708
2012		45,421,992
2011		15,711,957
2010		3,632,769
2009		(2,603,357)
2008		717,001
2007		(573,543)
2006		(1,003,023)
2005		(6,680,103)

Calculated as: (Net Capital Assets minus Long-Term Portion of Bonds Payable – Current Maturities of Long-Term Debt = Investment in Capital Assets, Net of Related Debt). Beginning in 2012 there was no debt. In 2011 and prior there was debt.

- (2) Unrestricted Net Position of \$17,852,593 represents the portion available to maintain the Authority’s continuing obligations to the Authority’s service area, certain creditors, current liabilities and other post-employment benefits.

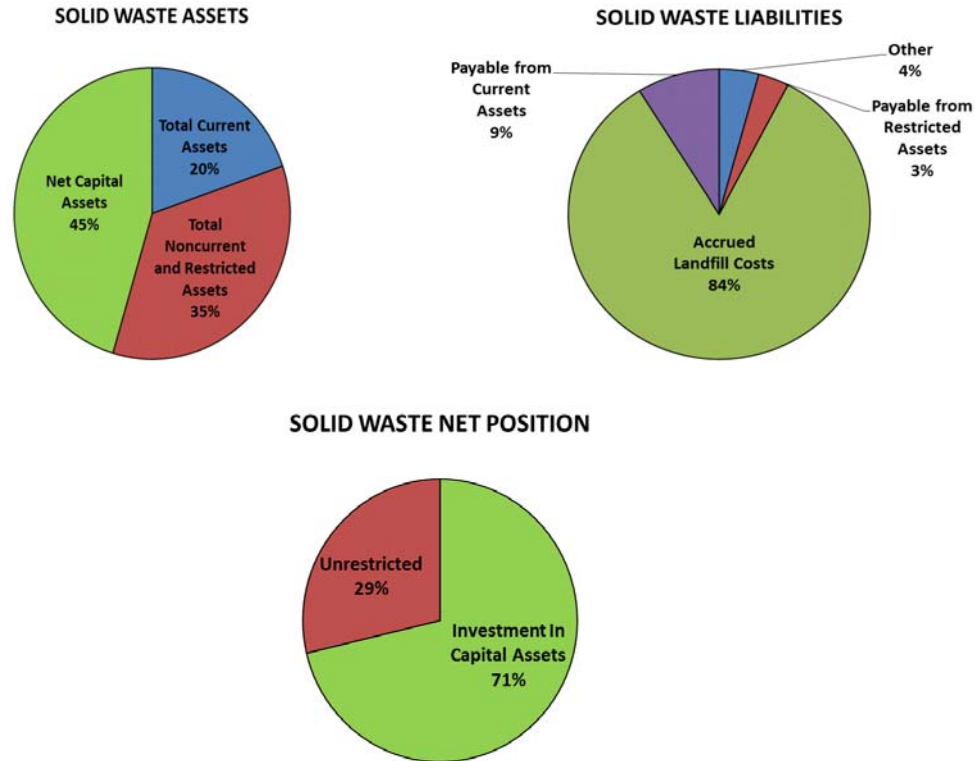
Unrestricted Net Position increased approximately \$161,000 in 2014, and is the Net Income for 2014.

Total Net Position increased by \$161,108 and is comprised of Operating Income of \$1,005,362 and net Non- Operating Expense in the amount of \$844,254.

In 2014, the County of Atlantic exercised its right to request that up to five percent (5%) of the Authority’s operating budget appropriations be transferred to the County. The County requested the maximum amount of 5% be transferred and the budget was amended to appropriate this expense for the full 5%, calculated to be \$1,424,083 for the Solid Waste Division. The funds were transferred in August 2014 upon both ACUA and County of Atlantic obtaining all necessary approvals to execute the transaction. The reason the County requested the funds was for economic development initiatives for the County.

Included in Non-Operating Income are County Appropriation, Interest Income, and the increase to the Accrued Landfill Closure Liability.

	<b>2014</b>	<b>2013</b>	<b>\$ Change</b>	<b>% Change</b>
Total Current Assets	\$ 19,239,428	\$ 19,928,472	\$ (689,044)	-3%
Total Noncurrent & Restricted Assets	34,045,287	39,324,981	(5,279,694)	-13%
Capital Assets, Net of Depreciation	44,308,257	40,877,708	3,430,549	8%
<b>TOTAL ASSETS</b>	<b>97,592,972</b>	<b>100,131,161</b>	<b>(2,538,189)</b>	<b>-3%</b>
Total Liabilities Payable from Current Assets	3,135,465	3,436,537	(301,072)	-9%
Total Liabilities Payable from Restricted Assets	1,167,950	2,733,333	(1,565,383)	-57%
Accrued Landfill Closure and Post-Closure Costs	29,626,925	30,459,764	(832,839)	-3%
Other Non-Current Liabilities	1,501,782	1,501,785	(3)	0%
<b>TOTAL LIABILITIES</b>	<b>35,432,122</b>	<b>38,131,419</b>	<b>(2,699,297)</b>	<b>-7%</b>
Invested in Capital Assets, Net Debt	44,308,257	40,877,708	3,430,549	8%
Unrestricted	17,852,593	21,122,034	(3,269,441)	-15%
<b>TOTAL NET POSITION</b>	<b>\$ 62,160,850</b>	<b>\$ 61,999,742</b>	<b>\$ 161,108</b>	<b>0%</b>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b>\$ 97,592,972</b>	<b>\$ 100,131,161</b>	<b>\$ (2,538,189)</b>	<b>-3%</b>



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

Solid Waste Net Income decreased \$5.3 million or 97% from 2013. There has been a significant downturn in the local and regional economy primarily due to four casino properties closing in 2014, leaving only eight active casino properties. Atlantic County has seen high unemployment and foreclosure rates for all of 2014 and ACUA has suffered financially from the downturn as well.

Tip Fees were down 10% or \$2.4 million due to the four casino closings and because revenue from Hurricane Sandy has tapered off. Recycling Market Revenue and Revenue from Collection Contracts increased 1% or \$96,000. The increase is primarily due to an increase in recycling grant revenue and an increase from the resale of recycled materials. The ACUA brought in 12% more single-stream recyclables in 2014 than in 2013 that could be sold. Grant Income remained the same at \$94,000 from the Clean Communities Grant award that ACUA manages. Compost and Eco-Products were down \$186,000 or 15% due in part to running out of Eco Soil in April 2014, lowering sales for the year. Other Income decreased \$263,000 or 16% due to several factors as shown below. Significant changes are explained following the chart.

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
Landfill Gas to Energy	\$ 423,441	\$ 694,723	\$ (271,282)	-39%
PPL Reimbursement	173,863	321,503	(147,640)	-46%
Rental Income	226,636	223,040	3,596	2%
CNG Tax Rebate	71,733	121,946	(50,212)	-41%
Fuel Sales	54,451	69,309	(14,857)	-21%
Insurance Refunds	140,041	63,443	76,598	121%
Finance Charges	31,591	48,097	(16,506)	-34%
GovDeals	139,960	24,784	115,176	465%
Miscellaneous	75,998	51,460	24,538	48%
Clean Energy	33,200	15,950	17,250	108%
<b>Total Other Income</b>	<b>\$ 1,370,914</b>	<b>\$ 1,634,254</b>	<b>\$ (263,341)</b>	<b>-16%</b>

The Landfill Gas to Energy (LFG) project that converts methane from the landfill to electricity is experiencing major difficulties. The project was designed to have three engines to maximize the amount of methane gas collected and converted to electricity. In 2013 two of the three engines started to perform poorly and have subsequently been taken off line by the Authority's partner, AC Landfill Energy, LLC. ACUA shares in total revenues of the project and with two engines offline for most of 2014 revenues decreased over \$270,000. The engines being offline impacts odors and the operation of the flares at the facility because these systems were designed based on three engines running, not one. The Authority is actively seeking swift resolution to this issue. PPL reimbursement income decreased from 2013 to 2014 because some one-time closing costs incurred in 2012 to purchase the landfill were reimbursed in 2013. The CNG tax rebate is a 50 cent per gallon equivalent rebate from the IRS for CNG dispensed by the station owner. Since the Jitneys have built a CNG station of their own, gallons dispensed by the ACUA station have decreased and the rebate has decreased accordingly. Finance charges decreased because a customer with a large balance made a payment at the beginning of 2014 and there were no longer finance charges being billed to that account. Insurance refunds increased \$77,000 due to increased claim amounts for equipment damages. GovDeals revenue increased \$115,000 primarily due to the sale of a tub grinder and several garbage trucks.

Operating Expenses remained relatively flat, up \$213,000, which is the net result of increases and decreases among significant operating items. The Division experienced modest changes in Salaries, Employee Benefits, Power & Utilities, Fuel, Administrative and Depreciation Expenses. More significant increases and decreases are explained below.

There was a \$561,000 or 19% increase in Indirect Operating Expenses primarily due to the purchase of \$168,000 of more cover material for slope work that needed to be done in 2014, \$241,000 more spent for odor control as it relates to the LFG project not running two engines, and for the cost of an operating lease of \$158,000 for three compressed natural gas collection vehicles.



Supplies and Miscellaneous Maintenance decreased \$138,000 or 7% due to decreased expenditures on heavy equipment repairs and fewer equipment rentals in 2014. The Host Community Benefit paid to Egg Harbor Township decreased \$227,000 or 9% and Recycling and Other Taxes decreased \$115,000 or 10%. Both are a function of tonnages received which declined by 10% in 2014 due to four casinos that closed in Atlantic City and generally poor economic conditions in Atlantic County. The Host Community Benefit is increased by COLA annually which is why the increase is less than 10%. Bad Debt decreased \$80,000 or 80% because \$20,000 is what was considered adequate to provide additional reserves for potentially uncollectible balances in Accounts Receivable.

Total Operating Revenues exceeded Total Operating Expenses resulting in operating income of \$1 million for 2014 versus \$4 million in 2013. Net income funds the capital improvements of the Authority which include the construction of new cells, the purchase of collection vehicles and other equipment, infrastructure improvements and landfill closure responsibilities.

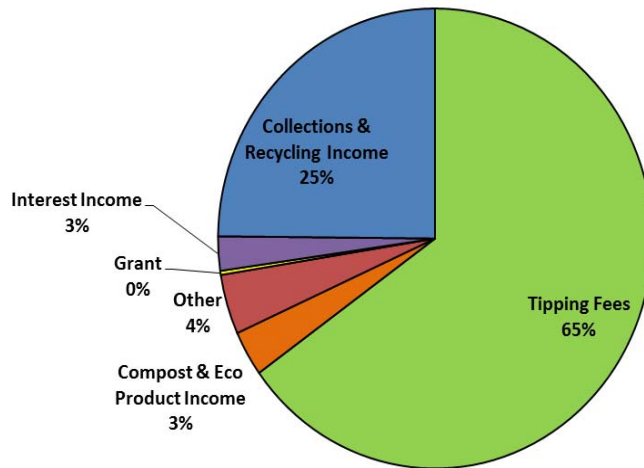
Total Non-Operating Expense is \$844,000 compared to Income of \$1.4 million in 2013, a decrease of \$2.3 million. As previously noted, in 2014 the County of Atlantic exercised its right to request that up to five percent (5%) of the Authority's operating budget be transferred to the County. The budget was amended to appropriate this expense and the full 5%, calculated to be \$1,424,083, was transferred and is shown as a Non-Operating Expense. In 2014 Interest Income increased \$170,000 as a result of having the PPL investments on ACUA's book for the full year. In 2013 the original recycling center was sold which resulted in a loss on the sale of the asset of \$265,000 and there were no such transaction in 2014. The center was purchased in 1991 for \$1.7 million and sold in 2013 for \$500,000. The center was being depreciated over a 40 year expected life and therefore was not fully depreciated at the time of the sale; the loss is the result of writing off the undepreciated portion of the building which was \$765,000. The center was rented to a third party from 1996 to 2012 and provided over \$2 million in rental income during this period. Finally, the estimated landfill closure liability increased \$203,000 in 2014 and it decreased \$1.1 million in 2013, a change of \$1.3 million.

Net Income for the 2014 year is \$161,108 compared to \$5,426,336 in 2013. Net Income for recent years was:

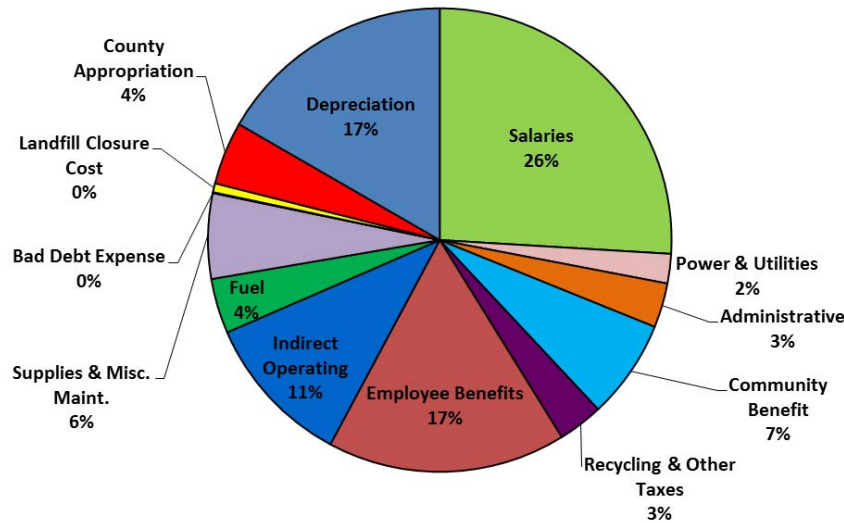
2014	\$	161,108
2013		5,426,336
2012		20,642,382
2011		(783,795)
2010		3,084,973
2009		89,345
2008		2,713,591
2007		3,975,842
2006		8,894,379
2005		5,024,252

<b>SW Revenue</b>	<b>2014</b>	<b>2013</b>	<b>\$ Change</b>	<b>% Change</b>
Tipping Fee	\$ 21,201,244	\$ 23,617,717	\$ (2,416,473)	-10%
Collections & Recycling	8,096,128	7,999,914	96,214	1%
Grant Income	93,744	93,741	3	0%
Composting & Eco Product Income	1,039,930	1,226,345	(186,415)	-15%
Other	1,370,913	1,634,254	(263,341)	-16%
<b>Total Revenue</b>	<b>31,801,959</b>	<b>34,571,971</b>	<b>(2,770,012)</b>	<b>-8%</b>
<b>SW Operating Expenses</b>				
Salaries	8,415,309	8,301,648	113,661	1%
Employee Benefits	5,397,745	5,226,935	170,810	3%
Power & Utilities	665,313	676,814	(11,501)	-2%
Fuel	1,240,355	1,274,941	(34,586)	-3%
Supplies & Miscellaneous Maintenance	1,928,381	2,065,893	(137,512)	-7%
Indirect Operating Expenses	3,454,120	2,892,596	561,524	19%
Administrative	1,006,573	991,608	14,965	2%
Community Benefit	2,244,378	2,471,419	(227,041)	-9%
Recycling & Other Taxes	1,020,172	1,135,167	(114,995)	-10%
Bad Debt Expense	20,000	100,000	(80,000)	-80%
Depreciation	5,404,251	5,446,691	(42,440)	-1%
<b>Total Operating Expenses</b>	<b>30,796,597</b>	<b>30,583,712</b>	<b>212,885</b>	<b>1%</b>
<b>SW Non-Operating Revenue/(Expenses)</b>				
County Appropriation	(1,424,083)	-	(1,424,083)	100%
Interest Income	782,872	612,700	170,172	28%
Loss on Sale of Fixed Asset	-	(265,191)	265,191	100%
Adjustement to landfill closure and post-closure care cost	(203,043)	1,090,568	(1,293,611)	-119%
	<b>(844,254)</b>	<b>1,438,077</b>	<b>(2,282,331)</b>	<b>-159%</b>
<b>NET INCOME</b>	<b>\$ 161,108</b>	<b>\$ 5,426,336</b>	<b>\$ (5,265,228)</b>	<b>-97%</b>

### SOLID WASTE REVENUES



## SOLID WASTE EXPENSES



### Statement of Cash Flows

Net Cash Provided by Operating Activities increased 32% and \$819,000. Receipts from Customers and Users decreased 10% due to a 10% reduction in tonnages received in 2014. Payments to Employees were flat and Payments to Suppliers decreased 18% and \$4.4 million which is due to lower direct costs due to reduced tonnages of waste received and timing of payments to suppliers.

Net Cash Used by Capital and Related Financing Activities increased \$7.6 million. In 2014 cell construction costs of \$6.6 million were paid, gas collection improvements of \$412,000 were completed and \$1.7 million in equipment and vehicles were purchased. In 2013 capital improvements did not include cell construction and included the write off of equipment, vehicles and the original recycling center warehouse.

Net Cash Provided by Investment Activities increased by \$5.9 million to an inflow of \$6.7 million compared to an inflow in 2013 of \$813,000. In 2014 Interest Income increased to \$774,000, \$1.4 million was transferred to the County and transfers from cash to short-term investments to earn slightly more income increased \$7 million. In 2013 interest income was \$428,000 and transfers of \$385,000 were done.

Total Net Increase in Cash and Cash Equivalents for 2014 is \$973,816.

Cash and Cash Equivalents at the Beginning of the Year were \$11,831,859 and \$12,805,675 at the End of Year, an 8% increase.

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$31,971,610	\$ 35,482,378	\$ (3,510,768)	-10%
Payments to Employees	(8,415,309)	(8,301,648)	(113,661)	1%
Payments to Suppliers	(20,204,359)	(24,647,517)	4,443,158	-18%
Net Cash Provided by Operating Activities	<u>3,351,942</u>	<u>2,533,213</u>	<u>818,729</u>	<u>32%</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers to Other Funds	<u>(289,012)</u>	<u>(181,580)</u>	<u>(107,432)</u>	<u>59%</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of Capital Assets	<u>(8,834,800)</u>	<u>(1,267,598)</u>	<u>(7,567,202)</u>	<u>597%</u>
Net Cash Used by Capital and Financing	<u>(8,834,800)</u>	<u>(1,267,598)</u>	<u>(7,567,202)</u>	<u>597%</u>
<b>Cash Flows from Investing Activities</b>				
Interest Income	773,853	427,903	345,950	81%
County Appropriation	(1,424,083)	-	(1,424,083)	-100%
Transferred to Investments	7,395,916	384,921	7,010,995	1821%
Net Cash Provided (Used) by Investing Activities	<u>6,745,686</u>	<u>812,824</u>	<u>5,932,862</u>	<u>730%</u>
<b>Net Increase (decrease) in Cash and Cash Equivalents</b>	973,816	1,896,859	(923,043)	-49%
<b>Cash and Cash Equivalents, January 1</b>	<u>11,831,859</u>	<u>9,935,000</u>	<u>1,896,859</u>	<u>19%</u>
<b>Cash and Cash Equivalents, December 31</b>	<u>\$12,805,675</u>	<u>\$ 11,831,859</u>	<u>\$ 973,816</u>	<u>8%</u>

## Core Competencies

### Wastewater Division

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

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

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

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

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

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

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

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

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

### **Solid Waste Division**

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

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

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

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

A gas collection system improvement was done during 2012 and included the installation of eighteen vertical gas wells to increase the amount of gas collected. The cost for the eighteen wells was approximately \$160,000. The wells help to reduce odors from the landfill and increase the amount of gas collected to be used by the Landfill Gas to Electricity (LFG) facility. In 2013 an additional \$75,000 was invested in the gas collection system and referred to as the Header Project. This project includes the installation an 18" gas collection main from the flare station to the landfill and will increase gas collection from the existing landfill wells and replace the old header which is

installed under the capped portion of the landfill which cannot be maintained if a problem were to occur. In 2014 a total of 32 additional wells were installed at a cost of approximately \$366,000 to proactively continue to increase gas collection and reduce potential odor issues. In 2015 the construction of a temporary rain capping system will be installed. The rain cap will cover approximately 30 acres of landfill and have multiple benefits to landfill operations and gas collection efficiencies. The rain cap will contain all potential fugitive gas within the cover and allow gas collection wells to more effectively collect the gas without the intrusion of air. The cover will also reduce the amount of rainwater that infiltrates the landfill which will reduce the amount of leachate required to be treated as well as decrease the production of landfill gas. The electricity for the entire solid waste facility is provided by one engine in the LFG facility which is a renewable energy source. Two of the three engines in that project have been taken off line as previously discussed.

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

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

Recycling collection is provided to about twenty Atlantic County municipalities, either on a weekly or bi-weekly basis. Many commercial entities have weekly service. All the recyclables received are processed and marketed by ReCommunity. Revenue from recyclables declined sharply in late 2008 due to the global economic crisis. The markets have been rebounding as the global economies begin to recover. In 2014 approximately 41,500 tons were collected, which is about 12% higher than 2013.

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

The Authority's compost operation processes leaves, grass clippings, tree branches, clean wood, brush and Christmas trees. In 2014 about 21,000 tons of yard waste was processed, down about 3,000 from 2013 and in line with historical tonnages. The branches, brush, and trees are processed into EcoSoil and sold to the public, providing additional income to support the Solid Waste system.

### **Centralized Maintenance**

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

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

### **Accountability**

The Atlantic County Utilities Authority mission statement is:

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

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

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

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

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

### **Governing Body**

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

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

The Authority Board Members are:

Marvin E. Embry, Chairman  
Michael C. Epps, Vice Chairman  
Peter Sarkos, Treasurer  
Fred Akers, Assistant Treasurer  
Carla Garrison, Member  
Andrew Berenato, III, Member  
Paul A. Rosenberg

### **Management of the Authority**

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

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

**Richard S. Dovey, President.** Mr. Dovey was appointed President of the Atlantic County Utilities Authority in June 1990. Prior to assuming his present responsibilities, he was Department Head for the Department of Regional Planning and Development with Atlantic County Government for eight years where he directed the Divisions of Planning, Economic Development, Engineering and Human Services. Prior to that Mr. Dovey was Manager of the Rutland County, Vermont, Solid Waste District for two years. Mr. Dovey is active in numerous community and statewide organizations. He currently serves as Chair of the Sustainable Jersey Board of Trustees, Chairman of the Egg Harbor



City Industrial Commission, Chairman of the Cape Atlantic Soil Conservation District and Vice Chair of the Richard Stockton College Foundation Board. He also serves on a number of advisory boards at Richard Stockton College, Rowan University School of Engineering, Atlantic Cape Community College and Atlantic County Institute of Technology. Mr. Dovey has served as chairman of the New Jersey Solid Waste Advisory Council and on the Board of Trustees and President of the N.J. Association of Environmental Authorities. While Mr. Dovey has served as president, ACUA wastewater and solid waste operations have been nationally recognized for excellence in innovation, efficiency, and environmental stewardship. Mr. Dovey is a graduate of Stockton State College with a Bachelor of Arts degree in Urban Studies.

Maria K. Mento, Executive Vice President & Chief Financial Officer – *Retired December 31, 2014 after 24 years of service.* Ms. Mento was hired at the Authority in 1990 and was appointed as the Chief Financial Officer in the following year. In 2007 she was appointed to the position of Executive Vice President/Chief Financial Officer. Prior to accepting her position in 1990, she was with Atlantic County Government for ten years. Her tenure with Atlantic County Government was primarily with the Department of Finance, Treasurer’s Office. Her responsibilities at the county included activities pertaining to the capital budget and operating budget, accounts payable, accounts receivable, monitoring various grants and contracts, payroll and employee pension services. Ms. Mento received her Bachelor of Arts degree in Business Administration from Glassboro State College (Rowan University), and her Masters of Business Administration in Finance from Rutgers, The State University of New Jersey. Ms. Mento is officially recognized by the State of New Jersey as a Certified County Finance Officer and a Certified Municipal Finance Officer and holds a Real Estate License in the State of New Jersey. Ms. Mento serves on the Board of Directors for the United Way of Greater Philadelphia and Southern New Jersey, is a member of the United Way Women’s Leadership Initiative, and is a board member for St. Joseph High School in Hammonton. She also serves on the Board of Trustees of Atlantic Cape Community College and the Atlantic Cape Community College Foundation. Ms. Mento was named the 2013 United Way of Greater Philadelphia and Southern New Jersey’s “George F. Lynn Volunteer of the Year” And was inducted into the Atlantic County Women’s Hall of Fame. Ms. Mento’s duties related to finance are being handled by Katherine O. Vesey, Deputy Chief Finance Officer and Director of Research and Development and Sandra Bourguignon, Chief of Staff.

Katherine O. Vesey, Deputy Chief Financial Officer and Director of Research and Development. Ms. Vesey has worked for the Authority since 2004 and is responsible for coordinating the annual audit. As Deputy Chief Finance Officer and Director of Research and Development, Ms. Vesey is responsible for the daily operations of the finance department and works with her R&D team to explore energy and environmental initiatives for the ACUA. She has led the ACUA in becoming New Jersey’s first organization to join the Chicago Climate Exchange (CCX), the world’s first and North America’s only legally binding rules-based greenhouse gas emissions allowance trading system. Ms. Vesey also manages the ACUA’s Solar Renewable Energy Certificate portfolio. Ms. Vesey holds Bachelor of Science degrees in Accounting and Management

from Northeastern University. She is a Certified Public Accountant and also holds a certificate of successful completion of the Water and Wastewater Leadership Center from The University of North Carolina at Chapel Hill Kenan-Flagler Business School. Ms. Vesey is a volunteer board member for Literacy Volunteers Association Cape-Atlantic and volunteers to provide financial statement audit reviews for the United Way of Greater Philadelphia and Southern New Jersey.

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

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

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

where he received both a B.S. in Psychology and Sociology and a M.A. in Personnel Administration.

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

Eugene L. Petitt, PE, PP Chief Engineer. Mr. Petitt is the Chief Engineer for the Authority, a position he has held since 1990. Mr. Petitt is responsible for the planning, design, permitting, and construction of all capital infrastructure improvements for both the Wastewater and Solid Waste Divisions. In February 2008, Mr. Petitt was appointed Head of Centralized Maintenance, a function that combined the in-house maintenance departments of both the Divisions into a central department. Duties include handling fleet maintenance, buildings and grounds, electrical and mechanical maintenance functions. Mr. Petitt has overseen over \$133 million worth of capital improvements since joining the Authority. Prior to joining the Authority, Mr. Petitt was the Atlantic County Engineer for eight years, and managed a consulting engineering company in Millville, NJ for six years. Mr. Petitt graduated from Cumberland County College with an Associates of Arts degree in Math and Science and Drexel University with a Bachelor of Science degree in Civil Engineering. Mr. Petitt is a licensed professional engineer, a professional planner and holds an architect's license in the State of New Jersey. He is a member of numerous engineering and construction affiliations and has received numerous awards; the most prestigious include the "Twenty Year Achievement Award" and the "Key-D Award", both from Drexel University. Mr. Petitt was inducted into the "Mary S. Irick Drexel Society," joining a very elite group of engineers who have graduated from Drexel since 1932 and currently serves as President. He also was recently presented with the "Mary S. Irick Drexel Medal".

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

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

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

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

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

### **Auditors**

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

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

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Statements of Net Position**  
**December 31, 2014 and 2013**

	2014		2013
	Wastewater Division	Solid Waste Division	
<b>ASSETS</b>			
Unrestricted current assets:			
Cash and cash equivalents	\$ 17,545,807	\$ 10,548,552	\$ 28,094,359
Investments	6,379,002	5,105,000	11,484,002
Accrued interest receivable	49,646	41,744	91,390
Accounts receivable (net of allowance \$556,508 and \$639,767 in 2014 and 2013, respectively)	610,578	2,140,689	2,751,267
Internal accounts	(1,403,443)	1,403,443	-
Total unrestricted current assets	23,181,590	19,239,428	42,421,018
Restricted noncurrent assets:			
Cash and cash equivalents	13,340,693	2,257,123	15,597,816
Investments	-	-	10,439,440
Amounts held by State of New Jersey	-	31,623,802	31,623,802
Accrued interest receivable	-	164,362	164,362
Total restricted noncurrent assets	13,340,693	34,045,287	47,385,980
Capital assets, gross	225,276,984	137,231,132	362,508,116
Accumulated depreciation	(156,246,558)	(92,922,875)	(249,169,433)
Capital assets, net	69,030,426	44,308,257	113,338,683
<b>TOTAL ASSETS</b>	<b>105,552,709</b>	<b>97,592,972</b>	<b>203,145,681</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Unamortized bond issuance costs	711	-	711
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>105,553,420</b>	<b>97,592,972</b>	<b>203,146,392</b>

The accompanying notes are an integral part of this statement.

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Statements of Net Position**  
**December 31, 2014 and 2013**

	2014		2013
	Wastewater Division	Solid Waste Division	
<b>LIABILITIES</b>			
Current liabilities payable from current assets:			
Accounts payable and accrued expenses	2,147,077	2,968,350	5,115,427
Customer deposits	-	167,115	167,115
Unearned revenue, current	177,511	-	177,511
Total current liabilities payable from current assets	2,324,588	3,135,465	5,460,053
Current liabilities payable from restricted assets:			
Construction contracts payable	6,788	1,167,950	1,174,738
Current portion of long-term debt	7,011,022	-	7,011,022
Accrued interest	159,484	-	159,484
Total current liabilities payable from restricted assets	7,177,294	1,167,950	8,345,244
Noncurrent liabilities payable from restricted assets:			
Accrued landfill closure and post-closure care cost	-	29,626,925	29,626,925
Noncurrent liabilities:			
Unearned revenue, non-current	115,316	-	115,316
Accrued compensated absences	638,273	701,782	1,340,055
Post retirement benefits payable	535,019	800,000	1,335,019
Long-term portion of bonds payable (net of unamortized bond premium of \$306,604 and \$433,408 for Wastewater bonds in 2014 and 2013, respectively)	14,519,752	-	14,519,752
Total noncurrent liabilities	15,808,360	1,501,782	17,310,142
<b>TOTAL LIABILITIES</b>	<b>25,310,242</b>	<b>35,432,122</b>	<b>60,742,364</b>
			<b>68,977,401</b>

The accompanying notes are an integral part of this statement.

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
Statements of Net Position  
December 31, 2014 and 2013

	2014		2013
	Wastewater Division	Solid Waste Division	
<b>NET POSITION</b>			
Investment in capital assets, net of related debt	47,500,363	44,308,257	91,808,620
Restricted for:			
Wastewater:			
Renewal and replacement	5,800,000	-	5,800,000
Debt service fund	5,338,107	-	5,338,107
Debt service reserve fund	6,533,829	-	6,533,829
Unrestricted	15,070,879	17,852,593	32,923,472
<b>TOTAL NET POSITION</b>	<u>80,243,178</u>	<u>62,160,850</u>	<u>142,404,028</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 105,553,420</u>	<u>\$ 97,592,972</u>	<u>\$ 203,146,392</u>
			<u>\$ 209,662,280</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the years ended December 31, 2014 and 2013**

	<b>2014</b>			<b>2013</b>
	<b>Wastewater Division</b>	<b>Solid Waste Division</b>	<b>Total</b>	
Operating revenues:				
Wastewater:				
User service agreements:				
Operating	\$ 17,546,087	\$ -	\$ 17,546,087	\$ 18,807,231
General	7,372,472	-	7,372,472	5,743,083
Sludge	1,593,237	-	1,593,237	1,666,106
Septage and leachate	525,065	-	525,065	550,465
Other	1,231,219	-	1,231,219	1,693,258
Solid Waste:				
Tipping fees	-	21,201,244	21,201,244	23,617,717
Collections and recycling income	-	8,096,128	8,096,128	7,999,914
Grant income	-	93,744	93,744	93,741
Composting income	-	1,039,930	1,039,930	1,226,345
Other	-	1,370,913	1,370,913	1,634,254
Total operating revenues	<u>28,268,080</u>	<u>31,801,959</u>	<u>60,070,039</u>	<u>63,032,114</u>
Operating expenses:				
Salaries	5,974,989	8,415,309	14,390,298	13,972,010
Employee benefits	3,412,897	5,397,745	8,810,642	8,602,110
Power and utilities	2,751,284	665,313	3,416,597	3,427,985
Chemicals	999,294	-	999,294	969,392
Fuel	1,284,951	1,240,355	2,525,306	2,448,568
Supplies and miscellaneous maintenance	2,382,901	1,928,381	4,311,282	4,718,122
Contractual services	479,379	-	479,379	674,832
Indirect operating expenses	579,959	3,454,120	4,034,079	3,454,386
Administrative	1,536,134	1,006,573	2,542,707	2,342,628
Community benefit	-	2,244,378	2,244,378	2,471,419
Recycling and other taxes	-	1,020,172	1,020,172	1,135,167
Licenses and permits	224,879	-	224,879	169,605
Bad debt expense	-	20,000	20,000	100,000
Depreciation	5,388,622	5,404,251	10,792,873	10,823,990
Amortization of bond issue costs	17,074	-	17,074	17,074
Total operating expenses	<u>25,032,363</u>	<u>30,796,597</u>	<u>55,828,960</u>	<u>55,327,288</u>
Operating income	<u>3,235,717</u>	<u>1,005,362</u>	<u>4,241,079</u>	<u>7,704,826</u>
Non-operating revenues / (expenses):				
County appropriation	(1,387,635)	(1,424,083)	(2,811,718)	-
Interest income	116,945	782,872	899,817	721,512
Interest expense	(406,986)	-	(406,986)	(594,826)
Loss on sale of fixed assets	-	-	-	(265,191)
Adjustment to landfill closure and post-closure care cost	-	(203,043)	(203,043)	1,090,568
Debt issuance costs	-	-	-	(79,883)
Total non-operating revenues / (expenses)	<u>(1,677,676)</u>	<u>(844,254)</u>	<u>(2,521,930)</u>	<u>872,180</u>
Net income	1,558,041	161,108	1,719,149	8,577,006
Net position, January 1,	<u>78,685,137</u>	<u>61,999,742</u>	<u>140,684,879</u>	<u>132,107,873</u>
Net position, December 31,	<u>\$ 80,243,178</u>	<u>\$ 62,160,850</u>	<u>\$ 142,404,028</u>	<u>\$ 140,684,879</u>

The accompanying notes are an integral part of this statement.



**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Statements of Cash Flows**  
**For the years ended December 31, 2014 and 2013**

	<b>2014</b>			<b>2013</b>
	<b>Wastewater Division</b>	<b>Solid Waste Division</b>	<b>Total</b>	
Cash flows from operating activities:				
Receipts from customers and users	\$ 28,601,745	\$ 31,971,610	\$ 60,573,355	\$ 63,225,071
Payments to employees	(5,974,989)	(8,415,309)	(14,390,298)	(13,972,010)
Payments to suppliers	(13,536,017)	(20,204,359)	(33,740,376)	(40,060,900)
Net cash flows from operating activities	<u>9,090,739</u>	<u>3,351,942</u>	<u>12,442,681</u>	<u>9,192,161</u>
Cash flows from non-capital financing activities:				
Operating subsidies and transfers to other funds	<u>289,012</u>	<u>(289,012)</u>	<u>-</u>	<u>-</u>
Net cash flows from non-capital financing activities	<u>289,012</u>	<u>(289,012)</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(1,516,726)	(8,834,800)	(10,351,526)	(1,346,404)
Principal paid on debt	(5,304,641)	-	(5,304,641)	(8,031,716)
Interest paid on debt	(449,579)	-	(449,579)	(858,154)
Payment of debt issuance costs	-	-	-	(79,883)
Proceeds from Wastewater Trust	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,733,988</u>
Net cash flows from capital and related financing activities	<u>(7,270,946)</u>	<u>(8,834,800)</u>	<u>(16,105,746)</u>	<u>(8,582,169)</u>
Cash flows from investing activities:				
Interest income	107,188	773,853	881,041	544,576
County appropriation	(1,387,635)	(1,424,083)	(2,811,718)	-
Transferred from/(to) investments	<u>1,476,818</u>	<u>7,395,916</u>	<u>8,872,734</u>	<u>4,922,391</u>
Net cash flows from investing activities	<u>196,371</u>	<u>6,745,686</u>	<u>6,942,057</u>	<u>5,466,967</u>
Net change in cash and cash equivalents	2,305,176	973,816	3,278,992	6,076,959
Cash and cash equivalents, January 1	<u>28,581,324</u>	<u>11,831,859</u>	<u>40,413,183</u>	<u>34,336,224</u>
Cash and cash equivalents, December 31,	<u>\$ 30,886,500</u>	<u>\$ 12,805,675</u>	<u>\$ 43,692,175</u>	<u>\$ 40,413,183</u>
Reconciliation of Statements of Net Positions:				
Unrestricted cash and cash equivalents	\$ 17,545,807	\$ 10,548,552	\$ 28,094,359	\$ 29,389,337
Restricted cash and cash equivalents	<u>13,340,693</u>	<u>2,257,123</u>	<u>15,597,816</u>	<u>11,023,846</u>
Total cash and cash equivalents	<u>\$ 30,886,500</u>	<u>\$ 12,805,675</u>	<u>\$ 43,692,175</u>	<u>\$ 40,413,183</u>

The accompanying notes are an integral part of this statement.

ATLANTIC COUNTY UTILITIES AUTHORITY  
Statements of Cash Flows  
For the years ended December 31, 2014 and 2013

	2014			2013
	Wastewater Division	Solid Waste Division	Total	
<b>Reconciliation of operating income to net cash flows from operating activities:</b>				
Operating income	\$ 3,235,717	\$ 1,005,362	\$ 4,241,079	\$ 7,704,826
Items which did not use/(provide) cash:				
Depreciation expense	5,388,622	5,404,251	10,792,873	10,823,990
Amortization of bond issuance costs	17,074	-	17,074	17,074
Bad debt expense	-	20,000	20,000	100,000
Working capital changes which provided/(used) cash:				
Accounts receivable	511,029	117,725	628,754	271,485
Accrued landfill post-closure costs	-	(1,035,882)	(1,035,882)	(3,079,375)
Accounts and other payables	115,661	(1,898,384)	(1,782,723)	(2,381,394)
Unearned revenues	(177,364)	-	(177,364)	(179,510)
Customer deposits	-	31,926	31,926	982
Amounts held by the State	-	(293,056)	(293,056)	(4,085,917)
Net cash flows from operating activities	<u>\$ 9,090,739</u>	<u>\$ 3,351,942</u>	<u>\$ 12,442,681</u>	<u>\$ 9,192,161</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements**  
**For the years ended December 31, 2014 and 2013**

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

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

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

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

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

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

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

**A. Reporting Entity**

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

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2014 and 2013**

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

**A. Reporting Entity (continued)**

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

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

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

**B. Basis of Presentation**

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

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

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

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2014 and 2013**

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

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

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

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

**C. Wastewater Service Contract**

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

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

**D. Wastewater Bond Resolutions**

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

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2014 and 2013**

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

**D. Wastewater Bond Resolutions (continued)**

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, 2014 and 2013, the Construction Fund and Wastewater Trust Fund cash equivalents amounted to \$61 and \$363,323, 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, 2014 and 2013, the Rebate Fund amounted to \$92,463.

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, 2014 and 2013, the Debt Service Fund cash amounted to \$5,338,107 and \$3,719,855, respectively.

Debt Service Reserve Fund (1995, 1997, 2001, 2004, 2009 and 2013 Series) – The balance in this Reserve Fund shall be maintained equal to the maximum amount of principal and interest payable in any one year on the Wastewater Revenue Bonds (1995, 1997, 2001, 2004, 2009 and 2013 Series) less any surety. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. At December 31, 2014 and 2013, the market value of the Debt Service Reserve Fund cash and investments amounted to \$1,745,957 and \$2,617,056, respectively. The balance of the Debt Service Reserve Requirement is funded by a surety issued by Ambac Assurance Corporation.

Renewal and Replacement Fund – The balance in this fund shall be maintained equal to 3% of gross revenues or such larger amount as determined by the Consulting Engineer. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. With approval of the Consulting Engineer, this fund may be used to meet reasonable and necessary expenses for major repairs, renewals, replacements or maintenance items of a type not recurring annually. At December 31, 2014 and 2013, the Renewal and Replacement Fund cash totaled \$6,151,173 and \$6,835,261, respectively. The System Reserve Fund, a component of the Renewal and Replacement Fund, cash requirement at December 31, 2014 and 2013 was \$5,800,000.

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2014 and 2013**

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

**E. Investments**

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

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

**F. Capital Assets**

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

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

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

Landfill cells are depreciated on the basis of capacity utilized.

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

**G. Unamortized Debt Issuance Costs**

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

**H. Wastewater Revenues**

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

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

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2014 and 2013**

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

**I. Allocation of Common Costs**

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

**J. Restricted Assets**

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

**K. Use of Estimates**

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

**L. Risk of Loss**

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

**M. Subsequent Events**

The Authority has evaluated subsequent events occurring through April 17, 2015, which is the date the financial statements were available to be issued.

**NOTE 3: CASH AND CASH EQUIVALENTS**

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

The Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2014 and 2013 are reported at fair value are shown on the following page.



**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2014 and 2013**

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

	<u>2014</u>	<u>2013</u>
<b>Deposits:</b>		
Demand deposits	\$ <u>43,692,175</u>	\$ <u>40,413,183</u>
Total deposits	\$ <u>43,692,175</u>	\$ <u>40,413,183</u>
<b>Reconciliation to Statements of Net Position:</b>		
Current unrestricted assets:		
Cash and cash equivalent	\$ 28,094,359	29,389,337
Current restricted assets:		
Cash and cash equivalent	<u>15,597,816</u>	<u>11,023,846</u>
Total	\$ <u>43,692,175</u>	\$ <u>40,413,183</u>

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2014 and 2013, the Authority's bank balances of \$44,768,124 and \$28,139,179, respectively, were insured or collateralized as follows:

	<u>2014</u>	<u>2013</u>
Insured	\$ 1,000,000	\$ 1,000,000
Collateralized in the Authority's name		
Under GUDPA	<u>43,768,124</u>	<u>27,139,779</u>
Total	\$ <u>44,768,124</u>	\$ <u>28,139,779</u>

**NOTE 4: INVESTMENTS**

**A. Custodial Credit Risk**

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

**B. Investment Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Authority has adopted a cash management plan that limits investment maturities in accordance with N.J.S. 40A:5-15 as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments held at December 31, 2014 and 2013 are provided in the schedule on the following page.

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2014 and 2013**

**NOTE 4: INVESTMENTS (continued)**

**C. Investment Credit Risk**

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

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

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

As of December 31, 2014 and 2013, the Authority had the following investments:

	<u>2014</u>		<u>2013</u>	
	<u>Face Value</u>	<u>Market</u>	<u>Face Value</u>	<u>Market</u>
Wastewater:				
US Treasury Strips	\$ -	\$ -	\$ 70,568	\$ 367,194
US Treasury Bonds	-	-	1,149,682	965,892
New Jersey ARM	6,379,002	6,379,002	6,649,538	6,649,538
Solid Waste:				
New Jersey ARM	<u>5,105,000</u>	<u>5,105,000</u>	<u>12,520,916</u>	<u>12,520,916</u>
Total	<u>\$ 11,484,002</u>	<u>\$ 11,484,002</u>	<u>\$ 20,390,704</u>	<u>\$ 20,503,540</u>

**Reconciliation to Statements of Net Position:**

	<u>2014</u>	<u>2013</u>
Current unrestricted assets:		
Investments	\$ 11,484,002	\$ 15,212,525
Current restricted assets:		
Investments	<u>-</u>	<u>10,213,406</u>
Total	<u>\$ 11,484,002</u>	<u>\$ 20,503,540</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2014 and 2013**

**NOTE 4: INVESTMENTS (continued)**

**D. Fair Value of Investments**

Investments are shown at fair value on the statement of net position. Fair value and face value of investments at December 31, 2014 and 2013 are summarized above.

**NOTE 5: CAPITAL ASSETS**

Capital assets consisted of the following at December 31, 2014 and 2013:

Wastewater Division:	<u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>2014</u>
Land and improvements	\$ 12,691,336		\$	\$ 12,691,336
Sewer mains and interceptors	76,537,340	\$ 1,516,726		78,054,066
Buildings and improvements	51,150,440			51,150,440
Machinery and equipment	40,398,043			40,398,043
Incinerator facility	16,353,524			16,353,524
Atlantic Coastal Alternative	<u>26,629,575</u>			<u>26,629,575</u>
Capital assets, gross	223,760,258	1,516,726		225,276,984
Less: accumulated depreciation	<u>(150,857,937)</u>	<u>(5,388,621)</u>		<u>(156,246,558)</u>
Capital assets, net	<u>\$ 72,902,321</u>	<u>\$ (3,871,895)</u>	<u>\$</u>	<u>\$ 69,030,426</u>

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

Solid Waste Division:	<u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>2014</u>
Land and improvements	\$ 14,758,845		\$	\$ 14,758,845
Buildings and improvements	31,972,760	\$ 69,889		32,042,649
Equipment and vehicles	24,451,633	1,726,076		26,177,709
Landfill design and implementation	53,837,262	7,038,835		60,876,097
Planning and designs	<u>3,375,832</u>			<u>3,375,832</u>
Capital assets, gross	128,396,332	8,834,800		137,231,132
Less: accumulated depreciation	<u>(87,518,624)</u>	<u>(5,404,251)</u>		<u>(92,922,875)</u>
Capital assets, net	<u>\$ 40,877,708</u>	<u>\$ 3,430,549</u>	<u>\$</u>	<u>\$ 44,308,257</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2014 and 2013**

**NOTE 6: BONDS PAYABLE**

Wastewater Revenue and Revenue Refunding Bonds at December 31, 2014 and 2013 consist of the following:

	<u>2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>2014</u>
NJ Environmental Infrastructure Trust – 1995	\$ 1,045,970	\$	\$ 511,766	\$ 534,204
NJ Environmental Infrastructure Trust – 1997	2,690,008		645,736	2,044,272
NJ Environmental Infrastructure Trust – 2001	936,516		107,394	829,122
NJ Environmental Infrastructure Trust – 2004	2,968,176		248,786	2,719,390
NJ Environmental Infrastructure Trust – 2006	1,645,911		126,466	1,519,445
NJ Environmental Infrastructure Trust – 2007	2,239,365		153,614	2,085,751
Sewer Revenue Refunding Bonds – 2009	1,295,000		635,000	660,000
NJ Environmental Infrastructure Trust - 2010A	3,490,000		185,938	3,304,062
NJ Environmental Infrastructure Trust - 2010B	1,573,214		76,071	1,497,143
NJ Environmental Infrastructure Trust – 2012	1,994,650		103,869	1,890,781
Sewer Revenue Refunding Bonds – 2013	<u>6,650,000</u>	<u>\$</u>	<u>2,510,000</u>	<u>4,140,000</u>
Long-term debt	26,528,810		5,304,641	21,224,170
Unamortized bond premium	<u>433,408</u>		<u>126,804</u>	<u>306,604</u>
Total	<u>\$ 26,962,218</u>	<u>\$</u>	<u>\$ 5,431,444</u>	<u>\$ 21,530,774</u>

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

	<u>2014</u>	<u>2013</u>
Bonds payable:		
Wastewater Division	<u>\$ 21,224,170</u>	<u>\$ 26,528,810</u>
Total bonds payable	<u>\$ 21,224,170</u>	<u>\$ 26,528,810</u>
Current portion of long-term debt:		
Wastewater Division	\$ 7,011,022	\$ 5,304,641
Non-current portion of long-term debt:		
Wastewater Division	<u>14,213,148</u>	<u>21,224,169</u>
Total bonds payable	<u>\$ 21,224,170</u>	<u>\$ 26,528,810</u>

**A. Description of Bonds Payable**

At December 31, 2014, bonds payable consisted of the following issues:

Wastewater Division

\$7,967,538 New Jersey Wastewater Trust Fund Loan dated 1995, due in semiannual installments for principal and interest through August 15, 2015, bearing interest at various rates from 0.00% to 5.25% per annum. The balance remaining as of December 31, 2014 is \$534,204.

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2014 and 2013**

**NOTE 6: BONDS PAYABLE (continued)**

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

\$10,602,202 New Jersey Wastewater Trust Fund Loan dated 1997, due in semiannual installments for principal and interest through August 1, 2017, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2014 is \$2,044,272.

\$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, 2014 is \$829,122.

\$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, 2014 is \$2,719,390.

\$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, 2014 is \$1,519,445.

\$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, 2014 is \$2,085,751.

\$15,170,000 Sewer Refunding Bonds dated September 10, 2009, due in annual installments for principal through January 15, 2015, bearing interest at various rates from 4.00% to 5.00% per annum. The balance remaining as of December 31, 2014 is \$660,000.

\$3,987,500 New Jersey Environmental Infrastructure Trust Fund Loan Series 2010A, dated February 2010, due in semiannual installments for principal and interest through August 1, 2029, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2014 is \$3,304,062.

\$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, 2014 is \$1,497,143.

\$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, 2014 is \$1,890,781.

\$6,650,000 Series 2013 Revenue Refunding Bonds, dated March 2013, due in semiannual installments for principal and interest through January 1, 2015, bearing interest at 0.68% per annum. The balance remaining as of December 31, 2013 is \$4,140,000.

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2014 and 2013**

**NOTE 6: BONDS PAYABLE (continued)**

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

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

**B. Debt Service Requirements**

Debt service requirements on serial bonds and loans payable at December 31, 2014 are as follows:

<u>Year</u>	<u>Wastewater Division</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 7,011,022	\$ 354,605	\$ 7,365,627
2016	1,703,770	263,783	1,967,553
2017	1,752,306	227,433	1,979,739
2018	1,057,999	188,783	1,246,782
2019	1,074,910	170,882	1,245,792
2020-2024	5,270,162	584,150	5,854,312
2025-2029	3,005,186	194,606	3,199,792
2030-2031	348,815	6,645	355,460
Total	<u>\$ 21,224,170</u>	<u>\$ 1,990,887</u>	<u>\$ 23,215,057</u>

**NOTE 7: PENSION PLANS**

**A. Description of Plan**

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

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

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2014 and 2013**

**NOTE 7: PENSION PLANS (continued)**

**B. Vesting and Benefit Provisions**

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**C. Contribution Requirements**

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 6.64% of employees' annual compensation through June 30, 2013, 6.78% of employees' annual compensation through June 30, 2014, and 6.92% of employees' annual compensation through June 30, 2015. PERS will continue to increase employee contributions 1/7<sup>th</sup> of 1% each July until July 2019 where the employee contribution rate will be 7.5%. Employers are required to contribute at an actuarially determined rate for the PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

**Three Year Trend Information for PERS**

<u>Year</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/14	\$1,354,541	100%	-0-
12/31/13	\$1,369,918	100%	-0-
12/31/12	\$1,363,626	100%	-0-

**NOTE 8: POST-RETIREMENT BENEFITS**

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

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

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2014 and 2013**

**NOTE 8: POST-RETIREMENT BENEFITS (continued)**

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

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

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

2014 -	\$5,611,066
2013 -	\$5,189,639
2012 -	\$4,760,263

**NOTE 9: COMPENSATED ABSENCES**

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

**NOTE 10: LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

The Authority adopted the provisions of Statement No. 18 of the Government Accounting Standards Board, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, in 1993. This Standard requires the Authority to recognize an expense and a liability in each period it accepts solid waste for a portion of the landfill closure and postclosure costs expected to be incurred in future periods. The estimated current cost is based on use of landfill capacity rather than passage of time. The estimated liability as of December 31, 2014 and 2013 totaled \$29,626,925 and \$30,459,764, respectively.

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

The State of New Jersey holds the Landfill Closure Escrow Account in the name of the Atlantic County Utilities Authority. These cash and investments consisted of the following at December 31, 2014:

United States Treasury	\$29,984,187
Cash	<u>1,639,615</u>
 Total	 <u>\$ 31,623,802</u>



**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2014 and 2013**

**NOTE 12: DEFERRED COMPENSATION**

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

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

## ATLANTIC COUNTY UTILITIES AUTHORITY

## Wastewater Division

## Statements of Net Position

## Modified Accrual Basis

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Unrestricted current assets:		
Cash and cash equivalents	\$ 17,545,807	\$ 17,557,478
Investments	6,379,002	5,365,578
Accrued interest receivable	49,646	39,889
Accounts receivable	610,578	1,121,607
	<u>24,585,033</u>	<u>24,084,552</u>
Total unrestricted current assets		
Restricted noncurrent assets:		
Cash and cash equivalents	13,340,693	11,023,846
Investments	-	2,617,046
	<u>13,340,693</u>	<u>13,640,892</u>
Total restricted noncurrent assets		
Capital assets, gross	225,276,984	223,760,258
Accumulated depreciation	(156,246,558)	(150,857,937)
	<u>69,030,426</u>	<u>72,902,321</u>
Capital assets, net		
TOTAL ASSETS	<u>106,956,152</u>	<u>110,627,765</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Unamortized bond issuance costs	<u>711</u>	<u>17,785</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>106,956,863</u>	<u>110,645,550</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**

**Schedule I  
(continued)**

**Wastewater Division  
Statements of Net Position  
Modified Accrual Basis  
December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>LIABILITIES</b>		
Current liabilities payable from current assets:		
Accounts payable and accrued expenses	2,930,612	2,906,476
Unearned revenue, current	177,511	179,510
Due to Solid Waste Division	1,403,443	1,114,431
	<hr/>	<hr/>
Total current liabilities payable from current assets	4,511,566	4,200,417
	<hr/>	<hr/>
Current liabilities payable from restricted assets:		
Construction contracts payable	6,788	7,553
Current portion of long-term debt	7,011,022	5,304,641
Accrued interest	159,484	202,077
	<hr/>	<hr/>
Total current liabilities payable from restricted assets	7,177,294	5,514,271
	<hr/>	<hr/>
Noncurrent liabilities:		
Accrued compensated absences	638,273	600,004
Post retirement benefits payable	535,019	535,019
Unearned revenue, non-current	115,316	290,681
Long-term portion of bonds payable (net of unamortized bond premium and discount of \$306,604 and \$433,408 in 2014 and 2013, respectively)	14,519,752	21,657,577
	<hr/>	<hr/>
Total noncurrent liabilities	15,808,360	23,083,281
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>27,497,220</b>	<b>32,797,969</b>
	<hr/>	<hr/>
<b>NET POSITION</b>		
Investment in capital assets, net of related debt	47,500,363	45,957,888
Restricted for:		
Renewal and replacement	5,800,000	5,800,000
Debt service fund	5,338,107	3,719,855
Debt service reserve fund	6,533,829	6,533,829
Unrestricted	14,287,344	15,836,009
	<hr/>	<hr/>
<b>TOTAL NET POSITION</b>	<b>79,459,643</b>	<b>77,847,581</b>
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 106,956,863</b>	<b>\$ 110,645,550</b>
	<hr/> <hr/>	<hr/> <hr/>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Wastewater Division**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Modified Accrual Basis**  
**For the years ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Operating revenues:		
User service agreements:		
Operating	\$ 17,546,087	\$ 18,807,231
General	7,372,472	5,743,083
Sludge	1,593,237	1,666,106
Septage and leachate	525,065	550,465
Other	1,231,219	1,693,258
	<u>28,268,080</u>	<u>28,460,143</u>
Operating expenses:		
Salaries	5,974,989	5,670,362
Employee benefits	3,412,897	3,375,175
Power and utilities	2,751,284	2,751,171
Chemicals	999,294	969,392
Fuel	1,284,951	1,173,627
Supplies and miscellaneous maintenance	2,328,880	2,514,020
Contractual services	479,379	674,832
Indirect operating expenses	579,959	561,790
Administrative	1,536,134	1,351,020
Licenses and permits	224,879	169,605
Depreciation	5,388,622	5,377,299
Amortization of bond issue costs	17,074	17,074
	<u>24,978,342</u>	<u>24,605,367</u>
Operating income	<u>3,289,738</u>	<u>3,854,776</u>
Non-operating revenues / (expenses):		
County appropriation	(1,387,635)	-
Interest income	116,945	108,812
Interest expense	(406,986)	(594,826)
Debt issuance costs	-	(79,883)
	<u>(1,677,676)</u>	<u>(565,897)</u>
Net income	1,612,062	3,288,879
Net position, January 1	<u>77,847,581</u>	<u>74,558,702</u>
Net position, December 31,	<u>\$ 79,459,643</u>	<u>\$ 77,847,581</u>
<b>Reconciliation to Statements of Revenues, Expenses and Changes in Net Position - GAAP Basis:</b>		
Net income - modified accrual basis	\$ 1,612,062	\$ 3,288,879
Prior year wastewater GAAP adjustment	(837,556)	(975,765)
Current year wastewater GAAP Adjustment	783,535	837,556
	<u>1,558,041</u>	<u>3,150,670</u>
Net income - GAAP basis	<u>\$ 1,558,041</u>	<u>\$ 3,150,670</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Wastewater Division**  
**Operating Revenues and Costs Funded by Operating Revenues Compared to Budget**  
*Rate Basis*  
**For the year ended December 31, 2014**

	<b>Original Budget</b>	<b>Modified Budget</b>	<b>Actual</b>	<b>Favorable/ (Unfavorable) Variance</b>
<b>Revenues:</b>				
User service agreements	\$ 24,918,554	\$ 24,918,554	\$ 24,918,559	\$ 5
Sludge and septage	1,809,660	1,809,660	1,940,791	131,131
Interest on investments and deposits	220,000	220,000	116,945	(103,055)
Miscellaneous	931,381	931,381	1,104,415	173,034
Fund balance and reserves anticipated	1,278,671	2,666,306	2,166,308	(499,998)
<b>Total revenues</b>	<b>29,158,266</b>	<b>30,545,901</b>	<b>30,247,018</b>	<b>(298,883)</b>
<b>Expenses:</b>				
Salaries	6,026,344	6,026,344	5,974,989	51,355
Employee benefits	3,719,146	3,719,146	3,412,897	306,249
Power and utilities	2,918,000	2,918,000	2,751,284	166,716
Chemicals	1,264,000	1,264,000	999,294	264,706
Fuel	1,079,000	1,079,000	1,284,951	(205,951)
Supplies and miscellaneous maintenance	1,381,610	1,381,610	1,354,578	27,032
Contractual services	882,360	882,360	565,740	316,620
Indirect operating expenses	834,523	834,523	803,856	30,667
Administrative	1,774,887	1,774,887	1,588,739	186,148
Maintenance program expense	905,924	905,924	914,902	(8,978)
Cancelled purchase orders	-	-	(78,584)	78,584
<b>Total operating expenses</b>	<b>20,785,794</b>	<b>20,785,794</b>	<b>19,572,646</b>	<b>1,213,148</b>
<b>Non-operating expenses:</b>				
County appropriation	-	1,387,635	1,387,635	-
Fund balance reserve requirements	1,000,000	1,000,000	1,000,000	-
Debt service	7,372,472	7,372,472	7,372,472	-
<b>Total non-operating expenses</b>	<b>8,372,472</b>	<b>9,760,107</b>	<b>9,760,107</b>	<b>-</b>
<b>Total expenses</b>	<b>29,158,266</b>	<b>30,545,901</b>	<b>29,332,753</b>	<b>1,213,148</b>
<b>Net income / (loss) from operations</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 914,265</b>	<b>\$ 914,265</b>

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

Net income - rate basis	\$ 914,265
Fund balance and reserves anticipated	(2,166,308)
Fund balance reserve requirements	1,000,000
Principal payments	6,965,486
Depreciation expense	(5,388,622)
Amortization of bond issuance costs	(17,074)
Amortization of bond premium	126,804
Leachate revenue	177,511
<b>Net income - modified accrual basis</b>	<b>\$ 1,612,062</b>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Wastewater Division**  
**Schedule of Cash and Cash Equivalents and Investments**  
**December 31, 2014**

Description	Face Amount	Interest Rate	Due Date	Fair Value December 31, 2014
Unrestricted accounts:				
Cash	\$ 667,585			\$ 667,585
First American Treasury Money Market	7,106,167			7,106,167
NJ ARM	72,895	0.02%		72,895
NJ ARM - NJ Term	500,000	0.18%	1/12/2015	500,000
NJ ARM - NJ Term	2,499,000	0.18%	1/12/2015	2,499,000
NJ ARM - NJ Term	1,999,112	0.18%	3/20/2015	1,999,112
NJ ARM	1,050	0.02%		1,050
NJ ARM - NJ Term	4,260,000	0.25%	7/9/2015	4,260,000
NJ ARM - NJ Term	2,119,000	0.25%	7/24/2015	2,119,000
	<u>19,224,809</u>			<u>19,224,809</u>
Operating reserve:				
First American Treasury Money Market	<u>4,700,000</u>			<u>4,700,000</u>
Total unrestricted accounts	<u>23,924,809</u>			<u>23,924,809</u>
Restricted accounts:				
Wastewater Trust Fund:				
First American Treasury Money Market:				
1981 Water Supply	61			61
	<u>61</u>			<u>61</u>
Rebate Account:				
First American Treasury Money Market	92,462			92,462
2013 Investment Settlement:				
First American Treasury Money Market	12,933			12,933
Debt Service Fund:				
First American Treasury Money Market	5,338,107			5,338,107
Debt Service Reserve Fund:				
NJ ARM	767	0.02%		767
NJ ARM - NJ Term	506,000	0.18%	1/12/2015	506,000
United States Treasury Bonds	1,149,682	11.10%	2/15/2015	871,223
United States Treasury Bonds	70,568		2/15/2015	367,967
	<u>1,727,017</u>			<u>1,745,957</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Wastewater Division**  
**Schedule of Cash and Cash Equivalents and Investments**  
**December 31, 2014**

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

<b>Description</b>	<b>Face Amount</b>	<b>Interest Rate</b>	<b>Due Date</b>	<b>Fair Value December 31, 2014</b>
Restricted accounts (continued):				
Renewal and Replacement Fund:				
First American Treasury Money Market	3,465,167			3,465,167
NJ ARM	2,198	0.02%		2,198
NJ ARM - NJ Term	2,683,808	0.08%		2,683,808
	<u>6,151,173</u>			<u>6,151,173</u>
Total restricted accounts	<u>13,321,753</u>			<u>13,340,693</u>
Total	<u>\$ 37,246,562</u>			<u>\$ 37,265,502</u>
Unrestricted:				
Cash and cash equivalents	\$ 17,545,807			\$ 17,545,807
Investments	6,379,002			6,379,002
Restricted:				
Cash and cash equivalents	13,321,753			13,340,693
Investments	<u>-</u>			<u>-</u>
Total	<u>\$ 37,246,562</u>			<u>\$ 37,265,502</u>

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

**For the years ended December 31, 2014, 2013, 2012, 2011 and 2010**

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Property, plant and equipment:					
Property, plant and equipment, gross - January 1,	\$ 223,760,258	\$ 223,681,452	\$ 221,975,821	\$ 218,894,456	\$ 218,636,970
Additions:					
Sewer mains and interceptors	1,516,726	-	-	-	719,659
Buildings and improvements	-	78,806	4,265,331	521,665	6,684,436
Construction in progress	-	-	(2,559,700)	2,559,700	(7,146,609)
Total additions	1,516,726	78,806	1,705,631	3,081,365	257,486
Property, plant and equipment, gross - December 31,	225,276,984	223,760,258	223,681,452	221,975,821	218,894,456
Less:					
Accumulated depreciation and amortization	(156,246,558)	(150,857,937)	(145,480,638)	(140,149,960)	(134,812,727)
Property, plant and equipment, net - December 31,	<u>\$ 69,030,426</u>	<u>\$ 72,902,321</u>	<u>\$ 78,200,814</u>	<u>\$ 81,825,861</u>	<u>\$ 84,081,729</u>



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

**For the years ended December 31, 2014, 2013, 2012, 2011 and 2010**

	2014	2013	2012	2011	2010
Unamortized debt issuance costs, gross - December 31,	\$ 89,637	\$ 89,637	\$ 89,637	\$ 89,637	\$ 89,637
Less:					
Accumulated amortization	(88,926)	(71,852)	(54,778)	(37,704)	(20,630)
Unamortized debt issuance costs, net - December 31,	\$ 711	\$ 17,785	\$ 34,859	\$ 51,933	\$ 69,007

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Solid Waste Division**  
**Statements of Net Position**  
*Modified Accrual Basis*  
**December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Unrestricted current assets:		
Cash and cash equivalents	\$ 10,548,552	\$ 11,831,859
Investments	5,105,000	4,698,522
Accrued interest receivable	41,744	25,246
Accounts receivable (net of allowance of \$556,508 and \$639,767 in 2014 and 2013, respectively)	2,140,689	2,258,414
Due from Wastewater Division	1,403,443	1,114,431
Total unrestricted current assets	19,239,428	19,928,472
Restricted noncurrent assets:		
Cash and cash equivalents	2,257,123	-
Investments	-	7,822,394
Amounts held by State of New Jersey	31,623,802	31,330,746
Accrued interest receivable	164,362	171,841
Total restricted noncurrent assets	34,045,287	39,324,981
Capital assets, gross	137,231,132	128,396,333
Accumulated depreciation	(92,922,875)	(87,518,625)
Capital assets, net	44,308,257	40,877,708
<b>TOTAL ASSETS</b>	<b>97,592,972</b>	<b>100,131,161</b>

ATLANTIC COUNTY UTILITIES AUTHORITY  
Solid Waste Division  
Statements of Net Position  
Modified GAAP Basis  
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>LIABILITIES</b>		
Current liabilities payable from current assets:		
Accounts payable and accrued expenses	3,979,918	3,890,474
Customer deposits	<u>167,115</u>	<u>135,189</u>
Total current liabilities payable from current assets	<u>4,147,033</u>	<u>4,025,663</u>
Current liabilities payable from restricted assets:		
Construction contracts payable	<u>1,167,950</u>	<u>2,733,333</u>
Total current liabilities payable from restricted assets	<u>1,167,950</u>	<u>2,733,333</u>
Noncurrent liabilities payable from restricted assets:		
Accrued landfill closure and post-closure care cost	<u>29,626,925</u>	<u>30,459,764</u>
Noncurrent liabilities:		
Accrued compensated absences	701,782	701,785
Post retirement benefits payable	<u>800,000</u>	<u>800,000</u>
Total noncurrent liabilities	<u>1,501,782</u>	<u>1,501,785</u>
<b>TOTAL LIABILITIES</b>	<u>36,443,690</u>	<u>38,720,545</u>
<b>NET POSITION</b>		
Investment in capital assets, net of related debt	44,308,257	40,877,708
Unrestricted	<u>16,841,025</u>	<u>20,532,908</u>
<b>TOTAL NET POSITION</b>	<u>61,149,282</u>	<u>61,410,616</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 97,592,972</u></u>	<u><u>\$ 100,131,161</u></u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Solid Waste Division**  
**Statements of Revenues, Expenses and Changes in Net Position**  
*Modified Accrual Basis*  
**For the years ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Tipping fees	\$ 21,201,244	\$ 23,617,717
Collections and recycling income	8,096,128	7,999,914
Grant income	93,744	93,741
Composting income	1,039,930	1,226,345
Other	1,370,913	1,634,254
	<u>31,801,959</u>	<u>34,571,971</u>
Operating expenses:		
Salaries	8,415,309	8,301,648
Employee benefits	5,397,745	5,226,935
Power and utilities	665,313	676,814
Fuel	1,240,355	1,274,941
Supplies and miscellaneous maintenance	2,350,823	2,478,560
Indirect operating expenses	3,454,120	2,892,596
Administrative	1,006,573	991,608
Community benefit	2,244,378	2,471,419
Recycling and other taxes	1,020,172	1,135,167
Bad debt expense	20,000	100,000
Depreciation	5,404,251	5,446,691
	<u>31,219,039</u>	<u>30,996,379</u>
Operating income	<u>582,920</u>	<u>3,575,592</u>
Non-operating revenues / (expenses):		
County appropriation	(1,424,083)	-
Interest income	782,872	612,700
Loss on sale of fixed assets	-	(265,191)
Adjustment to landfill closure and post-closure care cost	(203,043)	1,090,568
	<u>(844,254)</u>	<u>1,438,077</u>
Net (loss) / income	(261,334)	5,013,669
Net position, January 1,	<u>61,410,616</u>	<u>56,396,947</u>
Net position, December 31,	<u>\$ 61,149,282</u>	<u>\$ 61,410,616</u>
<b>Reconciliation to Statements of Revenues, Expenses and Changes in Net Position - GAAP Basis:</b>		
Net income - modified accrual basis	\$ (261,334)	\$ 5,013,669
Prior year solid waste GAAP adjustment	(589,126)	(176,459)
Current year solid waste GAAP Adjustment	1,011,568	589,126
Net income - GAAP basis	<u>\$ 161,108</u>	<u>\$ 5,426,336</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Solid Waste Division**  
**Operating Revenues and Costs Funded by Operating Revenues Compared to Budget**  
*Rate Basis*  
**For the year ended December 31, 2014**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
Operating revenues:				
Tipping fees	\$ 22,239,873	\$ 22,239,873	\$ 21,201,244	\$ (1,038,629)
Collections and recycling income	7,896,369	7,896,369	8,040,948	144,579
Composting income	1,259,150	1,259,150	1,039,930	(219,220)
Interest on investments and deposits	15,000	15,000	142,609	127,609
Miscellaneous	1,390,795	1,390,795	1,519,837	129,042
Fund balance and reserves anticipated	-	1,424,083	1,424,083	-
	<u>32,801,187</u>	<u>34,225,270</u>	<u>33,368,651</u>	<u>(856,619)</u>
Total operating revenues				
Operating expenses:				
Administration	3,342,387	3,342,387	2,908,069	434,318
Solid Waste Administration	1,312,934	1,312,934	1,281,142	31,792
Transfer Station Operations	1,236,929	1,236,929	1,151,589	85,340
Composting	744,531	744,531	443,790	300,741
Landfill Operations	8,088,869	8,088,869	7,956,595	132,274
Recycling Center Processing	202,169	202,169	194,726	7,443
Collections	7,222,899	7,222,899	6,847,952	374,947
Maintenance Center	6,170,851	6,170,851	5,477,907	692,944
Cancelled purchase orders	-	-	(155,506)	155,506
	<u>28,321,569</u>	<u>28,321,569</u>	<u>26,106,264</u>	<u>2,215,305</u>
Total operating expenses				
Net income from operating activities	4,479,618	5,903,701	7,262,387	1,358,686
Non-operating expenses:				
County appropriation	-	(1,424,083)	(1,424,083)	-
Renewal and replacement fund CIP	(4,479,618)	(4,479,618)	(4,072,422)	407,196
	<u>(4,479,618)</u>	<u>(5,903,701)</u>	<u>(5,496,505)</u>	<u>407,196</u>
Total non-operating expenses				
Net income / (loss) from operations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,765,882</u>	<u>\$ 1,765,882</u>

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

Net income - rate basis	\$ 1,765,882
Fund balance and reserves anticipated	(1,424,083)
Transfers to Cell Replacement & Capital Improvement Fund	4,072,422
Contributions to landfill escrows	291,476
Depreciation expense	(5,404,251)
Pinelands Park Landfill interest income	640,263
Loss on sale of fixed assets	-
Adjustment to landfill closure and post-closure care cost	<u>(203,043)</u>
Net loss - modified accrual basis	<u>\$ (261,334)</u>

**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Solid Waste Division**  
**Schedule of Cash and Cash Equivalents and Investments**  
**December 31, 2014**

Description	Face Amount	Interest Rate	Due Date	Fair Value December 31, 2014
Unrestricted accounts:				
Operations:				
Cash	\$ 810,959			\$ 810,959
Revenue Fund:				
NJ ARM	6,483,618	0.02%		6,483,618
NJ ARM - NJ Term	2,998,668	0.08%	3/20/2015	2,998,668
NJ ARM	254,566	0.02%		254,566
NJ ARM - NJ Term	5,105,000	0.25%	7/9/2015	5,105,000
NJ ARM	741	0.02%		741
	<u>14,842,593</u>			<u>14,842,593</u>
Total unrestricted accounts	<u>15,653,552</u>			<u>15,653,552</u>
Restricted accounts:				
Renewal and Replacement Fund:				
NJ ARM	1,230,979	0.02%		1,230,979
NJ ARM	1,026,144	0.02%		1,026,144
	<u>2,257,123</u>			<u>2,257,123</u>
Escrow Funds:				
ACUA Standard Escrow	3,230,400	0.19%		3,230,400
ACUA Alternative Escrow	6,773,162	Various		6,773,162
Pinelands Park Standard Escrow	10,339,009	Various		10,339,009
Pinelands Park Alternative Escrow	11,281,231	Various		11,281,231
	<u>31,623,802</u>			<u>31,623,802</u>
Total restricted accounts	<u>33,880,925</u>			<u>33,880,925</u>
Total	<u>\$ 49,534,477</u>			<u>\$ 49,534,477</u>
Unrestricted:				
Cash and cash equivalents	\$ 10,548,552			\$ 10,548,552
Investments	5,105,000			5,105,000
Restricted:				
Cash and cash equivalents	2,257,123			2,257,123
Cash and investments held by the State of New Jersey	31,623,802			31,623,802
Total	<u>\$ 49,534,477</u>			<u>\$ 49,534,477</u>

## ATLANTIC COUNTY UTILITIES AUTHORITY

## Solid Waste Division

## Schedule of Property, Plant and Equipment

## Modified Accrual Basis

For the years ended December 31, 2014, 2013, 2012, 2011 and 2010

	2014	2013	2012	2011	2010
Waste Disposal:					
Property, plant and equipment:					
Property, plant and equipment, gross - January 1,	\$ 100,566,525	\$ 101,793,902	\$ 100,567,777	\$ 94,861,910	\$ 87,273,497
Additions:					
Buildings and improvements	10,747	335,305	-	-	5,974,289
Construction in progress	-	-	-	540,982	1,614,124
Equipment and vehicles	1,496,984	755,979	536,110	5,164,885	-
Landfill design and implementation	7,038,835	509,909	690,015	-	-
Total additions	8,546,566	1,601,193	1,226,125	5,705,867	7,588,413
Disposals:					
Buildings and improvements	-	(2,828,570)	-	-	-
Total disposals	-	(2,828,570)	-	-	-
Property, plant and equipment, gross - December 31,	109,113,091	100,566,525	101,793,902	100,567,777	94,861,910
Less:					
Accumulated depreciation and amortization	(71,775,228)	(68,217,829)	(67,589,631)	(64,053,990)	(60,557,543)
Property, plant and equipment, net - December 31,	37,337,863	32,348,696	34,204,271	36,513,787	34,304,367

## ATLANTIC COUNTY UTILITIES AUTHORITY

## Solid Waste Division

## Schedule of Property, Plant and Equipment

## Modified GAAP Basis

For the years ended December 31, 2014, 2013, 2012, 2011 and 2010

	2014	2013	2012	2011	2010
Waste Recycling:					
Property, plant and equipment:					
Property, plant and equipment, gross - January 1,	\$ 37,689,306	\$ 39,323,038	\$ 39,108,415	\$ 38,774,516	\$ 37,029,427
Additions:					
Land	-	-	-	-	1,639,659
Buildings and improvements	59,142	12,912	214,623	146,107	-
Equipment and vehicles	229,092	53,256	-	187,792	105,430
Total additions	288,234	66,168	214,623	333,899	1,745,089
Disposals:					
Buildings and improvements	-	(1,699,900)	-	-	-
Total disposals	-	(1,699,900)	-	-	-
Property, plant and equipment, gross - December 31,	37,977,540	37,689,306	39,323,038	39,108,415	38,774,516
Less:					
Accumulated depreciation and amortization	(31,007,146)	(29,160,294)	(28,105,317)	(26,094,772)	(24,250,922)
Property, plant and equipment, net - December 31,	6,970,394	8,529,012	11,217,721	13,013,643	14,523,594
Grand total	\$ 44,308,257	\$ 40,877,708	\$ 45,421,992	\$ 49,527,430	\$ 48,827,961



**ATLANTIC COUNTY UTILITIES AUTHORITY**  
**Wastewater Division**  
**Special-Purpose Statement of Revenues and Expenses to Comply**  
**With Bond Resolutions**  
**For the year ended December 31, 2014**

	<u>2014</u>
Operating revenues:	
User service agreements:	
Operating	\$ 17,546,087
General	7,372,472
Sludge	1,593,237
Septage and leachate	525,065
Other	<u>1,231,219</u>
Total operating revenues	<u>28,268,080</u>
Operating expenses:	
Salaries	5,974,989
Employee benefits	3,412,897
Power and utilities	2,751,284
Chemicals	999,294
Fuel	1,284,951
Supplies and miscellaneous maintenance	2,328,880
Contractual services	479,379
Indirect operating expenses	579,959
Administrative	1,536,134
Licenses and permits	224,879
Amortization of bond issue costs	<u>17,074</u>
Total operating expenses	<u>19,589,720</u>
Operating income	<u>8,678,360</u>
Non-operating revenues / (expenses):	
County appropriation	(1,387,635)
Interest income	116,945
Interest expense	<u>(406,986)</u>
Total non-operating revenues / (expenses)	<u>(1,677,676)</u>
Net income	<u><u>\$ 7,000,684</u></u>



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

We have audited the financial accounts and transactions of the Atlantic County Utilities Authority, a component unit of the County of Atlantic, State of New Jersey for the year ended December 31, 2014. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments and Recommendations* for the year then ended.

## GENERAL COMMENTS AND RECOMMENDATIONS

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

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

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

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

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

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

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

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

### **Examination of Bills**

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

### **Payroll Account**

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

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

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

### **Acknowledgment**

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

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

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

April 17, 2015  
Toms River, New Jersey