

CUMBERLAND COUNTY UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2013 AND 2012



Romano, Hearing, Testa & Knorr

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

CUMBERLAND COUNTY UTILITIES AUTHORITY
AUDIT REPORT
YEARS ENDED DECEMBER 31, 2013 AND 2012

CUMBERLAND COUNTY UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2013 AND 2012

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report on the Basic Financial Statements and Supplementary Information	1. - 3.
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>	4. & 5.
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	6. & 7.
Required Supplementary Information: Management's Discussion and Analysis	8. - 13.
 <u>EXHIBIT</u>	
BASIC FINANCIAL STATEMENTS:	
A Comparative Statements of Net Position	14. & 15.
B Comparative Statements of Revenues, Expenses and Changes in Net Position	16.
C Comparative Statements of Cash Flows	17. & 18.
Notes to Financial Statements	19. - 38.
 <u>SCHEDULE</u>	
SUPPLEMENTARY INFORMATION	
1 Schedule of Revenues, Expenses and Changes in Net Position - Net Investment in Capital Assets, Restricted and Unrestricted	39.
2 Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Unrestricted Accounts	40.

CUMBERLAND COUNTY UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2013 AND 2012

TABLE OF CONTENTS

<u>SCHEDULE</u>		<u>PAGE</u>
3	Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Restricted Accounts	41.
4	Schedule of Revenues and Costs Funded by Revenues Compared to Budget – Budgetary Basis	42. & 43.
5	Schedule of Sewer Revenue Bonds Payable	44.
6	Schedule of Loans Payable – New Jersey Environmental Infrastructure Trust	45. - 47.
7	Schedule of Expenditures of Federal Awards	48.
8	Schedule of Expenditures of State Financial Assistance	49.
	Notes to Schedules of Federal Awards and State Financial Assistance	50.
9	Schedule of Findings and Questions Costs	51.-53.
10	Summary Schedule of Prior-Year Findings	54.
	Roster of Officials	55.

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Cumberland County Utilities Authority as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cumberland County Utilities Authority as of December 31, 2013 and December 31, 2012, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 20 to the financial statements, in 2013, the Authority adopted new accounting guidance contained in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cumberland County Utilities Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and are also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2014 on our consideration of the Cumberland County Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cumberland County Utilities Authority's internal control over financial reporting and compliance.

ROMANO, HEARING, TESTA & KNORR

Romano, Hearing, Testa & Knorr

Certified Public Accountants

April 11, 2014

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Cumberland County Utilities Authority, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Cumberland County Utilities Authority's basic financial statements, and have issued our report thereon dated April 11, 2014.

Internal Control Over Financial Reporting

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

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

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

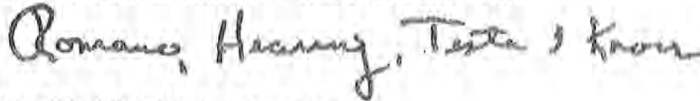
Compliance and Other Matters

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

Purpose of this Report

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

ROMANO, HEARING, TESTA & KNORR



Certified Public Accountants

April 11, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Cumberland County Utilities Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Cumberland County Utilities Authority's major federal programs for the year ended December 31, 2013. Cumberland County Utilities Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cumberland County Utilities Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cumberland County Utilities Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cumberland County Utilities Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Cumberland County Utilities Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.