

**CUMBERLAND COUNTY UTILITIES AUTHORITY**  
**AUDIT REPORT**  
**YEAR ENDED DECEMBER 31, 2006**

CUMBERLAND COUNTY UTILITIES AUTHORITY

AUDIT REPORT

YEAR ENDED DECEMBER 31, 2006

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report on the Basic Financial Statements and Supplementary Information	1. & 2.
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3. & 4.
Required Supplementary Information: Management's Discussion and Analysis	5 - 10

EXHIBIT

BASIC FINANCIAL STATEMENTS:

A	Balance Sheet	11. & 12.
B	Statement of Revenues, Expenses and Changes in Net Assets	13.
C	Statement of Cash Flows	14. & 15.
	Notes to Financial Statements	16. - 33.

SCHEDULE

SUPPLEMENTARY INFORMATION

1	Schedule of Revenues, Expenses and Changes in Net Assets - Invested in Capital Assets Net of Related Debt, Restricted and Unrestricted	34.
2	Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Unrestricted Accounts	35.
3	Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Restricted Accounts	36.
4	Schedule of Operating Revenue and Costs Funded by Operating Revenue Compared to Budget	37. & 38.

**CUMBERLAND COUNTY UTILITIES AUTHORITY**

**AUDIT REPORT**

**YEAR ENDED DECEMBER 31, 2006**

**TABLE OF CONTENTS**

<u>SCHEDULE</u>		PAGE
5	Schedule of Sewer Revenue Bonds Payable	39. & 40
6	Schedule of Loans Payable – New Jersey Environmental Infrastructure Trust – Series 2001B	41.
	Roster of Officials	42.
	Findings and Recommendations	43.
	Status of Prior Year Findings and Recommendations	44.

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Cumberland County Utilities Authority as of and for the year ended December 31, 2006 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and in compliance with those audit standards having been adopted as rules by the Local Finance Board and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cumberland County Utilities Authority as of December 31, 2006, and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America and accounting principles prescribed by the Local Finance Board.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2007 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* and should be considered in assessing the results of our audit.

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

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

ROMANO, HEARING, TESTA & KNORR

*Romano, Hearing, Testa & Knorr*

Certified Public Accountants

February 21, 2007

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

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

We have audited the financial statements of the Cumberland County Utilities Authority, as of and for the year ended December 31, 2006, and have issued our report thereon dated February 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and standards issued by the Local Finance Board and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Cumberland County Utilities Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cumberland County Utilities Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cumberland County Utilities Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

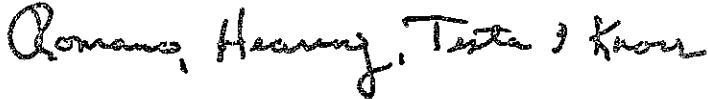
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cumberland County Utilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Cumberland County Utilities Authority in the "Findings and Recommendations" section of the audit report in accordance with audit requirements as prescribed by the Local Finance Board and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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

ROMANO, HEARING, TESTA & KNORR

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

Certified Public Accountants

February 21, 2007

## **REQUIRED SUPPLEMENTARY INFORMATION**



# *Cumberland County Utilities Authority*

333 Water Street; Bridgeton, New Jersey 08302

856-455-7120

856-459-0470 fax

## **Commissioners:**

Nancy L. Sungenis  
Chairwoman  
James S. Hursey  
Vice-Chairman  
James P. Crilley  
Angelia L. Edwards  
Gregory J. Facemyer  
Robert W. Felmev  
Harvey L. Friedman  
Albert Jones  
Donald L. Olbrich, Sr



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

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

This section of the Cumberland County Utilities Authority's (the Authority) annual financial report presents the analysis of the Authority's overall financial position and results of operation for the year that ended on December 31, 2006. Please read it in conjunction with the financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The Authority's Net Capital Assets decreased by \$266,000, a decrease of 1.49%.
- The Authority's Total Assets increased by \$2,356,000, an increase of 9.38%.
- During the year, the Authority's operating revenues decreased by \$30,000 to \$4.95 million, a .60% decrease, and operating expenses increased by \$365,000 to \$4.92 million, an 8.0% increase.
- The Authority's Net Assets increased by \$205,000, a 1.44% 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 \$205,000. The analysis below focuses on the Authority's net assets (Table 1) and changes in net assets (Table 2) during the year.

Table 1  
**Net Assets**  
(Dollars in Thousands)

	<u>2006</u>	<u>2005</u>	Increase (Decrease) \$	Increase (Decrease) %
Current Assets	\$ 2,669	\$ 2,498	\$ 171	6.85%
Noncurrent Assets	24,808	22,623	2,185	9.66%
Total Assets	<u>\$ 27,477</u>	<u>\$ 25,121</u>	<u>\$ 2,356</u>	9.38%
Current Liabilities	\$ 709	\$ 406	\$ 303	74.63%
Current Liabilities Payable				
From Restricted Assets	1,337	1,008	329	32.64%
Long-Term Liabilities	11,016	9,497	1,519	15.99%
Total Liabilities	<u>\$ 13,062</u>	<u>\$ 10,911</u>	<u>\$ 2,151</u>	19.71%
Invested in Capital Assets				
Net of Related Debt	\$ 8,696	\$ 8,688	\$ 8	0.09%
Restricted Net Assets	1,519	1,323	196	14.81%
Unrestricted Net Assets	4,200	4,199	1	0.02%
Total Net Assets	<u>\$ 14,415</u>	<u>\$ 14,210</u>	<u>\$ 205</u>	1.44%

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

The increase in noncurrent assets is the net result of increases in investments of \$2,081,000, receivables of \$456,000, and unamortized debt issue costs of \$50,000 together with decreases in net capital assets of \$266,000 and cash and equivalents of \$138,000. The increase in investments noted above is primarily the result of unexpended proceeds of the Series 2006B bond issue.

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

The increase in long-term liabilities is the net effect of an increase in revenue bonds payable, which is the net result of the issuance of the Series 2006B bonds less principal

maturities, a decrease in 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.

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

	2006	2005	Increase (Decrease) \$	Increase (Decrease) %
Operating Revenues				
Treatment Fees	\$ 4,412	\$ 4,326	\$ 86	1.99%
Septage Fees	421	570	(149)	-26.14%
Other Operating	120	87	33	37.93%
Nonoperating Revenues	629	360	269	74.72%
Total Revenues	<u>\$ 5,582</u>	<u>\$ 5,343</u>	<u>\$ 239</u>	4.47%
Operating Expenses				
Cost of Providing Services	\$ 2,998	\$ 2,712	\$ 286	10.55%
Administrative and General	990	905	85	9.39%
Depreciation	937	943	(6)	-0.64%
Non Operating Expense				
Interest and Amortization	453	564	(111)	-19.68%
Decrease in Fair Value of Investment		37	(37)	-100.00%
Total Expenses	<u>\$ 5,378</u>	<u>\$ 5,161</u>	<u>\$ 217</u>	4.20%
Income (Loss) Before Capital Contrib.	\$ 204	\$ 182	\$ 22	12.09%
Capital Contributions		4	(4)	-
Change in Net Assets	204	186	18	9.68%
Beginning Net Assets	14,210	14,024	186	1.33%
Ending Net Assets	<u>\$ 14,414</u>	<u>\$ 14,210</u>	<u>\$ 204</u>	1.44%

### **REVENUES AND OPERATING EXPENSES**

The Authority's total revenues are approximately \$5.583 million for the year ended December 31, 2006. Treatment Fees were \$4.412 million accounting for 79% of total revenue. Operating expenses include cost of providing services, which totaled \$2.99 million, a 10.55% increase and Administrative and General of \$0.990 million, a 9.39% increase.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of December 2006, the Authority had \$17.532 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 5 to the financial statements. Total depreciation expense for the year was \$0.937 million.

The following tables summarize the Authority's capital assets, net of accumulated depreciation, and changes therein, for the year ended December 31, 2006.

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

	<u>2006</u>	<u>2005</u>	Increase (Decrease) \$	Increase (Decrease) %
Land	\$ 1,135	\$ 1,135	\$ -	0.00%
Land Improvements	151	168	(17)	-10.12%
Treatment Plant and Facilities	11,127	11,574	(447)	-3.86%
Pumping Stations and Interceptors	2,819	2,594	225	8.67%
Machinery and Equipment	2,078	2,132	(54)	-2.53%
Vehicles	175	169	6	3.55%
Office Equipment	21	26	(5)	-19.23%
Construction in Progress	26	-	26	0.00%
Total	<u>\$ 17,532</u>	<u>\$ 17,798</u>	<u>\$ (266)</u>	-1.49%

This year's additions (in thousands) include:

Land Improvements, Treatment Plant and Facilities .....	\$ 64
Machinery, Equipment and Vehicles .....	154
Pumping Stations and Interceptors .....	427

The Authority's FY 2007 capital budget plans for investing another \$1,267,000 in capital projects, including the following (in thousands):

Motor /Pump Replacement .....	\$50
Truck, Vehicles, Tankers .....	60
Office/Computer Upgrades .....	5
Buildings and Grounds .....	72
CB/DW Roof .....	30
Clarifier Drives .....	100
Railroad Bridge Removal .....	200
Blower Replacement .....	400
Glass Street Upgrade .....	350
 TOTAL	 <u>\$1,267</u>

The Authority plans on funding those capital projects using year 2007 revenue of \$217,000 and proceeds of the Series 2006B bond issue of \$1,050,000.

### **Debt Administration**

At December 31, 2006, the Authority had several outstanding bond issues and loans payable in the amount of \$11,889,693 that will mature in various amounts through the year 2021 with interest rates ranging from 3.4% to 5.5%. The Authority also has accrued compensated absences in the amount of \$55,828. More detailed information about long-term liabilities can be found in Note 9 to the financial statements.

### **NEXT YEAR'S BUDGETS AND RATES**

It has been the philosophy of the Authority to utilize Unrestricted Net Assets as a tool to stabilize user rates. In recent years, in an effort to maintain an adequate level of Unrestricted Net Assets, the Authority has found it necessary to increase our user rates to reduce reliance on Unrestricted Net Assets to supplement the budget. The budget for year 2007 will have a 2.0% increase in sewerage treatment fees, and connection fees for new customers increased from \$1,150 to \$1,225 per Domestic Consumer Unit (DCU).

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 Series 1997 and Series 2001A Bonds. The advanced refunding resulted in an economic gain (difference between the present value of the old and new debt service payments) of \$207,025. The Authority reduced its aggregate debt service payments by \$261,474 as a result of the refunding.

In April 2006, the Authority issued its Sewer Revenue Bonds (Series 2006B), in the principal amount of \$2,340,000. The proceeds derived from the issuance and sale of the Bonds will be used to fund the previously described capital projects.

By reducing debt service payments and improving operating efficiency, the Authority is striving to continue to keep user rates stable

### **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
BALANCE SHEET  
DECEMBER 31, 2006**

**ASSETS****CURRENT ASSETS - UNRESTRICTED:**

Cash and Cash Equivalents	\$	1,701,531
Investments		896,600
Accounts Receivable (Less Allowance of \$21,244)		20,323
Interest Receivable		12,749
Other Receivable		1,095
Inventory		36,866
		2,669,164
<b>Total Current Assets - Unrestricted</b>		<b>2,669,164</b>

**NONCURRENT ASSETS:**

Restricted:		
Accounts Required by the Authority's Bond Resolutions:		
Cash and Cash Equivalents		451,534
Investments		3,727,998
Interest Receivable		50,608
Other Restricted Accounts:		
Cash and Cash Equivalents		6,440
Investments		2,141,392
Interest Receivable		23,620
Due from Unrestricted Assets		405,459
Deferred Compensation Benefit Investments		198,339
		7,005,390
<b>Total Restricted Assets</b>		<b>7,005,390</b>
Unamortized Debt Issue Costs		269,914
Capital Assets, Net		17,532,463
		24,807,767
<b>Total Noncurrent Assets</b>		<b>24,807,767</b>

**TOTAL ASSETS**

**\$ 27,476,931**



**CUMBERLAND COUNTY UTILITIES AUTHORITY  
BALANCE SHEET  
DECEMBER 31, 2006**

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

Accounts Payable - Operations	\$ 147,932
Accrued Liabilities	95,289
Unearned Permit Fees	2,500
Unearned Connection Fees	57,500
Due to Restricted Assets	<u>405,459</u>

**Total Current Liabilities Payable From Unrestricted Assets** 708,680

**CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:**

Construction Accounts Payable	64,274
Sewer Revenue Bonds Payable - Current Portion	845,000
New Jersey Environmental Infrastructure Trust Loans Payable - Current Portion	84,824
Sensor Escrow	4,200
Accrued Interest Payable - Bonds and Loans	141,010
Deferred Compensation Benefit Due Employees	<u>198,339</u>

**Total Current Liabilities Payable From Restricted Assets** 1,337,647

**LONG-TERM LIABILITIES:**

Sewer Revenue Bonds Payable - Non Current Portion	9,428,831
New Jersey Environmental Infrastructure Trust Loans Payable - Non Current Portion	1,531,038
Accrued Compensated Absences	<u>55,828</u>

**Total Long-Term Liabilities** 11,015,697

**Total Liabilities** 13,062,024

**NET ASSETS:**

Invested in Capital Assets, Net of Related Debt	8,695,717
Restricted:	
Current Debt Service	786,351
Future Debt Service	132,486
Renewal and Replacement	600,000
Unrestricted	<u>4,200,353</u>

**Total Net Assets** 14,414,907

**TOTAL LIABILITIES AND NET ASSETS** \$ 27,476,931

**CUMBERLAND COUNTY UTILITIES AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2006**

<b>OPERATING REVENUE:</b>	
Treatment Fees	\$ 4,412,550
Septage Fees	421,778
Service Fees	11,595
Lab Fees	926
Interest Income	69,362
Finance Charges	4,485
Industrial Pretreatment Program Revenue	<u>33,250</u>
<b>Total Operating Revenue</b>	<u>4,953,946</u>
<b>OPERATING EXPENSES:</b>	
Cost of Providing Services	2,998,084
Administrative and General	989,912
Depreciation	<u>937,111</u>
<b>Total Operating Expenses</b>	<u>4,925,107</u>
<b>OPERATING INCOME</b>	<u>28,839</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>	
Connection Fees	376,990
Interest Income	211,591
Interest Expense	(425,635)
Amortization of Debt Issue Costs	(27,379)
Increase in Fair Value of Investments	38,227
Gain on Disposal of Fixed Assets	1,296
Other Income	<u>502</u>
<b>Total Non-Operating Revenue (Expenses)</b>	<u>175,592</u>
<b>CHANGE IN NET ASSETS</b>	204,431
<b>TOTAL NET ASSETS-BEGINNING</b>	<u>14,210,476</u>
<b>TOTAL NET ASSETS-ENDING</b>	<u><u>\$ 14,414,907</u></u>

See Accompanying Notes to Financial Statements

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2006**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received from Customers and Users	\$ 4,921,089
Cash Payments to Suppliers for Goods and Services	(1,677,349)
Cash Payments for Employee Services	(2,297,496)
Other Receipts (Payments)	<u>75,529</u>
<b>Net Cash Provided by Operating Activities</b>	<u>1,021,773</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition and Construction of Capital Assets	(596,507)
Connection Fees Received	332,165
Proceeds from Sale of Fixed Assets	1,296
Proceeds from Issuance of Bonds	8,474,602
Premium on Issuance of Bonds	36,225
Costs of Issuance	(239,280)
Payments to Escrow Agent - Refunded Bonds	(6,022,391)
Principal Paid on Bonds	(645,000)
Principal Paid on Loans Payable	(85,961)
Interest Paid on Bonds and Loans	<u>(403,089)</u>
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<u>852,060</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of Investment Securities	(3,452,378)
Proceeds from Sale and Maturities of Investment Securities	1,009,786
Interest Received on Non-Operating Investments	<u>240,016</u>
<b>Net Cash Used by Investing Activities</b>	<u>(2,202,576)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(328,743)
<b>CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR</b>	<u>2,488,248</u>
<b>CASH AND CASH EQUIVALENTS-END OF YEAR</b>	<u><u>\$ 2,159,505</u></u>

See Accompanying Notes to Financial Statements

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2006**

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

Operating Income	\$ 28,839
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	937,111
Increase (Decrease) in Cash Resulting From Changes in:	
Accounts Receivable	55,848
Other Receivable - Operations	4,360
Inventory	(15,136)
Accounts Payable - Non Capital	(11,329)
Accrued Liabilities	19,173
Unearned Permit Fees	(2,500)
Sensor Escrow	100
Accrued Compensated Absences	5,307
Total Adjustments	<u>992,934</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 1,021,773</u></u>

## **NOTES TO THE FINANCIAL STATEMENTS**

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

**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, 2006 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, 2006**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A. Basis of Presentation

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Authority are treatment fees and septage fees. The Authority also recognizes interest earned on operating funds, service fees, lab fees, financial charges and industrial pretreatment program revenues as operating revenue. Operating expenses include cost of providing services, administrative and general expenses and depreciation. All revenues and 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. GASB Statement No. 34

The financial statements of the Authority are presented in accordance with the provisions of GASB Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis* – for State and Local Governments. Statement 34 establishes standards for external

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. GASB Statement No. 34 (Continued)

financial reporting for all state and local governmental entities which includes a Management's Discussion and Analysis section, a Balance Sheet, a Statement of Revenues, Expenses, and Changes in Net Assets and a Statement of Cash Flows. It requires the classification of Net Assets into three components – Invested in Capital Assets, net of related debt; Restricted; and Unrestricted.

D. Grants

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

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

E. Accounts Receivable

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

F. Capital Assets

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

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

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

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

Treatment plant and facilities	5 - 50 years
Pumping stations, interceptors and improvements	15 - 40 years
Machinery and equipment	2 - 20 years
Office furniture	5 - 10 years
Vehicles	5 - 15 years



**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

G. Accounts Required by the General Bond Resolution

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

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

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006**

**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, 2006**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. Unamortized Debt Issue Costs

Deferred debt issue costs incurred with the Series 1997 Bond Issue, which was refunded in 2006 were being amortized over the life of the issue based upon the interest method. Accumulated amortization as of December 31, 2005 was \$116,846. During 2006, the Authority incurred amortization expense of \$2,721. The unamortized debt issue costs in the amount of \$75,180 were utilized in the computation of the deferred amount on refunding.

Deferred debt issue costs incurred with the Series 1999 Bond Issue are being amortized over the life of the issue using the interest method. Accumulated amortization as of December 31, 2006 is \$97,338.

Deferred debt issue costs incurred with the Series 2001A Bond Issue, which was partially refunded in 2006, were being amortized over the life of the issue based upon the interest method. Accumulated amortization as of December 31, 2005 was \$30,373. During 2006, the Authority incurred amortization expense of \$5,088. The unamortized debt issue costs in the amount of \$42,877 were utilized in the computation of the deferred amount on refunding. Accumulated amortization for the debt issue costs remaining after the refunding as of December 31, 2006 is \$5,088.

Deferred debt issue costs incurred with the Series 2001B Bond Issue are being amortized over the life of the issue using the interest method. Accumulated amortization as of December 31, 2006 is \$2,141.

Deferred debt issue costs incurred with the Series 2006A Bond Issue are being amortized over the life of the issue based upon the interest method. Accumulated amortization as of December 31, 2006 is \$9,807.

Deferred debt issue costs incurred with the Series 2006B Bond Issue are being amortized over the life of the issue based upon the interest method. Accumulated amortization as of December 31, 2006 is \$10,428.

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

The original issue discount resulting from the issuance of the Series 1997 Bonds, which were refunded in 2006, was being amortized over the life of the issue based upon the interest method and reflected in the financial statements as a reduction of the related debt. Accumulated amortization as of December 31, 2005 was \$94,284. Amortization of \$2,103 is reflected as a component of interest expense for 2006. The unamortized original issue discount in the amount of \$60,761 was utilized in the computation of the deferred amount on refunding.

Unamortized original issue discount resulting from the issuance of the Series 1999 bonds is being amortized over the life of the issue based upon the interest method and is reflected in the financial statements as a reduction of the related debt. Accumulated amortization as of December 31, 2006 is \$13,951. Amortization of \$1,346 is reflected as a component of interest expense for 2006.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Unamortized Original Issue Discount and Amortization of Original Issue Discount (Continued)**

Unamortized original issue discount resulting from the issuance of the Series 2006B bonds is being amortized over the life of the issue based upon the interest method and is reflected in the financial statements as a reduction of the related debt. Accumulated amortization as of December 31, 2006 is \$803. Amortization of \$803 is reflected as a component of interest expense for 2006.

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

The unamortized deferred amount on refunding resulting from the 1997 refunding of the Series 1977 Bonds was being amortized over the life of the 1997 issue based upon the interest method and reflected in the financial statements as a reduction of the related debt. The Series 1997 Bonds were refunded in 2006. Accumulated amortization as of December 31, 2005 was \$163,370. Amortization of \$3,644 is reflected as a component of interest expense for 2006. The unamortized deferred amount on refunding in the amount of \$105,280 was utilized in the computation of the Series 2006A deferred amount on refunding.

The unamortized deferred amount on refunding resulting from the 1999 refunding of the Series 1992 Bonds is being amortized over the life of the 1999 issue based upon the interest method and is reflected in the financial statements as a reduction of the related debt. Accumulated amortization as of December 31, 2006 is \$270,516. Amortization of \$26,100 is reflected as a component of interest expense for 2006.

The unamortized deferred amount on refunding resulting from the 2006 refunding of the Series 1997 issue and Series 2001A issue is being amortized over the remaining life of the old debt or the new debt (2006A issue) whichever is shorter based upon the interest method and is reflected in the financial statements as a reduction of the related debt. Accumulated amortization as of December 31, 2006 is \$45,506. Amortization of \$45,506 is reflected as a component of interest expense for 2006.

**K. Unamortized Premium and Amortization of Premium**

The unamortized premium received in connection with the issuance of the New Jersey Environmental Infrastructure Trust Loans – Series 2001B is being amortized over the life of the issue based upon the interest method and is reflected in the financial statements as an addition to the related debt. Accumulated amortization as of December 31, 2006 is \$20,935. Amortization of \$3,634 is reflected as a component of interest expense for 2006.

The unamortized premium received in connection with the issuance of the Series 2006A Bonds is being amortized over the life of the issue based upon the interest method and is reflected in the financial statements as an addition to the related debt. Accumulated amortization as of December 31, 2006 is \$3,406. Amortization of \$3,406 is reflected as a component of interest expense for 2006.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

L. Inventory

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

M. Cash, Cash Equivalents and Investments

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

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

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

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

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

N. Use of Estimates

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

**CUMBERLAND COUNTY UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2006**

**NOTE 3 CASH AND CASH EQUIVALENTS**

At December 31, 2006 the carrying amount and bank balance of the Authority's time and demand deposits were \$1,220,469 and \$1,317,354, respectively. All of the time and demand deposits were covered by either federal deposit insurance or by the Governmental Unit Deposit Protection Act (GUDPA).

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. Although the Authority does not have a formal policy regarding custodial credit risk, as described in Note 1, N.J.S.A. 17:41 et seq requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. As of December 31, 2006, all of the Authority's bank balance of \$1,317,354 was insured or collateralized.

In addition to the bank deposits described above, the Authority also had \$939,023 invested in a government money market fund which is not covered by federal deposit insurance or by GUDPA, but which invests exclusively in general obligations issued by the U.S. Government and backed by its full faith and credit and which carries a credit rating of AAA.

At December 31, 2006 the Authority had \$13 invested in the New Jersey Cash Management Fund ("the Fund") which is not covered by either federal deposit insurance or by GUDPA. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above.

**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 \$6,765,990 investments in U.S. Treasury obligations and agencies are held in the name of the counterparty, not in the name of the Authority.

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

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

**CUMBERLAND COUNTY UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2006**

**NOTE 4 INVESTMENTS (CONTINUED)**

Concentration of Credit Risk – The Authority does not place a limit on the amount that may be invested in any one issuer. Twenty-nine percent (29.0%) of the Authority's investments are in Federal Home Loan Bank (F.H.L.B.) Bonds.

As of December 31, 2006, the Authority had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Fair Value</u>
U.S. Treasury Notes	2/15/2007	N/A	\$ 1,096,304
U.S. Treasury Notes	2/22/2007	N/A	337,722
U.S. Treasury Notes	3/1/2007	N/A	496,165
U.S. Treasury Notes	7/31/2007	N/A	993,360
U.S. Treasury Notes	8/31/2007	N/A	496,600
U.S. Treasury Notes	2/29/2008	N/A	129,451
U.S. Treasury Notes	5/15/2008	N/A	103,393
U.S. Treasury Notes	8/15/2008	N/A	318,926
U.S. Treasury Notes	9/30/2008	N/A	518,071
U.S. Treasury Notes	2/15/2009	N/A	172,567
F.H.L.B. Bonds	2/1/2007	AAA	600,000
F.H.L.B. Bonds	2/15/2007	AAA	700,000
F.H.L.B. Bonds	8/8/2007	AAA	100,031
F.H.L.B. Bonds	8/15/2007	AAA	100,000
F.H.L.B. Bonds	9/28/2007	AAA	479,102
F.N.M.A. Discount Notes	7/13/2007	AAA	<u>124,298</u>
			<u>\$ 6,765,990</u>

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006 was as follows:

	<u>Balance</u> <u>January 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2006</u>
Non-Depreciable Capital Assets:				
Land	\$ 1,135,342	\$	\$	\$ 1,135,342
Construction in Progress	<u>                    </u>	<u>453,361</u>	<u>(426,742)</u>	<u>26,619</u>
Total Non-Depreciable Capital Assets	<u>1,135,342</u>	<u>453,361</u>	<u>(426,742)</u>	<u>1,161,961</u>
Depreciable Capital Assets:				
Land Improvements	418,413	4,151		422,564
Treatment Plant and Facilities	22,305,992	59,979		22,365,971
Pumping Stations and Interceptors	5,476,225	426,742		5,902,967
Machinery and Equipment	3,320,377	112,035	( 1,041)	3,431,371
Vehicles	724,444	37,325	( 29,856)	731,913
Office Equipment	<u>143,920</u>	<u>4,630</u>	<u>                    </u>	<u>148,550</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

	<u>Balance January 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2006</u>
Total Depreciable Capital Assets	32,389,371	644,862	( 30,897)	33,003,336
Less: Accumulated Depreciation	( 15,726,620)	( 937,111)	<u>30,897</u>	( 16,632,834)
Depreciable Capital Assets, Net	<u>16,662,751</u>	( 292,249)	---	<u>16,370,502</u>
Total Capital Assets, Net	<u>\$ 17,798,093</u>	<u>\$ 161,112</u>	<u>(\$ 426,742)</u>	<u>\$ 17,532,463</u>

**NOTE 6 PENSIONS**

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

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

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

The State of New Jersey Public Employees' Retirement System is a cost-sharing multiple-employer contributory defined benefit plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The System's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the System is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

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

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



**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006**

**NOTE 6 PENSIONS (CONTINUED)**

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

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

For 2006 the Authority had \$39,125 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>
12/31/06	\$ 39,125	100%	\$ 39,125
12/31/05	18,602	100%	18,602
12/31/04	4,730	100%	4,730

**NOTE 7 AMOUNTS REQUIRED BY BOND RESOLUTION**

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

	<u>Bond Service Fund</u>	<u>Bond Reserve Fund</u>
Cash and Investments	\$ 380,892	\$ 1,403,540
Required Amount	<u>786,351</u>	<u>1,400,880</u>
	<u>(\$ 405,459)*</u>	<u>\$ 2,660</u>

\* Result of timing differences – additions were made in January 2007.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2006**

**NOTE 8 OTHER RECEIVABLES**

Other receivables as of December 31, 2006 consisted of the following:

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

**NOTE 9 LONG-TERM LIABILITIES**

A. Bonds Payable

In 1997, the Authority issued its Sewer Revenue Refunding Bonds (Series 1997), in the principal amount of \$7,915,000. The Bonds were issued to provide funds which, together with other moneys of the Authority, were used to (i) currently refund the Authority's Sewer Revenue Bonds (Series 1977) then outstanding in the aggregate principal amount of \$7,550,000, (ii) fund a Debt Service Reserve Fund requirement, and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds including the premium for a municipal bond insurance policy. The outstanding balance of the Series 1997 Bonds consists of serial bonds that mature in 2007 in the amount of \$365,000 at an interest rate of 4.75%. The Series 1997 Bonds maturing in the years 2008 to 2017 in the aggregate principal amount of \$5,020,000 were advance refunded with the issuance of the Series 2006A Sewer Revenue Refunding Bonds.

In 1999, the Authority issued its Sewer Revenue Refunding Bonds (Series 1999), in the principal amount of \$3,295,000. The Bonds were issued to provide funds which, together with other moneys of the Authority, were used to (i) advance refund the Authority's Sewer Revenue Bonds (Series 1992) then outstanding in the aggregate principal amount of \$3,170,000, (ii) fund a Bond Reserve Fund, and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds including the premium for a municipal bond insurance policy. The outstanding balance of the Series 1999 Bonds consists of serial bonds that mature in various amounts ranging from \$265,000 to \$305,000 with interest rates ranging from 4.20% to 4.50% from 2007 to 2012.

In 2001, the Authority issued its Sewer Revenue Bonds (Series 2001A), in the principal amount of \$1,200,000. The Bonds were issued to provide funds which, together with other moneys of the Authority, were used to (i) currently refund a \$3,000,000 principal amount of Project Notes (Series 2000) of the Authority, dated September 1, 2000 and maturing January 1, 2002, (ii) fund a Bond Reserve Fund, and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds. The Series 2001A Bonds maturing in the years 2011 through 2017 in the aggregate principal amount of \$810,000 were advance refunded with the issuance of the Series 2006A Sewer Revenue Refunding Bonds. The remaining outstanding balance of the Series

**CUMBERLAND COUNTY UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2006**

**NOTE 9 LONG-TERM LIABILITIES (CONTINUED)**

2001A Bonds consists of \$200,000 of term bonds with an original maturity date of December 1, 2021 which are subject to mandatory sinking fund redemptions in various amounts ranging from \$45,000 in 2007 to \$55,000 in 2010 bearing interest at a rate of 5.40%

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 (i) 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 2008 through 2017, inclusive, (ii) 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 2011 through 2021, inclusive and (iii) 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 state 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.

In April 2006, the Authority issued its Sewer Revenue Bonds (Series 2006B), in the principal amount of \$2,340,000. The proceeds derived from the issuance and sale of the Bonds will be used to (i) acquire a phosphorous removal system (ii) install a new section of sewer pipeline under the Cohansy River, (iii) purchase and install replacement blowers for existing aeration tanks, (iv) repair existing wet wells, (v) replace existing tank drives, (vi) purchase replacement tanker trucks, (vii) fund the amount required to be deposited in the bond reserve fund, and (viii) pay the costs and expenses associated with the issuance of the bonds.

The Series 2006B Bonds maturing prior to March 1, 2017 are not subject to redemption prior to their state 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 advanced refundings previously described resulted in an economic gain (difference between the present value of the old and new debt service payments) of \$207,025. The Authority reduced its aggregate debt service payments by \$261,474 as a result of the refundings.

**B. Loans Payable**

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

Under the 2001 New Jersey Environmental Infrastructure Fund Program ("Fund"), the State extended \$1,000,000 of non interest-bearing loan funds to the Authority. The outstanding balance is included in loans payable as of December 31, 2006 as reflected in the following summary of changes in long-term liabilities.

**CUMBERLAND COUNTY UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2006**

**NOTE 9 LONG-TERM LIABILITIES (CONTINUED)**

**C. Compensated Absences**

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

The following is a summary of changes in long-term liabilities for the year ended December 31, 2006:

<u>Type of Debt</u>	<u>Balance</u> <u>January 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2006</u>	<u>Amounts Due</u> <u>Within One Year</u>
Revenue Bonds Payable:					
Series 2006A	\$	\$ 6,055,000	\$	\$ 6,055,000	\$ 45,000
Series 2006B		2,430,000		2,430,000	125,000
Series 2001A	1,055,000		855,000	200,000	45,000
Series 1999	1,980,000		260,000	1,720,000	265,000
Series 1997	<u>5,725,000</u>	<u>          </u>	<u>5,360,000</u>	<u>365,000</u>	<u>365,000</u>
	8,760,000	8,485,000	6,475,000	10,770,000	845,000
Add:					
Unamortized Premium		36,225	3,406	32,819	
Less:					
Unamortized Original Issue Discount	( 68,547)	( 10,398)	( 65,013)	( 13,932)	
Unamortized Deferred Amount on Refunding	<u>( 219,099)</u>	<u>( 476,487)</u>	<u>( 180,530)</u>	<u>( 515,056)</u>	<u>          </u>
Total Revenue Bonds Payable	<u>8,472,354</u>	<u>8,034,340</u>	<u>6,232,863</u>	<u>10,273,831</u>	<u>845,000</u>
Loans Payable:					
Series 2001B Trust Agreement	850,000		35,000	815,000	35,000
Series 2001B Fund Agreement	<u>817,098</u>	<u>          </u>	<u>50,961</u>	<u>766,137</u>	<u>49,824</u>
	1,667,098	---	85,961	1,581,137	84,824
Add:					
Unamortized Premium	<u>38,359</u>	<u>          </u>	<u>3,634</u>	<u>34,725</u>	<u>          </u>
Total Loans Payable	<u>1,705,457</u>	<u>          </u>	<u>89,595</u>	<u>1,615,862</u>	<u>84,824</u>
Accrued Compensated Absences	<u>50,521</u>	<u>5,307</u>	<u>          </u>	<u>55,828</u>	<u>          </u>
Total Long Term Liabilities	<u>\$ 10,228,332</u>	<u>\$ 8,039,647</u>	<u>\$ 6,322,458</u>	<u>\$ 11,945,521</u>	<u>\$ 929,824</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006**

**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, 2006 are as follows:

Year Ending December 31	Revenue Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2007	\$ 845,000	\$ 422,245	\$ 84,824	\$ 41,713
2008	875,000	387,345	91,822	39,788
2009	905,000	353,280	90,393	37,588
2010	950,000	317,951	97,341	35,588
2011	985,000	278,158	95,734	33,113
2012-2016	4,215,000	826,980	526,997	125,687
2017-2021	<u>1,995,000</u>	<u>157,768</u>	<u>594,026</u>	<u>51,112</u>
	<u>\$ 10,770,000</u>	<u>\$ 2,743,727</u>	<u>\$ 1,581,137</u>	<u>\$ 364,589</u>

**NOTE 10 DEFEASED BONDS PAYABLE**

As discussed in Note 9, a portion of the proceeds of the Authority's Series 2006A Sewer Revenue Refunding Bonds were used to advance refund the Authority's Series 1997 and a portion of the Series 2001A Sewer Revenue Bonds. The funds so deposited are being held exclusively for the benefit of the holders of the 1997 and 2001A Bonds. The proceeds of the Series 2006A Bonds so deposited are invested in U.S. Treasury obligations. Such funds are being applied to the payment of the redemption price of and interest on the Bonds on their redemption date. Accordingly, these issues have been excluded from the financial statements. The outstanding balances of the 1997 and 2001A defeased bonds at December 31, 2006 are \$5,020,000 and \$810,000 respectively.

**NOTE 11 DEFERRED COMPENSATION PLAN**

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

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

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

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006**

**NOTE 11 DEFERRED COMPENSATION PLAN (CONTINUED)**

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

At December 31, 2006, the participants had invested \$198,339 in the Plan.

**NOTE 12 SUMMARY OF BUDGETARY EXPENDITURES BY WASTE CHARACTERIZATION FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Total</u>	Operating Expenditures <u>Amount</u>	<u>%</u>	Debt Service, Capital Outlay And Other <u>Amount</u>	<u>%</u>
Quantity	\$ 1,777,064	\$ 1,285,776	32.24	\$ 491,288	35.90
Chemical Oxygen Demand	1,597,455	1,156,800	29.01	440,655	32.20
Suspended Solids	1,544,253	1,192,550	29.90	351,703	25.70
Chlorine Demand	<u>437,716</u>	<u>352,870</u>	<u>8.85</u>	<u>84,846</u>	<u>6.20</u>
Total	<u>\$ 5,356,488</u>	<u>\$ 3,987,996</u>	<u>100.00</u>	<u>\$ 1,368,492</u>	<u>100.00</u>

**NOTE 13 INTEREST INCOME**

Interest Earned - Operating Accounts	<u>\$ 69,362</u>
Interest Earned - Non-Operating Accounts	\$ 279,525
Less: Allowance for Interest Earned on Borrowed Funds during construction	( <u>67,934</u> )
Interest Earned - Non-Operating Accounts	<u>\$ 211,591</u>

**NOTE 14 INTEREST EXPENSE**

Interest on Bonds, Notes and Loans	\$ 419,411
Add: Amortization of Original Issue Discount	4,252
Amortization of Deferred Amount on Refunding	75,250
Less: Allowance for Interest on Borrowed Funds during Construction (Capitalized Interest)	( <u>66,238</u> )
Amortization of Premium-Bonds and Loans Payable	( <u>7,040</u> )
Net Interest Expense	<u>\$ 425,635</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006**

**NOTE 15 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 16 ECONOMIC DEPENDENCY**

The Authority derives approximately eighty percent (80%) of its User Charge revenues from the City of Bridgeton.

**NOTE 17 RESTRICTED NET ASSETS**

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

Current Debt Service	\$ 786,351
Future Debt Service	132,486
Renewal and Replacement	600,000

**NOTE 18 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, 2006 is \$2,166,438.

The unrestricted net assets designated for subsequent year's expenditures at December 31, 2006 consists of \$504,938 which has been appropriated and included as anticipated revenue in the 2007 budget

## **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, 2006**

	INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	UNRESTRICTED			RESTRICTED			TOTAL (MEMO)
		UNDESIGNATED	DESIGNATED - SUBSEQUENT YEAR'S EXPENDITURES	DESIGNATED - FUTURE PLANT RECONSTRUCTION OR REPLACEMENT	CURRENT DEBT SERVICE	FUTURE DEBT SERVICE	RENEWAL AND REPLACEMENT	
<b>OPERATING REVENUE:</b>								
Treatment Fees	\$	\$ 4,412,550	\$	\$	\$	\$	\$ 4,412,550	
Septage Fees		421,778					421,778	
Lab Fees		926					926	
Service Fees		11,595					11,595	
Interest Income		69,362					69,362	
Finance Charges		4,485					4,485	
Industrial Pretreatment Program Revenue		33,250					33,250	
		4,953,946	-				4,953,946	
<b>OPERATING EXPENSES:</b>								
Cost of Providing Services		2,998,084					2,998,084	
Administrative and General		989,912					989,912	
Depreciation		937,111					937,111	
		4,925,107	-				4,925,107	
<b>OPERATING INCOME</b>		28,839	-				28,839	
<b>NON-OPERATING REVENUE (EXPENSES):</b>								
Connection Fees		376,990		68,640	18,090	26,082	376,990	
Interest Income		46,525					211,591	
Interest Expense		(425,635)					(425,635)	
Amortization of Debt Issue Costs		(27,379)		24,106	2,695	1,193	(27,379)	
Investment Income (Loss)		7,675					38,227	
Gain on Disposal of Fixed Assets		1,296					1,296	
Other Income		502					502	
		(20,026)		92,746	20,785	27,275	175,592	
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>		8,813	-	92,746	20,785	27,275	204,431	
Investment Income Increase (Decrease) in Debt Service Requirement		102,872			(20,785)		-	
Other Transfers	7,377	(195,526)	(33,968)		197,659	(27,275)	-	
		26,591					-	
<b>INCREASE (DECREASE) IN NET ASSETS</b>	7,377	(57,250)	(33,968)	92,746	197,659	(2,133)	204,431	
<b>NET ASSETS - JANUARY 1,</b>	8,688,340	1,386,227	538,906	2,073,692	588,692	600,000	14,210,476	
<b>NET ASSETS - DECEMBER 31,</b>	\$ 8,695,717	\$ 1,528,977	\$ 504,938	\$ 2,166,438	\$ 786,351	\$ 600,000	\$ 14,414,907	

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN CASH AND INVESTMENTS  
UNRESTRICTED ACCOUNTS  
YEAR ENDED DECEMBER 31, 2006**

	<u>REVENUE ACCOUNT</u>	<u>OPERATING ACCOUNT</u>	<u>GENERAL ACCOUNT</u>	<u>TOTAL</u>
<b>CASH AND INVESTMENTS - JANUARY 1, 2006</b>	\$ 1,329,264	\$ 254,352	\$ 808,279	\$ 2,391,895
<b>CASH RECEIPTS:</b>				
Treatment Fees	4,412,550			4,412,550
Septage Fees	461,576			461,576
Industrial Pretreatment Program Revenue	30,750			30,750
Interest on Investments	28,305	41,057	39,377	108,739
Finance Charges	1,561			1,561
Other Income	15,606			15,606
Connection Fees	332,165			332,165
Transfers - Unrestricted Accounts	(5,344,640)	5,149,203	195,437	-
Transfers from Restricted Accounts	79,094		23,879	102,973
Other Receivables/Reimbursements	10,568			10,568
<b>Total Cash and Investments Available</b>	<u>1,356,799</u>	<u>5,444,612</u>	<u>1,066,972</u>	<u>7,868,383</u>
<b>CASH DISBURSEMENTS:</b>				
Operations		3,976,699		3,976,699
Transfers to Restricted Accounts	1,018,902			1,018,902
Construction in Progress		56,354		56,354
Fixed Assets Purchased from Operations		215,131		215,131
<b>Total Cash Disbursed</b>	<u>1,018,902</u>	<u>4,248,184</u>	<u>-</u>	<u>5,267,086</u>
<b>CASH AND INVESTMENTS - DECEMBER 31, 2006</b>	<u>\$ 337,897</u>	<u>\$ 1,196,428</u>	<u>\$ 1,066,972</u>	<u>\$ 2,601,297</u>
<b>BALANCE COMPRISED OF:</b>				
Cash and Cash Equivalents:				
Non-Interest Bearing	\$	\$ 500	\$	\$ 500
Interest Bearing	337,897	1,195,928	167,206	1,701,031
Investments (At Cost):				
U. S. Government Securities			899,766	899,766
	<u>\$ 337,897</u>	<u>\$ 1,196,428</u>	<u>\$ 1,066,972</u>	<u>\$ 2,601,297</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN CASH AND INVESTMENTS  
RESTRICTED ACCOUNTS  
YEAR ENDED DECEMBER 31, 2006**

	ACCOUNTS REQUIRED BY BOND RESOLUTIONS				OTHER ACCOUNTS		
	BOND SERVICE	BOND RESERVE	PROJECT ACCOUNTS	RENEWAL AND REPLACEMENT	PLANT RECONSTRUCTION OR REPLACEMENT	SENSOR ESCROW	TOTAL
<b>CASH AND INVESTMENTS - JANUARY 1, 2006</b>	\$ 523,773	\$ 1,229,999	\$	\$ 601,992	\$ 2,092,565	\$ 4,688	\$ 4,453,017
<b>CASH RECEIPTS:</b>							
Bond Proceeds		200,336	8,274,266				8,474,602
Premium Received on Sale of Bonds			36,225				36,225
Interest Received	16,480	47,507	48,163	24,221	64,045	224	200,640
Transfers - Restricted Accounts		(35,449)	35,449				
Sensor Escrow							-
Realized Gain on Sale of Investments				450	675		1,125
Transfers from Unrestricted Accounts	981,739	35,874		1,189		100	1,018,902
<b>Total Cash and Investments Available</b>	<b>1,521,992</b>	<b>1,478,267</b>	<b>8,394,103</b>	<b>627,852</b>	<b>2,157,285</b>	<b>5,012</b>	<b>14,184,511</b>
<b>CASH DISBURSEMENTS:</b>							
Transfers to Unrestricted Accounts	4,200	49,301	23,879	25,593			102,973
Operations	2,849						2,849
Construction In Progress			324,001				324,001
Debt Issuance Costs			239,280				239,280
Transfer to Escrow Agent - Bond Refunding			6,022,391				6,022,391
Debt Service Payment	1,134,051						1,134,051
<b>Total Cash Disbursements</b>	<b>1,141,100</b>	<b>49,301</b>	<b>6,609,551</b>	<b>25,593</b>	<b>-</b>	<b>-</b>	<b>7,825,545</b>
<b>CASH AND INVESTMENTS - DECEMBER 31, 2006</b>	<b>\$ 380,892</b>	<b>\$ 1,428,966</b>	<b>\$ 1,784,552</b>	<b>\$ 602,259</b>	<b>\$ 2,157,285</b>	<b>\$ 5,012</b>	<b>\$ 6,358,966</b>
<b>BALANCE COMPRISED OF:</b>							
Cash and Cash Equivalents:							
Interest Bearing Investments (At Cost):	\$ 46,143	\$ 6,600	\$ 396,142	\$ 2,649	\$ 1,428	\$ 5,012	\$ 457,974
U.S. Government Obligations	334,749	1,422,366	1,388,410	599,610	2,155,857		5,900,992
	<b>\$ 380,892</b>	<b>\$ 1,428,966</b>	<b>\$ 1,784,552</b>	<b>\$ 602,259</b>	<b>\$ 2,157,285</b>	<b>\$ 5,012</b>	<b>\$ 6,358,966</b>

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
SCHEDULE OF OPERATING REVENUE AND COSTS  
FUNDED BY OPERATING REVENUE COMPARED TO BUDGET  
YEAR ENDED DECEMBER 31, 2006**

	<u>2006 BUDGET</u>	<u>2006 ACTUAL</u>
<b>REVENUE:</b>		
Net Assets Appropriated	\$ 202,796	\$
Sewerage Treatment Fees	4,412,550	4,412,550
Septage Fees	450,000	421,778
Connection Fees	320,000	376,990
Other Income		502
Interest Income - Operating Accounts	35,000	69,362
Interest Income - Other	140,000	142,951
Finance Charges	4,000	4,485
Lab Fees		926
Industrial Pretreatment Program Fees	18,000	33,250
Service Fees	10,000	11,595
	<u>5,592,346</u>	<u>5,474,389</u>
<b>Total Operating Revenue</b>	<u>\$ 5,592,346</u>	<u>\$ 5,474,389</u>
<b>EXPENSES:</b>		
Costs of Providing Services:		
Salaries and Wages	\$ 1,326,600	\$ 1,310,487
Employee Benefits	505,300	492,822
Automotive Expense	29,000	28,523
Chemicals Used in Treatment	112,500	97,209
Fuels and Lubricants	94,600	84,486
Utilities	489,600	510,596
Materials and Supplies	49,000	56,613
Repairs and Replacements	197,000	206,628
Sludge Disposal	193,500	164,826
Laboratory Expenses	53,000	39,752
Other Operations and Maintenance Expenses	2,500	1,045
Industrial Pretreatment Program	11,000	5,097
	<u>3,063,600</u>	<u>2,998,084</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
SCHEDULE OF OPERATING REVENUE AND COSTS  
FUNDED BY OPERATING REVENUE COMPARED TO BUDGET  
YEAR ENDED DECEMBER 31, 2006**

	<u>2006 BUDGET</u>	<u>2006 ACTUAL</u>
<b>EXPENSES (CONTINUED):</b>		
Administrative and General Expenses:		
Salaries and Wages	\$ 312,100	\$ 309,611
Employee Benefits	208,900	205,963
Office Supplies and Expense	31,250	22,542
Professional Services (Non-Salaried)	210,900	161,491
Insurance	78,200	78,303
Travel, Conferences and Education	17,500	13,635
Utilities	45,000	40,881
Dues and Subscriptions	7,500	6,340
Maintenance of General Property	48,500	51,888
Permits and Fees	56,800	79,784
Provision for Bad Debts	6,000	14,473
Other Administrative Fees	6,000	5,001
	<u>1,028,650</u>	<u>989,912</u>
Interest Expense	<u>484,135</u>	<u>419,411</u>
<b>OTHER COSTS FUNDED BY OPERATING REVENUE:</b>		
Principal Maturities	730,961	730,961
Capital Outlays	285,000	218,120
	<u>1,015,961</u>	<u>949,081</u>
<b>TOTAL COSTS FUNDED BY OPERATING REVENUE</b>	<u><u>\$ 5,592,346</u></u>	<u><u>\$ 5,356,488</u></u>

SCHEDULE 5

CUMBERLAND COUNTY UTILITIES AUTHORITY  
 SCHEDULE OF SEWER REVENUE BONDS PAYABLE  
 DECEMBER 31, 2006

	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE JANUARY 1, 2006	ISSUED 2006	REFUNDED 2006	PAID 2006	BALANCE DECEMBER 31, 2006
	DATE	AMOUNT		DATE	AMOUNT					
Issue of 1997 (1)	9/1/1997	\$ 7,915,000	4.75%	3/1/2007	\$ 365,000	\$ 5,725,000	\$	\$ 5,020,000	\$ 340,000	\$ 365,000
Issue of 2001A (2)	11/15/2001	\$ 1,200,000	5.40%	12/1/2007	\$ 45,000					
				12/1/2008	50,000					
				12/1/2009	50,000					
				12/1/2010	55,000	1,055,000		810,000	45,000	200,000
Issue of 1999 (3)	4/1/1999	\$ 3,295,000	4.20%	12/1/2007	\$ 265,000					
			4.20%	12/1/2008	275,000					
			4.25%	12/1/2009	280,000					
			4.35%	12/1/2010	295,000					
			4.45%	12/1/2011	305,000					
			4.50%	12/1/2012	300,000	1,980,000			260,000	1,720,000

(1) Refunded by the 2006A Bond Issue

(2) The Series 2001A Bonds are Term Bonds partially refunded by the 2006A Bond Issue. The maturities reflected above represent mandatory sinking fund redemptions commencing on December 1, 2002 at the redemption price of par and shall be selected by lot from among the Bonds then subject to redemption. The Bonds maturing prior to December 31, 2011 are not subject to redemption prior to their stated maturity.

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

(Continued)

SCHEDULE 5  
(CONTINUED)

CUMBERLAND COUNTY UTILITIES AUTHORITY  
SCHEDULE OF SEWER REVENUE BONDS PAYABLE (CONTINUED)  
DECEMBER 31, 2006

	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE JANUARY 1, 2006	ISSUED 2006	REFUNDED 2006	PAID 2006	BALANCE DECEMBER 31, 2006
	DATE	AMOUNT		DATE	AMOUNT					
Issue of 2006A (4)	3/28/2006	\$ 6,055,000	3.40%	3/1/2007	\$ 45,000					
			3.50%	3/1/2008	425,000					
			3.50%	3/1/2009	445,000					
			3.50%	3/1/2010	465,000					
			4.00%	3/1/2011	540,000					
			4.00%	3/1/2012	565,000					
			4.00%	3/1/2013	590,000					
			4.00%	3/1/2014	620,000					
			4.00%	3/1/2015	650,000					
			4.00%	3/1/2016	690,000					
			4.00%	3/1/2017	710,000					
		4.00%	3/1/2018	70,000						
		4.00%	3/1/2019	75,000						
		4.00%	3/1/2020	80,000						
		4.00%	3/1/2021	85,000						
						\$	\$ 6,055,000	\$	\$	\$ 6,055,000
Issue of 2006B (5)	4/18/2006	\$ 2,430,000	3.55%	3/1/2007	\$ 125,000					
			3.60%	3/1/2008	125,000					
			3.60%	3/1/2009	130,000					
			3.65%	3/1/2010	135,000					
			3.70%	3/1/2011	140,000					
			3.80%	3/1/2012	145,000					
			4.00%	3/1/2013	155,000					
			4.00%	3/1/2014	160,000					
			4.00%	3/1/2015	165,000					
			4.10%	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						
						\$	\$ 2,430,000			\$ 2,430,000
						\$	\$ 8,760,000	\$ 5,830,000	\$ 645,000	\$ 10,770,000

(4) 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. The Bonds maturing on March 1, 2021 shall be subject to mandatory sinking fund redemption on March 1 in each year at the redemption price equal to the principal portion being redeemed.

(5) 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 or after March 1, 2016 at par. The Bonds maturing on March 1, 2014, March 1, 2016, March 1, 2018 and March 1, 2021 shall be subject to mandatory sinking fund redemption on March 1 of each year at par.

CUMBERLAND COUNTY UTILITIES AUTHORITY  
 SCHEDULE OF LOANS PAYABLE  
 NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST - SERIES 2001B  
 DECEMBER 31, 2006

	ORIGINAL		INTEREST		MATURITIES		BALANCE		ISSUED 2006	PAID 2006	BALANCE DECEMBER 31, 2006
	DATE	AMOUNT	RATE	DATE	AMOUNT	JANUARY 1, 2006					
Trust Loan Agreement	10/15/2001	\$ 950,000	5.50%	8/1/2007	\$ 35,000						
			5.50%	8/1/2008	40,000						
			5.00%	8/1/2009	40,000						
			5.50%	8/1/2010	45,000						
			5.50%	8/1/2011	45,000						
			5.50%	8/1/2012	50,000						
			5.00%	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						
							\$ 850,000	\$		\$ 35,000	\$ 815,000
Fund Loan Agreement	10/15/2001	\$ 1,000,000	N/A	2007	\$ 49,824						
				2008	51,821						
				2009	50,393						
				2010	52,341						
				2011	50,734						
				2012	52,374						
				2013	50,587						
				2014	52,049						
				2015	50,263						
				2016	51,724						
				2017	49,776						
				2018	51,075						
				2019	52,211						
				2020	49,938						
				2021	51,027						
							817,098	\$		50,961	766,137
							\$ 1,667,098	\$		\$ 85,961	\$ 1,581,137



## ROSTER OF OFFICIALS

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

### Other Officials

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

### Surety Company

ITT Hartford Insurance Group

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
FINDINGS AND RECOMMENDATIONS  
YEAR ENDED DECEMBER 31, 2006**

**Finding #06-01**

Condition

N.J.S.A. 40A:11-36 states “any contracting unit by resolution of its governing body may authorize by sealed bid or public auction the sale of its personal property not needed for public use.” While the Authority did authorize by resolution the sale of certain of its personal property not needed for public use, one of the pieces of equipment sold at public auction was inadvertently not included on the list of items approved to be sold.

Recommendation

The Authority should be certain to include all equipment that is being disposed of in the resolution authorizing the disposition of equipment not needed for public use.

**CUMBERLAND COUNTY UTILITIES AUTHORITY  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
YEAR ENDED DECEMBER 31, 2006**

**Finding #05-01**

Condition

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

Status

This is not a finding in the current year.