

CUMBERLAND COUNTY UTILITIES AUTHORITY
AUDIT REPORT
YEAR ENDED DECEMBER 31, 2005

CUMBERLAND COUNTY UTILITIES AUTHORITY

AUDIT REPORT

YEAR ENDED DECEMBER 31, 2005

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CUMBERLAND COUNTY UTILITIES AUTHORITY

AUDIT REPORT

YEAR ENDED DECEMBER 31, 2005

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INDEPENDENT AUDITORS' REPORT

Chairman and Commissioners of the
Cumberland County Utilities Authority
Bridgeton, New Jersey

We have audited the accompanying financial statements of the Cumberland County Utilities Authority as of and for the year ended December 31, 2005 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion 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 those audit standards having been adopted as rules by the Local Finance Board and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cumberland County Utilities Authority at December 31, 2005, and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America and accounting principles prescribed by the Local Finance Board.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 16, 2006 on our consideration of the Cumberland County Utilities Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis as listed in the foregoing table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information included in the supplementary schedules is presented for purposes of additional analysis and is not a required part of the financial statements, but is presented as additional analytical data as required by the Local Finance Board. Such information has been subjected to tests and other auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

ROMANO, HEARING, TESTA & KNORR

Romano, Hearing, Testa & Knorr

Certified Public Accountants

February 16, 2006

**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***

Chairman and Commissioners of the
Cumberland County Utilities Authority
Bridgeton, New Jersey

We have audited the financial statements of the Cumberland County Utilities Authority, as of and for the year ended December 31, 2005, and have issued our report thereon dated February 16, 2006. 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 standards issued by the Local Finance Board and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Cumberland County Utilities Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cumberland County Utilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we have reported to management of the Cumberland County Utilities Authority in the "Findings and Recommendations" section of the audit report in accordance with audit requirements as prescribed by the Local Finance Board and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

This report is intended solely for the information and use of management and Commissioners of the Cumberland County Utilities Authority and the State of New Jersey Division of Local Government Services and is not intended to be, and should not be, used by anyone other than these specified parties.

ROMANO, HEARING, TESTA & KNORR

Romano, Hearing, Testa & Knorr
Certified Public Accountants

February 16, 2006

REQUIRED SUPPLEMENTARY INFORMATION

Cumberland County Utilities Authority

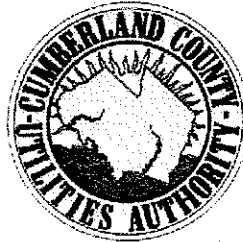
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Commissioners:

Nancy L. Sungenis
Chairperson
James S. Hursey
Vice-Chairperson
James P. Crilley
Gregory J. Facemyer
Robert W. Felme
Harvey L. Friedman
Albert Jones
Donald L. Olbrich, Sr.



Thelma D. Scott
Secretary
James F. Quinn
Treasurer
Robert J. O'Donnell
General Counsel
Robert E. Widdifield
Executive Director
Perks Reutter Associates
Consulting Engineers
Romano, Hearing, Testa
& Knorr - Auditors

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Cumberland County Utilities Authority's (the Authority) annual financial report presents the analysis of the Authority's overall financial position and results of operation for the year that ended on December 31, 2005. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Authority's Net Capital Assets decreased by \$600,000, a decrease of 3.26%.
- The Authority's Total Assets decreased by \$552,000, a decrease of 2.15%.
- During the year, the Authority's operating revenues increased by \$213,000 to \$4.98 million, a 4.47% increase, and operating expenses increased by \$93,000 to \$4.56 million, a 2.08% increase.
- The Authority's Net Assets increased by \$186,000, a 1.33% increase.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority is a single enterprise fund. The Authority's Audit Report includes the required Basic Financial Statements, as described below, the Notes to Financial Statements, required supplementary information, which consists of this Management Discussion and Analysis and finally, supplementary information.

REQUIRED FINANCIAL STATEMENTS

The financial statements report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities

The *Balance Sheet* includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its wastewater treatment user fees and other charges. This statement also measures the Authority's profitability and credit worthiness. The other required financial statement is the *Statement of Cash Flows*. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities, and provides answers to such questions as "where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period?"

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

One of the most important questions asked about the Authority's finances is "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses, and Net Assets report information about the Authority's activities in a way that will help answer this question. These two statements report the net assets of the Authority, and changes in them. You can think of the Authority's net assets – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The Authority's total net assets increased from last year by \$186,000. The analysis below focuses on the Authority's net assets (Table 1) and changes in net assets (Table 2) during the year.

Table 1
Net Assets
(Dollars in Thousands)

	<u>2005</u>	<u>2004</u>	Increase (Decrease) \$	Increase (Decrease) %
Current Assets	\$ 2,498	\$ 2,473	\$ 25	1.01%
Noncurrent Assets	<u>22,623</u>	<u>23,201</u>	<u>(578)</u>	-2.49%
Total Assets	<u>\$ 25,121</u>	<u>\$ 25,674</u>	<u>\$ (553)</u>	-2.15%
Current Liabilities	\$ 406	\$ 531	\$ (125)	-23.54%
Current Liabilities Payable				
From Restricted Assets	1,008	943	65	6.89%
Long-Term Liabilities	<u>9,497</u>	<u>10,176</u>	<u>(679)</u>	-6.67%
Total Liabilities	<u>\$ 10,911</u>	<u>\$ 11,650</u>	<u>\$ (739)</u>	-6.34%
Invested in Capital Assets				
Net of Related Debt	\$ 8,688	\$ 8,640	\$ 48	0.56%
Restricted Net Assets	1,323	1,418	(95)	-6.70%
Unrestricted Net Assets	<u>4,199</u>	<u>3,966</u>	<u>233</u>	5.87%
Total Net Assets	<u>\$ 14,210</u>	<u>\$ 14,024</u>	<u>\$ 186</u>	1.33%

The increase in current assets is primarily the net result of increases in certain receivables, investments and inventories and decreases in cash.

The increase in noncurrent assets is the result of increases in cash and equivalents of \$323,000 and other assets of \$12,000 together with decreases in investments of \$213,000, receivables of \$99,000 and net capital assets of \$600,000.

The decrease in current liabilities payable from unrestricted assets is the net result of decreases in accounts payable, unearned revenue and due to restricted assets together with an increase in accrued liabilities. The increase in current liabilities payable from restricted assets is the net result of increases in the amount due to unrestricted assets, the current portion of revenue bonds payable and deferred compensation due employees and decreases in the current portion of loans payable and interest payable on revenue bonds.

The decrease in long-term liabilities is the net effect of principal maturities on revenue bonds payable and New Jersey Environmental Infrastructure Trust Loans payable together with a decrease in accrued compensated absences.

Changes in the Authority's net assets can be determined by reviewing the following condensed Statement of Revenues, Expenses, and Changes in Net Assets for the year.

Table 2
Statement of Revenues, Expense and Changes in Net Assets
(Dollars in Thousands)

	<u>2005</u>	<u>2004</u>	Increase (Decrease) \$	Increase (Decrease) %
Operating Revenues				
Treatment Fees	\$ 4,326	\$ 4,200	\$ 126	3.00%
Septage Fees	570	513	57	11.11%
Other Operating	87	57	30	52.63%
Nonoperating Revenues	360	279	81	29.03%
Total Revenues	<u>\$ 5,343</u>	<u>\$ 5,049</u>	<u>\$ 294</u>	5.82%
Operating Expenses				
Cost of Providing Services	\$ 2,712	\$ 2,657	\$ 55	2.07%
Administrative and General	905	880	25	2.84%
Depreciation	943	931	12	1.29%
Non Operating Expense				
Interest and Amortization	564	598	(34)	-5.69%
Decrease in Fair Value of Investment	37	50	(13)	-26.00%
Total Expenses	<u>\$ 5,161</u>	<u>\$ 5,116</u>	<u>\$ 45</u>	0.88%
Income (Loss) Before Capital Contrib.	\$ 182	\$ (67)	\$ 249	-371.64%
Capital Contributions	4	-	4	-
Change in Net Assets	<u>186</u>	<u>(67)</u>	<u>253</u>	-377.61%
Beginning Net Assets	14,024	14,091	(67)	-0.48%
Ending Net Assets	<u>\$ 14,210</u>	<u>\$ 14,024</u>	<u>\$ 186</u>	1.33%

REVENUES

The Authority's total revenues are approximately \$5.343 million for the year ended December 31, 2005. Treatment Fees were \$4.326 million accounting for 81% of total revenue. Operating expenses include cost of providing services, which totaled \$2.71 million, a 2.07% increase and Administrative and General of \$0.905 million, a 2.84% increase.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2005, the Authority had \$17.798 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 5 to the financial statements. Total depreciation expense for the year was \$0.944 million.

The following tables summarize the Authority's capital assets, net of accumulated depreciation, and changes therein, for the year ended December 31, 2005.

Table 3
Capital Assets, Net of Accumulated Depreciation
(Dollars in Thousands)

	<u>2005</u>	<u>2004</u>	Increase (Decrease) \$	Increase (Decrease) %
Land	\$ 1,135	\$ 1,135	\$ -	0.00%
Land Improvements	168	188	(20)	-10.64%
Treatment Plant and Facilities	11,574	12,014	(440)	-3.66%
Pumping Stations and Interceptors	2,594	2,546	48	1.89%
Machinery and Equipment	2,132	2,297	(165)	-7.18%
Vehicles	169	114	55	48.25%
Office Equipment	26	33	(7)	-21.21%
Construction in Progress	-	71	(71)	-100.00%
Total	<u>\$ 17,798</u>	<u>\$ 18,398</u>	<u>\$ (600)</u>	-3.26%

This year's additions (in thousands) include:

Treatment Plant and Facilities.....	\$ 64
Machinery and Equipment.....	108
Pumping Stations and Interceptors.....	242

The Authority's FY 2006 capital budget plans for investing another \$569,000 in capital projects, including the following (in thousands):

Motor /Pump Replacement.....	\$50
Truck, Vehicles, Tankers.....	60
Office/Computer Upgrades.....	5
Buildings and Grounds.....	179
CB/DW Roof.....	20
Railroad Bridge.....	145
Blower.....	<u>110</u>
 TOTAL	 <u>\$569</u>

The Authority plans on funding those capital projects using existing cash, year 2006 revenue and a proposed debt authorization.

Debt Administration

At December 31, 2005, the Authority had several outstanding bond issues and loans payable in the amount of \$10,177,811 that mature in various amounts through the year 2024 with interest rates ranging from 4.00% to 5.5%. The Authority also has accrued compensated absences in the amount of \$50,521. More detailed information about long-term liabilities can be found in Note 9 to the financial statements

NEXT YEAR'S BUDGETS AND RATES

It has been the philosophy of the Authority to utilize Unrestricted Net Assets as a tool to stabilize user rates. In recent years, in an effort to maintain an adequate level of Unrestricted Net Assets, the Authority has found it necessary to increase our user rates to reduce reliance on Unrestricted Net Assets to supplement the budget. The budget for year 2006 will have a 2.5% increase in sewerage treatment fees, and connection fees for new customers increased from \$1,000 to \$1,150 per Domestic Consumer Unit (DCU).

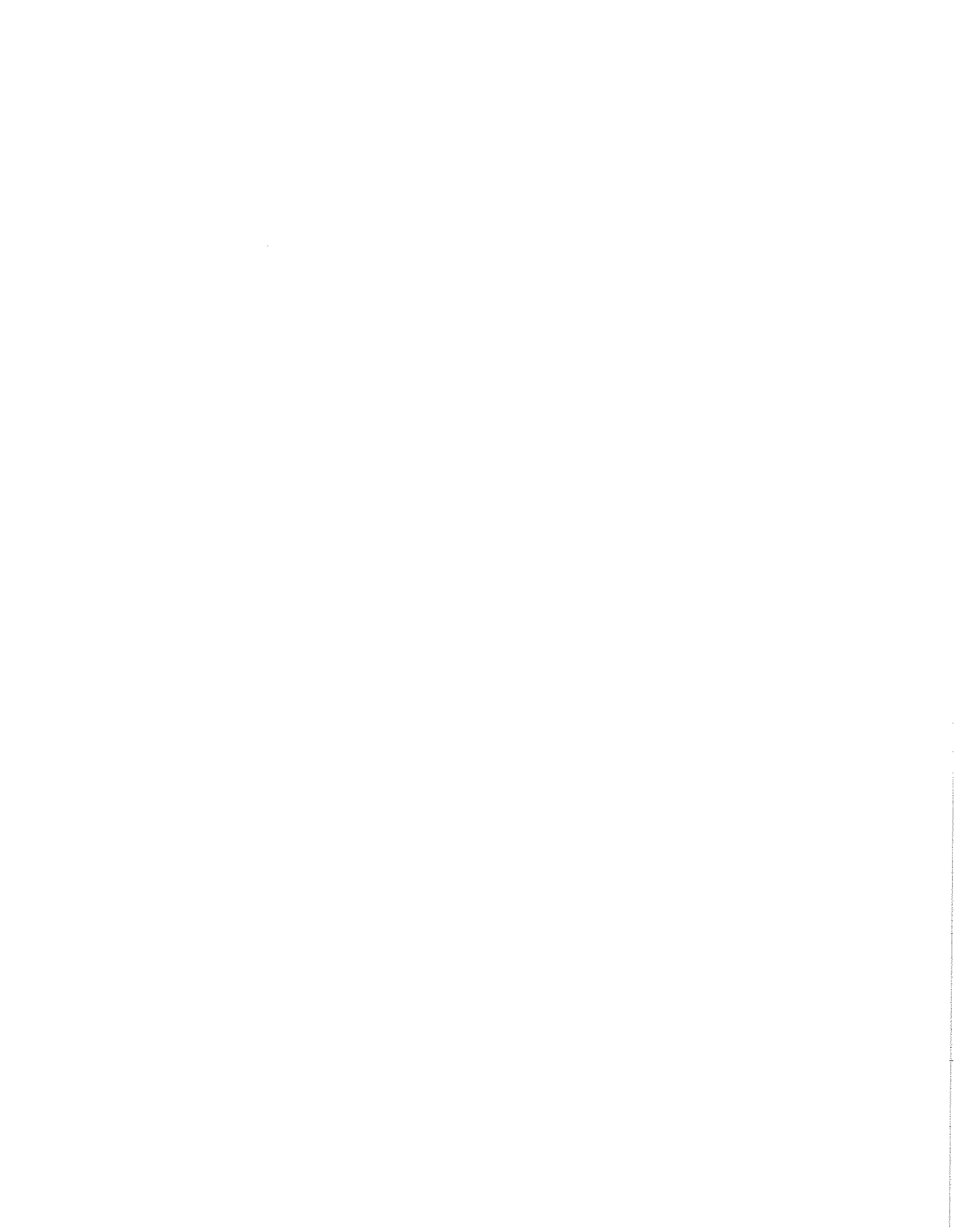
During 2005, the Authority adopted a Resolution authorizing the issuance of not to exceed \$6,750,000 aggregate principal amount of sewer system revenue refunding bonds for the purpose of advance refunding the outstanding Series 1997 and 2001A Bonds. Due to market conditions, the proposed Series 2005 bonds were not issued by December 31, 2005 and the related refunding did not occur. The Authority is continuing to monitor market conditions to determine if the refunding can occur in the year 2006.

On February 16, 2006 the Authority adopted a Resolution authorizing the issuance of not to exceed \$2,600,000 aggregate principal amount of sewer system revenue bonds to fund various capital projects. More detailed information about these projects can be found in Note 18 to the financial statements.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Authority's customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Authority's Executive Director at the Cumberland County Utilities Authority, 333 Water Street, Bridgeton, NJ 08302.

BASIC FINANCIAL STATEMENTS



**CUMBERLAND COUNTY UTILITIES AUTHORITY
BALANCE SHEET
DECEMBER 31, 2005**

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:**

Accounts Payable - Operations	\$ 156,272
Accrued Liabilities	76,116
Unearned Permit Fees	5,000
Unearned Connection Fees	103,475
Due to Restricted Assets	<u>64,918</u>

Total Current Liabilities Payable From Unrestricted Assets 405,781

CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:

Sewer Revenue Bonds Payable - Current Portion	645,000
New Jersey Environmental Infrastructure Trust Loans Payable - Current Portion	85,961
Sensor Escrow	4,100
Accrued Interest Payable - Bonds and Loans	124,688
Deferred Compensation Benefit Due Employees	<u>148,150</u>

Total Current Liabilities Payable From Restricted Assets 1,007,899

LONG-TERM LIABILITIES:

Sewer Revenue Bonds Payable - Non Current Portion	7,827,354
New Jersey Environmental Infrastructure Trust Loans Payable - Non Current Portion	1,619,496
Accrued Compensated Absences	<u>50,521</u>

Total Long-Term Liabilities 9,497,371

Total Liabilities 10,911,051

NET ASSETS:

Invested in Capital Assets, Net of Related Debt	8,688,340
Restricted:	
Current Debt Service	588,692
Future Debt Service	134,619
Renewal and Replacement	600,000
Unrestricted	<u>4,198,825</u>

Total Net Assets 14,210,476

TOTAL LIABILITIES AND NET ASSETS \$ 25,121,527

CUMBERLAND COUNTY UTILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2005

OPERATING REVENUE:	
Treatment Fees	\$ 4,326,000
Septage Fees	570,108
Service Fees	12,013
Lab Fees	1,115
Interest Income	40,148
Finance Charges	4,052
Industrial Pretreatment Program Revenue	27,000
Other Income	2,921
	<hr/>
Total Operating Revenue	4,983,357
OPERATING EXPENSES:	
Cost of Providing Services	2,711,826
Administrative and General	905,228
Depreciation	943,713
	<hr/>
Total Operating Expenses	4,560,767
OPERATING INCOME	422,590
NON-OPERATING REVENUE (EXPENSES):	
Connection Fees	215,050
Interest Income	142,401
Interest Expense	(533,488)
Amortization of Debt Issue Costs	(30,093)
Decrease in Fair Value of Investments	(36,630)
Gain on Disposal of Fixed Assets	1,932
Other Income	304
	<hr/>
Total Non-Operating Revenue (Expenses)	(240,524)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	182,066
CAPITAL CONTRIBUTIONS	4,000
	<hr/>
CHANGE IN NET ASSETS	186,066
TOTAL NET ASSETS-BEGINNING	14,024,410
	<hr/>
TOTAL NET ASSETS-ENDING	\$ 14,210,476
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See Accompanying Notes to Financial Statements

**CUMBERLAND COUNTY UTILITIES AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2005**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers and Users	\$ 4,943,363
Cash Payments to Suppliers for Goods and Services	(1,487,958)
Cash Payments for Employee Services	(2,115,328)
Other Receipts (Payments)	<u>22,265</u>
Net Cash Provided by Operating Activities	<u>1,362,342</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and Construction of Capital Assets	(359,501)
Connection Fees Received	194,000
Proceeds from Sale of Fixed Assets	1,932
Principal Paid on Bonds	(615,000)
Principal Paid on Loans Payable	(87,098)
Interest Paid on Bonds and Loans	(486,574)
Capital Contributions	<u>4,000</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,348,241)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Investment Securities	(5,116,682)
Proceeds from Sale and Maturities of Investment Securities	5,239,127
Interest Received on Non-Operating Investments	<u>129,300</u>
Net Cash Provided by Investing Activities	<u>251,745</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	265,846
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>2,222,402</u>
CASH AND CASH EQUIVALENTS-END OF YEAR	<u>\$ 2,488,248</u>

See Accompanying Notes to Financial Statements

**CUMBERLAND COUNTY IMPROVEMENT AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2005**

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Income	<u>\$ 422,590</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	943,713
Increase (Decrease) in Cash Resulting From Changes in:	
Accounts Receivable	(16,277)
Other Receivable - Operations	4,360
Inventory	(7,012)
Accounts Payable - Non Capital	2,488
Accrued Liabilities	12,832
Sensor Escrow	1,200
Accrued Compensated Absences	<u>(1,552)</u>
Total Adjustments	<u>939,752</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,362,342</u></u>

See Accompanying Notes to Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 **GENERAL**

The Cumberland County Utilities Authority (formerly the Cumberland County Sewerage Authority) is a corporate public body originally created by resolution of the Board of Chosen Freeholders of Cumberland County adopted November 11, 1971, under Chapter 123 of the Laws of 1946 of the State of New Jersey and reorganized on April 13, 1978 under P.L. 1977 Chapter 384. The commissioners of the Authority are appointed by the Board of Chosen Freeholders of Cumberland County and therefore, the Authority is a related organization of the County as defined by Governmental Accounting Standards Board Statement No. 14, but not a component unit of the County. The Authority does not have any component units for which it is accountable.

The Authority is authorized to design, finance, construct, acquire, maintain, and operate a district sewer system for the purpose of relief of waters in or bordering within the county from pollution or threatened pollution from causes arising within Cumberland County.

As a public body, under existing statute the Authority is exempt from both federal and state taxes.

Service Contracts

The Authority has entered into Service Contracts (the "Contracts") with the City of Bridgeton, the Township of Upper Deerfield, the Township of Hopewell, TIP'S Trailer Park Corporation, located in Fairfield Township, the County of Cumberland, the Cumberland County Improvement Authority, the Cumberland County Technical Education Center, the Township of Deerfield, the Township of Fairfield and the United States Government (for the federal correctional institution) (the "Participants"). The Township of Deerfield and Township of Fairfield Contracts were executed February 16, 1996 and November 20, 2000 respectively. Neither of those Townships have delivered any flows to the Authority through December 31, 2005 and therefore, have not been required to pay any service charges. The Contracts provide, among other things, for the payment of service charges by the Participants to the Authority in return for their usage of the System and the Authority's construction, operation and maintenance of the System.

The Authority is obligated under the Contracts to charge rates sufficient to provide for all expenses of operation, maintenance and repair of the System, the payment of the principal of and interest on any bonds or obligations issued or to be issued and maintenance of such reserves or sinking funds for any of the foregoing purposes as may be required by the terms of any Contract or other obligation of the Authority.

Each Participant's obligation is limited to payment of rates and charges made by the Authority for the disposal of sewage delivered by such Participant to the System. Such Participant is not responsible for payments which are charged to but not paid by any other Participants.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies:

A. Basis of Presentation

The accounts of the Authority are an enterprise fund. An enterprise fund is a Proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or the change in net assets is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

The accompanying financial statements are reported using the “economic resources measurement focus,” and the “accrual basis of accounting.” Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Authority are treatment fees and septage fees. The Authority also recognizes interest earned on operating funds, service fees, lab fees, financial charges and industrial pretreatment program revenues as operating revenue. Operating expenses include cost of providing services, administrative and general expenses and depreciation. All revenues and expense not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. GASB Statement No. 34

In 2004, the Authority adopted the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis* – for State and Local Governments. Statement 34 establishes standards for external financial reporting for all state and local governmental entities which includes a Management's Discussion and Analysis section, a Balance Sheet, a Statement of Revenues, Expenses, and Changes in Net Assets and a Statement of Cash Flows. It requires the classification of Net Assets into three components – Invested in Capital Assets, net of related debt; Restricted; and Unrestricted.

D. Grants

Contributions received from various sources as grants are recorded in the period earned. Developer financed construction is recorded in the period in which applicable construction costs are incurred. Donated assets are recorded at fair market value at the date of the gift. Grants not externally restricted and utilized to finance operations are identified as non-operating revenue.

Grants externally restricted for non-operating purposes are recorded as capital contributions.

E. Accounts Receivable

The Authority has provided for doubtful accounts by the allowance method. The allowance for doubtful accounts is based upon management's estimate of potentially uncollectible accounts.

F. Capital Assets

Capital assets, which consist of property, plant and equipment, are stated at cost which includes direct construction costs and other expenditures related to construction.

Capital assets are defined by the Authority as assets with an initial, individual cost of \$3,000 or more and an estimated useful life in excess of two years.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and put into operation. Construction in Progress includes interest expense incurred during construction and amortization of debt issue costs incurred to finance the project. The Authority reduces the capitalized project costs by the amount of interest earned from the investment of project funds and amortization of the premium received in connection with the issuance of debt; which have the effect of reducing the cost of borrowing.

Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

Treatment plant and facilities	5 - 50 years
Pumping stations, interceptors and improvements	15 - 40 years
Machinery and equipment	5 - 20 years
Office furniture	5 - 10 years
Vehicles	5 - 15 years

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Required by the General Bond Resolution

In accordance with the General Bond Resolution, the Authority has established the following cash and investment accounts for the deposit, in the priority of the order listed, of all revenue received by the Authority:

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted if any</u>
Revenue	All revenue received by the Authority.	Transfers to the various accounts described below.
Operating	Amount to be required for operating expenses for the quarter.	To pay reasonable and necessary operating expenses in accordance with the annual budget.
Bond Service (Current Debt Service)	An amount equal to (1) any unpaid interest due on outstanding bonds, plus the interest to become due on all outstanding bonds on the interest payment date next ensuing and (2) the principal amount of any unpaid bonds then matured, plus the principal amount of outstanding bonds, if any, maturing on the principal maturity date next ensuing.	Principal and interest on the Bonds.
Bond Reserve (Future Debt Service)	An amount equal to the largest of the amount of maturing principal of and interest on all bonds outstanding at such date which will become due and payable in the then current or any future fiscal year.	Transfers to meet minimum levels in the Bond Service Fund. Any excess is to be withdrawn by the trustee and credited to the Revenue Fund.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2005**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Required by the General Bond Resolution (Continued)

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted if any</u>
Renewal and Replacement	An amount deemed reasonably necessary for costs and expenses, with respect to the system, of reconstruction or of required replacements, renewals, major repairs or maintenance items of a non-recurring nature.	Transfers to the Bond Service Fund if necessary to meet the minimum requirements, or payment, if any, of the necessary costs and expenses of reconstruction, replacements, renewals, major repairs or maintenance items of a non-recurring nature.
Construction	Proceeds from the sale of bonds, government grants with respect to the initial project and any amount for the project directed into the fund by the Authority.	Costs of construction of the project or costs of replacements, renewals, major repairs or non-recurring maintenance.
General	Funds remaining in the Construction Fund after a project has been completed and all construction costs have been paid and the balance of revenues remaining after making the necessary transfers to the foregoing accounts.	May be applied to any purpose.

In addition to the accounts required by the General Bond Resolution, the Authority has also established the following restricted accounts:

Plant Reconstruction or Replacement account reserved for the future reconstruction or replacement of the Sewerage Treatment Facility or components thereof.

Sensor Escrow account consisting of funds collected from septage haulers as a deposit on a gate opening sensor mechanism issued to the haulers.

CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Unamortized Debt Issue Costs

Deferred debt issue costs incurred with the Series 1997 Bond Issue are being amortized over the life of the issue using the interest method. Accumulated amortization as of December 31, 2005 is \$116,846.

Deferred debt issue costs incurred with the Series 1999 Bond Issue are being amortized over the life of the issue using the interest method. Accumulated amortization as of December 31, 2005 is \$87,947.

Deferred debt issue costs incurred with the Series 2001A and Series 2001B Bond Issues are being amortized over the life of the issues using the interest method. Accumulated amortization as of December 31, 2005 for the Series 2001A Issue is \$30,373. Accumulated amortization for the Series 2001B Issue as of December 31, 2005 is \$1,769.

I. Unamortized Original Issue Discount and Amortization of Original Issue Discount

Unamortized original issue discount resulting from the issuance of the Series 1999 bonds is being amortized over the life of the issue based upon the interest method and is reflected in the financial statements as a reduction of the related debt. Accumulated amortization as of December 31, 2005 is \$12,605. Amortization of \$1,507 is reflected as a component of interest expense for 2005.

Unamortized original issue discount resulting from the issuance of the Series 1997 bonds is being amortized over the life of the issue based upon the interest method and is reflected in the financial statements as a reduction of the related debt. Accumulated amortization as of December 31, 2005 is \$94,284. Amortization of \$9,788 is reflected as a component of interest expense for 2005.

J. Unamortized Deferred Amount on Refunding and Amortization of Deferred Amount on Refunding

The unamortized deferred amount on refunding resulting from the 1999 refunding of the Series 1992 Bonds is being amortized over the life of the 1999 issue based upon the interest method and is reflected in the financial statements as a reduction of the related debt. Accumulated amortization as of December 31, 2005 is \$244,416. Amortization of \$29,214 is reflected as a component of interest expense for 2005.

The unamortized deferred amount on refunding resulting from the 1997 refunding of the Series 1977 Bonds is being amortized over the life of the 1997 issue based upon the interest method and is reflected in the financial statements as a reduction of the related debt. Accumulated amortization as of December 31, 2005 is \$163,370. Amortization of \$16,960 is reflected as a component of interest expense for 2005.

CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Unamortized Premium and Amortization of Premium

The unamortized premium received in connection with the issuance of the New Jersey Environmental Infrastructure Trust Loans – Series 2001B is being amortized over the life of the issue based upon the interest method and is reflected in the financial statements as an addition to the related debt.

Accumulated amortization as of December 31, 2005 is \$17,301. Amortization of \$3,824 is reflected as a component of interest expense for 2005.

L. Inventory

Inventory consists principally of chemicals and supplies used in the treatment process and is stated at cost determined on a first-in, first-out basis.

M. Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase. Investments are stated at fair value.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to adopt a cash management plan and to deposit and/or invest its funds pursuant to that plan. The governing body of the Authority has adopted a cash management plan (“the plan”) and, as required, approves the plan annually. The plan includes the designation of the public depositories to be utilized by the Authority to deposit public funds.

Eligible depositories are defined in section 1 of P.L. 1970, c 236 (C. 17:9-41) and are limited to banks or trust companies having their place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or with the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey governments and their component units.

N.J.S.A. 17:9-41 et. seq., which establishes the requirements for the security of deposits of governmental units, requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least five percent (5%) of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Cash, Cash Equivalents and Investments (Continued)

The cash management plan adopted by the Cumberland County Utilities Authority requires it to deposit funds in public depositories protected from loss under the provisions of GUDPA.

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The estimates and assumptions affect the amounts reported in the financial statements. The actual results may differ from these estimates.

NOTE 3 CASH AND CASH EQUIVALENTS

At December 31, 2005 the carrying amount and bank balance of the Authority's time and demand deposits were \$264,299 and \$321,533, respectively. All of the time and demand deposits were covered by either federal deposit insurance or by the Governmental Unit Deposit Protection Act (GUDPA).

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 to it. Although the Authority does not have a formal policy regarding custodial credit risk, as described in Note 1, N.J.S.A. 17:41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. As of December 31, 2005, all of the Authority's bank balance of \$321,533 was insured or collateralized.

In addition to the bank deposits described above, the Authority also had \$2,223,936 invested in a government money market fund which is not covered by federal deposit insurance or by GUDPA, but which invests exclusively in general obligations issued by the U.S. Government and backed by its full faith and credit and which carries a credit rating of AAA.

At December 31, 2005 the Authority had \$13 invested in the New Jersey Cash Management Fund ("the Fund") which is not covered by either federal deposit insurance or by GUDPA. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005**

NOTE 4 INVESTMENTS

Custodial Credit Risk – For an investment, custodial credit risk is the 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 \$4,284,794 investments in U.S. Treasury obligations and agencies are held in the name of the counterparty, not in the name of the Authority.

Interest Rate Risk- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Authority may purchase in order to limit the exposure of governmental units to credit risk. The Authority's Cash Management Plan also limits its investment choices to those permitted by N.J.S.A. 40A:5-15.1.

Concentration of Credit Risk – The Authority does not place a limit on the amount that may be invested in any one issuer. Twenty-two percent (22.0%) of the Authority's investments are in Federal Farm Credit Bank (F.F.C.B.) Bonds.

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

<u>Investment</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Fair Value</u>
U.S. Treasury Notes	8/31/2007	N/A	\$ 496,680
U.S. Treasury Notes	2/15/2007	N/A	1,073,743
U.S. Treasury Notes	7/31/2007	N/A	993,284
U.S. Treasury Notes	8/15/2008	N/A	317,945
U.S. Treasury Notes	2/15/2009	N/A	171,799
U.S. Treasury Notes	5/15/2008	N/A	103,507
U.S. Treasury Notes	9/30/2006	N/A	4,930
U.S. Treasury Notes	1/26/2006	N/A	34,913
F.F.C.B Bonds	10/02/2006	AAA	943,846
F.N.M.A. Discount Notes	9/29/2006	AAA	20,280
F.N.M.A. Discount Notes	7/13/2007	AAA	<u>123,867</u>
			<u>\$ 4,284,794</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>Balance</u> <u>January 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2005</u>
Non-Depreciable Capital Assets:				
Land	\$ 1,135,342	\$	\$	\$ 1,135,342
Construction in Progress	<u>70,455</u>	<u>124,951</u>	<u>(195,406.)</u>	<u> </u>
Total Non-Depreciable Capital Assets	<u>1,205,797</u>	<u>124,951</u>	<u>(195,406.)</u>	<u>1,135,342</u>
Depreciable Capital Assets:				
Land Improvements	418,413			418,413
Treatment Plant and Facilities	22,242,173	63,819		22,305,992
Pumping Stations and Interceptors	5,234,183	242,042		5,476,225
Machinery and Equipment	3,313,823	6,554		3,320,377
Vehicles	687,924	92,824	(56,304)	724,444
Office Equipment	<u>134,978</u>	<u>8,942</u>	<u> </u>	<u>143,920</u>
Total Depreciable Capital Assets	32,031,494	414,181	(56,304)	32,389,371
Less: Accumulated Depreciation	<u>(14,839,213)</u>	<u>(943,711)</u>	<u>56,304</u>	<u>(15,726,620)</u>
Depreciable Capital Assets, Net	<u>17,192,281</u>	<u>(529,530)</u>	<u> </u>	<u>16,662,751</u>
Total Capital Assets, Net	<u>\$ 18,398,078</u>	<u>(\$ 404,579)</u>	<u>(\$ 195,406)</u>	<u>\$ 17,798,093</u>

NOTE 6 PENSIONS

Substantially all of the Authority's employees participate in the Public Employees' Retirement System (the System) which is administered and/or regulated by the New Jersey Division of Pensions and Benefits. The System's Board of Trustees is primarily responsible for the administration of the System.

The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P. O. Box 295
Trenton, New Jersey 08625-0295

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005**

NOTE 6 PENSIONS (CONTINUED)

The State of New Jersey Public Employees' Retirement System is a cost-sharing multiple-employer contributory defined benefit plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The System's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the System 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 pension fund or local jurisdiction's pension fund. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The System provides specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members currently contribute at a uniform rate of 5% of their annual covered salary. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

The State of New Jersey's contribution also includes funding for the cost of medical premiums after retirement for qualified retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits are funded on a pay-as-you-go basis plus an additional contribution that will ensure an increase in the Post-Retirement Medical Reserve Fund equal to ½ of 1% of the salary of active state employees.

Legislation passed in 2003 (Chapter 108, P.L. 2003), provided that the State Treasurer will reduce local employer PERS normal and accrued liability contributions to be a percentage of the amount certified annually by the PERS as follows: 20% for payments due in State fiscal year 2005; not more than 40% in fiscal year 2006; not more than 60% in fiscal year 2007; and not more than 80% in fiscal year 2008.

For 2005 the Authority had \$18,602 in annual pension cost and required contributions.

Three Year Trend Information for PERS

<u>Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/05	\$ 18,602	100%	\$ 18,602
12/31/04	4,730	100%	4,730
12/31/03	-0-*	100%	-0-

* As a result of legislation passed in 1997 (Chapters 114 and 115, PL 1997).

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005**

NOTE 7 AMOUNTS REQUIRED BY BOND RESOLUTION

The following cash and investment accounts are required by the General Bond Resolution:

	<u>Bond Service Fund</u>	<u>Bond Reserve Fund</u>
Cash and Investments	\$ 489,138	\$ 1,229,999
Required Amount	<u>588,692</u>	<u>1,202,677</u>
	(<u>\$ 99,554</u>)*	<u>\$ 27,322</u>

* Result of timing differences – additions were made in January 2006.

NOTE 8 OTHER RECEIVABLES

Other receivables as of December 31, 2005 consisted of the following:

Amount Due from Hopewell Township for Capital Replacement Pursuant to Contract Dated June 12, 1985 - Original Amount \$87,205. Payable over a Twenty Year Period at \$4,360 per Year	<u>\$ 5,455</u>
Current Portion	\$ 4,360
Non-Current Portion	<u>1,095</u>
	<u>\$ 5,455</u>

NOTE 9 LONG-TERM LIABILITIES

A. Bonds Payable

In 1997, the Authority issued its Sewer Revenue Refunding Bonds (Series 1997), in the principal amount of \$7,915,000. The Bonds were issued to provide funds which, together with other moneys of the Authority, were used to (i) currently refund the Authority's Sewer Revenue Bonds (Series 1977) then outstanding in the aggregate principal amount of \$7,550,000, (ii) fund a Debt Service Reserve Fund requirement, and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds including the premium for a municipal bond insurance policy. The outstanding balance of the Series 1997 Bonds consists of serial bonds that mature in various amounts ranging from \$340,000 in 2006 to \$480,000 in 2012 with interest rates ranging from 4.65% to 5.00%, and a 5.00% term bond in the amount of \$2,870,000 with a maturity date of March 1, 2017.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005**

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

In 1999, the Authority issued its Sewer Revenue Refunding Bonds (Series 1999), in the principal amount of \$3,295,000. The Bonds were issued to provide funds which, together with other moneys of the Authority, were used to (i) advance refund the Authority's Sewer Revenue Bonds (Series 1992) then outstanding in the aggregate principal amount of \$3,170,000, (ii) fund a Bond Reserve Fund, and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds including the premium for a municipal bond insurance policy. The outstanding balance of the Series 1999 Bonds consists of serial bonds that mature in various amounts ranging from \$260,000 in 2006 to \$300,000 in 2012 with interest rates ranging from 4.10% to 4.50%.

In 2001, the Authority issued its Sewer Revenue Bonds (Series 2001A), in the principal amount of \$1,200,000. The Bonds were issued to provide funds which, together with other moneys of the Authority, were used to (i) currently refund a \$3,000,000 principal amount of Project Notes (Series 2000) of the Authority, dated September 1, 2000 and maturing January 1, 2002, (ii) fund a Bond Reserve Fund, and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds. The outstanding balance of the Series 2001A Bonds consists of term bonds with a maturity date of December 1, 2021 which are subject to mandatory sinking fund redemptions in various amounts ranging from \$45,000 in 2006 to \$95,000 in 2021 bearing interest at a rate of 5.40%.

B. Loans Payable

The Authority has received loans from the State of New Jersey under the 2001 New Jersey Environmental Infrastructure Trust Program ("Trust"). The Trust has issued bonds for loans to various entities. The loans have interest rates ranging from 4.75% to 5.50% and mature in various increments through 2021.

Under the 2001 New Jersey Environmental Infrastructure Fund Program ("Fund"), the State extended \$1,000,000 of non interest-bearing loan funds to the Authority. The outstanding balance is included in loans payable as of December 31, 2005 as reflected in the following summary of changes in long-term liabilities.

C. Compensated Absences

Current policy allows employees shall be paid for sick leave allowance accumulated to a maximum of two hundred twenty four (224) hours upon termination in good standing.

D. Bonds Authorized But Not Issued

On August 18, 2005, the Authority adopted a Resolution authorizing the issuance of not to exceed \$6,750,000 aggregate principal amount of sewer system revenue refunding bonds for the purpose of establishing escrow accounts for the advance refunding of the outstanding Series 1997 and 2001A Bonds. Due to market conditions, the proposed Series 2005 bonds were not issued by December 31, 2005 and the related refunding did not occur.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005**

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of changes in long-term liabilities for the year ended December 31, 2005:

<u>Type of Debt</u>	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2005</u>	<u>Amounts Due Within One Year</u>
Revenue Bonds Payable:					
Series 2001A	\$ 1,095,000	\$	\$ 40,000	\$ 1,055,000	\$ 45,000
Series 1999	2,230,000		250,000	1,980,000	260,000
Series 1997	<u>6,050,000</u>	_____	<u>325,000</u>	<u>5,725,000</u>	<u>340,000</u>
	9,375,000	---	615,000	8,760,000	645,000
Less:					
Unamortized Original Issue Discount	(79,842)		(11,295)	(68,547)	
Unamortized Deferred Amount on Refunding	<u>(265,273)</u>	_____	<u>(46,174)</u>	<u>(219,099)</u>	_____
Total Revenue Bonds Payable	<u>9,029,885</u>	_____	<u>557,531</u>	<u>8,472,354</u>	<u>645,000</u>
Loans Payable:					
Series 2001B Trust Agreement	885,000		35,000	850,000	35,000
Series 2001B Fund Agreement	<u>869,196</u>	_____	<u>52,098</u>	<u>817,098</u>	<u>50,961</u>
	1,754,196	---	87,098	1,667,098	85,961
Add:					
Unamortized Premium	<u>42,183</u>	_____	<u>3,824</u>	<u>38,359</u>	_____
Total Loans Payable	<u>1,796,379</u>	_____	<u>90,922</u>	<u>1,705,457</u>	<u>85,961</u>
Accrued Compensated Absences	<u>52,073</u>	<u>8,719</u>	<u>10,271</u>	<u>50,521</u>	_____
Total Long Term Liabilities	<u>\$ 10,878,337</u>	<u>\$ 8,719</u>	<u>\$ 658,724</u>	<u>\$ 10,228,332</u>	<u>\$ 730,961</u>

The annual debt service requirements to maturity, including principal and interest, for revenue bonds and loans payable as of December 31, 2005 are as follows:

<u>Year Ending December 31</u>	<u>Revenue Bonds</u>		<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 645,000	\$ 417,788	\$ 85,961	\$ 43,463
2007	675,000	388,124	84,824	41,713
2008	705,000	356,680	91,822	39,788
2009	735,000	323,091	90,393	37,588
2010	780,000	269,615	97,341	19,588
2011-2015	3,470,000	858,658	511,008	139,163
2016-2020	1,655,000	156,670	579,723	67,188
2021-2025	<u>95,000</u>	<u>5,130</u>	<u>126,026</u>	<u>3,563</u>
	<u>\$ 8,760,000</u>	<u>\$ 2,775,756</u>	<u>\$ 1,667,098</u>	<u>\$ 392,054</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005**

NOTE 10 DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional and participants elect how their salary deferrals are invested. Investment options include the following: stock funds, bond funds, and money market accounts, including various risk alternatives. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Investments are managed by the plan trustees under one of various pools of investment options offered by the ING Life Insurance and Annuity Company, who is a provider of deferred compensation services in good standing with the State of New Jersey Division of Local Government Services.

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 are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Authority subject only to the claims of the Authority's general creditors. Participants' rights under the plan are equal to those of general creditors of the Authority in an amount equal to the fair market value of the deferred account for each participant.

The Authority has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Authority believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

At December 31, 2005, the participants had invested \$148,150 in the Plan.

NOTE 11 SUMMARY OF BUDGETARY EXPENDITURES BY WASTE CHARACTERIZATION FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Total</u>	<u>Operating Expenditures Amount</u>	<u>%</u>	<u>Debt Service, Capital Outlay And Other Amount</u>	<u>%</u>
Quantity	\$ 1,772,700	\$ 1,198,060	33.12	\$ 574,640	35.90
Chemical Oxygen Demand	1,568,481	1,053,066	29.11	515,415	32.20
Suspended Solids	1,499,496	1,088,125	30.08	411,371	25.70
Chlorine Demand	<u>377,044</u>	<u>277,803</u>	<u>7.69</u>	<u>99,241</u>	<u>6.20</u>
Total	<u>\$ 5,217,721</u>	<u>\$ 3,617,054</u>	<u>100.00</u>	<u>\$ 1,600,667</u>	<u>100.00</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005**

NOTE 12 INTEREST INCOME

Interest Earned - Operating Accounts	<u>\$ 40,148</u>
Interest Earned - Non-Operating Accounts	<u>\$ 142,401</u>

NOTE 13 INTEREST EXPENSE

Interest on Bonds, Notes and Loans	\$ 479,843
Add: Amortization of Original Issue Discount	11,295
Amortization of Deferred Amount on Refunding	46,174
Amortization of Premium-Loans Payable	(3,824)
Net Interest Expense	<u>\$ 533,488</u>

NOTE 14 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance for risks of loss. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 15 ECONOMIC DEPENDENCY

The Authority derives approximately seventy nine percent (79%) of its User Charge revenues from the City of Bridgeton.

NOTE 16 RESTRICTED NET ASSETS

The Authority has restricted net assets for the following purposes in accordance with the requirements of its Bond Resolution.

Current Debt Service	\$ 588,692
Future Debt Service	134,619
Renewal and Replacement	600,000

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005**

NOTE 17 DESIGNATED UNRESTRICTED NET ASSETS

The Authority has, by resolution, designated a portion of its Unrestricted Net Assets for Future Plant Reconstruction or Replacement. The amount so designated as of December 31, 2005 is \$2,073,692.

The unrestricted net assets designated for subsequent year's expenditures at December 31, 2005 consists of \$538,906 which has been appropriated and included as anticipated revenue in the 2006 budget.

NOTE 18 SUBSEQUENT EVENTS

On February 16, 2006 the Authority adopted a Resolution authorizing the issuance of not to exceed \$2,600,000 Aggregate Principal amount of sewer system revenue bonds. The purpose of the Bonds is to provide funds to (a) acquire a phosphorus removal system in order to comply with New Jersey Department of Environmental Protection permit requirements, (b) install a new section of sewer pipeline under the Cohansey River, (c) purchase and install replacement blowers for existing aeration tanks, (d) repair existing wet wells, (e) replace existing tank drives, (f) purchase replacement tanker trucks and (g) pay the costs of issuance associated with the issuance of the sewer revenue bonds. The Authority has received positive findings from the Local Finance Board of the State of New Jersey with respect to the proposed bond issue.

SUPPLEMENTARY INFORMATION

CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS-
INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT, RESTRICTED AND UNRESTRICTED
YEAR ENDED DECEMBER 31, 2005

	INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	UNRESTRICTED			RESTRICTED			TOTAL DEBT REPLACEMENT (MEMO)
		UNDESIGNATED	DESIGNATED - SUBSEQUENT YEAR'S EXPENDITURES	DESIGNATED - FUTURE PLANT RECONSTRUCTION OR REPLACEMENT	CURRENT DEBT SERVICE	FUTURE DEBT SERVICE	RENEWAL AND REPLACEMENT	
OPERATING REVENUE:								
Treatment Fees	\$	\$ 4,326,000	\$	\$	\$	\$	\$	\$ 4,326,000
Septage Fees		570,108						570,108
Lab Fees		1,115						1,115
Service Fees		12,013						12,013
Interest Income		40,148						40,148
Finance Charges		4,052						4,052
Industrial Pretreatment Program Revenue		27,000						27,000
Other Income		2,921						2,921
		4,983,357						4,983,357
OPERATING EXPENSES:								
Cost of Providing Services		2,711,826						2,711,826
Administrative and General		905,228						905,228
Depreciation		943,713						943,713
		4,560,767						4,560,767
		422,590						422,590
OPERATING INCOME								
NON-OPERATING REVENUE (EXPENSES):								
Connection Fees		215,050						215,050
Interest Income		25,563						25,563
Interest Expense		(533,488)		48,953		16,244		(533,488)
Amortization of Debt Issue Costs		(30,093)		(11,753)		(2,765)		(30,093)
Investment Income (Loss)		(4,316)			278			(4,316)
Gain on Disposal of Fixed Assets		1,932						1,932
Investment Income (Loss)		304						304
		(325,048)		37,200		13,479		(240,524)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS								
		97,542		37,200		13,479		182,066
Capital Contributions		4,000						4,000
Investment Income		47,324						47,324
Decrease in Debt Service Requirement		95,019			(14,832)	(13,479)		(30,093)
Other Transfers		(400,974)		75,000	(95,019)			(36,630)
	48,468		277,506					1,932
INCREASE (DECREASE) IN NET ASSETS								
	48,468	(157,089)	277,506	112,200	(95,019)			186,066
NET ASSETS - JANUARY 1,								
	8,639,872	1,743,316	261,400	1,961,492	683,711	134,619	600,000	14,024,410
NET ASSETS - DECEMBER 31,								
	8,688,340	1,586,227	538,906	2,073,692	588,692	134,619	600,000	14,210,476

**CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED ACCOUNTS
YEAR ENDED DECEMBER 31, 2005**

	<u>REVENUE ACCOUNT</u>	<u>OPERATING ACCOUNT</u>	<u>GENERAL ACCOUNT</u>	<u>TOTAL</u>
CASH AND INVESTMENTS - JANUARY 1, 2005	\$ 245,675	\$ 1,232,693	\$ 911,716	\$ 2,390,084
CASH RECEIPTS:				
Treatment Fees	4,326,000			4,326,000
Septage Fees	549,341			549,341
Industrial Pretreatment Program Revenue	27,000			27,000
Interest on Investments	17,195	22,954	21,330	61,479
Finance Charges	2,464			2,464
Other Income	29,557			29,557
Connection Fees	194,000			194,000
Transfers - Unrestricted Accounts	(2,851,389)	2,976,156	(124,767)	-
Transfers from Restricted Accounts	46,136			46,136
Other Receivables	13,360			13,360
Total Cash and Investments Available	<u>2,599,339</u>	<u>4,231,803</u>	<u>808,279</u>	<u>7,639,421</u>
CASH DISBURSEMENTS:				
Operations		3,618,647		3,618,647
Transfers to Restricted Accounts	1,270,075			1,270,075
Construction in Progress		124,951		124,951
Fixed Assets Purchased from Operations		233,853		233,853
Total Cash Disbursed	<u>1,270,075</u>	<u>3,977,451</u>	<u>-</u>	<u>5,247,526</u>
CASH AND INVESTMENTS - DECEMBER 31, 2005	<u>\$ 1,329,264</u>	<u>\$ 254,352</u>	<u>\$ 808,279</u>	<u>\$ 2,391,895</u>
BALANCE COMPRISED OF:				
Cash and Cash Equivalents:				
Non-Interest Bearing	\$	\$ 500	\$	\$ 500
Interest Bearing	1,329,264	253,852	308,513	1,891,629
Investments (At Cost):				
U. S. Government Securities			499,766	499,766
	<u>\$ 1,329,264</u>	<u>\$ 254,352</u>	<u>\$ 808,279</u>	<u>\$ 2,391,895</u>

SCHEDULE 3

CUMBERLAND COUNTY UTILITIES AUTHORITY
 SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN CASH AND INVESTMENTS
 RESTRICTED ACCOUNTS
 YEAR ENDED DECEMBER 31, 2005

	ACCOUNTS REQUIRED BY BOND RESOLUTIONS			OTHER ACCOUNTS		
	BOND SERVICE	BOND RESERVE	RENEWAL AND REPLACEMENT	RECONSTRUCTION OR REPLACEMENT	SENSOR ESCROW	TOTAL
CASH AND INVESTMENTS -						
JANUARY 1, 2005	\$ 515,419	\$ 1,217,610	\$ 602,632	\$ 1,976,778	\$ 3,364	\$ 4,315,803
CASH RECEIPTS:						
Interest Received	15,914	35,745	12,885	43,302	124	107,970
Sensor Escrow					1,200	1,200
Transfers from Unrestricted Accounts	1,190,089	4,986		75,000		1,270,075
Total Cash and Investments Available	1,721,422	1,258,341	615,517	2,095,080	4,688	5,695,048
CASH DISBURSEMENTS:						
Transfers to Unrestricted Accounts	6,128	28,342	11,666			46,136
Operations	2,850					2,850
Realized Loss on Sale of Investments			1,859	2,515		4,374
Debt Service Payment	1,188,671					1,188,671
Total Cash Disbursements	1,197,649	28,342	13,525	2,515	-	1,242,031
CASH AND INVESTMENTS -						
DECEMBER 31, 2005	\$ 523,773	\$ 1,229,999	\$ 601,992	\$ 2,092,565	\$ 4,688	\$ 4,453,017
BALANCE COMPRISED OF:						
Cash and Cash Equivalents:						
Interest Bearing Investments (At Cost):						
U.S. Government Obligations	\$ 489,138	\$ 23,340	\$ 2,747	\$ 76,206	\$ 4,688	\$ 596,119
	34,635	1,206,659	599,245	2,016,359		3,856,898
	\$ 523,773	\$ 1,229,999	\$ 601,992	\$ 2,092,565	\$ 4,688	\$ 4,453,017

**CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF OPERATING REVENUE AND COSTS
FUNDED BY OPERATING REVENUE COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>
REVENUE:		
Net Assets Appropriated	\$ 132,328	\$
Contributed Capital	54,545	58,545
Sewerage Treatment Fees	4,326,000	4,326,000
Septage Fees	550,000	570,108
Connection Fees	210,000	215,050
Other Income		3,225
Interest Income - Operating Accounts	15,000	40,148
Interest Income - Other	60,000	93,448
Finance Charges	4,000	4,052
Lab Fees		1,115
Industrial Pretreatment Program Fees	27,000	27,000
Service Fees	13,000	12,013
	<u>5,391,873</u>	<u>5,350,704</u>
Total Operating Revenue	<u>\$ 5,391,873</u>	<u>\$ 5,350,704</u>
EXPENSES:		
Costs of Providing Services:		
Salaries and Wages	\$ 1,247,802	\$ 1,229,130
Employee Benefits	468,300	434,516
Automotive Expense	30,000	17,535
Chemicals Used in Treatment	141,800	125,499
Fuels and Lubricants	86,600	77,272
Utilities	436,300	425,947
Materials and Supplies	39,000	42,761
Repairs and Replacements	192,000	164,834
Sludge Disposal	170,500	145,143
Laboratory Expenses	51,000	39,934
Other Operations and Maintenance Expenses	2,500	1,933
Industrial Pretreatment Program	11,000	7,322
	<u>2,876,802</u>	<u>2,711,826</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF OPERATING REVENUE AND COSTS
FUNDED BY OPERATING REVENUE COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>
EXPENSES (CONTINUED):		
Administrative and General Expenses:		
Salaries and Wages	\$ 285,069	\$ 281,065
Employee Benefits	186,700	183,393
Office Supplies and Expense	26,250	22,953
Professional Services (Non-Salaried)	143,750	130,020
Insurance	98,936	98,478
Travel, Conferences and Education	17,000	17,082
Utilities	42,500	42,099
Dues and Subscriptions	7,500	5,798
Maintenance of General Property	44,000	46,456
Permits and Fees	42,550	68,772
Provision for Bad Debts	2,000	
Other Administrative Fees	8,500	9,112
	<u>904,755</u>	<u>905,228</u>
Interest Expense	<u>483,218</u>	<u>479,843</u>
OTHER COSTS FUNDED BY OPERATING REVENUE:		
Principal Maturities	702,098	702,098
Capital Outlays:		
From Operations	350,000	293,181
From Contributed Capital		50,545
Transfer to Plant Reconstr/Replacement	75,000	75,000
	<u>1,127,098</u>	<u>1,120,824</u>
TOTAL COSTS FUNDED BY OPERATING REVENUE	<u>\$ 5,391,873</u>	<u>\$ 5,217,721</u>

SCHEDULE 5

CUMBERLAND COUNTY UTILITIES AUTHORITY
 SCHEDULE OF SEWER REVENUE BONDS PAYABLE
 DECEMBER 31, 2005

	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE JANUARY 1, 2005	ISSUED 2005	PAID 2005	BALANCE DECEMBER 31, 2005
	DATE	AMOUNT		DATE	AMOUNT				
Issue of 1997 (1)	9/1/1997	\$ 7,915,000	4.65%	3/1/2006	\$ 340,000				
			4.75%	3/1/2007	365,000				
			4.85%	3/1/2008	380,000				
			5.00%	3/1/2009	405,000				
			5.00%	3/1/2010	430,000				
			5.00%	3/1/2011	455,000				
			5.00%	3/1/2012	480,000				
			5.00%	3/1/2017	2,870,000				
						\$ 6,050,000	\$ -	\$ 325,000	\$ 5,725,000
Issue of 1999 (2)	4/1/1999	\$ 3,295,000	4.10%	12/1/2006	\$ 260,000				
			4.20%	12/1/2007	265,000				
			4.20%	12/1/2008	275,000				
			4.25%	12/1/2009	280,000				
			4.35%	12/1/2010	295,000				
			4.45%	12/1/2011	305,000				
			4.50%	12/1/2012	300,000				
						2,230,000	-	250,000	1,980,000

(1) Beginning with the year 2013, amounts will be required to be placed in the Sinking Fund to provide for the mandatory redemption of the term bonds maturing in the year 2017. The bonds maturing prior to March 1, 2007 are not subject to redemption prior to their stated maturity. The bonds maturing on or after March 1, 2008 are subject to redemption prior to their stated maturity date, at the option of the Authority, commencing on March 1, 2007 as a whole or in part, at any time, upon notice, at the following redemption prices - March 1, 2007 to February 29, 2008 at 101%, March 1, 2008 and thereafter at 100%.

(2) The bonds maturing prior to December 1, 2009 are not subject to redemption prior to their stated maturity. The bonds maturing on or after December 1, 2009 are subject to redemption prior to their stated maturity date, at the option of the Authority, commencing on December 1, 2008 as a whole or in part, at any time, upon notice, at the following redemption prices - December 1, 2008 to November 30, 2009 at 101%, December 1, 2009 to November 30, 2010 at 100.5%, December 1, 2010 and thereafter at 100%.

(Continued)

SCHEDULE 5
(CONTINUED)

CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF SEWER REVENUE BONDS PAYABLE
DECEMBER 31, 2005 (CONTINUED)

ORIGINAL		INTEREST RATE	MATURITIES		BALANCE JANUARY 1, 2005	ISSUED 2005	PAID 2005	BALANCE DECEMBER 31, 2005
DATE	AMOUNT		DATE	AMOUNT				
Issue of 2001A (3)	11/15/2001	\$1,200,000	5.40%					
				12/1/2006	\$ 45,000			
				12/1/2007	45,000			
				12/1/2008	50,000			
				12/1/2009	50,000			
				12/1/2010	55,000			
				12/1/2011	55,000			
				12/1/2012	60,000			
				12/1/2013	60,000			
				12/1/2014	65,000			
				12/1/2015	70,000			
				12/1/2016	75,000			
				12/1/2017	75,000			
				12/1/2018	80,000			
				12/1/2019	85,000			
				12/1/2020	90,000			
				12/1/2021	95,000			
					1,095,000		40,000	1,055,000
					\$ 9,375,000	\$ -	\$ 615,000	\$ 8,760,000

(3) The Series 2001A Bonds are Term Bonds due December 31, 2021. The maturities reflected above represent mandatory sinking fund redemptions commencing on December 1, 2002 at the redemption price of par and shall be selected by lot from among the Bonds then subject to redemption.

The Bonds maturing prior to December 31, 2011 are not subject to redemption prior to their stated maturity. The Bonds maturing on or after December 31, 2011 are subject to redemption prior to their stated maturity commencing on December 31, 2010 by or on behalf of the Authority, upon published notice, as required by the Resolution as a whole or in part at any time, at a redemption price, expressed as a percentage of the principal amount of the Bonds or portion thereof to be redeemed of 100%.

SCHEDULE 6

CUMBERLAND COUNTY UTILITIES AUTHORITY
 SCHEDULE OF LOANS PAYABLE
 NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST - SERIES 2001B
 DECEMBER 31, 2005

	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE JANUARY 1, 2005	ISSUED 2005	PAID 2005	BALANCE DECEMBER 31, 2005
	DATE	AMOUNT		DATE	AMOUNT				
Trust Loan Agreement	10/15/2001	\$ 950,000	5.00%	8/1/2006	\$ 35,000				
			5.50%	8/1/2007	35,000				
			5.50%	8/1/2008	40,000				
			5.00%	8/1/2009	40,000				
			5.50%	8/1/2010	45,000				
			5.50%	8/1/2011	45,000				
			5.50%	8/1/2012	50,000				
			5.50%	8/1/2013	50,000				
			5.00%	8/1/2014	55,000				
			5.00%	8/1/2015	55,000				
			5.00%	8/1/2016	60,000				
			5.00%	8/1/2017	60,000				
			5.00%	8/1/2018	65,000				
			5.00%	8/1/2019	70,000				
			4.75%	8/1/2020	70,000				
			4.75%	8/1/2021	75,000				
						\$ 885,000	\$ -	\$ 35,000	\$ 850,000
Fund Loan Agreement	10/15/2001	\$ 1,000,000	N/A	2006	\$ 50,961				
				2007	49,824				
				2008	51,821				
				2009	50,393				
				2010	52,341				
				2011	50,734				
				2012	52,374				
				2013	50,587				
				2014	52,049				
				2015	50,263				
				2016	51,724				
				2017	49,776				
				2018	51,075				
				2019	52,211				
				2020	49,938				
				2021	51,027				
						869,196	-	52,098	817,098
						\$ 1,754,196	\$ -	\$ 87,098	\$ 1,667,098

ROSTER OF OFFICIALS

<u>Authority Members</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Nancy L. Sungenis	Chairperson	
James Hursey	Vice Chairman	
James Crilley	Commissioner	
Gregory Facemyer	Commissioner	
Robert Felmev	Commissioner	
Harvey L. Friedman	Commissioner	
Albert Jones	Commissioner	
Donald Olbrich	Commissioner	

Other Officials

Thelma D. Scott	Secretary	
James F. Quinn	Treasurer	\$ 75,000
Robert J. O'Donnell	General Counsel	
Robert Widdifield	Executive Director	
Patti McAllister	Assistant Secretary/Treasurer	

Surety Company

Hartford Accident and Indemnity Company

**CUMBERLAND COUNTY UTILITIES AUTHORITY
FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2005**

Finding #05-01

Condition

It was noted that while it is the Authority's practice to obtain business registration certificates from its vendors, in a few instances, business registration certificates were not available for examination.

Recommendation

The Authority should obtain and make available for examination the required business registration certificates from all applicable vendors.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2005**

NONE