

CUMBERLAND COUNTY UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2010 AND 2009

CUMBERLAND COUNTY UTILITIES AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2010 AND 2009

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CUMBERLAND COUNTY UTILITIES AUTHORITY

AUDIT REPORT

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Cumberland County Utilities Authority as of and for the years ended December 31, 2010 and 2009 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 audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

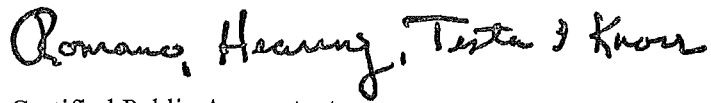
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cumberland County Utilities Authority as of December 31, 2010 and December 31, 2009, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2011 on our consideration of the Cumberland County Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Cumberland County Utilities Authority's financial statements as a whole. The information included in the supplementary schedules is not a required part of the financial statements, but is presented as additional analytical data. The information has been subjected to the auditing procedures applied in the audit of the financial statements and other records used to prepare the financial statements or to the financial statement themselves. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

ROMANO, HEARING, TESTA & KNORR

A handwritten signature in black ink that reads "Romano, Hearing, Testa & Knorr". The signature is written in a cursive, flowing style.

Certified Public Accountants

April 8, 2011

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

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

We have audited the financial statements of the Cumberland County Utilities Authority, as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

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

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

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

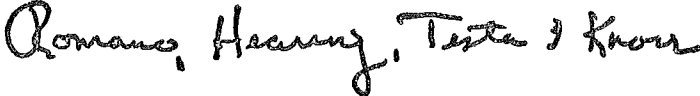
Compliance and Other Matters

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

However, we noted certain immaterial instances of noncompliance that we have 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 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

April 8, 2011

REQUIRED SUPPLEMENTARY INFORMATION

Cumberland County Utilities Authority

333 Water Street; Bridgeton, New Jersey 08302

856-455-7120

856-459-0470 fax

www.ccu.a.info

Commissioners:

Nancy L. Sungenis
Chairperson
Albert Jones
Vice-Chairman
Sameer Boutros
Angelia L. Edwards
R. Todd Edwards
Harvey L. Friedman
C. Kenneth Hill
Donald L. Olbrich Sr.
Keith I. Wasserman



Thelma D. Scott

Secretary

James F. Quinn

Treasurer

Robert J. O'Donnell

General Counsel

Theodore F. Propert

Director

Adams, Rehmann & Heggan

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, 2010. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Authority's Net Capital Assets decreased by \$872,000 a decrease of 5.25%.
- The Authority's Total Assets increased by \$828,000 an increase of 3.48%.
- During the year, the Authority's operating revenues increased by \$695,000 to \$6.05 million, a 12.97% increase, and operating expenses decreased by \$19,000 to \$5.37 million, a 0.35% decrease.
- The Authority's Net Assets increased by \$320,000, a 2.40% 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 \$320,000. 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)

	2010	2009	2008	2010-2009		2009-2008	
				Increase(Decrease)		Increase(Decrease)	
				\$	%	\$	%
Current Assets	\$ 1,582	\$ 1,848	\$ 1,871	\$ (266)	-14.39%	\$ (23)	-1.23%
Noncurrent Assets	23,010	21,916	23,125	1,094	4.99%	(1,209)	-5.23%
Total Assets	24,592	23,764	24,996	828	3.48%	(1,232)	-4.93%
Current Liabilities	422	816	784	(394)	-48.28%	32	4.08%
Current Liabilities Payable							
From Restricted Assets	1,506	1,372	1,288	134	9.77%	84	6.52%
Long-Term Liabilities	8,999	8,231	9,217	768	9.33%	(986)	-10.70%
Total Liabilities	10,927	10,419	11,289	508	4.88%	(870)	-7.71%
Invested in Capital Assets							
Net of Related Debt	8,897	8,781	8,720	116	1.32%	61	0.70%
Restricted Net Assets	1,472	1,413	1,555	59	4.18%	(142)	-9.13%
Unrestricted Net Assets	3,296	3,151	3,432	145	4.60%	(281)	-8.19%
Total Net Assets	\$ 13,665	\$ 13,345	\$ 13,707	\$ 320	2.40%	\$ (362)	-2.64%

The 14.39% decrease in current assets is primarily the net result of decreases in cash and cash equivalents, certain receivables and increases in inventory.

The 4.99% increase in non-current assets is the net result of increases in cash and cash equivalents, and the amount due from New Jersey Environmental Infrastructure Trust and decreases in interest receivable, investments and net capital assets.

The 48.28% decrease in current liabilities payable from unrestricted assets is the net result of increases in accounts payable and accrued liabilities, with a decrease in due to restricted net assets.

The 9.77% increase in current liabilities payable from restricted assets is the net result of decreases in construction related payables, and accrued interest payable on bonds and loans, with increases in restricted accounts payable, deferred compensation due employees, the current portion of revenue bonds, loans payable, sensor escrow and unearned connection fees.

The 9.33% increase in long-term liabilities is the result of decreases in principal maturities on revenue bonds payable and increases to the New Jersey Environmental Infrastructure Trust Loans payable and accrued compensated absences.

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

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

	2010	2009	2008	2010-2009		2009-2008	
				Increase(Decrease)		Increase(Decrease)	
				\$	%	\$	%
Operating Revenue							
Treatment Fees	\$ 5,635	\$ 5,031	\$ 4,658	\$ 604	12.01%	\$ 373	8.01%
Septage Fees	293	243	185	50	20.58%	58	31.35%
Other Operating	122	81	141	41	50.62%	(60)	-42.55%
Nonoperating Revenue	79	117	488	(38)	-32.48%	(371)	-76.02%
Total Revenue	6,129	5,472	5,472	657	12.01%	-	0.00%
Operating Expenses							
Cost of Providing Services	3,154	3,177	3,302	(23)	-0.72%	(125)	-3.79%
Administrative and General	1,179	1,162	1,014	17	1.46%	148	14.60%
Depreciation	1,035	1,048	991	(13)	-1.24%	57	5.75%
Non Operating Expense							
Interest and Amortization	422	447	538	(25)	-5.59%	(91)	-16.91%
Total Expenses	5,790	5,834	5,845	(44)	-0.75%	(11)	-0.19%
Change in Net Assets	320	(362)	(373)	682	-188.40%	11	-2.95%
Capital Contributions	-	-	-	-			
Change in Net Assets	320	(362)	(373)	682	-188.40%	11	-2.95%
Beginning Net Assets	13,345	13,707	14,080	(362)	-2.64%	(373)	-2.65%
Ending Net Assets	\$ 13,665	\$ 13,345	\$ 13,707	\$ 320	2.40%	\$ (362)	-2.64%

REVENUES

The Authority's total revenues are approximately \$6.129 million for the year ended December 31, 2010. Treatment Fees were \$5.635 million accounting for 93% of total revenue.

EXPENSES

Operating expenses include cost of providing services, which totaled \$3.154 million, a .72% decrease and Administrative and General of \$1.179 million, a 1.46% increase. The 14.71% increase in administrative and general for 2009 included a shift in certain personnel costs from costs of providing services to administrative and general.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2010, the Authority had \$15.736 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 6 to the financial statements. Total depreciation expense for the year was \$1.035 million.

The following tables summarize the Authority's capital assets, net of accumulated depreciation, and changes therein, for the year ended December 31, 2010.

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

	2010	2009	2008	2010-2009		2009-2008	
				Increase(Decrease)		Increase(Decrease)	
				\$	%	\$	%
Land	\$ 1,135	\$ 1,135	\$ 1,135	\$ -		\$ -	
Land Improvements	155	149	108	6	4.03%	41	37.96%
Treatment Plant and Facilities	9,881	10,363	10,854	(482)	-4.65%	(491)	-4.52%
Pumping Stations and Interceptors	2,575	2,817	2,849	(242)	-8.59%	(32)	-1.12%
Machinery and Equipment	1,506	1,673	1,816	(167)	-9.98%	(143)	-7.87%
Vehicles	375	410	446	(35)	-8.54%	(36)	-8.07%
Office Equipment	21	31	41	(10)	-32.26%	(10)	-24.39%
Construction in Progress	88	30	4	58	193.33%	26	650.00%
Total	\$ 15,736	\$ 16,608	\$ 17,253	\$ (872)	-5.25%	\$ (645)	-3.74%

This year's additions (in thousands) include:

Land, Treatment Plant and Facilities.....	\$ 114
Pumping Stations and Interceptors.....	15

The Authority's FY 2011 capital budget plans for investing another \$466,000 in capital projects, including the following (in thousands):

Motor /Pump Replacement.....	\$50
Generator for Pump Station: Federal Prison.....	16
Roof Repairs.....	18
Clarifier Repairs.....	82
Centrifuge.....	<u>300</u>
 TOTAL	 \$466

The Authority plans on funding those capital projects using \$83,500 from year 2011 revenue and \$382,500 from Plant Reconstruction and Replacement funds.

Debt Administration

At December 31, 2010, the Authority had several outstanding bond issues and loans payable in the amount of \$10,225,542 that will mature in various amounts through the year 2021 with interest rates ranging from 3.5% to 5.5%. The Authority also has accrued compensated absences in the amount of \$58,946. More detailed information about long-term liabilities can be found in Note 9 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES

In an effort to maintain an adequate level of Unrestricted Net Assets, the Authority has found it necessary to increase our user rates. This rate increase will help to reduce reliance on Unrestricted Net Assets to supplement the budget. The proposed 2011 budget reflects a 3.34% increase in Sewerage Treatment Fees to the Users. The Connection Fee increased \$1,158 in the proposed Budget to \$2,633/DCU, which is the maximum allowable in accordance with N.J.S.A. 40:14B-22. In a continued effort to become more competitive and increase the number of gallons hauled to CCUA, Septage Fees will remain at 5 cents per gallon. The Industrial Pretreatment Program permit fee will remain at \$3,500. Increases in the overall revenues from these sources will help to reduce reliance on Unrestricted Net Assets. The proposed Capital Projects for 2011 include \$382,500 of expenditures which will be funded from the Plant Reconstruction and Replacement Fund and should have no impact on user charges.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

**CUMBERLAND COUNTY UTILITIES AUTHORITY
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2010 AND 2009**

ASSETS

	2010	2009
CURRENT ASSETS - UNRESTRICTED:		
Cash and Cash Equivalents	\$ 1,498,761	\$ 1,775,489
Accounts Receivable (Net of Allowance of \$2,102 and \$3,232)	18,985	28,937
Inventory	64,614	43,423
Total Current Assets - Unrestricted	1,582,360	1,847,849
NONCURRENT ASSETS:		
Restricted:		
Accounts Required by the Authority's Bond Resolutions:		
Cash and Cash Equivalents	867,261	272,896
Investments	1,891,354	1,989,843
Interest Receivable	5,282	7,109
Other Restricted Accounts:		
Cash and Cash Equivalents	330,369	123,229
Investments	1,854,611	2,034,107
Interest Receivable	5,080	6,386
Due from New Jersey Environmental Infrastructure Trust	1,813,785	
Due from Unrestricted Assets	100,073	538,307
Deferred Compensation Benefit Investments	236,439	183,506
Total Restricted Assets	7,104,254	5,155,383
Unamortized Debt Issue Costs	169,160	152,641
Capital Assets, Net	15,736,446	16,608,378
Total Noncurrent Assets	23,009,860	21,916,402
 TOTAL ASSETS	 \$ 24,592,220	 \$ 23,764,251

**CUMBERLAND COUNTY UTILITIES AUTHORITY
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2010 AND 2009**

LIABILITIES AND NET ASSETS

	2010	2009
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:		
Accounts Payable - Operations	\$ 162,236	\$ 129,605
Accrued Liabilities	159,691	148,252
Due to Restricted Assets	100,073	538,307
Total Current Liabilities Payable From Unrestricted Assets	422,000	816,164
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Accounts Payable - Restricted	34,211	
Construction Accounts Payable	3,985	22,625
Sewer Revenue Bonds Payable - Current Portion	985,000	950,000
New Jersey Environmental Infrastructure Trust Loans Payable - Current Portion	127,557	97,341
Sensor Escrow	5,000	4,900
Unearned Connection Fees	5,900	
Accrued Interest Payable - Bonds and Loans	108,129	113,296
Deferred Compensation Benefit Due Employees	236,439	183,506
Total Current Liabilities Payable From Restricted Assets	1,506,221	1,371,668
LONG-TERM LIABILITIES:		
Sewer Revenue Bonds Payable - Non Current Portion	6,014,909	6,936,481
New Jersey Environmental Infrastructure Trust Loans Payable - Non Current Portion	2,925,054	1,241,657
Accrued Compensated Absences	58,946	53,345
Total Long-Term Liabilities	8,998,909	8,231,483
Total Liabilities	10,927,130	10,419,315
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	8,897,069	8,781,309
Restricted:		
Current Debt Service	748,474	679,934
Future Debt Service	123,610	132,486
Renewal and Replacement	600,000	600,000
Unrestricted	3,295,937	3,151,207
Total Net Assets	13,665,090	13,344,936
TOTAL LIABILITIES AND NET ASSETS	\$ 24,592,220	\$ 23,764,251

See Accompanying Notes to Financial Statements

**CUMBERLAND COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
OPERATING REVENUE:		
Treatment Fees	\$ 5,634,714	\$ 5,030,995
Septage Fees	292,733	243,086
Service Fees	18,310	20,816
Lab Fees	950	651
Finance Charges	4,441	784
Industrial Pretreatment Program Revenue	38,500	28,900
Other Operating Income	60,066	30,847
	<u>6,049,714</u>	<u>5,356,079</u>
OPERATING EXPENSES:		
Cost of Providing Services	3,154,394	3,176,890
Administrative and General	1,178,866	1,161,986
Depreciation	1,034,832	1,048,627
	<u>5,368,092</u>	<u>5,387,503</u>
OPERATING INCOME (LOSS)	<u>681,622</u>	<u>(31,424)</u>
NON-OPERATING REVENUE (EXPENSES):		
Connection Fees	22,420	53,090
Interest Income	49,384	64,158
Interest Expense	(404,070)	(446,118)
Amortization of Debt Issue Costs	(17,692)	(1,293)
Gain (Loss) on Disposal of Capital Assets	(18,524)	29,720
Increase (Decrease) in Fair Value of Investments	7,014	(30,482)
	<u>(361,468)</u>	<u>(330,925)</u>
CHANGE IN NET ASSETS	320,154	(362,349)
TOTAL NET ASSETS-BEGINNING	<u>13,344,936</u>	<u>13,707,285</u>
TOTAL NET ASSETS-ENDING	<u>\$ 13,665,090</u>	<u>\$ 13,344,936</u>

See Accompanying Notes to Financial Statements

**CUMBERLAND COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers and Users	\$ 6,019,861	\$ 5,323,416
Cash Payments to Suppliers for Goods and Services	(1,577,440)	(1,618,029)
Cash Payments for Employee Services	(2,756,482)	(2,759,765)
Other Receipts (Payments)	39,904	19,991
	<u>1,725,843</u>	<u>965,613</u>
Net Cash Provided by Operating Activities		
	1,725,843	965,613
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(175,518)	(428,052)
Connection Fees Received	28,320	53,090
Proceeds from Sale of Fixed Assets	4,598	29,720
Principal Paid on Bonds	(950,000)	(905,000)
Principal Paid on Loans Payable	(97,341)	(90,393)
Interest Paid on Bonds and Loans	(348,640)	(386,659)
	<u>(1,538,581)</u>	<u>(1,727,294)</u>
Net Cash Used by Capital and Related Financing Activities		
	(1,538,581)	(1,727,294)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investment Securities	(1,838,410)	(3,680,308)
Proceeds from Sale and Maturities of Investment Securities	2,123,409	4,023,919
Interest Received on Non-Operating Investments	52,516	72,851
	<u>337,515</u>	<u>416,462</u>
Net Cash Provided by Investing Activities		
	337,515	416,462
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	524,777	(345,219)
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>2,171,614</u>	<u>2,516,833</u>
CASH AND CASH EQUIVALENTS-END OF YEAR	<u>\$ 2,696,391</u>	<u>\$ 2,171,614</u>

See Accompanying Notes to Financial Statements

**CUMBERLAND COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ 681,622	\$ (31,424)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	1,034,832	1,048,627
Increase (Decrease) in Cash Resulting From Changes in:		
Accounts Receivable	9,952	(15,273)
Other Receivable - Operations		2,500
Inventory	(21,191)	(21,251)
Accounts Payable - Non Capital	3,488	3,707
Accrued Liabilities	11,439	(14,743)
Sensor Escrow	100	100
Accrued Compensated Absences	5,601	(6,630)
Total Adjustments	1,044,221	997,037
Net Cash Provided by Operating Activities	\$ 1,725,843	\$ 965,613

See Accompanying Notes to Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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, 2010 and 2009, 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, 2010 AND 2009**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Authority are treatment fees and septage fees. The Authority also recognizes service fees, lab fees, finance charges, industrial pretreatment program revenues and miscellaneous operating income as operating revenue. Operating expenses include cost of providing services, administrative and general expenses and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

C. Budgets and Budgetary Accounting

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

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgets and Budgetary Accounting (Continued)

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

D. Grants

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

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

E. Accounts Receivable

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

F. Capital Assets

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

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

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

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

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

**CUMBERLAND COUNTY UTILITIES AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2010 AND 2009**

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, 2010 AND 2009**

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, 2010 AND 2009

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

I. Inventory

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

J. Cash, Cash Equivalents and Investments

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

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

Eligible depositories are defined in section 1 of P.L. 1970, c.236 (C. 17.9-41) and are limited to banks or trust companies having their place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or with the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey governments and their component units.

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

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Cash, Cash Equivalents and Investments (Continued)

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

K. Use of Estimates

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

L. Postemployment Benefits Other than Pensions

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

M. Subsequent Events

Management has evaluated subsequent events through April 8, 2011, the date the financial statements were available for issue.

NOTE 3 CASH AND CASH EQUIVALENTS

At December 31, 2010, the carrying amount and bank balance of the Authority's time and demand deposits were \$1,504,928 and \$1,572,385, respectively. All of the time and demand deposits were covered by either federal deposit insurance or by the Governmental Unit Deposit Protection Act (GUDPA).

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. Although the Authority does not have a formal policy regarding custodial credit risk, as described in Note 2, N.J.S.A. 17:41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. As of December 31, 2010, all of the Authority's bank balance of \$1,572,385 was insured or collateralized.

In addition to the bank deposits described above, the Authority also had \$1,191,449 invested in a government money market fund which is not covered by federal deposit insurance or by GUDPA, but which invests exclusively in general obligations issued by the U.S. Government and backed by its full faith and credit and which carries a credit rating of AAA.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

At December 31, 2010 the Authority had \$15 invested in the New Jersey Cash Management Fund (“the Fund”) which is not covered by either federal deposit insurance or by GUDPA. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above.

NOTE 4 INVESTMENTS

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty’s trust department or agent but not in the Authority’s name. All of the Authority’s \$3,745,965 investments in U.S. Treasury obligations and agencies are held in the name of the counterparty, as trustee for the Authority, not in the name of the Authority.

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

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

Concentration of Credit Risk – The Authority does not place a limit on the amount that may be invested in any one issuer. Ninety-three percent (93%) of the Authority’s investments are in U.S. Treasury Notes and seven percent (7%) are in U.S. Treasury Bills.

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

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

As of December 31, 2009, the Authority had the following investments and maturities:

Investment	Rating	Total Fair Value	Investment Maturities (in Years)		
			Less than 1	1-5	6-10
F.H.L.B. Bonds	AAA	\$ 851,101	\$ 851,101	\$	\$
U.S. Treasury Bill	N/A	528,897	528,897		
U.S. Treasury Notes	N/A	2,643,952	901,508	1,742,444	
Total Investments		\$ 4,023,950	\$ 2,281,506	\$ 1,742,444	\$ -

CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009

NOTE 5 DUE FROM NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

As described in Note 9, during 2010, the Authority has received loans from the State of New Jersey under the New Jersey Environmental Infrastructure Trust Program ("Trust"). The Trust acts in a trustee capacity for the borrowed funds committed to the Authority. As of December 31, 2010, \$1,813,785 was due to the Authority.

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	<u>Balance</u> <u>January 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2010</u>
Non-Depreciable Capital Assets:				
Land	\$ 1,135,342	\$	\$	\$ 1,135,342
Construction in Progress	<u>30,287</u>	<u>57,484</u>	<u> </u>	<u>87,771</u>
Total Non-Depreciable Capital Assets	<u>1,165,629</u>	<u>57,484</u>	<u> </u>	<u>1,223,113</u>
Depreciable Capital Assets:				
Land Improvements	486,219	31,458		517,677
Treatment Plant	23,214,878	82,083	(10,566)	23,286,395
Pumping Stations and Interceptors	6,555,453	14,997	(105,046)	6,465,404
Machinery and Equipment	3,543,219			3,543,219
Vehicles	925,268		(44,252)	881,016
Office Equipment	<u>179,826</u>	<u> </u>	<u>(9,279)</u>	<u>170,547</u>
Total Depreciable Capital Assets	<u>34,904,863</u>	<u>128,538</u>	<u>(169,143)</u>	<u>34,864,258</u>
Less: Accumulated Depreciation:				
Land Improvements	337,508	24,830		362,338
Treatment Plant	12,851,759	561,855	(8,453)	13,405,161
Pumping Stations and Interceptors	3,738,229	236,710	(84,037)	3,890,902
Machinery and Equipment	1,870,496	166,339		2,036,835
Vehicles	514,911	35,718	(44,252)	506,377
Office Equipment	<u>149,211</u>	<u>9,380</u>	<u>(9,279)</u>	<u>149,312</u>
Total Accumulated Depreciation	<u>19,462,114</u>	<u>1,034,832</u>	<u>(146,021)</u>	<u>20,350,925</u>
Net Depreciable Capital Assets	<u>15,442,749</u>	<u>(906,294)</u>	<u>(23,122)</u>	<u>14,513,333</u>
Total Capital Assets, Net	<u>\$ 16,608,378</u>	<u>(\$ 848,810)</u>	<u>(\$ 23,122)</u>	<u>\$ 15,736,446</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2010 AND 2009**

NOTE 7 PENSIONS

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

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

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 5.5% 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.

The State of New Jersey's contribution also includes funding for the cost of medical premiums after retirement for qualified retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits are funded on a pay-as-you-go basis.

For 2010 the Authority had \$164,842 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>
12/31/10	\$ 164,842	100%	\$ 164,842
12/31/09	138,897	100%	138,897
12/31/08	109,524	100%	109,524

**CUMBERLAND COUNTY UTILITIES AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2010 AND 2009**

NOTE 8 AMOUNTS REQUIRED BY BOND RESOLUTION

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

	<u>Bond Service Fund</u>	<u>Bond Reserve Fund</u>
Cash and Investments	\$ 754,655	\$ 1,402,148
Required Amount	<u>852,686</u>	<u>1,392,004</u>
	(<u>\$ 98,031</u>)*	<u>\$ 10,144</u>

* Result of timing differences – additions were made in February 2011.

NOTE 9 LONG-TERM LIABILITIES

A. Bonds Payable

In 1999, the Authority issued its Sewer Revenue Refunding Bonds (Series 1999), in the principal amount of \$3,295,000. The Bonds were issued to provide funds which, together with other moneys of the Authority, were used to advance refund the Authority's Sewer Revenue Bonds (Series 1992) then outstanding in the aggregate principal amount of \$3,170,000, fund a Bond Reserve Fund, and pay certain costs and expenses associated with the issuance of the Bonds. The outstanding balance of the Series 1999 Bonds consists of serial bonds that mature in various amounts ranging from \$300,000 to \$305,000 with interest rates ranging from 4.45% to 4.50% from 2011 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 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, fund a Bond Reserve Fund, and pay certain costs and expenses associated with the issuance 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 balance of the Series 2001A Bonds was paid during 2010.

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

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009**

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

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

The outstanding balance of the Series 2006A Bonds consist of serial bonds that mature in various amounts ranging from \$540,000 to \$710,000 with an interest rate of 4.00% from 2011 to 2017 and a term bonds due from 2018-2021 in the principal amounts ranging from \$70,000 to \$85,000 with an interest rate of 4.00%.

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

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

The outstanding balance of the Series 2006B Bonds consist of serial bonds that mature in 2011 and 2012 in amounts of \$140,000 and \$145,000 respectively, with interest rates of 3.70% and 3.80% respectively and term bonds maturing in various amounts ranging from \$155,000 to \$210,000 with interest rates ranging from 4.00% to 4.20% from 2013 to 2021.

B. Loans Payable

The Authority 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. In 2007 the Trust issued its Series 2007A Wastewater Treatment Refunding Bonds partially refunding the Series 2001 Bonds, which will result in savings credits to be applied to the Authority's interest payments in 2011 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, 2010.

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

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009**

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

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

C. Compensated Absences

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

The following is a summary of changes in long-term liabilities for the year ended December 31, 2010:

<u>Type of Debt</u>	<u>Balance January 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2010</u>	<u>Amounts Due Within One Year</u>
Revenue Bonds Payable:					
Series 2006A	\$ 5,140,000	\$	\$ 465,000	\$ 4,675,000	\$ 540,000
Series 2006B	2,050,000		135,000	1,915,000	140,000
Series 2001A	55,000		55,000		
Series 1999	<u>900,000</u>		<u>295,000</u>	<u>605,000</u>	<u>305,000</u>
	8,145,000		950,000	7,195,000	985,000
Add:					
Unamortized Premium	18,777		4,030	14,747	
Less:					
Unamortized Original Issue Discount	(7,716)		(1,581)	(6,135)	
Unamortized Deferred Amount on Refunding	(269,580)		(65,877)	(203,703)	
Total Revenue Bonds Payable	<u>7,886,481</u>	<u>-</u>	<u>886,572</u>	<u>6,999,909</u>	<u>985,000</u>
Loans Payable:					
Series 2001B Trust Agreement	700,000		45,000	655,000	45,000
Series 2001B Fund Agreement	614,098		52,341	561,757	50,734
Series 2010 Trust Agreement		875,000		875,000	
Series 2010 Fund Agreement		<u>938,785</u>		<u>938,785</u>	<u>31,823</u>
	1,314,098	1,813,785	97,341	3,030,542	127,557
Add:					
Unamortized Premium	<u>24,900</u>		<u>2,831</u>	<u>22,069</u>	
Total Loans Payable	<u>1,338,998</u>	<u>1,813,785</u>	<u>100,172</u>	<u>3,052,611</u>	<u>127,557</u>
Accrued Compensated Absences	<u>53,345</u>	<u>5,601</u>		<u>58,946</u>	
Total Long Term Liabilities	<u>\$ 9,278,824</u>	<u>\$ 1,819,386</u>	<u>\$ 986,744</u>	<u>\$ 10,111,466</u>	<u>\$ 1,112,557</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009**

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, 2010 are as follows:

Year Ending December 31	Revenue Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2011	\$ 985,000	\$ 278,158	\$ 127,557	\$ 65,008
2012	1,010,000	237,140	180,109	73,592
2013	745,000	194,685	178,322	69,341
2014	780,000	164,185	184,784	65,091
2015	815,000	132,285	187,998	58,136
2016-2020	2,565,000	250,342	893,460	215,263
2021-2025	295,000	6,110	729,638	118,828
2026-2030			548,674	48,250
	<u>\$ 7,195,000</u>	<u>\$ 1,262,905</u>	<u>\$ 3,030,542</u>	<u>\$ 713,509</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 a portion of the Authority's Series 2001A Sewer Revenue Bonds. The funds so deposited are being held exclusively for the benefit of the holders of the 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 balance of the 2001A defeased bonds at December 31, 2009 was \$810,000 and was paid on December 1, 2010.

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.

The Authority has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

At December 31, 2010 and 2009, the participants had invested \$236,439 and \$183,506 in the Plan, respectively.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009**

NOTE 12 SUMMARY OF BUDGETARY EXPENDITURES BY WASTE CHARACTERIZATION FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Total</u>	<u>Operating Expenditures Amount</u>	<u>%</u>	<u>Debt Service, Capital Outlay Amount</u>	<u>%</u>
Quantity	\$ 2,090,824	\$ 1,529,023	35.29	\$ 561,801	35.90
Chemical Oxygen Demand	1,875,858	1,371,958	31.66	503,900	32.20
Suspended Solids	1,834,460	1,432,279	33.05	402,181	25.70
Chlorine Demand	<u>97,024</u>	<u>-</u>	<u>0.00</u>	<u>97,024</u>	<u>6.20</u>
 Total	 <u>\$ 5,898,166</u>	 <u>\$ 4,333,260</u>	 <u>100.00</u>	 <u>\$ 1,564,906</u>	 <u>100.00</u>

NOTE 13 INTEREST EXPENSE

	<u>2010</u>	<u>2009</u>
Interest on Bonds, Notes and Loans	\$ 343,473	\$ 377,527
Add: Amortization of Original Issue Discount	1,581	1,833
Amortization of Deferred Amount on Refunding	65,877	74,173
Less: Amortization of Premium – Bonds and Loans	<u>(6,861)</u>	<u>(7,415)</u>
Net Interest Expense	<u>\$ 404,070</u>	<u>\$ 446,118</u>

NOTE 14 ARBITRAGE RULES

The Authority is subject to certain arbitrage rules added to the Internal Revenue Code in 1969 and amended by TEFRA in 1992 and by the 1986 TRA. Under these rules, interest earnings on certain investments of proceeds of the Authority's bonds are subject to the limitations imposed by the arbitrage provisions of the Internal Revenue Code. The Authority is required to rebate certain arbitrage profits on non-purpose investments at least once every five years. At December 31, 2010, there were no material arbitrage profits subject to rebate.

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-two percent (82%) of its User Charge revenues from the City of Bridgeton.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2010 AND 2009**

NOTE 17 RESTRICTED NET ASSETS

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

		2010		2009
Current Debt Service	\$	748,474	\$	679,934
Future Debt Service		123,610		132,486
Renewal and Replacement		600,000		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, 2010 and 2009 is \$2,183,878 and \$2,157,686, respectively.

The unrestricted net assets designated for subsequent year's expenditures at December 31, 2009 consisted of \$93,432 which was appropriated and included as anticipated revenue in the 2010 budget. There were no unrestricted net assets designated for subsequent year's expenditures at December 31, 2010.

NOTE 19 COMPLIANCE WITH GENERAL BOND RESOLUTION

Section 720 of the Authority's General Bond Resolution requires that the Authority calculate, certify and charge rates (service charges) so that the total Revenues, as defined in the Resolution, shall at least equal the amount of all Operating Expenses for the fiscal year, plus the amount required to pay the principal of and interest on Outstanding Bonds as the same become due and payable. Revenues for the year 2010 and 2009, as defined in the Authority's General Bond Resolution, were greater than the total of Operating Expenses paid plus Debt Service paid. As a result, the Authority met the rate covenant contained in Section 720 of the Authority's General Bond Resolution.

NOTE 20 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009**

NOTE 20 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/pdf/financial/gasb-43-aug2010.pdf

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

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

The Authority contributions to SHBP for retirees for the years ended December 31, 2010, 2009, and 2008, were \$95,951, \$92,402, and \$77,233, respectively, which equaled the required contributions for each year. There were approximately 11, 11, and 9 retired participants eligible at December 31, 2010, 2009, and 2008, respectively.

SUPPLEMENTARY INFORMATION

**CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED ACCOUNTS
YEAR ENDED DECEMBER 31, 2010**

	<u>REVENUE ACCOUNT</u>	<u>OPERATING ACCOUNT</u>	<u>GENERAL ACCOUNT</u>	<u>TOTAL</u>
CASH AND INVESTMENTS - JANUARY 1, 2010	\$ 1,427,943	\$ (13,582)	\$ 361,128	\$ 1,775,489
CASH RECEIPTS:				
Treatment Fees	5,634,441			5,634,441
Septage Fees	304,089			304,089
Industrial Pretreatment Program Revenue	38,500			38,500
Interest on Investments	5,051	5,983	24	11,058
Finance Charges	4,441			4,441
Other Income	62,282			62,282
Connection Fees	28,320			28,320
Transfers - Unrestricted Accounts	(5,949,260)	5,921,705	27,555	-
Transfers from Restricted Accounts	24,710			24,710
Other Receivables/Reimbursements	838			838
Total Cash and Investments Available	<u>1,581,355</u>	<u>5,914,106</u>	<u>388,707</u>	<u>7,884,168</u>
CASH DISBURSEMENTS:				
Operations		4,311,397		4,311,397
Transfers to Restricted Accounts	1,528,122		370,370	1,898,492
Construction In Progress		76,123		76,123
Fixed Assets Purchased from Operations	-	99,395		99,395
Total Cash Disbursed	<u>1,528,122</u>	<u>4,486,915</u>	<u>370,370</u>	<u>6,385,407</u>
CASH AND INVESTMENTS - DECEMBER 31, 2010	<u>\$ 53,233</u>	<u>\$ 1,427,191</u>	<u>\$ 18,337</u>	<u>\$ 1,498,761</u>
BALANCE COMPRISED OF:				
Cash and Cash Equivalents:				
Non-Interest Bearing	\$	\$ 500	\$	\$ 500
Interest Bearing	53,233	1,426,691	18,337	1,498,261
	<u>\$ 53,233</u>	<u>\$ 1,427,191</u>	<u>\$ 18,337</u>	<u>\$ 1,498,761</u>

SCHEDULE 3

CUMBERLAND COUNTY UTILITIES AUTHORITY
 SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND CHANGES IN CASH AND INVESTMENTS
 RESTRICTED ACCOUNTS
 YEAR ENDED DECEMBER 31, 2010

	ACCOUNTS REQUIRED BY BOND RESOLUTIONS			OTHER ACCOUNTS			
	BOND SERVICE	BOND RESERVE	RENEWAL AND REPLACEMENT	PLANT RECONSTRUCTION OR REPLACEMENT	SENSOR ESCROW	TOTAL	
CASH AND INVESTMENTS -							
JANUARY 1, 2010	\$ 254,923	\$ 1,402,469	\$ 602,446	\$ 2,144,433	\$ 6,036	\$ 4,410,307	
CASH RECEIPTS:							
Interest Received	70	15,925	4,923	20,492	45	41,455	
Sensor Escrow					100	100	
Realized Gain (Loss) on Sale of Investments		472	27	709		1,208	
Transfers from Unrestricted Accounts	1,898,492					1,898,492	
Total Cash and Investments Available	2,153,485	1,418,866	607,396	2,165,634	6,181	6,351,562	
CASH DISBURSEMENTS:							
Transfers to Unrestricted Accounts		15,612	9,098			24,710	
Operations	2,850					2,850	
Debt Service Payment	1,395,981					1,395,981	
Total Cash Disbursements	1,398,831	15,612	9,098	-	-	1,423,541	
CASH AND INVESTMENTS -							
DECEMBER 31, 2010	\$ 754,654	\$ 1,403,254	\$ 598,298	\$ 2,165,634	\$ 6,181	\$ 4,928,021	
BALANCE COMPRISED OF:							
Cash and Cash Equivalents:							
Interest Bearing Investments (At Cost):	\$ 754,654	\$ 107,607	\$ 5,000	\$ 324,188	\$ 6,181	\$ 1,197,630	
U.S. Government Obligations		1,295,647	593,298	1,841,446		3,730,391	
	\$ 754,654	\$ 1,403,254	\$ 598,298	\$ 2,165,634	\$ 6,181	\$ 4,928,021	

CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009

	2010 BUDGET	2010 ACTUAL	2009 ACTUAL
REVENUES:			
Net Assets Appropriated	\$ 107,432	\$ -	\$ 92,289
Unexpended Series 2006 Proceeds			298,702
Plant Reconstruction & Replacement Funds	132,500		223,155
Sewerage Treatment Fees	5,634,714	5,634,714	5,030,995
Septage Fees	240,000	292,733	243,086
Connection Fees	10,000	22,420	53,090
Other Income		60,066	30,847
Investment Income	25,000	30,199	36,274
Finance Charges		4,441	784
Lab Fees		950	651
Industrial Pretreatment Program Fees	24,500	38,500	28,900
Service Fees	10,000	18,310	20,816
	<u>\$ 6,184,146</u>	<u>\$ 6,102,333</u>	<u>\$ 6,059,589</u>
EXPENSES:			
Costs of Providing Services:			
Salaries and Wages	\$ 1,432,338	\$ 1,375,932	\$ 1,418,102
Employee Benefits	625,600	638,975	596,592
Automotive Expense	24,500	22,033	23,875
Chemicals Used in Treatment	88,500	84,337	81,822
Fuels and Lubricants	82,500	74,964	75,427
Utilities	514,500	494,274	552,319
Materials and Supplies	44,000	41,417	43,976
Repairs and Replacements	134,500	125,260	161,104
Sludge Disposal	287,000	232,589	173,585
Laboratory Expenses	55,000	57,442	39,553
Other Operations and Maintenance Expenses	3,000	2,886	4,222
Industrial Pretreatment Program	7,000	4,285	6,313
	<u>3,298,438</u>	<u>3,154,394</u>	<u>3,176,890</u>

CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009

	2010 BUDGET	2010 ACTUAL	2009 ACTUAL
EXPENSES (CONTINUED):			
Administrative and General Expenses:			
Salaries and Wages	\$ 432,550	\$ 435,005	\$ 424,092
Employee Benefits	315,000	331,654	299,939
Office Supplies and Expense	41,000	27,669	34,759
Professional Services	176,050	142,537	146,730
Insurance	64,150	63,227	71,286
Travel, Conferences and Education	16,125	11,232	15,537
Utilities	39,000	40,277	40,241
Dues and Subscriptions	8,000	6,957	6,418
Maintenance of General Property	41,000	36,108	38,421
Permits and Fees	96,700	80,102	75,814
Provision for Bad Debts	2,000		1,717
Other Administrative Fees	6,000	4,098	7,032
	1,237,575	1,178,866	1,161,986
Interest Expense	344,138	343,473	377,527
OTHER COSTS FUNDED BY REVENUES:			
Principal Maturities	1,047,342	1,047,341	995,393
Capital Outlays	256,653	174,092	347,793
	1,303,995	1,221,433	1,343,186
TOTAL COSTS FUNDED BY REVENUES	6,184,146	5,898,166	6,059,589
REVENUES OVER (UNDER) COSTS FUNDED BY REVENUES	\$ -	204,167	-
Reconciliation of Budgetary Basis to Change in Net Assets:			
Adjustments to Budgetary Basis:			
Interest Income not used for Operations		19,185	27,884
Capital Outlays		174,092	347,793
Principal Maturities		1,047,341	995,393
Increase (Decrease) in Fair Value of Investments		7,014	(30,482)
Gain (Loss) on Disposal of Capital Assets		(18,524)	29,720
Amortization Charged to Interest Expense		(60,597)	(68,591)
Amortization Expense		(17,692)	(1,293)
Depreciation Expense		(1,034,832)	(1,048,627)
Unexpended Series 2006 Proceeds			(298,702)
Plant Reconstruction & Replacement Funds Utilized			(223,155)
Net Assets Appropriated			(92,289)
CHANGE IN NET ASSETS PER EXHIBIT B		\$ 320,154	\$ (362,349)

CUMBERLAND COUNTY UTILITIES AUTHORITY
 SCHEDULE OF SEWER REVENUE BONDS PAYABLE
 DECEMBER 31, 2010

	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE JANUARY 1, 2010	ISSUED 2010	PAID 2010	BALANCE DECEMBER 31, 2010
	DATE	AMOUNT		DATE	AMOUNT				
Issue of 2001A	11/15/2001	\$ 1,200,000	5.40%	\$ -	\$ -	\$ 55,000	\$ -	\$ 55,000	\$ -
Issue of 1999	4/1/1999	3,295,000	4.45%	12/1/2011	305,000				
			4.50%	12/1/2012	300,000	900,000		295,000	605,000
Issue of 2006A	3/28/2006	6,055,000	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		5,140,000	-	465,000	4,675,000
Issue of 2006B	4/18/2006	2,430,000	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				
			4.00%	3/1/2016	175,000				
			4.10%	3/1/2017	180,000				
			4.10%	3/1/2018	185,000				
			4.20%	3/1/2019	195,000				
			4.20%	3/1/2020	205,000				
		4.20%	3/1/2021	210,000		2,050,000	-	135,000	1,915,000
						\$ 8,145,000	\$ -	\$ 950,000	\$ 7,195,000

CUMBERLAND COUNTY UTILITIES AUTHORITY
 SCHEDULE OF LOANS PAYABLE
 NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
 DECEMBER 31, 2010

	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE JANUARY 1, 2010	ISSUED 2010	PAID 2010	BALANCE DECEMBER 31, 2010
	DATE	AMOUNT		DATE	AMOUNT				
2001 Trust Loan Agreement	10/15/2001	\$ 950,000	5.50%	8/1/2011	\$ 45,000				
			5.50%	8/1/2012	50,000				
			5.50%	8/1/2013	50,000				
			5.00%	8/1/2014	55,000				
			5.00%	8/1/2015	55,000				
			5.00%	8/1/2016	60,000				
			5.00%	8/1/2017	60,000				
			5.00%	8/1/2018	65,000				
			5.00%	8/1/2019	70,000				
			4.75%	8/1/2020	70,000				
			4.75%	8/1/2021	75,000				
						\$ 700,000	\$ -	\$ 45,000	\$ 655,000
2001 Fund Loan Agreement	10/15/2001	\$ 1,000,000	N/A	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	51,026				
						614,098	-	52,341	561,757

CUMBERLAND COUNTY UTILITIES AUTHORITY
 SCHEDULE OF LOANS PAYABLE (CONTINUED)
 NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
 DECEMBER 31, 2010

	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE JANUARY 1, 2010	ISSUED 2010	PAID 2010	BALANCE DECEMBER 31, 2010
	DATE	AMOUNT		DATE	AMOUNT				
2010 Trust Loan Agreement	12/2/1010	\$ 875,000	5.00%	8/1/2012	\$ 30,000				
			5.00%	8/1/2013	30,000				
			5.00%	8/1/2014	30,000				
			5.00%	8/1/2015	35,000				
			5.00%	8/1/2016	35,000				
			5.00%	8/1/2017	35,000				
			5.00%	8/1/2018	40,000				
			5.00%	8/1/2019	40,000				
			5.00%	8/1/2020	45,000				
			5.00%	8/1/2021	45,000				
			5.00%	8/1/2022	45,000				
			5.00%	8/1/2023	50,000				
			5.00%	8/1/2024	50,000				
			5.00%	8/1/2025	55,000				
			5.00%	8/1/2026	55,000				
			5.00%	8/1/2027	60,000				
			5.00%	8/1/2028	60,000				
			5.00%	8/1/2029	65,000				
			5.00%	8/1/2030	70,000				
						\$ -	\$ 875,000	\$ -	\$ 875,000
2010 Fund Loan Agreement	12/2/2010	\$ 938,785	N/A	2011	31,823				
				2012	47,735				
				2013	47,735				
				2014	47,735				
				2015	47,735				
				2016	47,735				
				2017	47,735				
				2018	47,735				
				2019	47,735				
				2020	47,735				
				2021	47,735				
				2022	47,735				
				2023	47,735				
				2024	47,735				
				2025 *	47,735				
				2026	47,735				
				2027	47,735				
				2028	47,734				
				2029	47,734				
				2030	47,734				
						\$ -	\$ 938,785	\$ -	\$ 938,785
						\$ 1,314,098	\$ 1,813,785	\$ 97,341	\$ 3,030,542

ROSTER OF OFFICIALS

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

Other Officials

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

Surety Company

ITT Hartford Insurance Group

**CUMBERLAND COUNTY UTILITIES AUTHORITY
FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2010**

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

Finding No. 2010-1

Condition:

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

Criteria:

N.J.S.A. 40A:11-5 requires professional service contracts above the bid threshold to be awarded by resolution of the governing body and a notice of the contract award to be advertised in the Authority's official newspaper.

Effect:

By not advertising the award of the professional service contracts, the Authority was not in compliance with N.J.S.A. 40A:11-5.

Cause:

Due to an oversight, there were two instances of professional service contracts being properly awarded but not publicly advertised as required.

Recommendation:

The Authority should advertise the award of professional service contracts in its official newspaper in accordance with N.J.S.A. 40A:11-5.

Management's Response:

Management of the Cumberland County Utilities Authority agrees with the Audit Finding No. 2010-1 as described.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2010**

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

NONE