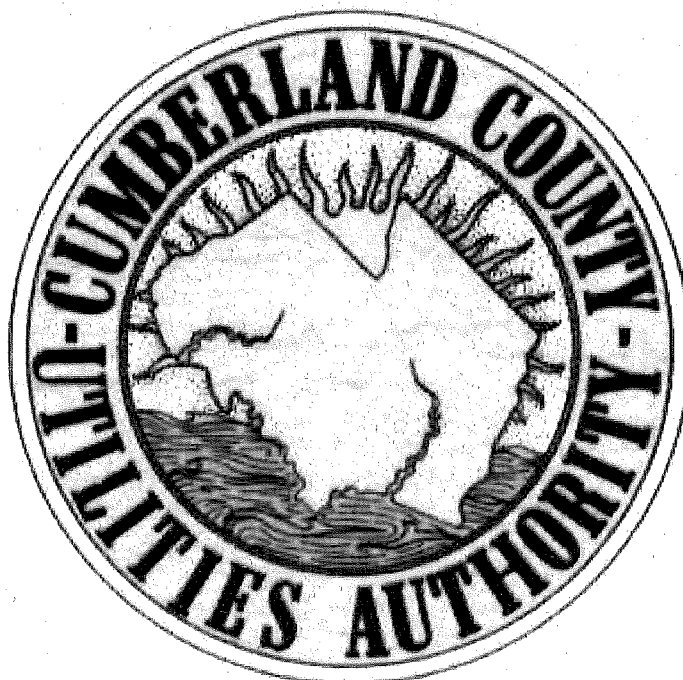


CUMBERLAND COUNTY UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2011 AND 2010



Romano, Hearing, Testa & Knorr
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

CUMBERLAND COUNTY UTILITIES AUTHORITY
AUDIT REPORT
YEARS ENDED DECEMBER 31, 2011 AND 2010

CUMBERLAND COUNTY UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2011 AND 2010

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CUMBERLAND COUNTY UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2011 AND 2010

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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 years ended December 31, 2011 and 2010 as listed in the table of contents. These financial statements are the responsibility of the Cumberland County Utilities 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 audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

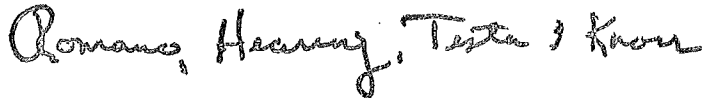
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cumberland County Utilities Authority as of December 31, 2011 and December 31, 2010, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2012 on our consideration of the Cumberland 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 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 considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Cumberland County Utilities Authority's financial statements 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. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* and is also not a required part of the financial statements of the Cumberland County Utilities Authority. The supplementary schedules and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

ROMANO, HEARING, TESTA & KNORR

A handwritten signature in cursive script that reads "Romano, Hearing, Testa & Knorr".

Certified Public Accountants

April 17, 2012

**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 years ended December 31, 2011 and 2010, and have issued our report thereon dated April 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements prescribed by 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cumberland County Utilities Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cumberland County Utilities Authority's internal control over financial reporting.

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

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

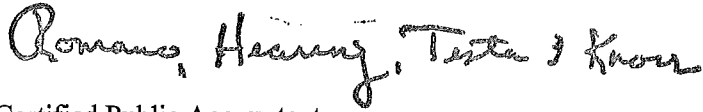
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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*.

We noted certain matters that we reported to management of the Cumberland County Utilities Authority in a separate letter dated April 17, 2012.

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

ROMANO, HEARING, TESTA & KNORR

Handwritten signature in cursive script that reads "Romano, Hearing, Testa & Knorr".

Certified Public Accountants

April 17, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR
A-133 AND NEW JERSEY OMB CIRCULAR 04-04**

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

Compliance

We have audited the Cumberland County Utilities Authority's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Cumberland County Utilities Authority's major state programs for the year ended December 31, 2011. The Cumberland County Utilities Authority's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the Cumberland County Utilities Authority's management. Our responsibility is to express an opinion on the Cumberland County Utilities Authority's compliance based on our audit.

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

In our opinion, the Cumberland County Utilities Authority, in the County of Cumberland, State of New Jersey, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended December 31, 2011.

Internal Control Over Compliance

Management of the Cumberland County Utilities Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs.

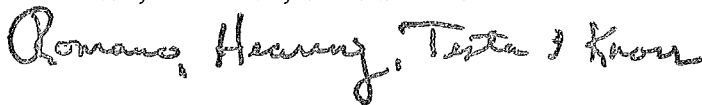
In planning and performing our audit, we considered the Cumberland County Utilities Authority's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cumberland County Utilities Authority's internal control over compliance.

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

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

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

ROMANO, HEARING, TESTA & KNORR



Certified Public Accountants

April 17, 2012

REQUIRED SUPPLEMENTARY INFORMATION

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, 2011. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Authority's Net Capital Assets increased by \$326,000 an increase of 2.07%.
- The Authority's Total Assets decreased by \$115,000 a decrease of 0.47%.
- During the year, the Authority's operating revenues increased by \$174,000 to \$6.224 million, a 10.52% increase, and operating expenses increased by \$63,000 to \$5.43 million, a 1.18% increase.
- The Authority's Net Assets increased by \$442,000, a 3.23% 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 \$442,000. 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)

	2011	2010	2009	2011-2010		2010-2009	
				Increase(Decrease)		Increase(Decrease)	
				\$	%	\$	%
Current Assets	\$ 2,578	\$ 1,582	\$ 1,848	\$ 996	62.96%	\$ (266)	-14.39%
Noncurrent Assets	21,899	23,010	21,916	(1,111)	-4.83%	1,094	4.99%
Total Assets	\$ 24,477	\$ 24,592	\$ 23,764	\$ (115)	-0.47%	\$ 828	3.48%
Current Liabilities	\$ 900	\$ 422	\$ 816	\$ 478	113.27%	\$ (394)	-48.28%
Current Liabilities Payable							
From Restricted Assets	1,616	1,506	1,372	110	7.30%	134	9.77%
Long-Term Liabilities	7,854	8,999	8,231	(1,145)	-12.72%	768	9.33%
Total Liabilities	\$ 10,370	\$ 10,927	\$ 10,419	\$ (557)	-5.10%	\$ 508	4.88%
Invested in Capital Assets							
Net of Related Debt	\$ 9,031	\$ 8,897	\$ 8,781	\$ 134	1.51%	\$ 116	1.32%
Restricted Net Assets	1,498	1,472	1,413	26	1.77%	59	4.18%
Unrestricted Net Assets	3,578	3,296	3,151	282	8.56%	145	4.60%
Total Net Assets	\$ 14,107	\$ 13,665	\$ 13,345	\$ 442	3.23%	\$ 320	2.40%

The 62.96% increase in current assets is primarily the result of increases in cash and cash equivalents, certain receivables and inventory.

The 4.83% decrease in non-current assets is the net result of increases in cash and cash equivalents and net capital assets and decreases in interest receivable, investments and other restricted receivables.

The 113.27% increase in current liabilities payable from unrestricted assets is the net result of decreases in accounts payable and increases in accrued liabilities and due to restricted net assets.

The 7.30% increase in current liabilities payable from restricted assets is the net result of increases in construction related payables, accrued interest payable on bonds and loans, deferred compensation due employees and the current portion of revenue bonds and loans payable, with decreases in restricted accounts payable and unearned connection fees.

The 12.72% decrease in long-term liabilities is the result of decreases in principal maturities on revenue bonds payable, the New Jersey Environmental Infrastructure Trust Loans payable and 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)

	2011	2010	2009	2011-2010		2010-2009	
				Increase(Decrease)	Increase(Decrease)	Increase(Decrease)	Increase(Decrease)
				\$	%	\$	%
Operating Revenue							
Treatment Fees	\$ 5,823	\$ 5,635	\$ 5,031	\$ 188	3.34%	\$ 604	12.01%
Septage Fees	298	293	243	5	1.71%	50	20.58%
Other Operating	103	122	81	(19)	-15.57%	41	50.62%
Nonoperating Revenue	85	60	117	25	41.67%	(57)	-48.72%
Total Revenue	\$ 6,309	\$ 6,110	\$ 5,472	\$ 199	3.26%	\$ 638	11.66%
Operating Expenses							
Cost of Providing Services	\$ 3,164	\$ 3,154	\$ 3,177	\$ 10	0.32%	\$ (23)	-0.72%
Administrative and General	1,225	1,179	1,162	46	3.90%	17	1.46%
Depreciation	1,042	1,035	1,048	7	0.68%	(13)	-1.24%
Non Operating Expense							
Interest and Amortization	436	422	447	14	3.32%	(25)	-5.59%
Total Expenses	\$ 5,867	\$ 5,790	\$ 5,834	\$ 77	1.33%	\$ (44)	-0.75%
Income Before Capital Contrib	\$ 442	\$ 320	\$ (362)	\$ 122	38.13%	\$ 682	-188.40%
Capital Contributions	-	-	-	-			
Change in Net Assets	\$ 442	\$ 320	\$ (362)	\$ 122	38.13%	\$ 682	-188.40%
Beginning Net Assets	\$ 13,665	\$ 13,345	\$ 13,707	\$ 320	2.40%	\$ (362)	-2.64%
Ending Net Assets	\$ 14,107	\$ 13,665	\$ 13,345	\$ 442	3.23%	\$ 320	2.40%

REVENUES

The Authority's total revenues are approximately \$6.309 million for the year ended December 31, 2011. Treatment Fees were \$5.823 million accounting for 92% of total revenue.

EXPENSES

Operating expenses include cost of providing services, which totaled \$3.164 million, a .32% increase and administrative and general expenses of \$1.225 million, a 3.9% increase.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2011, the Authority had \$16.062 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 6 to the financial statements. Total depreciation expense for the year was \$1.042 million.

The following tables summarize the Authority's capital assets, net of accumulated depreciation, and changes therein, for the year ended December 31, 2011.

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

	2011	2010	2009	2011-2010		2010-2009	
				Increase(Decrease)	%	Increase(Decrease)	%
	\$	\$	\$	\$	%	\$	%
Land	\$ 1,135	\$ 1,135	\$ 1,135	\$ -		\$ -	
Land Improvements	129	155	149	(26)	-16.77%	6	4.03%
Treatment Plant and Facilities	9,544	9,881	10,363	(337)	-3.41%	(482)	-4.65%
Pumping Stations and Interceptors	3,505	2,575	2,817	930	36.12%	(242)	-8.59%
Machinery and Equipment	1,385	1,506	1,673	(121)	-8.03%	(167)	-9.98%
Vehicles	341	375	410	(34)	-9.07%	(35)	-8.54%
Office Equipment	14	21	31	(7)	-33.33%	(10)	-32.26%
Construction in Progress	9	88	30	(79)	-89.77%	58	193.33%
Total	\$ 16,062	\$ 15,736	\$ 16,608	\$ 326	2.07%	\$ (872)	-5.25%

This year's additions (in millions) include:

Treatment Plant and Facilities.....	\$ 0.345
Pumping Stations and Interceptors.....	1.170

The Authority's FY 2012 capital budget plans for investing another \$270,000 in capital projects, including the following (in thousands):

Motor/Pump Replacement.....	\$50
Buildings and Grounds	20
Digester Cleaning.....	<u>200</u>
 TOTAL	 <u>\$270</u>

The Authority plans on funding the above capital projects using \$70,000 from year 2012 revenue and \$200,000 from Plant Reconstruction and Replacement funds.

Debt Administration

At December 31, 2011, the Authority had several outstanding bond issues and loans payable in the amount of \$9,112,985 that will mature in various amounts through the year 2030 with interest rates ranging from 3.8% to 5.5%. The Authority also has accrued compensated absences in the amount of \$52,674. More detailed information about long-term liabilities can be found in Note 9 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES

In an effort to maintain an adequate level of Unrestricted Net Assets, the Authority has found it necessary to increase our user rates. This rate increase will help to reduce reliance on Unrestricted Net Assets to supplement the budget. The proposed 2012 budget reflects a 2% increase in Sewerage Treatment Fees to the Users. The Connection Fee increased \$67 in the proposed Budget to \$2,700/DCU. In a continued effort to become more competitive and increase the number of gallons hauled to CCUA, Septage Fees will remain at 5 cents per gallon. The Industrial Pretreatment Program permit fee will remain at \$3,500. Increases in the overall revenues from these sources, a 1.1% reduction in expenditures from the 2011 Adopted Budget and growth in Hopewell and Upper Deerfield Township service areas will help to reduce reliance on Unrestricted Net Assets. The proposed Capital Projects for 2012 include \$270,000 of expenditures; \$200,000 will be funded from the Plant Reconstruction and Replacement Fund and will have no impact on user charges.

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 Director at the Cumberland County Utilities Authority, 333 Water Street, Bridgeton, NJ 08302.

BASIC FINANCIAL STATEMENTS

**CUMBERLAND COUNTY UTILITIES AUTHORITY
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2011 AND 2010**

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS - UNRESTRICTED:		
Cash and Cash Equivalents	\$ 2,429,599	\$ 1,498,761
Accounts Receivable (Net of Allowance of \$5,968 and \$2,102)	42,442	18,985
Other Receivables	18,532	
Inventory	<u>87,674</u>	<u>64,614</u>
Total Current Assets - Unrestricted	<u>2,578,247</u>	<u>1,582,360</u>
NONCURRENT ASSETS:		
Restricted:		
Accounts Required by the Authority's Bond Resolutions:		
Cash and Cash Equivalents	894,042	867,261
Investments	1,485,822	1,891,354
Interest Receivable	4,766	5,282
Other Restricted Accounts:		
Cash and Cash Equivalents	517,718	330,369
Investments	1,334,854	1,854,611
Interest Receivable	4,477	5,080
Due from New Jersey Environmental Infrastructure Trust	629,399	1,813,785
Due from Unrestricted Assets	593,761	100,073
Deferred Compensation Benefit Investments	<u>248,912</u>	<u>236,439</u>
Total Restricted Assets	5,713,751	7,104,254
Unamortized Debt Issue Costs	122,728	169,160
Capital Assets, Net	<u>16,062,169</u>	<u>15,736,446</u>
Total Noncurrent Assets	<u>21,898,648</u>	<u>23,009,860</u>
TOTAL ASSETS	<u>\$ 24,476,895</u>	<u>\$ 24,592,220</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2011 AND 2010**

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:		
Accounts Payable - Operations	\$ 136,241	\$ 162,236
Accrued Liabilities	170,076	159,691
Due to Restricted Assets	<u>593,761</u>	<u>100,073</u>
Total Current Liabilities Payable From Unrestricted Assets	<u>900,078</u>	<u>422,000</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Accounts Payable - Restricted		34,211
Construction Accounts Payable	900	3,985
Construction Contracts Payable	40,709	
Retainage Payable	19,152	
Sewer Revenue Bonds Payable - Current Portion	1,010,000	985,000
New Jersey Environmental Infrastructure Trust Loans Payable - Current Portion	180,108	127,557
Sensor Escrow	5,000	5,000
Unearned Connection Fees		5,900
Accrued Interest Payable - Bonds and Loans	111,352	108,129
Deferred Compensation Benefit Due Employees	<u>248,912</u>	<u>236,439</u>
Total Current Liabilities Payable From Restricted Assets	<u>1,616,133</u>	<u>1,506,221</u>
LONG-TERM LIABILITIES:		
Sewer Revenue Bonds Payable - Non Current Portion	5,058,636	6,014,909
New Jersey Environmental Infrastructure Trust Loans Payable - Non Current Portion	2,742,398	2,925,054
Accrued Compensated Absences	<u>52,674</u>	<u>58,946</u>
Total Long-Term Liabilities	<u>7,853,708</u>	<u>8,998,909</u>
Total Liabilities	<u>10,369,919</u>	<u>10,927,130</u>
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	9,030,783	8,897,069
Restricted:		
Current Debt Service	786,798	748,474
Future Debt Service	111,758	123,610
Renewal and Replacement	600,000	600,000
Unrestricted	<u>3,577,637</u>	<u>3,295,937</u>
Total Net Assets	<u>14,106,976</u>	<u>13,665,090</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 24,476,895</u>	<u>\$ 24,592,220</u>

See Accompanying Notes to Financial Statements

**CUMBERLAND COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
OPERATING REVENUE:		
Treatment Fees	\$ 5,823,132	\$ 5,634,714
Septage Fees	298,392	292,733
Service Fees	17,747	18,310
Lab Fees	692	950
Finance Charges	2,258	4,441
Industrial Pretreatment Program Revenue	37,500	38,500
Other Operating Income	44,836	60,066
	<u>6,224,557</u>	<u>6,049,714</u>
Total Operating Revenue		
OPERATING EXPENSES:		
Cost of Providing Services	3,164,393	3,154,394
Administrative and General	1,225,502	1,178,866
Depreciation	1,041,684	1,034,832
	<u>5,431,579</u>	<u>5,368,092</u>
Total Operating Expenses		
OPERATING INCOME	<u>792,978</u>	<u>681,622</u>
NON-OPERATING REVENUE (EXPENSES):		
Connection Fees	50,661	22,420
Interest Income	43,247	49,384
Interest Expense	(393,275)	(404,070)
Amortization of Debt Issue Costs	(43,183)	(17,692)
Loss on Disposal of Capital Assets	(24,927)	(18,524)
Increase in Fair Value of Investments	16,385	7,014
	<u>(351,092)</u>	<u>(361,468)</u>
Total Non-Operating Revenue (Expenses)		
CHANGE IN NET ASSETS	441,886	320,154
TOTAL NET ASSETS-BEGINNING	<u>13,665,090</u>	<u>13,344,936</u>
TOTAL NET ASSETS-ENDING	<u>\$ 14,106,976</u>	<u>\$ 13,665,090</u>

See Accompanying Notes to Financial Statements

**CUMBERLAND COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers and Users	\$ 6,141,699	\$ 6,019,861
Cash Payments to Suppliers for Goods and Services	(1,547,816)	(1,577,440)
Cash Payments for Employee Services	(2,857,878)	(2,756,482)
Other Receipts (Payments)	34,573	39,904
	<u>1,770,578</u>	<u>1,725,843</u>
Net Cash Provided by Operating Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(1,416,131)	(175,518)
Connection Fees Received	34,229	28,320
Proceeds from Sale of Fixed Assets	43,740	4,598
Proceeds from NJEIT Funds	1,184,386	
Principal Paid on Bonds	(985,000)	(950,000)
Principal Paid on Loans Payable	(127,557)	(97,341)
Interest Paid on Bonds and Loans	(345,319)	(348,640)
	<u>(1,611,652)</u>	<u>(1,538,581)</u>
Net Cash Used by Capital and Related Financing Activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investment Securities	(772,540)	(1,838,410)
Proceeds from Sale and Maturities of Investment Securities	1,714,214	2,123,409
Interest Received on Non-Operating Investments	44,368	52,516
	<u>986,042</u>	<u>337,515</u>
Net Cash Provided by Investing Activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,144,968	524,777
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>2,696,391</u>	<u>2,171,614</u>
CASH AND CASH EQUIVALENTS-END OF YEAR	<u>\$ 3,841,359</u>	<u>\$ 2,696,391</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 792,978	\$ 681,622
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,041,684	1,034,832
Increase (Decrease) in Cash Resulting From Changes in:		
Accounts Receivable	(23,457)	9,952
Other Receivable - Operations	(18,532)	
Inventory	(23,060)	(21,191)
Accounts Payable - Non Capital	(3,148)	3,488
Accrued Liabilities	10,385	11,439
Sensor Escrow		100
Accrued Compensated Absences	(6,272)	5,601
Total Adjustments	977,600	1,044,221
Net Cash Provided by Operating Activities	\$ 1,770,578	\$ 1,725,843

NOTES TO THE FINANCIAL STATEMENTS

CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

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 has not delivered any flows to the Authority through December 31, 2011, and therefore, has not been required to pay any service charges. On May 19, 2011, the Authority and the Cumberland County Improvement Authority mutually agreed to terminate their Service Contract, subsequently entering into a Volume Waste Hauler Agreement.

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, 2011 AND 2010**

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 service fees, lab fees, finance charges, industrial pretreatment program revenues and miscellaneous operating income as operating revenue. Operating expenses include cost of providing services, administrative and general expenses and depreciation. All revenues and expenses 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.

C. Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. The budget must be introduced by the governing body at least 60 days prior to the end of the current fiscal year, and adopted no later than the beginning of the Authority’s fiscal year. The budget is adopted on the accrual basis of accounting with provisions for cash payments

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgets and Budgetary Accounting (Continued)

for bond principal. Depreciation and amortization expense are not included as budget appropriations. The Authority may make budget transfers and amendments at any time, which must be approved by resolution of the Authority and by the State of New Jersey Division of Local Government Services if the legal level line items are affected. Detailed line item transfers not affecting the legal level line items may be made by management at any time. There are no statutory provisions that budgetary line items not be over-expended.

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 one year.

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 has 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	2 - 20 years
Office furniture	5 - 10 years
Vehicles	5 - 15 years

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

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, 2011 AND 2010**

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, 2011 AND 2010**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Bond/Loan Premiums, Discounts, Debt Issuance Costs and Deferred Amount on Refunding

Bond and loan premiums and discounts, as well as debt issuance costs and deferred amount on refunding are deferred and amortized over the life of the bonds using the interest method. Bonds and loans payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Debt issuance costs are reported as noncurrent assets and amortized over the term of the related debt.

I. Inventory

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

J. 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, 2011 AND 2010**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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.

K. 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.

L. Postemployment Benefits Other than Pensions

In 2009 the Authority implemented Governmental Accounting Standards Board (GASB) Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*. Since the Authority participates in a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pension and Benefits, the Authority's portion of this liability and cost is calculated and recorded at the State of New Jersey level and included in the State's Comprehensive Annual Financial Report. The Authority records its other postemployment benefits cost (expense) based on billings from the State of New Jersey PERS. Required financial statement disclosures are included in Note 20.

M. Subsequent Events

Management has evaluated subsequent events through April 17, 2012, the date the financial statements were available for issue.

NOTE 3 CASH AND CASH EQUIVALENTS

At December 31, 2011, the carrying amount and bank balance of the Authority's time and demand deposits were \$399,512 and \$508,289, 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 2, 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, 2011, all of the Authority's bank balance of \$508,289 was insured or collateralized.

In addition to the bank deposits described above, the Authority also had \$3,441,832 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.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

At December 31, 2011 the Authority had \$15 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.

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 \$2,820,676 investments in U.S. Treasury obligations and agencies are held in the name of the counterparty, as trustee for the Authority, 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. Eighty-eight percent (88%) of the Authority’s investments are in U.S. Treasury Notes and twelve percent (12%) are in U.S. Treasury Bonds.

As of December 31, 2011, the Authority had the following investments and maturities:

Investment	Rating	Total Fair Value	Investment Maturities (in Years)		
			Less than 1	1-5	6-10
U.S. Treasury Notes	N/A	\$ 1,224,486	\$ 1,224,486	\$	\$
U.S. Treasury Notes	N/A	1,266,338		1,266,338	
U.S. Treasury Bonds	N/A	329,852		329,852	
Total Investments		\$ 2,820,676	\$ 1,224,486	\$ 1,596,190	\$ -

As of December 31, 2010, the Authority had the following investments and maturities:

Investment	Rating	Total Fair Value	Investment Maturities (in Years)		
			Less than 1	1-5	6-10
U.S. Treasury Bill	N/A	\$ 249,387	\$ 249,387	\$	\$
U.S. Treasury Notes	N/A	3,496,578	1,469,375	2,027,203	
Total Investments		\$ 3,745,965	\$ 1,718,762	\$ 2,027,203	\$ -

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 5 DUE FROM NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

As described in Note 9, during 2010, the Authority received loans from the State of New Jersey under the New Jersey Environmental Infrastructure Trust Program ("Trust"). The Trust acts in a trustee capacity for the borrowed funds committed to the Authority. As of December 31, 2011, \$629,399 was due to the Authority.

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance <u>January 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>December 31, 2011</u>
Non-Depreciable				
Capital Assets:				
Land	\$ 1,135,342	\$	\$	\$ 1,135,342
Construction in Progress	<u>87,771</u>	<u>1,364,746</u>	<u>(1,443,617)</u>	<u>8,900</u>
Total Non-Depreciable Capital Assets	<u>1,223,113</u>	<u>1,364,746</u>	<u>(1,443,617)</u>	<u>1,144,242</u>
Depreciable Capital Assets:				
Land Improvements	517,677			517,677
Treatment Plant	23,286,395	303,449	(200,000)	23,389,844
Pumping Stations and Interceptors	6,465,404	1,170,095		7,635,499
Machinery and Equipment	3,543,219	41,403	(33,357)	3,551,265
Vehicles	881,016		(9,850)	871,166
Office Equipment	<u>170,547</u>			<u>170,547</u>
Total Depreciable Capital Assets	<u>34,864,258</u>	<u>1,514,947</u>	<u>(243,207)</u>	<u>36,135,998</u>
Less: Accumulated Depreciation:				
Land Improvements	362,338	26,398		388,736
Treatment Plant	13,405,161	571,610	(131,331)	13,845,440
Pumping Stations and Interceptors	3,890,902	239,646		4,130,548
Machinery and Equipment	2,036,835	163,218	(33,357)	2,166,696
Vehicles	506,377	33,614	(9,850)	530,141
Office Equipment	<u>149,312</u>	<u>7,198</u>		<u>156,510</u>
Total Accumulated Depreciation	<u>20,350,925</u>	<u>1,041,684</u>	<u>(174,538)</u>	<u>21,218,071</u>
Net Depreciable Capital Assets	<u>14,513,333</u>	<u>473,263</u>	<u>(68,669)</u>	<u>14,917,927</u>
Total Capital Assets, Net	<u>\$ 15,736,446</u>	<u>\$ 1,838,009</u>	<u>(\$ 1,512,286)</u>	<u>\$ 16,062,169</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 7 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 the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

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. Through October 1, 2011, members contributed at a uniform rate of 5.5% of their annual covered salary. Effective October 1, 2011, pursuant to the provisions of Chapter 78, P.L. 2011, member contributions increased to 6.5% of the member's annual covered salary. A further increase, from 6.5% to 7.5%, is scheduled to be phased in equally each year (0.14% per year) beginning July 2012 until the 7.5% is reached in July 2018. 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.

For 2011 the Authority had \$182,340 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>
12/31/11	\$ 182,340	100%	\$ -
12/31/10	164,842	100%	-
12/31/09	138,897	100%	-

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 8 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	\$ 300,264	\$ 1,414,629
Required Amount	<u>898,150</u>	<u>1,380,152</u>
	<u>(\$ 597,886)*</u>	<u>\$ 34,477</u>

* Result of timing differences – additions were made in January 2012.

NOTE 9 LONG-TERM LIABILITIES

A. Bonds Payable

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 advance refund the Authority's Sewer Revenue Bonds (Series 1992) then outstanding in the aggregate principal amount of \$3,170,000, fund a Bond Reserve Fund, and pay certain costs and expenses associated with the issuance of the Bonds. The outstanding balance of the Series 1999 Bonds in the amount of \$300,000 with an interest rate of 4.50% will mature in 2012.

In April 2006, the Authority issued its Sewer Revenue Refunding Bonds (Series 2006A), in the principal amount of \$6,055,000. The proceeds derived from the issuance and sale of the Bonds were used to advance refund the \$5,020,000 aggregate principal amount of Sewer Revenue Refunding Bonds, Series 1997, originally issued in the aggregate principal amount of \$7,915,000, dated September 1, 1997 and maturing on March 1 in each of the years 2011 through 2017, inclusive, advance refund \$810,000 aggregate principal amount of Sewer Revenue Bonds, Series 2001A, originally issued in the aggregate principal amount of \$1,200,000, dated November 15, 2001 and maturing on December 1 in each of the years 2012 through 2021, inclusive and pay the costs and expenses associated with the issuance of the Bonds.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

The Series 2006A Bonds maturing on or before March 1, 2016 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after March 1, 2017 shall be redeemable at the option of the Authority in whole or in part at any time on any date on or after March 1, 2016, at par, plus in each case accrued interest to the date fixed for redemption. The Series 2006A Bonds maturing on March 1, 2021 are subject to mandatory sinking fund redemption on March 1 in each year at the redemption price equal to the principal portion thereof being redeemed.

The outstanding balance of the Series 2006A Bonds consist of serial bonds that mature in various amounts ranging from \$565,000 to \$710,000 with an interest rate of 4.00% from 2011 to 2017 and a term bonds due from 2018-2021 in the principal amounts ranging from \$70,000 to \$85,000 with an interest rate of 4.00%.

In April 2006, the Authority issued its Sewer Revenue Bonds (Series 2006B), in the principal amount of \$2,430,000 to provide funds for certain capital improvements, to fund the amount required to be deposited in the bond reserve fund and to pay the costs and expenses associated with the issuance of the bonds.

The Series 2006B Bonds maturing prior to March 1, 2017 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after March 1, 2017 shall be redeemable at the option of the Authority in whole or in part at any time on any date on or after March 1, 2016, at par, plus in each case accrued interest to the date fixed for redemption. The Series 2006B Bonds maturing on March 1, 2014, 2016, 2018 and 2021 are subject to mandatory sinking fund redemption on March 1 in each year at the redemption price equal to the principal portion thereof being redeemed plus the interest portion thereon accrued to the date of redemption.

The outstanding balance of the Series 2006B Bonds consist of serial bonds that mature in 2012 in amount of \$145,000, with an interest rate 3.80%, and term bonds maturing in various amounts ranging from \$155,000 to \$210,000 with interest rates ranging from 4.00% to 4.20% from 2013 to 2021.

B. Loans Payable

The Authority 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. In 2007 the Trust issued its Series 2007A Wastewater Treatment Refunding Bonds partially refunding the Series 2001 Bonds, which will result in savings credits to be applied to the Authority's interest payments in 2012 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 of \$511,023 is included in loans payable as of December 31, 2011.

The Authority issued 2010 Series A and B bonds, dated December 2, 2010 to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance the replacement of the lower portion of the Upper Deerfield sewer force main.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

The allowable costs for this project total \$1,813,785 which are to be funded with \$875,000 of Series A bonds and \$938,785 of Series B bonds. The Authority is drawing down the financing proceeds as construction progresses. The maximum financing from the trust will not exceed \$875,000 and repayment will commence August 1, 2012 with the final payment on August 1, 2030. The zero interest financing from the State will not exceed \$938,785. The principal payments commenced on August 1, 2011 with the final payment on August 1, 2030.

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.

The following is a summary of changes in long-term liabilities for the year ended December 31, 2011:

<u>Type of Debt</u>	<u>Balance December 31, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2011</u>	<u>Amounts Due Within One Year</u>
Revenue Bonds Payable:					
Series 2006A	\$ 4,675,000	\$	\$ 540,000	\$ 4,135,000	\$ 565,000
Series 2006B	1,915,000		140,000	1,775,000	145,000
Series 1999	<u>605,000</u>		<u>305,000</u>	<u>300,000</u>	<u>300,000</u>
	7,195,000		985,000	6,210,000	1,010,000
Add:					
Unamortized Premium	14,747		3,590	11,157	
Less:					
Unamortized Original Issue Discount	(6,135)		(1,312)	(4,823)	
Unamortized Deferred Amount on Refunding	<u>(203,703)</u>		<u>(56,005)</u>	<u>(147,698)</u>	
Total Revenue Bonds Payable	<u>6,999,909</u>		<u>931,273</u>	<u>6,068,636</u>	<u>1,010,000</u>
Loans Payable:					
Series 2001B Trust Agreement	655,000		45,000	610,000	50,000
Series 2001B Fund Agreement	561,757		50,734	511,023	52,373
Series 2010 Trust Agreement	875,000			875,000	30,000
Series 2010 Fund Agreement	<u>938,785</u>		<u>31,823</u>	<u>906,962</u>	<u>47,735</u>
	3,030,542		127,557	2,902,985	180,108
Add:					
Unamortized Premium	<u>22,069</u>		<u>2,548</u>	<u>19,521</u>	
Total Loans Payable	<u>3,052,611</u>		<u>130,105</u>	<u>2,922,506</u>	<u>180,108</u>
Accrued Compensated Absences	<u>58,946</u>		<u>6,272</u>	<u>52,674</u>	
Total Long Term Liabilities	<u>\$ 10,111,466</u>	<u>\$</u>	<u>\$ 1,067,650</u>	<u>\$ 9,043,816</u>	<u>\$ 1,190,108</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

The annual debt service requirements to maturity, including principal and interest, for revenue bonds and loans payable as of December 31, 2011 are as follows:

Year Ending <u>December 31</u>	<u>Revenue Bonds</u>		<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,010,000	\$ 237,140	\$ 180,108	\$ 73,592
2013	745,000	194,685	178,322	69,341
2014	780,000	164,185	184,784	65,091
2015	815,000	132,285	187,998	58,136
2016	865,000	98,688	194,459	53,535
2017 - 2021	1,995,000	139,465	1,037,700	192,807
2022 - 2026			493,675	95,494
2027 - 2030			445,939	22,750
	<u>\$ 6,210,000</u>	<u>\$ 966,448</u>	<u>\$ 2,902,985</u>	<u>\$ 630,746</u>

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.

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.

At December 31, 2011 and 2010, the participants had invested \$248,912 and \$236,439 in the Plan, respectively.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 11 SUMMARY OF BUDGETARY EXPENDITURES BY WASTE CHARACTERIZATION FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Total</u>	<u>Operating Expenditures Amount</u>	<u>%</u>	<u>Debt Service, Capital Outlay Amount</u>	<u>%</u>
Quantity	\$ 2,080,640	\$ 1,435,981	32.71	\$ 644,659	35.90
Chemical Oxygen Demand	2,022,818	1,444,600	32.91	578,218	32.20
Suspended Solids	1,939,041	1,477,543	33.66	461,498	25.70
Chlorine Demand	<u>143,105</u>	<u>31,771</u>	<u>0.72</u>	<u>111,334</u>	<u>6.20</u>
Total	<u>\$ 6,185,604</u>	<u>\$ 4,389,895</u>	<u>100.00</u>	<u>\$ 1,795,709</u>	<u>100.00</u>

NOTE 12 INTEREST EXPENSE

	<u>2011</u>	<u>2010</u>
Interest on Bonds, Notes and Loans	\$ 342,096	\$ 343,473
Add: Amortization of Original Issue Discount	1,312	1,581
Amortization of Deferred Amount on Refunding	56,005	65,877
Less: Amortization of Premium – Bonds and Loans	<u>(6,138)</u>	<u>(6,861)</u>
Net Interest Expense	<u>\$ 393,275</u>	<u>\$ 404,070</u>

NOTE 13 ARBITRAGE RULES

The Authority is subject to certain arbitrage rules added to the Internal Revenue Code in 1969 and amended by TEFRA in 1992 and by the 1986 TRA. Under these rules, interest earnings on certain investments of proceeds of the Authority's bonds are subject to the limitations imposed by the arbitrage provisions of the Internal Revenue Code. The Authority is required to rebate certain arbitrage profits on non-purpose investments at least once every five years. At December 31, 2011, there were no material arbitrage profits subject to rebate.

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 eighty-one percent (81%) of its User Charge revenues from the City of Bridgeton.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 16 RESTRICTED NET ASSETS

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

		2011		2010
Current Debt Service	\$	786,798	\$	748,474
Future Debt Service		111,758		123,610
Renewal and Replacement		600,000		600,000

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, 2011 and 2010 is \$1,850,840 and \$2,183,878, respectively.

There were no unrestricted net assets designated for subsequent year's expenditures at December 31, 2011 and 2010.

NOTE 18 COMPLIANCE WITH GENERAL BOND RESOLUTION

Section 720 of the Authority's General Bond Resolution requires that the Authority calculate, certify and charge rates (service charges) so that the total Revenues, as defined in the Resolution, shall at least equal the amount of all Operating Expenses for the fiscal year, plus the amount required to pay the principal of and interest on Outstanding Bonds as the same become due and payable. Revenues for the years 2011 and 2010, as defined in the Authority's General Bond Resolution, were greater than the total of Operating Expenses paid plus Debt Service paid. As a result, the Authority met the rate covenant contained in Section 720 of the Authority's General Bond Resolution.

NOTE 19 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Authority contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 1990 and 1996 the Authority adopted resolutions authorizing participation in the SHBP's post-retirement benefit program. Pursuant to those resolutions, the Authority pays 100% of the premium charges for the benefits provided to certain eligible pensioners who retire with 25 years or more of service in the retirement system and their dependents, including surviving spouses, covered by the New Jersey SHBP and reimburses retired employees and their spouses for their premium charges under Part B of the Federal Medicare Program.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 19 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/pdf/financial/gasb-43-aug2011.pdf

Funding Policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to and paid by the Authority on a monthly basis. Plan members are not required to contribute to the cost of those premiums.

The Authority contributions to SHBP for retirees for the years ended December 31, 2011, 2010, and 2009, were \$126,017, \$95,951, and \$92,402, respectively, which equaled the required contributions for each year. There were approximately 12, 11, and 11 retired participants eligible at December 31, 2011, 2010, and 2009, respectively.

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, 2011

	INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	UNRESTRICTED			RESTRICTED			TOTALS (MEMO)	
		UNDESIGNATED	DESIGNATED- SUBSEQUENT YEARS EXPENDITURES	DESIGNATED- FUTURE PLANT RECONSTRUCTION OR REPLACEMENT	CURRENT DEBT SERVICE	FUTURE DEBT SERVICE	RENEWAL AND REPLACE- MENT	2011	2010
OPERATING REVENUE:									
Treatment Fees	\$	\$ 5,823,132	\$	\$	\$	\$	\$	\$ 5,823,132	\$ 5,634,714
Septage Fees		298,392						298,392	292,733
Lab Fees		692						692	950
Service Fees		17,747						17,747	18,310
Finance Charges		2,258						2,258	4,441
Industrial Pretreatment Program Revenue		37,500						37,500	38,500
Other Operating Income		44,836						44,836	60,066
		6,224,557						6,224,557	6,049,714
OPERATING EXPENSES:									
Cost of Providing Services		3,164,393						3,164,393	3,154,394
Administrative and General		1,225,502						1,225,502	1,178,866
Depreciation		1,041,684						1,041,684	1,034,832
		5,431,579						5,431,579	5,368,092
		792,978						792,978	681,622
OPERATING INCOME									
NON-OPERATING REVENUE									
(EXPENSES):									
Connection Fees		50,661						50,661	22,420
Interest Income		9,543						43,247	49,384
Interest Expense		(393,275)		15,268	26	13,297	5,113	(393,275)	(404,070)
Amortization of Debt Issue Costs		(43,183)						(43,183)	(17,692)
Loss on Disposal of Capital Assets		(24,927)						(24,927)	(18,524)
Investment Income				929	14,847	609		16,385	7,014
		(401,181)		16,197	14,873	13,297	5,722	(351,092)	(361,468)
INCOME BEFORE CONTRIBUTIONS									
AND TRANSFERS									
Investment Income				16,197	14,873	13,297	5,722	441,886	320,154
Increase (Decrease) in Debt Service Requirement		33,892			(14,873)	(13,297)	(5,722)	-	-
Other Transfers		(38,324)			38,324			-	-
		227,373		(349,235)		(11,852)			
	133,714								
INCREASE (DECREASE) IN									
NET ASSETS									
	133,714			(333,038)	38,324	(11,852)	-	441,886	320,154
NET ASSETS - JANUARY 1,									
	8,897,069			2,183,878	748,474	123,610	600,000	13,665,090	13,344,936
NET ASSETS - DECEMBER 31,									
	\$ 9,030,783	\$ 1,726,797	\$ 1,850,840	\$ 786,798	\$ 111,758	\$ 600,000	\$ 14,106,976	\$ 13,665,090	\$ 13,665,090

**CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED ACCOUNTS
YEAR ENDED DECEMBER 31, 2011**

	<u>REVENUE ACCOUNT</u>	<u>OPERATING ACCOUNT</u>	<u>GENERAL ACCOUNT</u>	<u>TOTAL</u>
CASH AND INVESTMENTS - JANUARY 1, 2011	\$ 53,233	\$ 1,427,191	\$ 18,337	\$ 1,498,761
CASH RECEIPTS:				
Treatment Fees	5,725,016			5,725,016
Septage Fees	369,436			369,436
Industrial Pretreatment Program Revenue	29,500			29,500
Interest on Investments	3,719	5,783	2	9,504
Finance Charges	2,007			2,007
Other Income	88,465			88,465
Connection Fees	34,229			34,229
Transfers - Unrestricted Accounts	(3,750,507)	3,750,507		-
Transfers from Restricted Accounts	18,687		556,008	574,695
Other Receivables/Reimbursements	8,101			8,101
Total Cash and Investments Available	<u>2,581,886</u>	<u>5,183,481</u>	<u>574,347</u>	<u>8,339,714</u>
CASH DISBURSEMENTS:				
Operations		4,397,729		4,397,729
Transfers to Restricted Accounts	932,499		122,000	1,054,499
Construction In Progress		286,225		286,225
Debt Service Payment			64,514	64,514
Fixed Assets Purchased from Operations	-	107,148		107,148
Total Cash Disbursed	<u>932,499</u>	<u>4,791,102</u>	<u>186,514</u>	<u>5,910,115</u>
CASH AND INVESTMENTS - DECEMBER 31, 2011	<u>\$ 1,649,387</u>	<u>\$ 392,379</u>	<u>\$ 387,833</u>	<u>\$ 2,429,599</u>
BALANCE COMPRISED OF:				
Cash and Cash Equivalents:				
Non-Interest Bearing	\$ 500	\$ 500	\$ 500	\$ 500
Interest Bearing	1,649,387	391,879	387,833	2,429,099
	<u>\$ 1,649,387</u>	<u>\$ 392,379</u>	<u>\$ 387,833</u>	<u>\$ 2,429,599</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, 2011

	ACCOUNTS REQUIRED BY BOND/LOAN RESOLUTIONS				OTHER ACCOUNTS		
	BOND SERVICE	BOND RESERVE	RENEWAL AND REPLACEMENT	NJEIT PROJECT	PLANT RECONSTRUCTION OR REPLACEMENT	SENSOR ESCROW	TOTAL
CASH AND INVESTMENTS - JANUARY 1, 2011	\$ 754,654	\$ 1,403,254	\$ 598,298	-	\$ 2,165,634	\$ 6,181	\$ 4,928,021
CASH RECEIPTS:							
Interest Received	27	13,714	5,213	10	15,871	28	34,863
NJEIT Proceeds		608	255	1,184,386	1,593		1,184,386
Realized Gain on Sale of Investments							2,456
Transfers from Unrestricted Accounts	932,499			122,000			1,054,499
Total Cash and Investments Available	1,687,180	1,417,576	603,766	1,306,396	2,183,098	6,209	7,204,225
CASH DISBURSEMENTS:							
Transfers to Unrestricted Accounts		16,080	2,607	206,772	349,236		574,695
Cost of Issuance				30,961			30,961
Construction In Progress				1,008,720			1,008,720
Debt Service Payment	1,386,916						1,386,916
Total Cash Disbursements	1,386,916	16,080	2,607	1,246,453	349,236	-	3,001,292
CASH AND INVESTMENTS - DECEMBER 31, 2011	\$ 300,264	\$ 1,401,496	\$ 601,159	\$ 59,943	\$ 1,833,862	\$ 6,209	\$ 4,202,933
BALANCE COMPRISED OF:							
Cash and Cash Equivalents:							
Interest Bearing Investments (At Cost):	\$ 300,264	\$ 381,229	\$ 152,606	\$ 59,943	\$ 511,509	\$ 6,209	\$ 1,411,760
U.S. Government Obligations		1,020,267	448,553		1,322,353		2,791,173
	\$ 300,264	\$ 1,401,496	\$ 601,159	\$ 59,943	\$ 1,833,862	\$ 6,209	\$ 4,202,933

CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010

	2011 BUDGET	2011 ACTUAL	2010 ACTUAL
REVENUES:			
Plant Reconstruction & Replacement Funds	\$ 447,015	\$ 349,235	\$ -
Sewerage Treatment Fees	5,823,132	5,823,132	5,634,714
Septage Fees	235,000	298,392	292,733
Connection Fees	10,000	50,661	22,420
Other Income		44,836	60,066
Investment Income	20,200	27,979	30,199
Finance Charges		2,258	4,441
Lab Fees		692	950
Industrial Pretreatment Program Fees	24,500	37,500	38,500
Service Fees	6,500	17,747	18,310
Total Revenues	\$ 6,566,347	\$ 6,652,432	\$ 6,102,333
EXPENSES:			
Costs of Providing Services:			
Salaries and Wages	\$ 1,389,500	\$ 1,342,807	\$ 1,375,932
Employee Benefits	747,400	728,223	638,975
Automotive Expense	25,000	31,466	22,033
Chemicals Used in Treatment	89,500	81,896	84,337
Fuels and Lubricants	87,500	86,088	74,964
Utilities	539,000	545,702	494,274
Materials and Supplies	44,000	40,580	41,417
Repairs and Replacements	119,000	87,253	125,260
Sludge Disposal	266,000	175,277	232,589
Laboratory Expenses	42,000	33,845	57,442
Other Operations and Maintenance Expenses	3,000	5,800	2,886
Industrial Pretreatment Program	6,000	5,456	4,285
	3,357,900	3,164,393	3,154,394

CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2011

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2011</u> <u>BUDGET</u>	<u>2011</u> <u>ACTUAL</u>	<u>2010</u> <u>ACTUAL</u>
EXPENSES (CONTINUED):			
Administrative and General Expenses:			
Salaries and Wages	\$ 436,800	\$ 433,152	\$ 435,005
Employee Benefits	362,800	352,509	331,654
Office Supplies and Expense	33,700	29,404	27,669
Professional Services	179,500	156,120	142,537
Insurance	77,200	79,659	63,227
Travel, Conferences and Education	15,800	8,534	11,232
Utilities	48,500	44,542	40,277
Dues and Subscriptions	8,000	7,168	6,957
Maintenance of General Property	40,000	28,101	36,108
Permits and Fees	76,500	78,706	80,102
Provision for Bad Debts	2,000	3,866	
Other Administrative Fees	5,500	3,741	4,098
	<u>1,286,300</u>	<u>1,225,502</u>	<u>1,178,866</u>
Interest Expense	<u>344,290</u>	<u>342,096</u>	<u>343,473</u>
OTHER COSTS FUNDED BY REVENUES:			
Principal Maturities	1,112,557	1,112,557	1,047,341
Capital Outlays	465,300	341,057	174,092
	<u>1,577,857</u>	<u>1,453,614</u>	<u>1,221,433</u>
TOTAL COSTS FUNDED BY REVENUES	<u>6,566,347</u>	<u>6,185,605</u>	<u>5,898,166</u>
REVENUES OVER (UNDER) COSTS FUNDED BY REVENUES	<u>\$ -</u>	<u>466,827</u>	<u>204,167</u>
Reconciliation of Budgetary Basis to Change in Net Assets:			
Adjustments to Budgetary Basis:			
Interest Income not used for Operations		15,268	19,185
Capital Outlays		341,057	174,092
Principal Maturities		1,112,557	1,047,341
Increase (Decrease) in Fair Value of Investments		16,385	7,014
Gain (Loss) on Disposal of Capital Assets		(24,927)	(18,524)
Amortization Charged to Interest Expense		(51,179)	(60,597)
Amortization Expense		(43,183)	(17,692)
Depreciation Expense		(1,041,684)	(1,034,832)
Plant Reconstruction & Replacement Funds Utilized		<u>(349,235)</u>	
CHANGE IN NET ASSETS PER EXHIBIT B		<u>\$ 441,886</u>	<u>\$ 320,154</u>

CUMBERLAND COUNTY UTILITIES AUTHORITY
 SCHEDULE OF SEWER REVENUE BONDS PAYABLE
 DECEMBER 31, 2011

	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE JANUARY 1, 2011	ISSUED 2011	PAID 2011	BALANCE DECEMBER 31, 2011
	DATE	AMOUNT		DATE	AMOUNT				
Issue of 1999	4/1/1999	\$ 3,295,000	4.50%	12/1/2012	\$ 300,000	\$ 605,000	\$ -	\$ 305,000	\$ 300,000
Issue of 2006A	3/28/2006	6,055,000	4.00%	3/1/2012	565,000				
			4.00%	3/1/2013	590,000				
			4.00%	3/1/2014	620,000				
			4.00%	3/1/2015	650,000				
			4.00%	3/1/2016	690,000				
			4.00%	3/1/2017	710,000				
			4.00%	3/1/2018	70,000				
			4.00%	3/1/2019	75,000				
			4.00%	3/1/2020	80,000				
			4.00%	3/1/2021	85,000				
						4,675,000	-	540,000	4,135,000
Issue of 2006B	4/18/2006	2,430,000	3.80%	3/1/2012	145,000				
			4.00%	3/1/2013	155,000				
			4.00%	3/1/2014	160,000				
			4.00%	3/1/2015	165,000				
			4.00%	3/1/2016	175,000				
			4.10%	3/1/2017	180,000				
			4.10%	3/1/2018	185,000				
			4.20%	3/1/2019	195,000				
			4.20%	3/1/2020	205,000				
			4.20%	3/1/2021	210,000				
						1,915,000	-	140,000	1,775,000
						\$ 7,195,000	\$ -	\$ 985,000	\$ 6,210,000

CUMBERLAND COUNTY UTILITIES AUTHORITY
 SCHEDULE OF LOANS PAYABLE
 NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
 DECEMBER 31, 2011

	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE JANUARY 1, 2011	ISSUED 2011	PAID 2011	BALANCE DECEMBER 31, 2011
	DATE	AMOUNT		DATE	AMOUNT				
2001 Trust Loan Agreement	10/15/2001	\$ 950,000	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				
						\$ 655,000	\$ -	\$ 45,000	\$ 610,000
2001 Fund Loan Agreement	10/15/2001	\$ 1,000,000	N/A	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	51,026				
						561,757	-	50,734	511,023

CUMBERLAND COUNTY UTILITIES AUTHORITY
 SCHEDULE OF LOANS PAYABLE (CONTINUED)
 NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
 DECEMBER 31, 2011

	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE JANUARY 1, 2011	ISSUED 2011	PAID 2011	BALANCE DECEMBER 31, 2011
	DATE	AMOUNT		DATE	AMOUNT				
2010 Trust Loan Agreement	12/2/1010	\$ 875,000	5.00%	8/1/2012	\$ 30,000				
			5.00%	8/1/2013	30,000				
			5.00%	8/1/2014	30,000				
			5.00%	8/1/2015	35,000				
			5.00%	8/1/2016	35,000				
			5.00%	8/1/2017	35,000				
			5.00%	8/1/2018	40,000				
			5.00%	8/1/2019	40,000				
			5.00%	8/1/2020	45,000				
			5.00%	8/1/2021	45,000				
			5.00%	8/1/2022	45,000				
			5.00%	8/1/2023	50,000				
			5.00%	8/1/2024	50,000				
			5.00%	8/1/2025	55,000				
			5.00%	8/1/2026	55,000				
			5.00%	8/1/2027	60,000				
			5.00%	8/1/2028	60,000				
			5.00%	8/1/2029	65,000				
			5.00%	8/1/2030	70,000				
						\$ 875,000		\$ -	\$ 875,000
2010 Fund Loan Agreement	12/2/2010	\$ 938,785	N/A	2012	47,735				
				2013	47,735				
				2014	47,735				
				2015	47,735				
				2016	47,735				
				2017	47,735				
				2018	47,735				
				2019	47,735				
				2020	47,735				
				2021	47,735				
				2022	47,735				
				2023	47,735				
				2024	47,735				
				2025	47,735				
				2026	47,735				
				2027	47,735				
				2028	47,734				
				2029	47,734				
				2030	47,734				
						938,785		31,823	906,962
						\$ 3,030,542	\$ -	\$ 127,557	\$ 2,902,985

CUMBERLAND COUNTY UTILITIES AUTHORITY
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 YEAR ENDED DECEMBER 31, 2011

STATE FUNDING DEPARTMENT	STATE PROGRAM	CONTRACT NUMBER IF APPLICABLE	GRANT PERIOD IF APPLICABLE	PROGRAM/ AWARD AMOUNT	STATE EXPENDITURES 2011
New Jersey Environmental Infrastructure Trust - Loans	Fund Loan - Series 2010B	S340550-05	N/A	\$ 938,785	\$ 657,357
	Trust Loan - Series 2010B	S340550-05	N/A	875,000	657,357
Total State Financial Assistance				<u>\$ 1,813,785</u>	<u>\$ 1,314,714</u>

CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2011

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance includes the state loan activity of the Cumberland County Utilities Authority and is presented on the accrual method of accounting which is also the method used in the preparation of the basic financial statements.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2011**

Part 1 - Summary of Auditor's Report

Financial Statement Section

- A) Type of auditor's report issued : Unqualified
- B) Internal control over financial reporting :
- 1) Material weakness(es) identified ? yes X no
- 2) Were reportable condition(s) identified that were not considered to be material weaknesses ? yes X no
- C) Noncompliance material to the general-purpose financial statements noted ? yes X no

State Award Section

- D) Dollar threshold used to determine Type A programs : \$300,000
- E) Auditee qualified as low risk auditee ? yes X no n/a
- F) Type of auditor's report on compliance for major programs : Unqualified
- G) Internal control over compliance :
- 1) Material weakness(es) identified ? yes X no
- 2) Were reportable condition(s) identified that were not considered to be material weaknesses ? yes X no
- H) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04 ? yes X no
- I) Identification of major programs :

<u>GMIS Numbers</u>	<u>Name of State Program</u>
<u> N/A </u>	<u>New Jersey Environmental Infrastructure Trust - Loan Program</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
YEAR ENDED DECEMBER 31, 2011**

Part 2 - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Local Financed Board, Department of Community Affairs, State of New Jersey.

NONE NOTED

**CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
YEAR ENDED DECEMBER 31, 2011**

Part 3 - Schedule of State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major state programs, as required by OMB Circular A-133 and N.J. Circular 04-04.

NONE NOTED

CUMBERLAND COUNTY UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR-YEAR FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
YEAR ENDED DECEMBER 31, 2011

This section identifies the status of prior-year findings related to the financial statements and state awards that are required to be reported in accordance with *Government Auditing Standards*, U.S. and New Jersey OMB Circular 04-04.

Financial Statement Findings

Finding No. 2010-1

Condition:

The Authority did not advertise the award of two professional service contracts.

Status:

This is not a finding in the current year.

State Financial Assistance

N/A - There were no State Financial Assistance expenditures made in the prior year.

ROSTER OF OFFICIALS

<u>Authority Members</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Nancy L. Sungenis	Chairperson	
Albert Jones	Vice Chairman	
Sameer Boutros	Commissioner	
Angelia L. Edwards	Commissioner	
R. Todd Edwards	Commissioner	
Harvey L. Friedman	Commissioner	
C. Kenneth Hill	Commissioner	
Donald L. Olbrich, Sr.	Commissioner	
Keith I. Wasserman	Commissioner	

Other Officials

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

Surety Company

ITT Hartford Insurance Group

