

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

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, 2013 are as follows:

Year Ending December 31	Revenue Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2014	\$ 780,000	\$ 164,185	\$ 281,627	\$ 82,340
2015	815,000	132,285	284,841	74,786
2016	865,000	98,685	291,302	69,385
2017	890,000	63,495	289,353	63,968
2018	255,000	40,413	300,653	58,317
2019 - 2023	850,000	53,860	1,331,066	207,221
2024 - 2028			906,217	110,050
2029 - 2031			572,373	20,300
	<u>\$ 4,455,000</u>	<u>\$ 552,923</u>	<u>\$ 4,257,432</u>	<u>\$ 686,367</u>

NOTE 10 DEFERRED COMPENSATION PLAN

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

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

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

At December 31, 2013 and 2012, the participants had invested \$272,179 and \$263,525 in the Plan, respectively.

NOTE 11 INTEREST EXPENSE

	2013	2012
Interest on Bonds, Notes and Loans	\$ 264,015	\$ 298,256
Add: Amortization of Original Issue Discount	756	1,149
Amortization of Deferred Amount on Refunding	34,945	47,746
Less: Amortization of Premium – Bonds and Loans	(13,072)	(12,937)
Net Interest Expense	<u>\$ 286,644</u>	<u>\$ 334,214</u>

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

NOTE 12 ARBITRAGE RULES

The Authority is subject to certain arbitrage rules added to the Internal Revenue Code in 1969 and amended by TEFRA in 1992 and by the 1986 TRA. Under these rules, interest earnings on certain investments of proceeds of the Authority's bonds are subject to the limitations imposed by the arbitrage provisions of the Internal Revenue Code. The Authority is required to rebate certain arbitrage profits on non-purpose investments at least once every five years. At December 31, 2013 and 2012 there were no material arbitrage profits subject to rebate.

NOTE 13 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance for risks of loss. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 14 ECONOMIC DEPENDENCY

The Authority derives approximately seventy-nine percent (79%) of its User Charge revenues from the City of Bridgeton.

NOTE 15 RESTRICTED NET POSITION

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

	2013	2012
Current Debt Service	\$ 988,986	\$ 813,900
Future Debt Service	339,056	
Renewal and Replacement	600,000	600,000
Construction	365,740	

NOTE 16 DESIGNATED UNRESTRICTED NET POSITION

The Authority has, by resolution, designated a portion of its Unrestricted Net Position for Future Plant Reconstruction or Replacement. The amount so designated as of December 31, 2013 and 2012 is \$1,976,727 and \$1,941,232, respectively.

The Authority has also, by resolution, designated a portion of its Unrestricted Net Position to establish and maintain a User Revenue Reserve. The Reserve is to be used to minimize the impact of flow fluctuations from it Users, particularly from any unanticipated loss or reduction in flow and the related revenue. The amount so designated as of December 31, 2013 and 2012 is \$79,909 and \$0 respectively.

There were no unrestricted net assets designated for subsequent year's expenditures at December 31, 2013 and 2012.

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

NOTE 17 COMPLIANCE WITH GENERAL BOND RESOLUTION

Section 720 of the Authority's General Bond Resolution requires that the Authority calculate, certify and charge rates (service charges) so that the total Revenues, as defined in the Resolution, shall at least equal the amount of all Operating Expenses for the fiscal year, plus the amount required to pay the principal of and interest on Outstanding Bonds as the same become due and payable. Revenues for the years 2013 and 2012, as defined in the Authority's General Bond Resolution, were greater than the total of Operating Expenses paid plus Debt Service paid. As a result, the Authority met the rate covenant contained in Section 720 of the Authority's General Bond Resolution.

NOTE 18 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions/audit-rpts-2012/shbp-12.pdf>

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

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

The Authority contributions to SHBP for retirees for the years ended December 31, 2013, 2012, and 2011, were \$217,826, \$168,475, and \$126,017, respectively, which equaled the required contributions for each year. There were approximately 15, 13, and 12 retired participants eligible at December 31, 2013, 2012, and 2011, respectively.

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

NOTE 19 CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLE

As discussed in Note 2, during the year ended December 31, 2013, the Authority adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB) resulting in a change in accounting principles:

GASBS No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements;

GASBS No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

GASBS No. 65, Items Previously Reported as Assets and Liabilities

The change in accounting principles is retroactive to prior reporting periods and resulted in the adjustment detailed below:

Summary Statement of Net Position
As of December 31, 2012

	Previously Reported	Prior Period Adjustment	Restated
Assets			
Current Assets - Unrestricted	\$ 2,810,157	\$ -	\$ 2,810,157
Noncurrent Assets:			
Restricted Assets	5,531,210	-	5,531,210
Capital Assets, Net	15,149,834	-	15,149,834
Debt Issue Costs	121,887	(121,887)	-
Total Assets	23,613,088	(121,887)	23,491,201
Deferred Outflows of Resources			
Deferred Loss on Defeasance of Debt		99,951	99,951
Total Deferred Outflows of Resources	-	99,951	99,951
Liabilities			
Current Liabilities	1,875,180	-	1,875,180
Noncurrent Liabilities:			
Revenue Bonds Payable	4,359,417	99,951	4,459,368
NJEIT Loans Payable	2,410,070		2,410,070
Other	55,691	-	55,691
Total Liabilities	8,700,358	99,951	8,800,309
Net Position			
Net Investment in Capital Assets	8,767,892	(221,838)	8,546,054
Restricted	1,413,900	-	1,413,900
Unrestricted	4,730,938	99,951	4,830,889
Total Net Position	\$ 14,912,730	\$ (121,887)	\$ 14,790,843

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

NOTE 19 CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLE (CONTINUED)

Summary Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended December 31, 2012

	<u>Previously Reported</u>	<u>Prior Period Adjustment</u>	<u>Restated</u>
Operating Revenues	\$ 6,454,328	\$ -	\$ 6,454,328
Operating Expenses	(5,363,597)	-	(5,363,597)
Non-Operating Revenues (Expenses):			-
Amortization of Debt Issue Costs	(25,016)	25,016	-
Debt Issue Costs Incurred		(24,176)	(24,176)
Other Non-Operating Revenues (Expenses)	(259,961)	-	(259,961)
Change in Net Position (Formerly Net Assets)	805,754	840	806,594
Net Position January 1,	<u>14,106,976</u>	<u>(122,727)</u>	<u>13,984,249</u>
Net Position December 31,	<u>\$ 14,912,730</u>	<u>\$ (121,887)</u>	<u>\$ 14,790,843</u>

SUPPLEMENTARY INFORMATION

CUMBERLAND COUNTY UTILITIES AUTHORITY
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-
 NET INVESTMENT IN CAPITAL ASSETS, RESTRICTED AND UNRESTRICTED
 YEAR ENDED DECEMBER 31, 2013

	UNRESTRICTED			RESTRICTED			TOTALS (MEMO) 2012 (RESTATED)	
	NET INVESTMENT IN CAPITAL ASSETS	UNDESIGNATED	DESIGNATED - USER REVENUE RESERVE	DESIGNATED - FUTURE PLANT RECONSTRUCTION OR REPLACEMENT	CURRENT DEBT SERVICE	FUTURE DEBT SERVICE		RENEWAL AND REPLACEMENT
OPERATING REVENUE:								
Treatment Fees	\$	5,887,450	\$	\$	\$	\$	\$	\$
Septage Fees		339,225						
Industrial Pretreatment Program Revenue		57,500						
User Surcharge Revenue		42,374						
Service Fees		11,494						
Finance Charges		2,507						
Other Operating Income		31,159						
		6,371,709						
OPERATING EXPENSES:								
Cost of Providing Services		3,286,253						
Administrative and General		1,166,671						
Depreciation		1,012,542						
		5,465,466						
OPERATING INCOME		906,243						
NON-OPERATING REVENUE (EXPENSES):								
Connection Fees		32,400						
Interest Income		2,336						
Interest Expense		(286,644)			28	33,970	13,863	
Debt Issue Costs Incurred		(67,243)						
Gain (Loss) on Disposal of Capital Assets		47,600						
Increase (Decrease) in Fair Value of Investments		(271,551)						
		654,692						
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS		(293,621)						
Investment Income		(1,325)						
Increase (Decrease) in Debt Service Requirement		(175,086)						
Other Transfers		(541,084)	79,909					
		(293,621)	79,909					
INCREASE (DECREASE) IN NET POSITION		8,546,054						
NET POSITION - JANUARY 1, (RESTATED)		8,252,433						
NET POSITION - DECEMBER 31,		2,806,854						

CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED ACCOUNTS
YEAR ENDED DECEMBER 31, 2013

	<u>REVENUE ACCOUNT</u>	<u>OPERATING ACCOUNT</u>	<u>GENERAL ACCOUNT</u>	<u>TOTAL</u>
CASH AND INVESTMENTS - JANUARY 1, 2013	\$ 585,745	\$ 1,213,998	\$ 834,066	\$ 2,633,809
CASH RECEIPTS:				
Treatment Fees	5,909,589			5,909,589
Septage Fees	376,040			376,040
Industrial Pretreatment Program Revenue	72,500			72,500
Interest on Investments	1,056	1,207	69	2,332
Finance Charges	2,190			2,190
Other Income	81,718			81,718
Connection Fees	32,400			32,400
Transfers - Unrestricted Accounts	(5,681,204)	4,722,218	958,986	-
Transfers from Restricted Accounts	289,747	-		289,747
Other Receivables/Reimbursements	72,930			72,930
Total Cash and Investments Available	<u>1,742,711</u>	<u>5,937,423</u>	<u>1,793,121</u>	<u>9,473,255</u>
CASH DISBURSEMENTS:				
Operations		4,382,543		4,382,543
Transfers to Restricted Accounts	1,689,541	100,000	600,000	2,389,541
Construction In Progress		43,616		43,616
Fixed Assets Purchased from Operations	-	50,397		50,397
Total Cash Disbursed	<u>1,689,541</u>	<u>4,576,556</u>	<u>600,000</u>	<u>6,866,097</u>
CASH AND INVESTMENTS - DECEMBER 31, 2013	<u>\$ 53,170</u>	<u>\$ 1,360,867</u>	<u>\$ 1,193,121</u>	<u>\$ 2,607,158</u>
BALANCE COMPRISED OF:				
Cash and Cash Equivalents:				
Non-Interest Bearing	\$ 53,170	\$ 500	\$ 1,193,121	\$ 500
Interest Bearing	<u>53,170</u>	<u>1,360,367</u>	<u>1,193,121</u>	<u>2,606,658</u>
	<u>\$ 53,170</u>	<u>\$ 1,360,867</u>	<u>\$ 1,193,121</u>	<u>\$ 2,607,158</u>

CUMBERLAND COUNTY UTILITIES AUTHORITY
 SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND CHANGES IN CASH AND INVESTMENTS
 RESTRICTED ACCOUNTS
 YEAR ENDED DECEMBER 31, 2013

	ACCOUNTS REQUIRED BY BOND/LOAN RESOLUTIONS						OTHER ACCOUNTS			
	BOND SERVICE	BOND RESERVE	RENEWAL AND REPLACEMENT	NJEIT PROJECT	PLANT RECONSTRUCTION OR REPLACEMENT	SENSOR ESCROW	USER REVENUE RESERVE	CASH HELD BY FISCAL AGENT	TOTAL	
CASH AND INVESTMENTS -										
JANUARY 1, 2013	\$ 689,424	\$ 1,544,656	\$ 603,901	\$ -	\$ 1,915,306	\$ 6,528	\$ -	\$ 232,179	\$ 4,991,994	
CASH RECEIPTS:										
Interest Received	28	33,257	8,449	1,542,154	46,763	3			88,500	
NJEIT Proceeds		(5,684)	(4,071)		(2,478)				1,542,154	
Realized Gain(Loss) on Sale of Investments						400			(12,233)	
Deposits for Sensors									400	
Transfers from Unrestricted Accounts	1,586,061	95,804	7,676	600,000	50,000		50,000		2,389,541	
Total Cash and Investments Available	2,275,513	1,668,033	615,955	2,142,154	2,009,591	6,931	50,000	232,179	9,000,356	
CASH DISBURSEMENTS:										
Transfers to Unrestricted Accounts		288,807	940	40,426					289,747	
Cost of Issuance				1,735,988					40,426	
Construction In Progress								51,125	1,735,988	
Debt Service Payment	1,191,985								1,243,110	
Total Cash Disbursements	1,191,985	288,807	940	1,776,414	-	-	-	51,125	3,309,271	
CASH AND INVESTMENTS -										
DECEMBER 31, 2013	\$1,083,528	\$ 1,379,226	\$ 615,015	\$ 365,740	\$ 2,009,591	\$ 6,931	\$ 50,000	\$ 181,054	\$ 5,691,085	
BALANCE COMPRISED OF:										
Cash and Cash Equivalents:										
Interest Bearing Investments (At Cost):										
U.S. Government Obligations	\$1,083,528	\$ 22,974	\$ 8,000	\$ 365,740	\$ 62,924	\$ 6,931	\$ 50,000	\$ 181,054	\$ 1,781,151	
		1,356,252	607,015		1,946,667				3,909,934	
	\$1,083,528	\$ 1,379,226	\$ 615,015	\$ 365,740	\$ 2,009,591	\$ 6,931	\$ 50,000	\$ 181,054	\$ 5,691,085	

CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2013

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2012 (RESTATED)

	2013 BUDGET	2013 ACTUAL	2012 ACTUAL (RESTATED)
REVENUES:			
Plant Reconstruction & Replacement Funds	\$ -	\$ -	\$ -
Sewerage Treatment Fees	5,851,960	5,887,450	5,924,220
Septage Fees	200,000	339,225	412,299
Industrial Pretreatment Program Fees	24,500	57,500	52,500
Investment Income	55,000	50,196	36,108
User Surcharge Revenue		42,374	
Connection Fees		32,400	10,255
Other Income		31,159	46,843
Service Fees		11,494	14,715
Finance Charges		2,507	3,751
Total Revenues	\$ 6,131,460	\$ 6,454,305	\$ 6,500,691
EXPENSES:			
Costs of Providing Services:			
Salaries and Wages	\$ 1,355,200	\$ 1,341,858	\$ 1,291,905
Employee Benefits	816,575	774,588	750,284
Automotive Expense	30,700	25,914	18,006
Chemicals Used in Treatment	96,000	79,927	87,998
Fuels and Lubricants	100,500	113,921	77,301
Utilities	543,000	527,969	522,004
Materials and Supplies	44,000	43,820	40,479
Repairs and Replacements	102,000	81,528	82,818
Sludge/Waste/Recycling Disposal	242,000	241,337	141,446
Laboratory Expenses	50,000	46,210	53,982
Other Operations and Maintenance Expenses	3,500	2,721	3,239
Industrial Pretreatment Program	6,500	6,460	6,507
	3,389,975	3,286,253	3,075,969