

**CUMBERLAND COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
DECEMBER 31, 2013 AND 2012 (RESTATED)**

ASSETS	2013	2012 (RESTATED)
CURRENT ASSETS - UNRESTRICTED:		
Cash and Cash Equivalents	\$ 2,607,158	\$ 2,633,809
Accounts Receivable (Net of Allowance of \$10,091 and \$5,285)	27,500	68,803
Other Receivables		15,000
Due from Restricted Assets	600,336	
Inventory	85,080	92,545
Total Current Assets - Unrestricted	3,320,074	2,810,157
NONCURRENT ASSETS:		
Restricted:		
Accounts Required by the Authority's Bond Resolutions:		
Cash and Cash Equivalents	1,480,242	883,387
Investments	1,937,940	1,968,697
Interest Receivable	18,227	12,100
Other Restricted Accounts:		
Cash and Cash Equivalents	119,855	101,027
Cash Held by Fiscal Agent	181,054	232,179
Investments	1,893,077	1,831,857
Interest Receivable	20,726	14,876
Due from New Jersey Environmental Infrastructure Trust	472,846	
Due from Unrestricted Assets		223,562
Deferred Compensation Benefit Investments	272,179	263,525
Total Restricted Assets	6,396,146	5,531,210
Capital Assets, Net	15,963,437	15,149,834
Total Noncurrent Assets	22,359,583	20,681,044
 TOTAL ASSETS	 25,679,657	 23,491,201
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Defeasance of Debt	65,006	99,951
TOTAL DEFERRED OUTFLOWS OF RESOURCES	65,006	99,951

(Continued)

**CUMBERLAND COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
DECEMBER 31, 2013 AND 2012 (RESTATED)**

LIABILITIES AND NET POSITION

	2013	2012 (RESTATED)
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:		
Accounts Payable - Operations	\$ 205,919	\$ 126,232
Accrued Liabilities	209,766	181,170
Due to Restricted Assets		223,562
Due to Users		49,610
Total Current Liabilities Payable From Unrestricted Assets	415,685	580,574
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Construction Contracts Payable		3,373
Retainage Payable	33,264	
Sewer Revenue Bonds Payable - Current Portion	780,000	745,000
New Jersey Environmental Infrastructure Trust Loans Payable - Current Portion	281,627	178,322
Sensor Eserow	5,700	5,300
Accrued Interest Payable - Bonds and Loans	94,542	99,086
Due to Unrestricted Assets	600,336	
Deferred Compensation Benefit Due Employees	272,179	263,525
Total Current Liabilities Payable From Restricted Assets	2,067,648	1,294,606
LONG-TERM LIABILITIES:		
Sewer Revenue Bonds Payable - Non Current Portion	3,677,510	4,459,368
New Jersey Environmental Infrastructure Trust Loans Payable - Non Current Portion	4,108,575	2,410,070
Accrued Compensated Absences	65,540	55,691
Total Long-Term Liabilities	7,851,625	6,925,129
Total Liabilities	10,334,958	8,800,309
NET POSITION:		
Net Investment in Capital Assets	8,252,433	8,546,054
Restricted:		
Current Debt Service	988,986	813,900
Future Debt Service	339,056	
Renewal and Replacement	600,000	600,000
Construction	365,740	
Unrestricted	4,863,490	4,830,889
Total Net Position	\$ 15,409,705	\$ 14,790,843

**CUMBERLAND COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2013 AND 2012 (RESTATED)**

	2013	2012 (RESTATED)
OPERATING REVENUE:		
Treatment Fees	\$ 5,887,450	\$ 5,924,220
User Surcharge Revenue	42,374	
Septage Fees	339,225	412,299
Service Fees	11,494	14,715
Finance Charges	2,507	3,751
Industrial Pretreatment Program Revenue	57,500	52,500
Other Operating Income	31,159	46,843
Total Operating Revenue	6,371,709	6,454,328
OPERATING EXPENSES:		
Cost of Providing Services	3,286,253	3,075,969
Administrative and General	1,166,671	1,215,309
Depreciation	1,012,542	1,072,319
Total Operating Expenses	5,465,466	5,363,597
OPERATING INCOME	906,243	1,090,731
NON-OPERATING REVENUE (EXPENSES):		
Connection Fees	32,400	10,255
Interest Income	102,810	67,656
Interest Expense	(286,644)	(334,214)
Debt Issue Costs Incurred	(67,243)	(24,176)
Gain on Disposal of Capital Assets	47,600	200
Decrease in Fair Value of Investments	(116,304)	(3,858)
Total Non-Operating Revenue (Expenses)	(287,381)	(284,137)
CHANGE IN NET POSITION	618,862	806,594
TOTAL NET POSITION-BEGINNING (RESTATED)	14,790,843	13,984,249
TOTAL NET POSITION-ENDING	\$ 15,409,705	\$ 14,790,843

The accompanying Notes to Financial Statements are an integral part of this statement

**CUMBERLAND COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers and Users	\$ 6,371,814	\$ 6,416,417
Cash Payments to Suppliers for Goods and Services	(1,498,813)	(1,478,608)
Cash Payments for Employee Services	(2,830,653)	(2,819,239)
Other Receipts (Payments)	6,988	54,460
	<u>2,049,336</u>	<u>2,173,030</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(1,794,193)	(278,600)
Connection Fees Received	32,400	24,032
Proceeds from Sale of Fixed Assets	47,600	200
Proceeds from NJEIT Funds	1,542,154	524,862
Cost of Issuance Paid	(40,345)	
Principal Paid on Bonds	(745,000)	(1,010,000)
Principal Paid on Loans Payable	(229,551)	(180,109)
Interest Paid on Bonds and Loans	(268,559)	(310,522)
	<u>(1,455,494)</u>	<u>(1,230,137)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investment Securities	(2,195,508)	(2,303,109)
Proceeds from Sale and Maturities of Investment Securities	2,048,741	1,319,373
Interest Received on Non-Operating Investments	90,832	49,886
	<u>(55,935)</u>	<u>(933,850)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	537,907	9,043
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>3,850,402</u>	<u>3,841,359</u>
CASH AND CASH EQUIVALENTS-END OF YEAR	<u>\$ 4,388,309</u>	<u>\$ 3,850,402</u>

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CUMBERLAND COUNTY UTILITIES AUTHORITY
 COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)
 YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 906,243	\$ 1,090,731
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,012,542	1,072,319
Increase (Decrease) in Cash Resulting From Changes in:		
Accounts Receivable	41,303	(26,361)
Other Receivable - Operations	15,000	(7,000)
Inventory	7,465	(4,871)
Accounts Payable - Non Capital	77,548	(15,809)
Accrued Liabilities	28,596	11,094
Due to Users	(49,610)	49,610
Sensor Escrow	400	300
Accrued Compensated Absences	9,849	3,017
Total Adjustments	1,143,093	1,082,299
Net Cash Provided by Operating Activities	\$ 2,049,336	\$ 2,173,030

The accompanying Notes to Financial Statements are an integral part of this statement

NOTES TO THE FINANCIAL STATEMENTS

CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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 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, 2013, and therefore, has not been required to pay any service charges

The Contracts provide, among other things, for the payment of service charges by the Participants to the Authority in return for their usage of the System and the Authority's construction, operation and maintenance of the System.

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

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

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012**

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.

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. 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.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2013 AND 2012**

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.