

CUMBERLAND COUNTY UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2012 AND 2011



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

CUMBERLAND COUNTY UTILITIES AUTHORITY

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Cumberland County Utilities Authority as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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, 2012 and December 31, 2011, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cumberland County Utilities Authority's basic financial statements. The supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2013 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 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* in considering Cumberland County Utilities Authority's internal control over financial reporting and compliance.

ROMANO, HEARING, TESTA & KNORR

Romano, Hearing, Testa & Knorr

Certified Public Accountants

April 11, 2013

**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, financial statements of the Cumberland County Utilities Authority, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Cumberland County Utilities Authority's basic financial statements, and have issued our report thereon dated April 11, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

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

ROMANO, HEARING, TESTA & KNORR

Romano, Hearing, Testa & Knorr

Certified Public Accountants

April 11, 2013

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, 2012. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Authority's Net Capital Assets decreased by \$912,000 a decrease of 5.68%.
- The Authority's Total Assets decreased by \$863,000 a decrease of 3.53%.
- During the year, the Authority's operating revenues increased by \$229,000 to \$6.45 million, a 3.68% increase, and operating expenses decreased by \$69,000 to \$5.36 million, a 1.27% decrease.
- The Authority's Net Assets increased by \$806,000, a 5.71% 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 \$806,000. 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)

	2012	2011	2010	2012-2011		2011-2010	
				Increase(Decrease)	Increase(Decrease)	Increase(Decrease)	Increase(Decrease)
	\$	\$	\$	\$	%	\$	%
Current Assets	\$ 2,810	\$ 2,578	\$ 1,582	\$ 232	9.00%	\$ 996	62.96%
Noncurrent Assets	20,803	21,899	23,010	(1,096)	-5.00%	(1,111)	-4.83%
Total Assets	\$ 23,613	\$ 24,477	\$ 24,592	\$ (864)	-3.53%	\$ (115)	-0.47%
Current Liabilities	\$ 580	\$ 900	\$ 422	\$ (320)	-35.56%	\$ 478	113.27%
Current Liabilities Payable							
From Restricted Assets	1,295	1,616	1,506	(321)	-19.86%	110	7.30%
Long-Term Liabilities	6,825	7,854	8,999	(1,029)	-13.10%	(1,145)	-12.72%
Total Liabilities	\$ 8,700	\$ 10,370	\$ 10,927	\$ (1,670)	-16.10%	\$ (557)	-5.10%
Invested in Capital Assets							
Net of Related Debt	\$ 8,768	\$ 9,031	\$ 8,897	\$ (263)	-2.91%	\$ 134	1.51%
Restricted Net Assets	1,414	1,498	1,472	(84)	-5.61%	26	1.77%
Unrestricted Net Assets	4,731	3,578	3,296	1,153	32.22%	282	8.56%
Total Net Assets	\$ 14,913	\$ 14,107	\$ 13,665	\$ 806	5.71%	\$ 442	3.23%

The 9% increase in current assets is primarily the result of increases in cash and cash equivalents, certain receivables and inventory.

The 5% decrease in non-current assets is the net result of increases in interest receivable and investments and decreases in cash and cash equivalents, net capital assets and other restricted receivables.

The 35.56% decrease in current liabilities payable from unrestricted assets is the net result of decreases in accounts payable and due to restricted net assets and an increase in accrued liabilities. Included in current liabilities payable from unrestricted assets for 2012 is \$49,000 due to various users for current and prior year billing adjustments.

The 19.86% decrease in current liabilities payable from restricted assets is the net result of decreases in construction related payables, accrued interest payable on bonds and loans, and the current portion of revenue bonds and loans payable with increases in deferred compensation due employees and sensor escrow.

The 13.10% decrease in long-term liabilities is the net result of decreases in principal maturities on revenue bonds payable, the New Jersey Environmental Infrastructure Trust Loans payable and an increase in accrued compensated absences.

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

REVENUES

The Authority's total revenues are approximately \$6.527 million for the year ended December 31, 2012. Treatment Fees were \$5.924 million accounting for 91% of total revenue.

EXPENSES

Operating expenses include cost of providing services, which totaled \$3.075 million, a 2.81% decrease and administrative and general expenses of \$1.215 million, a .82% decrease.

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

	2012	2011	2010	2012-2011		2011-2010	
				Increase(Decrease) \$	%	Increase(Decrease) \$	%
Operating Revenue							
Treatment Fees	\$ 5,924	\$ 5,823	\$ 5,635	\$ 101	1.73%	\$ 188	3.34%
Septage Fees	412	298	293	114	38.26%	5	1.71%
Other Operating	117	103	122	14	13.59%	(19)	-15.57%
Nonoperating Revenue	74	85	60	(11)	-12.94%	25	41.67%
Total Revenue	\$ 6,527	\$ 6,309	\$ 6,110	\$ 218	3.46%	\$ 199	3.26%
Operating Expenses							
Cost of Providing Services	\$ 3,075	\$ 3,164	\$ 3,154	\$ (89)	-2.81%	\$ 10	0.32%
Administrative and General	1,215	1,225	1,179	(10)	-0.82%	46	3.90%
Depreciation	1,072	1,042	1,035	30	2.88%	7	0.68%
Non Operating Expense							
Interest and Amortization	359	436	422	(77)	-17.66%	14	3.32%
Total Expenses	\$ 5,721	\$ 5,867	\$ 5,790	\$ (146)	-2.49%	\$ 77	1.33%
Income Before Capital Contrib	\$ 806	\$ 442	\$ 320	\$ 364	82.35%	\$ 122	38.13%
Capital Contributions	-	-	-	-		-	
Change in Net Assets	\$ 806	\$ 442	\$ 320	\$ 364	82.35%	\$ 122	38.13%
Beginning Net Assets	\$ 14,107	\$ 13,665	\$ 13,345	\$ 442	3.23%	\$ 320	2.40%
Ending Net Assets	\$ 14,913	\$ 14,107	\$ 13,665	\$ 806	5.71%	\$ 442	3.23%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2012, the Authority had \$15.150 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 \$1.072 million.

The following tables summarize the Authority's capital assets, net of accumulated depreciation, and changes therein, for the year ended December 31, 2012.

This year's additions (in thousands) include:

Treatment Plant and Facilities.....	\$ 15
Pumping Stations and Interceptors.....	75
Machinery and Equipment.....	36

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

	2012	2011	2010	2012-2011		2011-2010	
				Increase(Decrease)	Increase(Decrease)	Increase(Decrease)	Increase(Decrease)
				\$	%	\$	%
Land	\$ 1,135	\$ 1,135	\$ 1,135	\$ -		\$ 1,135	
Land Improvements	103	129	155	(26)	-20.16%	(26)	-16.77%
Treatment Plant and Facilities	8,980	9,544	9,881	(564)	-5.91%	(337)	-3.41%
Pumping Stations and Interceptors	3,318	3,505	2,575	(187)	-5.34%	930	36.12%
Machinery and Equipment	1,257	1,385	1,506	(128)	-9.24%	(121)	-8.03%
Vehicles	307	341	375	(34)	-9.97%	(34)	-9.07%
Office Equipment	13	14	21	(1)	-7.14%	(7)	-33.33%
Construction in Progress	37	9	88	28	311.11%	(79)	-89.77%
Total	\$ 15,150	\$ 16,062	\$ 15,736	\$ (912)	-5.68%	\$ 326	2.07%

The Authority's FY 2013 capital budget plans for investing another \$2,041 in capital projects, including (in thousands):

2013 Plant Upgrades.....	\$1,918
Motor/Pump Replacement.....	40
Buildings and Grounds.....	83
TOTAL	<u>\$2,041</u>

The Authority plans to fund the 2013 Plant Upgrades from the issuance of debt and the balance of the above capital projects from year 2013 revenue.

Debt Administration

At December 31, 2012, the Authority had several outstanding bond issues and loans payable in the amount of \$7,690,733 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 \$55,691. More detailed information about long-term liabilities can be found in Note 9 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES

The Authority's 2013 Operating Budget reflects a 1.93% decrease from the 2012 Adopted Budget. Increases in Salary & Wages, Operating and Maintenance and Capital Outlay were offset by decreases in Administrative Expenses and Debt Service. The 2013 Budget reflects a 1.38% increase in User Fees. Effective January 1, 2013 a new flow based billing structure was approved by the Board of Commissioners. An independent study of user rates and cost to provide services was conducted to assist the Authority in determining appropriate rates, rate levels, and rate structures for the Authority operations and to enable the Authority to continue its operations on a financially sound basis. This study was conducted using historical and budgeted data on operating revenues, operating expenses, capital expenditures and rate base (plant investment) provided by the Authority. The proposed Capital Projects for 2013 include \$123,000 of expenditures from the operating capital budget and \$1,918,000 being funded by a 2013 Infrastructure Trust Loan.

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, 2012 AND 2011**

ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS - UNRESTRICTED:		
Cash and Cash Equivalents	\$ 2,633,809	\$ 2,429,599
Accounts Receivable (Net of Allowance of \$5,285 and \$5,968)	68,803	42,442
Other Receivables	15,000	18,532
Inventory	<u>92,545</u>	<u>87,674</u>
Total Current Assets - Unrestricted	<u>2,810,157</u>	<u>2,578,247</u>
NONCURRENT ASSETS:		
Restricted:		
Accounts Required by the Authority's Bond Resolutions:		
Cash and Cash Equivalents	883,387	894,042
Investments	1,968,697	1,485,822
Interest Receivable	12,100	4,766
Other Restricted Accounts:		
Cash and Cash Equivalents	101,027	517,718
Cash Held by Fiscal Agent	232,179	
Investments	1,831,857	1,334,854
Interest Receivable	14,876	4,477
Due from New Jersey Environmental Infrastructure Trust		629,399
Due from Unrestricted Assets	223,562	593,761
Deferred Compensation Benefit Investments	<u>263,525</u>	<u>248,912</u>
Total Restricted Assets	5,531,210	5,713,751
Unamortized Debt Issue Costs	121,887	122,728
Capital Assets, Net	<u>15,149,834</u>	<u>16,062,169</u>
Total Noncurrent Assets	<u>20,802,931</u>	<u>21,898,648</u>
 TOTAL ASSETS	 <u>\$ 23,613,088</u>	 <u>\$ 24,476,895</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2012 AND 2011**

LIABILITIES AND NET ASSETS

	2012	2011
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:		
Accounts Payable - Operations	\$ 126,232	\$ 136,241
Accrued Liabilities	181,170	170,076
Due to Restricted Assets	223,562	593,761
Due to Users	49,610	
	580,574	900,078
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Construction Accounts Payable		900
Construction Contracts Payable	3,373	40,709
Retainage Payable		19,152
Sewer Revenue Bonds Payable - Current Portion	745,000	1,010,000
New Jersey Environmental Infrastructure Trust Loans Payable - Current Portion	178,322	180,108
Sensor Escrow	5,300	5,000
Accrued Interest Payable - Bonds and Loans	99,086	111,352
Deferred Compensation Benefit Due Employees	263,525	248,912
	1,294,606	1,616,133
LONG-TERM LIABILITIES:		
Sewer Revenue Bonds Payable - Non Current Portion	4,359,417	5,058,636
New Jersey Environmental Infrastructure Trust Loans Payable - Non Current Portion	2,410,070	2,742,398
Accrued Compensated Absences	55,691	52,674
	6,825,178	7,853,708
Total Long-Term Liabilities	6,825,178	7,853,708
Total Liabilities	8,700,358	10,369,919
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	8,767,892	9,030,783
Restricted:		
Current Debt Service	813,900	786,798
Future Debt Service		111,758
Renewal and Replacement	600,000	600,000
Unrestricted	4,730,938	3,577,637
	14,912,730	14,106,976
Total Net Assets	14,912,730	14,106,976
TOTAL LIABILITIES AND NET ASSETS	\$ 23,613,088	\$ 24,476,895

**CUMBERLAND COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
OPERATING REVENUE:		
Treatment Fees	\$ 5,924,220	\$ 5,823,132
Septage Fees	412,299	298,392
Service Fees	14,715	17,747
Lab Fees		692
Finance Charges	3,751	2,258
Industrial Pretreatment Program Revenue	52,500	37,500
Other Operating Income	46,843	44,836
	<u>6,454,328</u>	<u>6,224,557</u>
OPERATING EXPENSES:		
Cost of Providing Services	3,075,969	3,164,393
Administrative and General	1,215,309	1,225,502
Depreciation	1,072,319	1,041,684
	<u>5,363,597</u>	<u>5,431,579</u>
OPERATING INCOME	<u>1,090,731</u>	<u>792,978</u>
NON-OPERATING REVENUE (EXPENSES):		
Connection Fees	10,255	50,661
Interest Income	67,656	43,247
Interest Expense	(334,214)	(393,275)
Amortization of Debt Issue Costs	(25,016)	(43,183)
Gain (Loss) on Disposal of Capital Assets	200	(24,927)
Increase (Decrease) in Fair Value of Investments	(3,858)	16,385
	<u>(284,977)</u>	<u>(351,092)</u>
CHANGE IN NET ASSETS	805,754	441,886
TOTAL NET ASSETS-BEGINNING	<u>14,106,976</u>	<u>13,665,090</u>
TOTAL NET ASSETS-ENDING	<u>\$ 14,912,730</u>	<u>\$ 14,106,976</u>

See Accompanying Notes to Financial Statements

**CUMBERLAND COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers and Users	\$ 6,416,417	\$ 6,141,699
Cash Payments to Suppliers for Goods and Services	(1,478,608)	(1,547,816)
Cash Payments for Employee Services	(2,819,239)	(2,857,878)
Other Receipts (Payments)	54,460	34,573
	2,173,030	1,770,578
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(278,600)	(1,416,131)
Connection Fees Received	24,032	34,229
Proceeds from Sale of Fixed Assets	200	43,740
Proceeds from NJEIT Funds	524,862	1,184,386
Principal Paid on Bonds	(1,010,000)	(985,000)
Principal Paid on Loans Payable	(180,109)	(127,557)
Interest Paid on Bonds and Loans	(310,522)	(345,319)
	(1,230,137)	(1,611,652)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investment Securities	(2,303,109)	(772,540)
Proceeds from Sale and Maturities of Investment Securities	1,319,373	1,714,214
Interest Received on Non-Operating Investments	49,886	44,368
	(933,850)	986,042
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,043	1,144,968
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	3,841,359	2,696,391
CASH AND CASH EQUIVALENTS-END OF YEAR	\$ 3,850,402	\$ 3,841,359

See Accompanying Notes to Financial Statements

**CUMBERLAND COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 1,090,731	\$ 792,978
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,072,319	1,041,684
Increase (Decrease) in Cash Resulting From Changes in:		
Accounts Receivable	(26,361)	(23,457)
Other Receivable - Operations	(7,000)	(18,532)
Inventory	(4,871)	(23,060)
Accounts Payable - Non Capital	(15,809)	(3,148)
Accrued Liabilities	11,094	10,385
Due to Users	49,610	
Sensor Escrow	300	
Accrued Compensated Absences	3,017	(6,272)
Total Adjustments	1,082,299	977,600
Net Cash Provided by Operating Activities	\$ 2,173,030	\$ 1,770,578

See Accompanying Notes to Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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, 2012, 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, 2012 AND 2011

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 for bond principal.

CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgets and Budgetary Accounting (Continued)

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, 2012 AND 2011**

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. described below.	Transfers to the various accounts
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, 2012 AND 2011**

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, 2012 AND 2011

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, 2012 AND 2011

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 18.

M. Subsequent Events

Management has evaluated subsequent events through April 11, 2013, the date the financial statements were available for issue.

NOTE 3 CASH AND CASH EQUIVALENTS

At December 31, 2012, the carrying amount and bank balance of the Authority's time and demand deposits were \$1,226,557 and \$1,356,987, 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, 2012, all of the Authority's bank balance of \$1,356,987 was insured or collateralized.

In addition to the bank deposits described above, the Authority also had \$2,623,830 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, 2012 AND 2011**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

At December 31, 2012 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 \$3,800,554 investments in U.S. Treasury obligations and agencies and other governmental 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. Forty-two percent (42%) of the Authority's investments are in U.S. Treasury Notes, thirty-two percent (32%) of the investments held are in NJ county government bonds and the remaining twenty-six percent (26%) of the investments are held in bonds of various NJ State Agencies.

As of December 31, 2012, the Authority had the following investments and maturities:

<u>Investment</u>	<u>Rating</u>	<u>Total Fair Value</u>
U.S. Treasury Notes	N/A	\$ 1,586,598
NJ State Econ Dev Auth	A	484,096
NJ Environ Infrastructure	AAA	416,866
Bergen County, NJ	AAA	404,952
Essex County, NJ	AA	292,180
Somerset County, NJ	AAA	158,445
Burlington County, NJ	AA	142,130
Camden County, NJ	AA	140,420
Morris County, NJ	AAA	91,729
NJ State Turnpike Auth	A	83,138
Total Investments		<u>\$ 3,800,554</u>

CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

NOTE 4 INVESTMENTS (CONTINUED)

<u>Investment</u>	<u>Investment Maturities (in Years)</u>			
	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater than 10</u>
U.S. Treasury Notes	\$ 852,456	\$ 734,142	\$	
NJ State Econ Dev Auth	277,651	206,445		
NJ Environ Infrastructure			250,808	166,058
Bergen County, NJ	150,024		254,928	
Essex County, NJ			292,180	
Somerset County, NJ		158,445		
Burlington County, NJ		142,130		
Camden County, NJ			140,420	
Morris County, NJ	50,053		41,676	
NJ State Turnpike Auth		83,138		
Total Investments	\$ 1,330,184	\$ 1,324,300	\$ 980,012	166,058

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

<u>Investment</u>	<u>Rating</u>	<u>Total Fair Value</u>	<u>Investment Maturities (in Years)</u>		
			<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
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	\$ -

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, 2012 the Trust and Fund Loans have been fully funded. The undrawn portion (unexpended project funds) relating to the Fund Loan in the amount of \$232,143 were applied to reduce the amount of the loan. The undrawn portion of the Trust Loan in the amount of \$232,143 plus interest of \$36 is being held by the Fiscal Agent and will be applied as credits against the loan's repayments until the amount is exhausted.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011**

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance			Balance
	<u>January 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2012</u>
Non-Depreciable Capital Assets:				
Land	\$ 1,135,342	\$	\$	\$ 1,135,342
Construction In Progress	<u>8,900</u>	<u>120,570</u>	<u>(92,971)</u>	<u>36,499</u>
Total Non-Depreciable Capital Assets	<u>1,144,242</u>	<u>120,570</u>	<u>(92,971)</u>	<u>1,171,841</u>
Depreciable Capital Assets:				
Land Improvements	517,677			517,677
Treatment Plant	23,389,844	14,761		23,404,605
P/S And Interceptors	7,635,499	75,171		7,710,670
Machinery And Equipment	3,551,265	36,203		3,587,468
Vehicles	871,166			871,166
Office Equipment	<u>170,547</u>	<u>6,250</u>	<u>(9,950)</u>	<u>166,847</u>
Total Depreciable Capital Assets	<u>36,135,998</u>	<u>132,385</u>	<u>(9,950)</u>	<u>36,258,433</u>
Less Accumulated Depreciation:				
Land Improvements	388,736	26,398		415,134
Treatment Plant	13,845,440	578,945		14,424,385
Pumping Stations and Interceptors	4,130,548	261,618		4,392,166
Machinery and Equipment	2,166,696	164,143		2,330,839
Vehicles	530,141	33,548		563,689
Office Equipment	<u>156,510</u>	<u>7,667</u>	<u>(9,950)</u>	<u>154,227</u>
Total Accumulated Depreciation	<u>21,218,071</u>	<u>1,072,319</u>	<u>(9,950)</u>	<u>22,280,440</u>
Net Depreciable Capital Assets	<u>14,917,927</u>	<u>(939,934)</u>	<u>-</u>	<u>13,977,993</u>
Total Capital Assets, Net	<u>\$ 16,062,169</u>	<u>\$(819,364)</u>	<u>\$ (92,971)</u>	<u>\$ 15,149,834</u>

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.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011**

NOTE 7 PENSIONS (CONTINUED)

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. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was 6.5% of annual compensation. The member contribution amount increased to 6.64% effective July 1, 2012 and is scheduled to increase by 0.14% per year until the contribution rate reaches 7.50% in July 2018. Employer's contribution amounts are based on an actuarially determined rate. The annual employer contributions include 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 \$188,227 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>
12/31/12	\$ 188,227	100%	\$ -
12/31/11	182,340	100%	-
12/31/10	164,842	100%	-

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011**

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	\$ 689,424	\$ 1,559,020
Required Amount	<u>912,986</u>	<u>1,215,281</u>
	<u>(\$ 223,562)*</u>	<u>\$ 343,739</u>

* Result of timing differences – additions were made in January 2013.

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 Series 1999 Bonds matured during 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.

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 \$590,000 to \$710,000 with an interest rate of 4.00% from 2013 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.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011**

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

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 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 2013 through 2021. The outstanding balance of \$560,000 is included in loans payable as of December 31, 2012.

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 \$458,649 is included in loans payable as of December 31, 2012.

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.

The Trust Loan (Series A) was issued in the amount of \$875,000 at an interest rate of 5% with repayment commencing August 1, 2012 through August 1, 2030. As described in Note 5, the undrawn portion of the Trust Loan in the amount of \$232,143 plus interest of \$36 is being held by the Fiscal Agent and will be applied as credits against the loan's repayments beginning with the August 1, 2013 payment until the amount is exhausted. The outstanding loan balance of \$845,000 is included in loans payable as of December 31, 2012.

The Fund Loan (Series B) was originally issued in the amount of \$938,785 at zero interest. As described in Note 5, the undrawn portion (unexpended project funds) relating to the Fund Loan in the amount of \$232,143 was deobligated and applied to the loan balance, making the revised loan amount \$706,642. The principal payments commenced on August 1, 2011 with the final payment on August 1, 2026.

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.

CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of changes in long-term liabilities for the year ended December 31, 2012:

Type of Debt	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012	Amounts Due Within One Year
Revenue Bonds Payable:					
Series 2006A	\$ 4,135,000		\$ 565,000	\$ 3,570,000	\$ 590,000
Series 2006B	1,775,000		145,000	1,630,000	155,000
Series 1999	300,000		300,000	-	-
	<u>6,210,000</u>	-	<u>1,010,000</u>	<u>5,200,000</u>	<u>745,000</u>
Add:					
Unamortized Premium	11,157		3,114	8,043	
Less:					
Unamortized Original Issue Discount	(4,823)		(1,149)	(3,674)	
Unamortized Deferred Amount on Refunding	(147,698)		(47,746)	(99,952)	
Total Revenue Bonds Payable	<u>6,068,636</u>	<u>-</u>	<u>964,219</u>	<u>5,104,417</u>	<u>745,000</u>
Loans Payable:					
Series 2001B Trust	610,000		50,000	560,000	50,000
Series 2001B Fund	511,023		52,374	458,649	50,587
Series 2010 Trust	875,000		30,000	845,000	30,000
Series 2010 Fund	906,962		279,878	627,084	47,735
	<u>2,902,985</u>	<u>-</u>	<u>412,252</u>	<u>2,490,733</u>	<u>178,322</u>
Add:					
Unamortized Premium	19,521	87,961	9,823	97,659	
Total Loans Payable	<u>2,922,506</u>	<u>87,961</u>	<u>422,075</u>	<u>2,588,392</u>	<u>178,322</u>
Accr. Compensated Absences	52,674	11,710	8,693	55,691	
Total Long Term Liabilities	<u>\$ 9,043,816</u>	<u>\$ 99,671</u>	<u>\$ 1,394,987</u>	<u>\$ 7,748,500</u>	<u>\$ 923,322</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011**

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, 2012 are as follows:

<u>Year Ending December 31</u>	<u>Revenue Bonds</u>		<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	745,000	194,685	178,322	69,341
2014	780,000	164,185	184,784	65,090
2015	815,000	132,285	187,998	58,136
2016	865,000	98,688	194,459	53,534
2017	890,000	63,495	192,511	48,919
2018 - 2022	1,105,000	94,273	937,924	169,389
2023 - 2027			419,735	90,500
2028 - 2030			195,000	20,000
	<u>\$ 5,200,000</u>	<u>\$ 747,611</u>	<u>\$ 2,490,733</u>	<u>\$ 574,909</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, 2012 and 2011, the participants had invested \$263,525 and \$248,912 in the Plan, respectively.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011**

NOTE 11 INTEREST EXPENSE

	2012	2011
Interest on Bonds, Notes and Loans	\$ 298,256	\$ 342,096
Add: Amortization of Original Issue Discount	1,149	1,312
Amortization of Deferred Amount on Refunding	47,746	56,005
Less: Amortization of Premium – Bonds and Loans	(12,937)	(6,138)
Net Interest Expense	\$ 334,214	\$ 393,275

NOTE 12 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, 2012, there were no material arbitrage profits subject to rebate.

NOTE 13 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 14 ECONOMIC DEPENDENCY

The Authority derives approximately seventy-six percent (76%) of its User Charge revenues from the City of Bridgeton.

NOTE 15 RESTRICTED NET ASSETS

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

	2012	2011
Current Debt Service	\$ 813,900	\$ 786,798
Future Debt Service		111,758
Renewal and Replacement	600,000	600,000

NOTE 16 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, 2012 and 2011 is \$1,941,232 and \$1,850,840, respectively.

There were no unrestricted net assets designated for subsequent year's expenditures at December 31, 2012 and 2011.

CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

NOTE 17 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 2012 and 2011, 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 18 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.

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 <http://www.state.nj.us/treasury/pensions/audit-rpts-2012/shbp-12.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.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011**

NOTE 18 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The Authority contributions to SHBP for retirees for the years ended December 31, 2012, 2011, and 2010, were \$168,475, \$126,017, and \$95,951, respectively, which equaled the required contributions for each year. There were approximately 13, 12, and 11 retired participants eligible at December 31, 2012, 2011, and 2010, respectively.

NOTE 19 COMMITMENTS/SUBSEQUENT EVENTS

In February 2012, the Authority adopted a resolution authorizing application for a loan from the New Jersey Environmental Infrastructure Financing Program. In November 2012, the Authority adopted a resolution authorizing making application to the Local Finance Board in connection with the loan application submitted to the New Jersey Environmental Infrastructure Trust to be used to fund the Authority's proposed FY 2013 Treatment Plant Upgrades Project ("Project"). The Authority authorized advertising for bids for the Project in November 2012 as well. In December 2012, the Authority adopted a resolution entitled "Supplemental Resolution Authorizing the Issuance of not to Exceed \$2,100,000 Aggregate Principal Amount of Sewer System Revenue Bonds, Series 2013."

In January 2013, the Authority awarded a contract for the 2013 Construction Projects.

As of December 31, 2012 and as of the date of this report, the Authority has not issued any debt with respect to the Project.

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, 2012

	INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	UNRESTRICTED		RESTRICTED			TOTALS (MEMO)	
		UNDESIGNATED	DESIGNATED - FUTURE PLANT RECONSTRUCTION OR REPLACEMENT	CURRENT DEBT SERVICE	FUTURE DEBT SERVICE	RENEWAL AND REPLACE- MENT	2012	2011
OPERATING REVENUE:								
Treatment Fees	\$	\$ 5,924,220	\$	\$	\$	\$	\$ 5,924,220	\$ 5,823,132
Septage Fees		412,299					412,299	298,392
Lab Fees							-	692
Service Fees		14,715					14,715	17,747
Finance Charges		3,751					3,751	2,258
Industrial Pretreatment Program Revenue		52,500					52,500	37,500
Other Operating Income		46,843					46,843	44,836
	-	6,454,328	-	-	-	-	6,454,328	6,224,557
OPERATING EXPENSES:								
Cost of Providing Services		3,075,969					3,075,969	3,164,393
Administrative and General		1,215,309					1,215,309	1,225,502
Depreciation		1,072,319					1,072,319	1,041,684
	-	5,363,597	-	-	-	-	5,363,597	5,431,579
OPERATING INCOME	-	1,090,731	-	-	-	-	1,090,731	792,978
NON-OPERATING REVENUE								
(EXPENSES):								
Connection Fees		10,255					10,255	50,661
Interest Income		8,527	31,548	32	22,333	5,216	67,656	43,247
Interest Expense		(334,214)					(334,214)	(393,275)
Amortization of Debt Issue Costs		(25,016)					(25,016)	(43,183)
Gain (Loss) on Disposal of Capital Assets		200					200	(24,927)
Increase (Decrease) in Fair Value of Investments			(1,156)	1,406		(4,108)	(3,858)	16,385
	-	(340,248)	30,392	1,438	22,333	1,108	(284,977)	(351,092)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	-	750,483	30,392	1,438	22,333	1,108	805,754	441,886
Investment Income		24,879		(1,438)	(22,333)	(1,108)	-	-
Increase (Decrease) in Debt Service Requirement		(27,102)		27,102			-	-
Other Transfers	(262,891)	314,649	60,000		(111,758)		-	-
INCREASE (DECREASE) IN NET ASSETS	(262,891)	1,062,909	90,392	27,102	(111,758)	-	805,754	441,886
NET ASSETS - JANUARY 1,	9,030,783	1,726,797	1,850,840	786,798	111,758	600,000	14,106,976	13,665,090
NET ASSETS - DECEMBER 31,	\$ 8,767,892	\$ 2,789,706	\$ 1,941,232	\$ 813,900	\$ -	\$ 600,000	\$ 14,912,730	\$ 14,106,976

CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED ACCOUNTS
YEAR ENDED DECEMBER 31, 2012

	<u>REVENUE ACCOUNT</u>	<u>OPERATING ACCOUNT</u>	<u>GENERAL ACCOUNT</u>	<u>TOTAL</u>
CASH AND INVESTMENTS - JANUARY 1, 2012	\$ 1,649,387	\$ 392,379	\$ 387,833	\$ 2,429,599
CASH RECEIPTS:				
Treatment Fees	5,942,242			5,942,242
Septage Fees	418,219			418,219
Industrial Pretreatment Program Revenue	37,500			37,500
Interest on Investments	4,089	4,355	20	8,464
Finance Charges	3,741			3,741
Other Income	52,250			52,250
Connection Fees	24,032			24,032
Transfers - Unrestricted Accounts	(5,674,504)	5,272,574	401,930	-
Transfers from Restricted Accounts	30,542		152,915	183,457
Other Receivables/Reimbursements	35,404	266		35,670
Total Cash and Investments Available	<u>2,522,902</u>	<u>5,669,574</u>	<u>942,698</u>	<u>9,135,174</u>
CASH DISBURSEMENTS:				
Operations		4,241,706		4,241,706
Transfers to Restricted Accounts	1,937,157	60,000	108,632	2,105,789
Construction In Progress		102,457		102,457
Fixed Assets Purchased from Operations		51,413		51,413
Total Cash Disbursed	<u>1,937,157</u>	<u>4,455,576</u>	<u>108,632</u>	<u>6,501,365</u>
CASH AND INVESTMENTS - DECEMBER 31, 2012	<u>\$ 585,745</u>	<u>\$ 1,213,998</u>	<u>\$ 834,066</u>	<u>\$ 2,633,809</u>
BALANCE COMPRISED OF:				
Cash and Cash Equivalents:				
Non-Interest Bearing	\$ 585,745	\$ 500	\$ 834,066	\$ 2,633,309
Interest Bearing	585,745	1,213,498	834,066	2,633,309
	<u>\$ 585,745</u>	<u>\$ 1,213,998</u>	<u>\$ 834,066</u>	<u>\$ 2,633,809</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS
RESTRICTED ACCOUNTS
YEAR ENDED DECEMBER 31, 2012**

	ACCOUNTS REQUIRED BY BOND/LOAN RESOLUTIONS				OTHER ACCOUNTS			
	BOND SERVICE	BOND RESERVE	RENEWAL AND REPLACEMENT	NJEIT PROJECT	PLANT RECONSTRUCTION OR REPLACEMENT	SENSOR ESCROW	CASH HELD BY FISCAL AGENT	TOTAL
CASH AND INVESTMENTS - JANUARY 1, 2012	\$ 300,264	\$ 1,401,496	\$ 601,159	\$ 59,943	\$ 1,833,862	\$ 6,209	\$ -	\$ 4,202,933
CASH RECEIPTS:								
Interest Received	32	15,677	4,538	7	21,149	19	-	41,422
NJEIT Proceeds				228,898			232,179	461,077
Realized Gain on Sale of Investments		175	23		295			493
Deposits for Sensors						300		300
Transfers - Restricted Accounts		108,632			(108,632)			-
Transfers from Unrestricted Accounts	1,889,758	44,655	2,744		168,632			2,105,789
Total Cash and Investments Available	<u>2,190,054</u>	<u>1,570,635</u>	<u>608,464</u>	<u>288,848</u>	<u>1,915,306</u>	<u>6,528</u>	<u>232,179</u>	<u>6,812,014</u>
CASH DISBURSEMENTS:								
Transfers to Unrestricted Accounts		25,979	4,563	152,915				183,457
Cost of Issuance				8,568				8,568
Construction In Progress				127,365				127,365
Debt Service Payment	1,500,630							1,500,630
Total Cash Disbursements	<u>1,500,630</u>	<u>25,979</u>	<u>4,563</u>	<u>288,848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,820,020</u>
CASH AND INVESTMENTS - DECEMBER 31, 2012	<u>\$ 689,424</u>	<u>\$ 1,544,656</u>	<u>\$ 603,901</u>	<u>\$ -</u>	<u>\$ 1,915,306</u>	<u>\$ 6,528</u>	<u>\$ 232,179</u>	<u>\$ 4,991,994</u>
BALANCE COMPRISED OF:								
Cash and Cash Equivalents:								
Interest Bearing	\$ 689,424	\$ 34,544	\$ 159,419	\$ -	\$ 94,499	\$ 6,528	\$ 232,179	\$ 1,216,593
Investments (At Cost):								
U.S. Government Obligations		1,510,112	444,482		1,820,807			3,775,401
	<u>\$ 689,424</u>	<u>\$ 1,544,656</u>	<u>\$ 603,901</u>	<u>\$ -</u>	<u>\$ 1,915,306</u>	<u>\$ 6,528</u>	<u>\$ 232,179</u>	<u>\$ 4,991,994</u>

CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012 BUDGET	2012 ACTUAL	2011 ACTUAL
REVENUES:			
Plant Reconstruction & Replacement Funds	\$ -	\$ -	\$ 349,235
Sewerage Treatment Fees	5,939,595	5,924,220	5,823,132
Septage Fees	300,000	412,299	298,392
Connection Fees	5,000	10,255	50,661
Other Income		46,843	44,836
Investment Income	15,000	36,108	27,979
Finance Charges		3,751	2,258
Lab Fees			692
Industrial Pretreatment Program Fees	24,500	52,500	37,500
Service Fees	10,000	14,715	17,747
Total Revenues	\$ 6,294,095	\$ 6,500,691	\$ 6,652,432
EXPENSES:			
Costs of Providing Services:			
Salaries and Wages	\$ 1,330,050	\$ 1,291,905	\$ 1,342,807
Employee Benefits	810,500	750,284	728,223
Automotive Expense	26,000	18,006	31,466
Chemicals Used in Treatment	96,000	87,998	81,896
Fuels and Lubricants	95,000	77,301	86,088
Utilities	539,000	522,004	545,702
Materials and Supplies	43,000	40,479	40,580
Repairs and Replacements	101,000	82,818	87,253
Sludge/Waste/Recycling Disposal	242,000	141,446	175,277
Laboratory Expenses	48,000	53,982	33,845
Other Operations and Maintenance Expenses	3,500	3,239	5,800
Industrial Pretreatment Program	7,591	6,507	5,456
	3,341,641	3,075,969	3,164,393

**CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2012**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2012 BUDGET</u>	<u>2012 ACTUAL</u>	<u>2011 ACTUAL</u>
EXPENSES (CONTINUED):			
Administrative and General Expenses:			
Salaries and Wages	\$ 478,300	\$ 472,188	\$ 433,152
Employee Benefits	331,300	317,638	352,509
Office Supplies and Expense	35,000	21,997	29,404
Professional Services	201,500	161,979	156,120
Insurance	77,500	74,324	79,659
Travel, Conferences and Education	15,000	5,759	8,534
Utilities	52,500	45,290	44,542
Dues and Subscriptions	8,000	7,971	7,168
Maintenance of General Property	41,000	30,642	28,101
Permits and Fees	76,500	73,402	78,706
Provision for Bad Debts	2,000		3,866
Other Administrative Fees	7,500	4,119	3,741
	<u>1,326,100</u>	<u>1,215,309</u>	<u>1,225,502</u>
Interest Expense	<u>301,245</u>	<u>298,256</u>	<u>342,096</u>
OTHER COSTS FUNDED BY REVENUES:			
Principal Maturities	1,195,109	1,190,109	1,112,557
Plant Reconstruction & Replacement	60,000	60,000	
Capital Outlays	<u>70,000</u>	<u>57,213</u>	<u>341,057</u>
	<u>1,325,109</u>	<u>1,307,322</u>	<u>1,453,614</u>
TOTAL COSTS FUNDED BY REVENUES	<u>6,294,095</u>	<u>5,896,856</u>	<u>6,185,605</u>
REVENUES OVER COSTS FUNDED BY REVENUES	<u>\$ -</u>	603,835	466,827
Reconciliation of Budgetary Basis to Change in Net Assets:			
Adjustments to Budgetary Basis:			
Interest Income not used for Operations		31,548	15,268
Capital Outlays		57,213	341,057
Plant Reconstruction & Replacement Funds		60,000	
Principal Maturities		1,190,109	1,112,557
Increase (Decrease) in Fair Value of Investments		(3,858)	16,385
Gain (Loss) on Disposal of Capital Assets		200	(24,927)
Amortization Charged to Interest Expense		(35,958)	(51,179)
Amortization Expense		(25,016)	(43,183)
Depreciation Expense		(1,072,319)	(1,041,684)
Plant Reconstruction & Replacement Funds Utilized			<u>(349,235)</u>
CHANGE IN NET ASSETS PER EXHIBIT B		<u>\$ 805,754</u>	<u>\$ 441,886</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF SEWER REVENUE BONDS PAYABLE
DECEMBER 31, 2012**

	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE JANUARY 1, 2012	ISSUED 2012	PAID 2012	BALANCE DECEMBER 31, 2012
	DATE	AMOUNT		DATE	AMOUNT				
Issue of 1999	4/1/1999	\$ 3,295,000			\$ -	\$ 300,000	\$ -	\$ 300,000	\$ -
Issue of 2006A	3/28/2006	6,055,000	4.00%	3/1/2013	590,000	4,135,000	-	565,000	3,570,000
			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				
Issue of 2006B	4/18/2006	2,430,000	4.00%	3/1/2013	155,000	1,775,000	-	145,000	1,630,000
			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				
					<u>1,775,000</u>	<u>-</u>	<u>145,000</u>	<u>1,630,000</u>	
					<u>\$ 6,210,000</u>	<u>\$ -</u>	<u>\$ 1,010,000</u>	<u>\$ 5,200,000</u>	

**CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF LOANS PAYABLE
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
DECEMBER 31, 2012**

	<u>ORIGINAL</u>		<u>INTEREST RATE</u>	<u>MATURITIES</u>		<u>BALANCE JANUARY 1, 2012</u>	<u>ISSUED 2012</u>	<u>PRINCIPAL REDUCTION 2012</u>	<u>PAID 2012</u>	<u>BALANCE DECEMBER 31, 2012</u>
	<u>DATE</u>	<u>AMOUNT</u>		<u>DATE</u>	<u>AMOUNT</u>					
2001 Trust Loan Agreement	10/15/2001	\$ 950,000	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					
						\$ 610,000	\$ -	\$ -	\$ 50,000	\$ 560,000
2001 Fund Loan Agreement	10/15/2001	\$ 1,000,000	N/A	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					
						511,023	-	-	52,374	458,649

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(Continued)

**CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF LOANS PAYABLE (CONTINUED)
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
DECEMBER 31, 2012**

	<u>ORIGINAL</u>		<u>INTEREST</u>	<u>MATURITIES</u>		<u>BALANCE</u> <u>JANUARY 1,</u> <u>2012</u>	<u>ISSUED</u> <u>2012</u>	<u>PRINCIPAL</u> <u>REDUCTION</u> <u>2012</u>	<u>PAID</u> <u>2012</u>	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2012</u>
	<u>DATE</u>	<u>AMOUNT</u>		<u>DATE</u>	<u>AMOUNT</u>					
2010 Trust Loan Agreement	12/2/1010	\$ 875,000	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	\$ -	\$ -	\$ 30,000	\$ 845,000
2010 Fund Loan Agreement	12/2/2010	\$ 938,785	N/A	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	6,529					
						906,962		232,143	47,735	627,084
						<u>\$ 2,902,985</u>	<u>\$ -</u>	<u>\$ 232,143</u>	<u>\$ 180,109</u>	<u>\$ 2,490,733</u>

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	
James Crilley	Commissioner	
Harvey L. Friedman	Commissioner	
James Begley	Commissioner	
Donald L. Olbrich, Sr.	Commissioner	
Keith I. Wasserman	Commissioner	

Other Officials

Thelma D. Scott	Secretary (To 10/1/12)	
James F. Quinn	Treasurer	\$ 75,000
Robert J. O'Donnell	General Counsel	
Theodore F. Propert	Director (Retired 12/31/12)	
Michael Fernandez	Deputy Director	
Patti McAllister	Assistant Secretary/Treasurer	

Surety Company

ITT Hartford Insurance Group

**CUMBERLAND COUNTY UTILITIES AUTHORITY
FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2012**

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

None Noted

**CUMBERLAND COUNTY UTILITIES AUTHORITY
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2012**

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* or with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None Noted